



10 BRIEF INFO ON UPSC CIVIL SERVICES EXAM

वैसे इसकी जरूरत नहीं होनी चाहिए, it's available on internet लेकिन कुछ लोग ये भी पूछते रहते हैं so here it is:

10.2.1 Syllabus of Preliminary examination

Paper-1 General Studies (2 hrs)	Paper-II Aptitude (2 hrs)
100 MCQs x 2 marks = 200 marks. They're counted for shortlisting candidates for the Mains exam stage.	80 MCQs x 2.5 marks = 200 marks. Since 2015 exam-reform, you need to score only 33% qualifying marks (i.e. 67 marks), and they're not counted while shortlisting candidates for the Mains exam stage.
<ol style="list-style-type: none"> 1. Current events of national and international importance. 2. History of India, Indian National Movement. 3. Indian and World Geography – Physical, Social, Economic Geo.of India, World. 4. Indian Polity and Governance – Constitution, Political System, Panchayati Raj, Public Policy, Rights Issues, etc. 5. <input checked="" type="checkbox"/> Economic and Social Development Sustainable Development, Poverty, Inclusion, Demographics, Social Sector initiatives, etc. (Covered in this course) 6. General issues on Environmental Ecology, Bio-diversity and Climate Change – that do not require subject specialization. (7) General Science. 	<ol style="list-style-type: none"> 1. Comprehension. 2. Logical reasoning and analytical ability. 3. General mental ability. 4. Basic numeracy (numbers and their relations, orders of magnitude, etc.) (Class X level), Data interpretation (charts, graphs, tables, data sufficiency etc. – Class X level). 5. **Interpersonal skills including communication skills. 6. **Decision-making and problem-solving. ** while they're part of syllabus but not asked since 2015 due to protests by the Hindi-belt aspirants.

10.2.2 Mains & Interview

Paper	Subject Name	Marks
	English language paper & regional language paper (Not counted in Merit)	N/A
Paper-1	Essay	250
Paper-2	General Studies-I (Indian Heritage and Culture, History and Geography of the World and Society)	250
Paper-3	General Studies –II (Governance, Constitution, Polity, Social Justice and International relations)	250
Paper-4	General Studies –III (Technology, Economic Development, Bio-diversity, Environment, Security and Disaster Management)	250
Paper-5	General Studies –IV (Ethics, Integrity and Aptitude)	250
Paper-6	Optional Subject – Paper 1	250
Paper-7	Optional Subject – Paper 2	250
	Sub Total (Written test)	1750
	INTERVIEW/ Personality Test	275
	Grand Total	2025

10.2.3 General Studies Mains Paper 1 to 4: What is covered in your course?

= covered in Mrunal's Economy Course/Handout either fully or briefly. <see next table → → >

Block Sr Title

GS-I: Indian Heritage and Culture, History and Geography of the World and Society.		
<i>History</i>	001	Salient aspects of Art forms, Literature, Architecture (ancient to modern)
	002	History Mid-18th century - Present (significant events, personalities, issues)
	003	Freedom Struggle (various stages, important contributors from different parts of the country)
	004	Post-Independence (consolidation and reorganisation within country)
	005	18th century events (e.g. Industrial Revolution, WWs, redrawn boundaries, colonisation, decolonisation)
	006	Political philosophies (e.g. communism, capitalism, socialism) and their effect on society
<i>Social Science</i>	007	Salient features of Indian Society
	008	Diversity of India
	009	Role of women and women's organisation
	010	Population and associated issues <input checked="" type="checkbox"/> (Pillar6)
	011	Poverty and developmental issues <input checked="" type="checkbox"/> (Pillar6)
	012	Urbanisation (problems and remedies) <input checked="" type="checkbox"/> (Pillar5)
<i>Geography</i>	013	Globalisation (effects on Indian society)
	014	Social Empowerment, Communalism, Regionalism, Secularism
	015	Salient Features of World Physical Geography
	016	Distribution of key Natural Resources (world, S. Asia, Indian subcontinent)
	017	Factors responsible for location of Industries (primary, secondary, tertiary; India, world) REF: https://mrunal.org/tag/gsm1-geo-location
	018	Important Geophysical phenomena (earthquakes, tsunami, volcanoes, cyclones)
<i>Polity & Governance</i>	019	Geographical features and location
	020	Critical geographical features, flora, fauna (changes and effects therof)
	GS-II: Governance, Constitution, Polity, Social Justice and International Relations	
	021	Constitution: Historical underpinnings & evolution- Features, amendments, significant provisions, basic structure
	022	Comparison of Indian constitutional scheme with other countries'
	023	Functions & responsibilities of the Union and the States; issues and challenges of federal structure
<i>Welfare of Weaker Section</i>	024	Devolution of powers and finances to local levels; challenges therein
	025	Separation of Powers (between different organs, dispute redressal mechanisms, institutions)
	026	Union and State Legislatures (structure, functioning, conduct of business, powers & privileges; issues therein)
	027	Executive, Judiciary (structure, organisation, functioning)
	028	Ministries and Departments (of Union and State govts.)
	029	Pressure Groups & Formal, Informal associations (and their role in the polity)
	030	Salient features of the Representation of People's Act.
	031	Bodies: i) Appointment to various Constitutional posts (ii) Constitutional Bodies (powers, functions and responsibilities) (iii) Statutory, Regulatory and Quasi-judicial bodies <input checked="" type="checkbox"/> (only those related to economy)
	032	Government Policies & Interventions for development of various sectors (issues in their design, implementation) <input checked="" type="checkbox"/>
	033	Development Processes & Development industry (role of NGOs, SHGs, groups & associations, donors, charities, institutional and other stakeholders)
	034	Welfare Schemes (centre, states; performance, mechanisms, laws, institutions and bodies constituted for protection of vulnerable sections) <input checked="" type="checkbox"/>
	035	Social Sector & Social Services (health, education, human resources - issues in development, management) <input checked="" type="checkbox"/>





Governanc e	036	Poverty and hunger issues <input checked="" type="checkbox"/>
	037	Important aspects of governance
	038	Transparency and accountability (institutional and other measures)
	039	E-Governance (applications, models, successes, limitations, potential)
Internation al Relations	040	Citizens Charter <input checked="" type="checkbox"/> (Only Tax Payer Charter)
	041	Role of Civil Services in a democracy.
	042	India and its Neighborhood (relations)
	043	Bilateral, Regional, Global groupings & Agreements (involving and/or affecting India)
	044	Effect of Policies & Politics of Developed and Developing countries on India (India's interests, diaspora)
Economy & Agriculture	045	Important International institutions, agencies, for a (structure, mandate)
	GS-III: Technology, Economic Development, Environment, Security Disaster Management	
	046	Indian Economy (issues re: planning, mobilisation of resources, growth, development, employment) <input checked="" type="checkbox"/>
	047	Inclusive growth and issues therein <input checked="" type="checkbox"/>
	048	Government Budgeting <input checked="" type="checkbox"/>
	049	Major Crops in various parts of country (cropping patterns, types of irrigation, irrigation systems)
	050	Farm subsidies and MSP and issues therein (direct and indirect) <input checked="" type="checkbox"/>
	051	storage, transport & marketing of agro-produce related issues & constraints, <input checked="" type="checkbox"/>
	052	PDS (objectives, functioning, limitations, revamping, issues of buffer stocks & food security) <input checked="" type="checkbox"/>
	053	e-technology to aid farmers, E-Technology missions <input checked="" type="checkbox"/>
	054	Economics of animal-rearing <input checked="" type="checkbox"/> (Pillar4A)
	055	Food processing and related industries in India (scope & significance, location, upstream-downstream requirements, supply chain management) <input checked="" type="checkbox"/> (Pillar4A)
	056	Land Reforms in India) <input checked="" type="checkbox"/> (Pillar4A- Brief overview)
Science Tech	057	Effects of Liberalisation on the economy <input checked="" type="checkbox"/> Pillar#4B
	058	Changes in Industrial policy & their effects on industrial growth <input checked="" type="checkbox"/> Pillar#4B
	059	Infrastructure (energy, ports, roads, airports, railways) <input checked="" type="checkbox"/> (in <input checked="" type="checkbox"/> Pillar#5)
	060	Investment models <input checked="" type="checkbox"/> (in <input checked="" type="checkbox"/> Pillar#5)
	061	(i) S&T developments and everyday applications & effects (ii) Awareness in fields of IT, Space, Computers, Robotics, Nanotech, Biotech, IPR issues
Environme nt & Disasters	062	(i) Achievements of Indians in S&T, (ii) Indigenization of technology & development of new technology
	063	Environmental conservation, pollution and degradation
	064	Environmental Impact Assessment
	065	Disasters & Disaster Management
Internal Security	066	Linkages between Development & spread of Extremism
	067	Role of External State & Non-State actors in creating internal security challenges
	068	Internal security challenges through communication networks
	069	Role of media and social-networking sites in internal security challenges
	070	Basics of Cyber Security
	071	Money laundering & Prevention <input checked="" type="checkbox"/> (in <input checked="" type="checkbox"/> Pillar#2B)
	072	Border Areas (security challenges and management thereof)



073	Linkages of Organised crime and Terrorism
074	Security forces & agencies (mandate)

GS-IV: Ethics, Integrity and Aptitude (* including case studies)

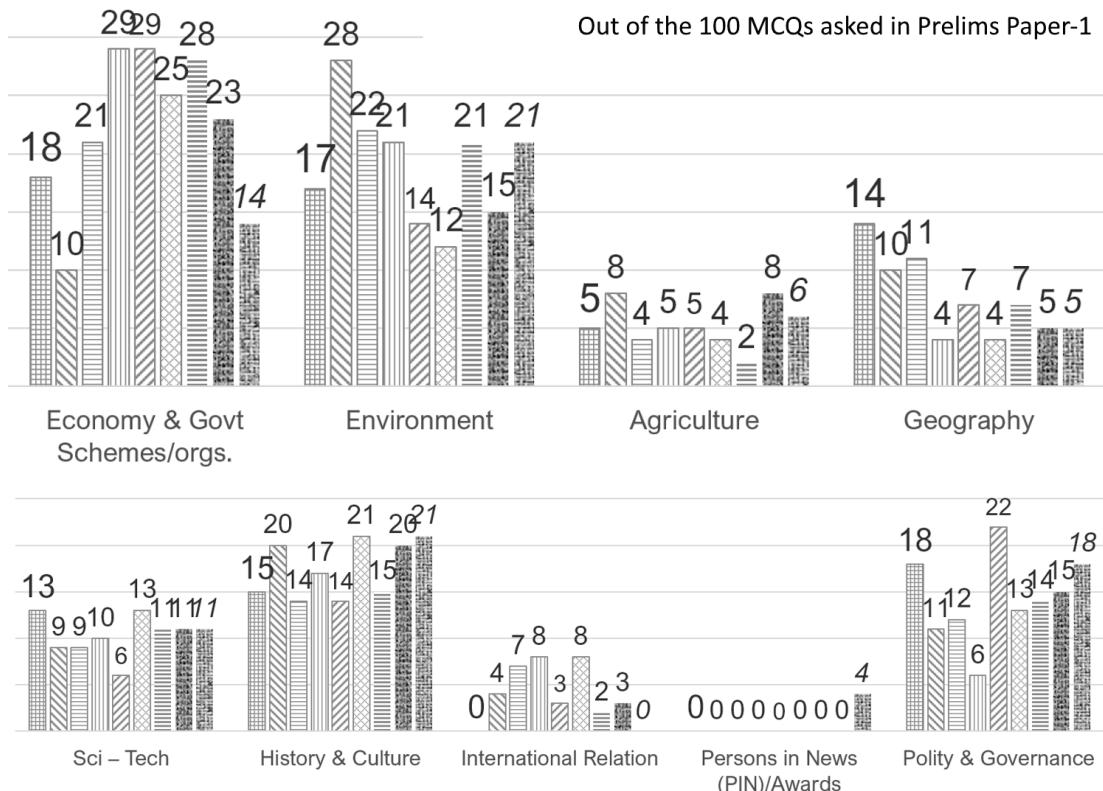
Theory	075	Ethics and Human Interface (essence, determinants, consequences of ethics in human actions)
Society & Behavior	076	Dimensions of ethics
Civil Services	077	Ethics in public & private relationships
Governance	078	Human values (lessons from great leaders, reformers & administrators)
	079	Emotional Intelligence (concepts, utility & application in administration & governance)
	080	Contributions of Moral Thinkers & Philosophers from India and world
	081	Role of family, society, educational institutions in inculcating values
	082	Social Influence and Persuasion
	083	Attitude (content, structure, function, influence & relation with thought & behaviour)
	084	Moral and Political Attitudes
	085	Civil Service aptitude & foundational values (integrity, impartiality, non-partisanship, objectivity, dedication to public service, empathy, tolerance & compassion towards weaker sections)
	086	Public service values & Ethics in Public Administration (status & problems)
	087	Ethical concerns and dilemmas in government & private institutions
	088	Laws, rules, regulations, conscience as sources of ethical Guidance
	089	Accountability & ethical governance
	090	Strengthening of ethical & moral values in governance
	091	Ethical issues in international relations and funding
	092	Corporate Governance <input checked="" type="checkbox"/> (in Pillar#1C2)
	093	Probity in Governance (concept of public service)
	094	Philosophical basis of governance and probity
	095	Information (sharing & transparency in government), RTI
	096	Codes of Ethics, Codes of Conduct
	097	Citizens Charters, Quality of Service Delivery
	098	Work Culture
	099	Utilization of public funds
	100	Challenges of Corruption
	101	Case Studies on Above Subjects



For more: Refer to Topicwise Papers & Trend analysis available: Mrunal.org/Prelims and Mrunal.org/Mains

10.2.4 Breakup of Subjects in Prelims

— 2013 — 2014 — 2015 — 2016 — 2017 — 2018 — 2019 — 2020 — 2021

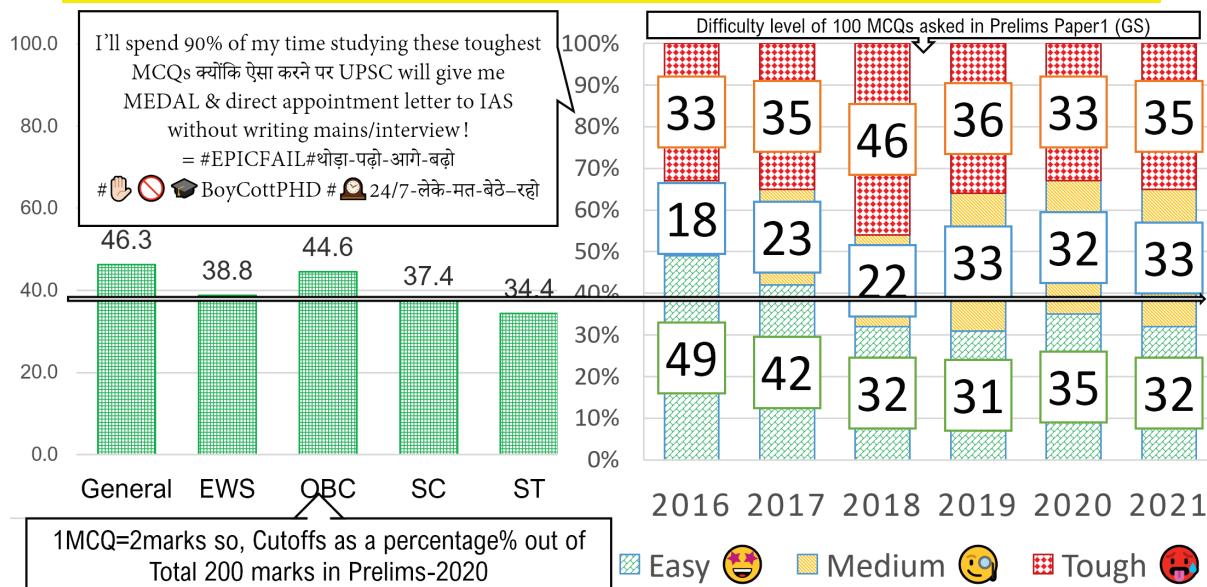


If you want to get married, Priority#1 should be to find bride/groom. i.e. FINISHING CORE SYLLABUS OF 1) Geography, 2) Environment, 3) Agriculture, 4) Economy, 5) Polity, 6) History-Culture, 7) Science-Tech, 8) IR 9) Ethics & 10) Optional Subject.
⌚ Current Affairs is NOT a separate subject. It should be seen embedded within above 10 Subjects.



⌚ Booking Pre-wedding photographer CANNOT be PRIORITY#1 i.e. #Daily-2-hr-Current-Affairs-Videos #Daily-Mock-Tests #Daily-Mains-Ans-Writing, #RayjasabhaTV & all other 'Pageview' oriented 'Products'

Figure 1: क्योंकि बहोत सारे बच्चे ये सबसे ज़रूरी चीज़ समझते नहीं, और चिकनी-चुपड़ी बाते करनेवाले Baba-लोगों के 'अंधे- भक्त' बनके अपने age/attempt बर्बाद करते हैं।



1MCQ=2marks so, Cutoffs as a percentage% out of Total 200 marks in Prelims-2020

Figure 2: यानि की इधर Economy में हमको B.Com, M.Com, CA, BBA, MBA, PHD करना नहीं है! #थोड़ा-पढ़ो-आगे-बढ़ो #लेके-मत-वेठे-रहो



10.2.5 🏛️📅 IAS Study Planner / Calendar

Month#1							Month#2							Month#3							Month#4						
Su	Mo	Tu	We	Th	Fr	Sa	Su	Mo	Tu	We	Th	Fr	Sa	Su	Mo	Tu	We	Th	Fr	Sa	Su	Mo	Tu	We	Th	Fr	Sa
✓ Economy (P+M)							✓ Economy (P+M)							✓ Economy (P+M)							✓ Economy (P+M)						
✓ Polity & Governance (P+M)							✓ Polity & Governance (P+M)							✓ Polity & Governance (P+M)							✓ Polity & Governance (P+M)						
✓ Optional Subject							✓ Optional Subject							✓ Optional Subject							✓ Optional Subject						
✓ Ethics (Mains GS4)							✓ Ethics (Mains GS4)							✓ Ethics (Mains GS4)							✓ Ethics (Mains GS4)						
Month#5							Month#6							Month#7							Month#8						
Su	Mo	Tu	We	Th	Fr	Sa	Su	Mo	Tu	We	Th	Fr	Sa	Su	Mo	Tu	We	Th	Fr	Sa	Su	Mo	Tu	We	Th	Fr	Sa
✓ International Relation							✓ International Relation							✓ International Relation							✓ International Relation						
✓ Geography & Agriculture							✓ Geography & Agriculture							✓ Geography & Agriculture							✓ Geography & Agriculture						
✓ Environment & Disaster Management (Pre + Mains)							✓ Environment & Disaster Management (Pre + Mains)							✓ Environment & Disaster Management (Pre + Mains)							✓ Environment & Disaster Management (Pre + Mains)						
✓ Opt.Sub (Revision, Supplementary Reading, Ans Writing)							✓ Opt.Sub (Revision, Supplementary Reading, Ans Writing)							✓ Opt.Sub (Revision, Supplementary Reading, Ans Writing)							✓ Opt.Sub (Revision, Supplementary Reading, Ans Writing)						
✓ Mains (GSM1: communal, regionalism, GSM2: E-Governance, GSM3: cyber-security, internal security)							✓ Mains (GSM1: communal, regionalism, GSM2: E-Governance, GSM3: cyber-security, internal security)							✓ Mains (GSM1: communal, regionalism, GSM2: E-Governance, GSM3: cyber-security, internal security)							✓ Mains (GSM1: communal, regionalism, GSM2: E-Governance, GSM3: cyber-security, internal security)						
Month#9							Month#10							Morning							Newspaper						
Su	Mo	Tu	We	Th	Fr	Sa	Su	Mo	Tu	We	Th	Fr	Sa	Su	Mo	Tu	We	Th	Fr	Sa	Su	Mo	Tu	We	Th	Fr	Sa
✓ Current Affairs							✓ Current Affairs							✓ Current Affairs							✓ Current Affairs						
✓ History, Art, Culture							✓ History, Art, Culture							✓ History, Art, Culture							✓ History, Art, Culture						
✓ Science Tech							✓ Science Tech							✓ Science Tech							✓ Science Tech						
✓ GSM1-2-3: Remaining Topics such as World History, Post Independent India, Land Reforms, Food Processing etc.							✓ GSM1-2-3: Remaining Topics such as World History, Post Independent India, Land Reforms, Food Processing etc.							✓ GSM1-2-3: Remaining Topics such as World History, Post Independent India, Land Reforms, Food Processing etc.							✓ GSM1-2-3: Remaining Topics such as World History, Post Independent India, Land Reforms, Food Processing etc.						
CA-Last 1 Year							CA-2 Yrs & Older							Upto Lunch Hour							Then Till Evening						
13	9	1	7				36	48	46	21				• Big GS Subject#1 (Pre+Mains)							• Big GS Subject#2 (Pre+Mains)						
2018	2019	2020	2021				2018	2019	2020	2021				Evening to Dinner							Optional / Mains' Small GS Topics						
Theory							Post-Dinner to Midnight							Mains' Small GS Topics													

Figure 3: IAS Study Planner. If you've less than 10 months then do more study every day/study some parts after Prelims is over.

10.2.6 📰 Current Affairs (CA) for General Studies



Figure 4: Out of the 100 MCQs asked in Prelims, how many came from Current Affairs?

- Any one newspaper: Daily IndianExpress or theHindu. ✍️ Not both! Use Only one.
- **Make newspaper NOTES ONLY FOR Optional Subject, Cases Quotable for Essay / GSM4, & factoids imp. for UPSC interview i.e. about your home-state, hobbies, graduation & job (if any).**
- 📖 No need to make notes for GS.
- It's true that not many Qs are coming from PDF/Mag compilation, but if you manually try to make your own current affairs notes from newspaper, you'll never finish other parts of syllabus.
- Daily CA-Excel file at <https://Mrunal.org/current> [its primary utility is Mains & Ethics content points]
- Use any one FREE PDF/Mag compilation: Unacademy Articulate, VisionIAS, iaspalliament, (#)DrishtiIAS, etc. minimum from 1/1/2020 onwards (if targeting CSE-2022)



10.2.7 🏛 UPSC CSE-2021: Basic Reading List for GS

- ⇒ (#) का मतलब है कि ये किताबें / PDF हिंदी में भी उपलब्ध हैं
- ⇒ 📖 icon means instead of that given book, you may use Unacademy booklet given to you, if you've.
- ⇒ IYB-2021= India (yearbook) 2022 BUT NOT need buy, just refer to free e-summaries on Internet.

<p> Geography</p> <ul style="list-style-type: none"> ⇒ # NCERT: First class 11-12's four textbooks on physical, Indian & human geography. Then NCERT 7-10 Social Science- only those chapters not covered in Class 11-12. ⇒ Geography Lecture in your [+] subscription ⇒ Goh Cheng Leong: All ch EXCEPT 4 to 10. ⇒ # If time, IYB-2022* ch. 1 and 30, else ignore. ⇒ https://mrunal.org/tag/gsm1-geo-location (Selective study only. Upar-upar se dekh lo) <p> Agriculture</p> <ul style="list-style-type: none"> - # NCERT Geography, Science Textbooks, Followed by Current Affairs (CA) related to Biotech - Agri's Economy / Scheme / Budget angles → Mrunal's class & handout Pillar4A <p> Economy</p> <ul style="list-style-type: none"> - <input checked="" type="checkbox"/> Mrunal's lecture series and its handouts for Theory, Contemporary, and Current issues. - No need for NCERT 9-10 or Class 12 Micro/Macroeconomics or Old NCERT or Tamilnadu State Board textbooks. No need for Ramesh Singh, Sanjeev Verma, Nitin Singhania, SriRAMIAS or any other book/material. <p>To improve vocabulary & expression skills for Mains:</p> <ul style="list-style-type: none"> - <input checked="" type="checkbox"/> # NCERT Class 11 Indian Economic Dev. - <input checked="" type="checkbox"/> # After my course is over, read Introductions and conclusions of each chapter of vol 1 of all economic surveys from 2015 onwards from http://indiabudget.gov.in/ - <input checked="" type="checkbox"/> # Chief Editor's Desk (Preface page) of last 2 years' Yojana & Kurukshetra mags from http://yojana.gov.in/Recent_archive_2020.asp (URL mein change year number for previous Archives) 	<p> Environment</p> <ul style="list-style-type: none"> - # NIOS PDF on Environment, # IYB21 Ch. 12 - # NCERT Chemistry Class 11: Ch. on Environ. Chemistry. - # NCERT Biology 11-12: selective study of chapters related to flora-fauna, biotech - Followed by Current Affairs (CA) PDF <p> Polity</p> <ul style="list-style-type: none"> - # Indian Polity by M.Laxmikanth - # Governance in India by M.Kartikeyan for GSM2 - # IYB21: ch. 2, 3, 20, 28. - Current Affairs: Notable judgements, Committees, Appointments. - # PrsIndia.org: Passed Acts - IndianExpress ki Explained Series - # (Selective) NCERT Socio and PolSci 11-12 <p> International Relations (IR)</p> <ul style="list-style-type: none"> - Pavneet Singh's IR Book (selective study). - Followed by CA from Newspaper/PDF/Mags. <p> History-Culture</p> <ul style="list-style-type: none"> - No need for old NCERTs. Poor Cost:Benefit - Refer to Tamilnadu (New Color Edition) Class 11-12, # New NCERT - Freedom Struggle: i) (#) Spectrum for Prelims ii) (#) Plassey to Partition for Mains <p> Science Tech</p> <ul style="list-style-type: none"> - (#) Ravi Agrahari's Science-Tech book. - (then, If time permits) Read all chapters: NCERT 7-10. - (then, If time permits) Read only selective chapters of: NCERT 11-12 related to Environment, Biotech, Spectrum waves etc. <p>Notes:</p> <ul style="list-style-type: none"> - CSAT-Paper2: Use any Paper-II Manual or BOOK by McGraw-Hill, Arihant, Pearson, Disha or ANY PUBLISHER etc. solve few MCQs from each section and/or the classes on Unacademy / Youtube.
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10.2.8 Instructions for Live Class

1. If audio/video stuck then refresh page by Ctrl+SHIFT+R; If electricity / internet outage, fear not, because recording will be available in your account.
2. Keep following things ready before the class (1) Handout PDF saved in your harddisk. No need to take printouts. You may get them printed after Corona is subdued. (2) Pens (3) Unruled A4 sized pages. Don't staple/spiral the pages or printouts, so you can add more blank pages in future to add your own thoughts/answers.
3. If doubts in lecture itself, notedown in paper/diary → Ask in Google query form after class, which I'll reply in a combined PDF file on weekly basis. (गूगल फॉर्म से मिले आपके प्रश्नों का साप्ताहिक क्रम से जवाब दिया जाएगा, निश्चित रहिए!)
4. To Download Handout: <https://unacademy.com/course/mrunals-economy-course-for-upsc-prelims-mains-2022/PIPB497F> → click on 'updates' button → a sidebar will open → download from there.

10.2.9 What has UPSC asked from Economy in recent years?

Economy: 6 Pillars™	Prelims P1 (GS 100 MCQs)						Mains GSM-1-2-3 (750 Marks)					Remarks	
	2016	2017	2018	2019	2020	2021	2016	2017	2018	2019	2020	2021	
1_Money Banking, Finance & Insurance	6	6	7	7	9	6	25	0	0	0	15		Most useful in Prelims but less in Mains
2_Budget, FC, GST, FRBM	3	3	4	1	1	1	12.5	30	25	25	15		Second lowest utility after 5_Infra
3_Intl_Trade, BoP	11	4	4	7	7	2	25	0	30	0	15		Third lowest utility after 2_Budget.
4_Sectors, GDP, Inflation, Microeconomics	4	8	3	8	5	5	25	60	50	65	55		Useful for both prelims and Mains.
5_Infrastructure	2	4	1	3	1	0	37.5	10	15	15	15		Lowest utility among 6 pillars.
6_HRD	3	4	6	2	0	0	50	40	60	75	85		Useful for both prelims and Mains.
Total	29Qs	29Qs	25Qs	28Qs	23Qs	14Qs	175m	140m	180m	180m	200m		

Economy Pillar #1-A1) Money: Barter to BitCoin

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10.3 ❖ ❖ BARTER SYSTEM & ITS DISADVANTAGES: (वस्तु विनिमय प्रणाली)





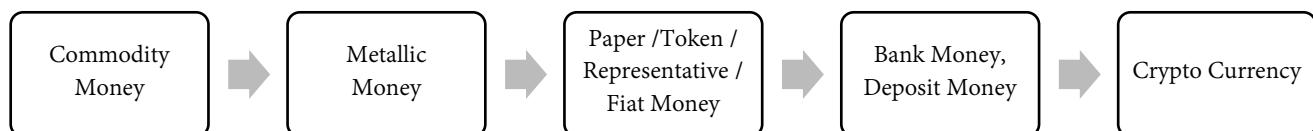
Barter system was introduced by **Mesopotamian** tribes. Barter system has following challenges: (चुनौतिया)

- 📈 Double co-incidence of Wants (आवश्यकताओं का दोहरा संयोग नहीं होगा तो व्यापार असंभव).
- 📈 Search Cost & Transaction cost is high. (सही दाम पर चीज ढूँढ़ने व लेनदेन की लागत बढ़ जाती है)
- 📈 Storage of perishable commodities is difficult, results in loss of value. (नाशवान वस्तुओं का मूल्यहास)
- 📈 Doesn't encourage specialization and division of labour (श्रम विभाजन को प्रोत्साहित नहीं करता).

10.4 🔎 MONEY: FUNCTIONS OF (पैसे के कार्य)

Primary:2 functions[प्राथमिक]	Secondary(S-T-D) 3functions [सहायक कार्य]	Contingent 3functions [प्रासंगिक कार्य]
<ol style="list-style-type: none"> 1. Measure of Value: $gm=wt$, $ml=vol$, $\text{₹}=value$ (मूल्य का मापक). 2. Medium of Exchange: Buy & Sell goods and services using money as the 'medium'. (विनियोग का माध्यम). 	<ol style="list-style-type: none"> 1. Store of Value (मूल्य का संचय) 2. Transfer of Value (मूल्य का स्थानांतरण). Soldier in Kashmir to parents in Kanyakumari 3. Deferred Payments (स्थगित भुगतानों का मानक). E.g. Buy iphone12 @₹3177 only per month x 36 months' Equated Monthly Installments (EMIs) = ₹1,14,372. Actual price is ₹79,900, but ₹34,472 extra Interest. (ब्याज पर किश्तों में खरीदारी संभव) 	<ol style="list-style-type: none"> 1. Basis of credit system, Financial markets (share, bond etc.: More in Pillar#1C-sharemarket) वित्तीय बाजार का आधार है पैसा 2. Employing factor of production i.e. Land, Labour, Capital (More in Pillar#4C) उत्पादन के कारक जुटाने में मदद करता है है पैसा 3. Creation & Redistribution of National Income via taxation. (Pillar#2) अमीरों पे ज्यादा कर वसूल के राष्ट्रीय आय के पुनःवितरण करने में मदद

10.5 💰 MONEY: EVOLUTION & TYPES (मुद्रा की उत्क्रांति व् प्रकार)



10.5.1 💰 Commodity Money / वस्तु मुद्रा (Intrinsic value: अंतर्भूत मूल्य? Yes)



- ⇒ Iron Nails, Bear Pelts, Cocoa Beans, Whale Teeth, Gold Nuggets
- ⇒ **Problems?** Perishable, not uniform, not pure, foreigners may not accept. नाशवान, एकसमान नहीं, शुद्ध नहीं, अस्वीकार भी कर सकते हैं.

10.5.2 💰 Metallic Money / धातु मुद्रा (Intrinsic value? Yes)

- ⇒ Traders & Kings stamped their marks on gold nuggets for uniformity & trust. (सोने पर अपना चिन्ह/छाप लगा देते)
- ⇒ Indo Greek kings & Kushana kings issued gold coins, but Gupta Gold coins most spectacular- king is playing Veena, shooting animals, standing with wife. (इन राजाओंने सोने के सिक्के निकाले थे)
- ⇒ Delhi Sultanate Kings: **Silver Tanka**. Sher Shah Suri Rupiyah silver coin. Akbar: **Muhr**.
- ⇒ Metal has **INTRINSIC VALUE** i.e. Metallic money = Use it as "money", or you can melt the metal → use that metal for making jewellery / weapons because metal itself has its value / usages. उस मुद्रा की धातु पिघला कर कुछ और चीजें भी बना सकते हैं. क्योंकि धातु का अपना : अंतर्भूत मूल्य / उपयोगिता है.
- ⇒ On the other hand, paper-currency note= You can't use currency-note's paper as a notebook or diary. So currency notes have no intrinsic value. उसके कागज का उपयोगिता कुछ नहीं है, क्योंकि उसपे छपाई कर दी है.

Further SELF STUDY: History of Indian coins from Nitin Singhania's book on Indian Art & Culture (2nd Ed.) Ch.23 OR (3rd Ed.) Ch.24. If you don't have the book, then ref: NCERT & TN History Textbooks.



Table 1: Types of Coins



Gupta Coin: ~8 gm GOLD



50 paisa modern coin: ~4 gm steel

₹ Full Bodied Coins	Token Coins (प्रतीककात्मक)
Intrinsic Value (अंतर्भूत मूल्य) is Equal to or MORE than its Face Value (अंकित मूल्य)	LESS. (धातु एकदम सस्ती वाली इस्तेमाल करते हैं या बहुत ही कम वजन की धातु इस्तेमाल करते हैं)
Challenge? ⇒ Debasement: ▼ decreasing the amount of metal in coins. Usually happens when king's rule gets weak/poor e.g. Aurangzeb, Roman Kings. सिक्के में धातु की मात्रा को कम किया जाए तब लोगों का उस राजा के शासन से विश्वास कम होने लगता है	⇒ 1330s: Tughlaq's Token coin experimentation = #EPICFAIL (Why? Prepare in History subject). ⇒ Modern Indian coins are token coins. Cupronickel metal used to discourage melting. Coinage Act 2011 prohibits melting of coins.

10.5.3 ₹ Paper Money / कागजी मुद्रा (Intrinsic Value? No)

Fiat money (वैधानिक मुद्रा): It MUST fulfil two conditions **SIMULTANEOUSLY**: दो शर्तों का एकसाथ पालन होना चाहिए।

1. It MUST BE in the form of Physical Currency Coin / Physical Currency Notes / VirtualCoin/ DigitalCoin/ CryptoCoin which can measure value **AND simultaneously** और साथ ही साथ
2. It MUST BE issued by the order of a King / Queen / Government / Central Bank.

	⇒ Govt issues all coins upto ₹ 1,000, using powers of powers of Coinage Act 2011. ⇒ ₹ 1 Note signed by Finance Secretary (वित्त सचिव) ⇒ ₹ 1 note doesn't contain "I promise to pay bearer...""
	⇒ RBI issues: Currency notes other than ₹ 1 Note using the powers of RBI Act 1934. ⇒ Currency notes have Governor's sign: "I promise to pay bearer...""

✳️ FAQ: why is it like this!!!!!! WHY CAN'T RBI ISSUE BOTH coins & currency notes!!?

Ans. Send your suggestion to PM, to merge above two laws. Until it's implemented, remember table for passing exam. प्रधानमंत्री को कागज लिखो दोनों कानूनों का एकीकरण करने के लिए. जब तक वह नहीं होता तो इस handout में दिया है उतना परीक्षा के लिए #✳️ थोड़ा-पढ़ो-आगे-बढ़ो

10.5.4 ₹ Legal Tender (वैधानिक निविदा)

To become a 'legal tender', a given coin/currency MUST fulfil two conditions **SIMULTANEOUSLY**: एक साथ दो शर्तों को पूरा करना होगा.

1. It must be a FIAT MONEY (जो हमने ऊपर के सेक्षण में पढ़ा). **AND SIMULTANEOUSLY**
2. It must be legally valid for all debts & transactions throughout the country. Other party can't refuse to accept. (लेनदार उसको अस्वीकार नहीं कर सकता)

Table 2: fiat money and legal tender in India

ITEM	A) Is it in form of a physical coin OR physical Note OR Digital Coin	B) Is it issued by Central Bank / Govt / King / Queen	C) Result: Is it Fiat money? (YES If Both Cell A+B give ✓ + ✓)	D) At present, is it legally valid for transaction in India as per Coinage Act or RBI Act?	E) Is it LEGAL Tender in India (Yes, IF C+D give ✓ + ✓)
₹ Indian Rupee:	✓	✓	✓	✓	✓



ITEM	A) Is it in form of a physical coin OR physical Note OR Digital Coin	B) Is it issued by Central Bank / Govt / King / Queen	C) Result: Is it Fiat money? (YES If Both Cell A+B give ✓ + ✓)	D) At present, is it legally valid for transaction in India as per Coinage Act or RBI Act?	E) Is it LEGAL Tender in India (Yes, IF C+D give ✓ + ✓)
Coins & Notes					
Demonetized (विमुद्रीकृत) ₹500, ₹1000	✓	✓	✓	✋	✋
Dollar\$, Yuan, Yen, Euro etc	✓	✓	✓	✋	✋
G-Sec, T-Bill (what is this-Ans. explained in video)	✋	✓	✋	✋	✋
Shares, Bonds, DD, Cheque, ATM, Cards, Kirana coin, Casino coin, Filmstar-Notes	✋	✋	✋	✋	✋
Marshall Island: SOV Venezuela: Petro coin	✓	✓	✓	✋	✋
Bitcoins	✓	✋	✋	✋ ^{##}	✋

⇒ ##Bitcoin is not a Fiat money, yet it is legal tender in El-Salvador nation. But it is an exception. (बिट-कोइन का अल-साल्वाडोर देश में वैधानिक निविदा होना केवल एक अपवाद है, जो पूरी दूनिया के लिए नियम/व्याख्या नहीं है।)

⇒ ❓ FAQ: I did not understand this thing and/or I want to engage in intellectual debate why “X” thing is legal tender? Ans. Please watch lecture’s recorded video again, more peacefully.

⇒ Commemorative Coins (सूतीचिन्ह रूप सिक्के) = Fiat money yes but not legal tender unless notified to be used as legal tenders.

Table 3: Fiat Money: Two types of legal tenders

A) ⚡ Limited legal tenders (सीमित वैधानिक निविदा)	B) ∞ Unlimited legal tenders: (असीमित वैधानिक निविदा)
Recipient can refuse accepting payment beyond a limit (एक हृद से ज्यादा छूटटे पेसे स्वीकारने से सामने वाला मना कर सकता है)	No such restriction.
<ul style="list-style-type: none"> ⇒ Coinage Act 2011 ⇒ Rs. 1 / above → upto Rs.1000 ⇒ 50 paisa x 20 coins → upto Rs.10 ⇒ Below 50 paisa coins are withdrawn (in 2011) So, 10 paisa, 25 paisa are ✋ not legal tenders. (10 पैसा और 25 पैसा वैधानिक निविदा नहीं है। 50 पैसा वैधानिक निविदा है।) 	<ul style="list-style-type: none"> ⇒ RBI Act 1934 - Section 26: Every bank note is legal tender in India. ⇒ They can be used for settling any amount of debt in India**, lender can't refuse to accept it.

**Although in real life, Finance Act 2017: “Cash transactions for less than Rs.2 lakh only. Beyond that use Cheque, DD, NEFT etc. else penalty= entire amount.” This rule is to discourage tax-evasion / black money. For



more Ref: Pillar#2. But for MCQs, simply accept that bank notes = unlimited legal tenders. हालांकि वास्तविक जीवन में काले धन / करचोरी को रोकने के लिए नगदी लेनदेन पर कुछ सीमा के बाद रोक है, किन्तु MCQ के लिए स्वीकार लो की

FAQ# my shopkeeper doesn't accept 50 paisa. Then how it is legal tender? मेरा दुकानदार नहीं लेता 50 पैसा का सिक्का। तो आप कैसे कह सकते हैं वो वैधानिक नियिदा है?

Ans. as per RBI notification, 50 paisa is legal tender. So, accept it for MCQ & move to next topic. Further, feel free to file police case against shopkeeper, if you have plenty of free time/outrage for it. (तो भी परीक्षा के लिए रटो)

MCQ: Which one of the following correctly describes the meaning of legal tender money? (Pre-2018)

- (a) The money which is tendered in courts of law to defray the fee of legal cases
- (b) The money which a creditor is under compulsion to accept in settlement of his claims
- (c) The bank money in the form of cheques, drafts, bills of exchange, etc.
- (d) The metallic money in circulation in a country

MCQ: Consider the following statements (Asked in UPSC-CDS-2011-II)

1. In India the minimum denomination coin acceptable for transaction is 50 paise.
2. Coins below 50 paise is not a legal tender for payment.

Which of the statements given above is/are correct?

- (a) Only 1
- (b) Only 2
- (c) Both 1 and 2
- (d) Neither 1 nor 2

10.5.5 (New) Visually Handicapped (VH) friendly Coins, 2019-March

- ✓ Govt launched new series of VH-friendly coins of ₹ 1, 2, 5, 10, 20. Ascending order of size & weight.
National Institute of Design (NID) helped to design.
- ✓ ₹ 20 coin: 12-sided Polygon (Dodecagon आकार: बारह बाजुओं वाला चतुष्कोण है)
- ✓ Remaining coins are round shaped. (बाकी के सिक्के गोलाकार हैं)

10.5.6 RBI's App to help the blind identify currency notes

80 lakh people in India are blind (नेत्रहीन). To help them identify currency notes:

- ⇒ Old series of Gandhi notes have square (50), triangle (100), circle (500) diamond (1000)
- ⇒ New series of Gandhi notes have bleed lines, raised printing of Gandhi etc.
- ⇒ But, so many varieties of notes, difficult for VH persons to remember size & shapes so,
- ⇒ IIT Ropar developed Roshni App.

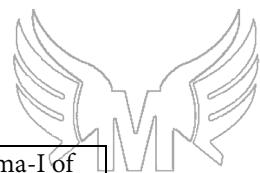
Separately, 2020-Jan: RBI launched 'Mobile Aided Note Identifier (=MANI)' App.

- ⇒ Mobile camera scan & identifies the note (Even if it's half folded), gives audio notification in Hindi/English, also works offline
- ⇒ But can't validate whether note is genuine or fake (Counterfeit जाली नोट नहीं पकड़ सकता यह ऐप),
- ⇒ If a user is both blind and deaf, the app will identify note by giving vibrations. (नेत्रहीन बधिर को मोबाइल कंपन)
- ⇒ Daffodil Software company developed this App for RBI. (ये कंपनी ने बनाया है ऐप)

10.5.7 (NEW) Mahatma Series Currency Notes in India

Table 4: Less important for UPSC-exams, more IMP for Non-UPSC Exams

Note	What image is given in this currency note? (इस नोट में कौन सा चित्र होता है?)
₹ 10	Sun Temple, Konark, Odisha. 13 th Century Narsimhadev-I
₹ 20	Greenish Yellow, Ellora Caves in reverse.
₹ 50	Humpi Chariot from Vittala Temple, Karnataka

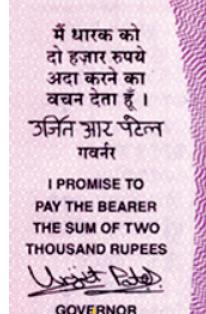


₹ 100	Lavender color. Rani ki Vav on Saraswati river, Patan. Rani Udaymati for King Bhima-I of Chalukya / Solanki dynasty in 11 th century, UNESCO Heritage site
₹ 200	Sanchi Stupa, Madhya Pradesh.
₹ 500	Red Fort, Delhi by Shah Jahan.
₹ 1000	(update when/if released)
₹ 2000	Mangal Yaan / Mars Orbiter Mission
New rupee symbol	₹: selected through a competition by Dept of Economic Affairs in 2010. Designed by D.Udaya Kumar, a Professor @IIT Guwahati.
Nation Symbol	- Lion Emblem: Sarnath Pillar, Uttar Pradesh से लिया गया है - “Satyamev Jayate”: slogan from Mundaka Upanishad से लिया गया है
Languages	While Constitution's 8 th Schedule has 22 languages, but currency note has only 17. (15 on Reverse + Hindi & English on frontside (obverse) = 17)
Museum	Budget-2020: a museum on numismatics and trade (सिक्काशास्त्र और व्यापार का संग्रहालय) will be built at the historic 'Old Mint Building' in Kolkata .

You can read more about currency notes' features at <https://paisabolthai.rbi.org.in>. Although notIMP for IAS.

10.5.8 “I promise to pay the bearer...”: Meaning of this promise?

Currency note is zero interest, anonymous bearer bond / Promissory Note.

	Colonial era: Promised to convert into full bodied gold or silver bars / coins worth the equal value in weight. E.g. 1 US Dollar = ~14 grams of gold. 1 British pound = ~73 grams of gold. (in my handout ‘~’ means ‘approximate’)
	Modern era: Conversion into other Bank notes and “token coins” of equal face value. $\text{₹ } 2000 = 500 \times 4 \text{ Nos.} = 100 \times 20 \text{ Nos etc.}$ Not inflation adjusted value. Not linked with weight of gold or silver.

10.5.8.1 Demonetization of Fiat Money (विमुद्रीकरण: Previously 1946, 1978)

Definition? Demonetization is the wholesale withdrawal of currency notes from circulation. (मुद्राचलन में से कुछ खास किस्म की नोटों को सरकार द्वारा हटा देने की क्रिया को विमुद्रीकरण या नोटबंदी कहते हैं)

- ⇒ 8/Nov/2016: FinMin → Dept of Economic Affairs gazette notification to ban the “Specified Bank Notes” (SBN) of Mahatma Gandhi series ₹ 500 and 1000.
- ⇒ Specified Bank Notes (Cessation of Liabilities) Act 2017= RBI not required to honor “I promise to pay...”. Old notes can't be kept except for research or numismatics or museum- and that too in limited amount! More in pillar#2: taxation → black money.

10.6 REDENOMINATION: DROP ZEROS, CHANGE NAME



Figure 5: expression when you need 2.5 lakh riyal for a box of eggs

- ⇒ Inflation is the rise in the general level of prices of goods and services in an economy over a period of time. [More in Pillar4C lecture] (मुद्रास्फूर्ति/मंहगाई=चीजों के सामान्य दामों में वृद्धि)

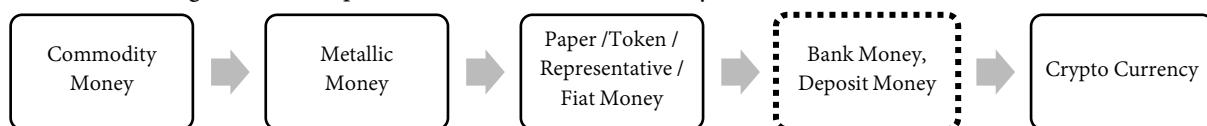


- ⇒ **REDENOMINATION** involves removing zeros from currency's face value, to facilitate transactions during high inflation. (मुद्रा नॉट के कुछ शून्यों को हटा दिया जाए)
- ⇒ Here, the old currency is not instantly declared illegal / withdrawn from circulation immediately. Old currency is allowed to continue side by side with new currency. People are given the option to switch to the new currency. Thus redenomination is considered to be different than demonetization. (नोटबंदी से यह थोड़ा अलग है क्योंकि अचानक से सारे पुराने नोटों को बंद नहीं किया जा रहा)
- ⇒ **REDENOMINATION** doesn't fix inflation problem in reality because (इससे महंगाई कम नहीं होती)
 - 1) not increasing the supply of goods (बाजार में वस्तुओं की आपूर्ति को नहीं बढ़ा रहा)
 - 2) your purchasing power remains the same as before (आंकड़ों की ऐसी लीपापेती से आपकी खरीदशक्ति बढ़ेगी नहीं). Further PHD useless. More on inflation Pillar#4C lecture.

10.6.1 Iran = Toman to replace Iranian Rial (2020)

Iran suffering from

- ⇒ 1) High levels of inflation. 1 box of eggs cost ~250,000 Iranian rials. (महंगाई बहुत ज्यादा है उधर)
- ⇒ 2) Weak exchange rate (कमज़ोर विनिमय दर). \$1 costs ~42,000 Iranian rials. [More in Pillar3A lecture]
- ⇒ 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 Rial. It will be replaced with TOMAN gradually in the next 2-5 years. **Benefit?** Ease of carrying currency and making transactions. (थेला भरके नगदी नहीं ले जानी होगी तो खरीदारी/ लेनदेन में सुगमता)
- ⇒ Similar thing was done in past in Zimbabwe (2006) but very old GK NOT.IMP.# थोड़ा-पढ़ो-आगे-बढ़ो

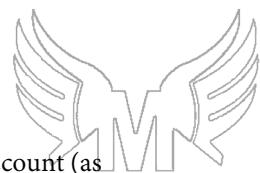


10.7 BANK MONEY / DEPOSIT MONEY



10.7.1 Paper orders: Cheque, Demand Draft (DD)

- Viceroy Ripon's Negotiable Instruments Act, 1881: Primary Objective? Cheque dishonor & forgery (परक्राम्य लिखत अधिनियम: बैंक खाते से अप्राप्त रकम के चलते चेक अस्वीकार होना/जालसाजी).
- 2017: Law was amended for faster justice to victim. (त्वरित न्याय के लिए कानून में सुधार)
- **THREE parties in a cheque:** 1) Drawer (Sender), 2) Drawee (Bank), 3) Payee (Recipient)
- **Types of cheques:** 1) **Stale:** Not withdrawn in 3 months (3 महीनों में नहीं डाला तो बासी/अस्वीकार्य होगा), 2) **Post-dated:** After a specific date, 3) **Ante-Dated:** notimp for IAS exam.
- **Open / bearer cheque:** No 'crossing'. Anyone can encash.
- **IFSC code:** Indian Financial System Code- 11 alphanumeric numbers to identify the bank branch, just like PINCODE identifies an area. (कौन सी बैंक ब्रांच है उसे चिह्नित करता है, जैसे पिन कोड किसी इलाके को चिह्नित करता है)
- **MICR code:** Magnetic Ink Character Recognition. 9 digits code written in Iron Oxide ink for automated clearance.
- **Demand Draft (DD):** can't be dishonored (अस्वीकृत नहीं होगा) because sender has to pay amount beforehand to Bank before the Bank issued DD to him → then sender gives DD for paying university fees etc.



- **Overdraft:** When person has insufficient bank balance, still he may withdraw money from his account (as a loan). Such facility is called **Overdraft**. Pradhan Mantri Jan-Dhan account has *Overdraft* upto Rs 10,000/- with certain conditions. (*More in Pillar1D: Financial Inclusion*).
 - o **Overdraft** is mainly for short-term operating expenses. (अस्थाई रूप से लघु अवधि के लिए कर्ज में पैसा उठाना)
 - o **Loans** is mainly for longer term higher value expenses. (दीर्घ अवधि के लिए मोटी रकम का कर्ज लेना)

10.7.2 Cheque → NPCi's Cheque Truncation System (CTS-2010)

- CTS= canned image of cheque electronically sent to the drawee branch for faster clearance without theft or tempering. MICR readers NOT required.

10.7.3 Cheque → Positive Pay Mechanism for Cheques

Suppose Roman (Axis Bank, Bengaluru) sends ₹50,000 cheque to Mrunal (SBI, A'bad)

	Cheque clearance B4 2021	Positive Pay Mechanism (Extra-steps)
Sender (Roman)	Roman writes check, gives to recipient Mrunal	Roman (issuer) clicks a photo of cheque (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"
Recipient (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 to encash more amount?	Positive Pay Mechanism prevents such tempering / fraud. मृणाल चेक में लिखी रकम में छेड़खानी करके रोमन के बैंक खाते से पैसा गबन नहीं कर सकता

⇒ 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)

10.8 ELECTRONIC ORDERS / DIGITAL PAYMENT



Payment & Settlement System Act 2007 empowers RBI to regulate card payment, e-payment related products and services. (भुगतान और निपटान प्रणाली अधिनियम 2007)



10.8.1 CBS (full form: Core Banking Solution / हिन्दी अनावश्यक)

It is a banking software with web-platform for centralized data management & branch-less banking. E.g.

Finacle software; BanCS software; E-Kuber (used in RBI)

10.8.2 Next Generation Treasury Application (NGTA), 2020-Oct

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

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

MCQ: The term ‘Core Banking Solutions’ correct term? (Asked in UPSC Prelims-2016)

1. It is a networking of a bank’s branches which enables customers to operate their accounts regardless of where they open their accounts.
 2. It is an effort to increase RBI’s control over commercial banks through computerization.
 3. It is a detailed procedure by which a bank with huge non-performing assets is taken over by another bank.
- Answer Codes:** (a) 1 only (b) 2 and 3 only (c) 1 and 3 only (d) 1, 2 and 3

Table 5: Digital Payment Systems- transaction limits may differ, depending on banks

	RBI's centralised payment systems (CPS)		NPCI's IMPS
Type	RBI's RTGS: Real Time Gross Settlement	RBI's NEFT: National Electronic Funds Transfer	Immediate Payment Service
Transfer Amount	Min ₹2 lakh to ₹2000 crores (SBI).	upto ₹10 lakhs (SBI).	₹ 1 to maximum ₹2 lakhs (SBI)
Target customers	Bizmen wanting high value transactions instantly	Ordinary retail customers (आम जनता के छोटे भुगतानों के लिए है)	
Settlement mechanism	Instant settlement (झटपट/तुरंत निपटारा)	- Settles net amount between banks at interval of 30 min.	Instant settlement
Timing	BEFORE: Only working days 8AM to 5:30PM(SBI) From 2020-Dec: 24/7	- BEFORE: from 8 am to 7 pm on working days. - From 2019-Dec: NEFT operates on 24/7 basis.	24/7 on all days (दिन रात अविरल रूप से)
Fees	fee + GST**		fee + GST#
Who can provide this facility?	<ul style="list-style-type: none"> - BEFORE-2021: Only Banks can provide this facility - 2021: RBI announces that non-bank entities can also become members of centralized payment systems (CPS = NEFT & RTGS). So, in future, Amazonpay, PhonePe etc could also directly allow this 		Banks + (PPI) / mobile-wallet cos like Phonepe, MobiKwik

⇒ ** from 1/1/2020 **no fees** if doing online transactions. (but if NEFT/RTGS done by filling paper-form at bank branch then fees may be levied. (आपके पास कंप्यूटर या मोबाइल नहीं है फिर भी आप ऑनलाइन पैसा भेजना चाहते हैं तो आपने बैंक ब्रांच में जाकर NEFT/RTGS करवाने वास्ते कागजी फॉर्म भरना पड़ता है उस वक्त थोड़ी बहुत फ्रीस शायद लग भी सकती है)

⇒ # Although some banks don't charge IMPS fees for transactions upto ₹ "X"/- (EXACT Fig NOTIMP)

Mrunal comments before next section: In the digital wallet apps → companies introduce new features & RBI introduces new technical norms on daily basis. We are not here to write a MBA research paper on their business-

model & RBI regulations. Q. "sir u said x thing can't be done in phonepe App but now it can be done...as per my experience !! Ans. I've given simple illustration to explain thing. They keep adding new features in the App. UPSC asking only general broad MCQs from this. If they ask technical, then goto page1, Fig#2. # 📲 थोड़ा-पढ़ो-आगे-बढ़ो

10.8.3 📲 💳 💸 💵 Interoperability Problem (इंटरऑपरेबिलिटी)



Figure 6: can't connect Apple Watch to Android Phone 📲

- ⇒ (Definition) Interoperability is the ability of customers to transact across commercially and technically independent payment platforms. व्यावसायिक और तकनीकी रूप से स्वतंत्र भुगतान प्लेटफार्मों के बीच लेन-देन करने की सुविधा
- ⇒ Legal complications under Payment & Settlement System Act 2007, so, we don't have full interoperability; We can't transfer money between one wallet to another wallet, can't use wallet to pay all type of taxes, fees, insurance premiums etc. कानूनी बाधाओं के चलते संपूर्णता इंटरऑपरेबिलिटी नहीं थी
- ⇒ This is an obstacle to 'cashless-economy'. So, in 2018 and in 2021: RBI issued technical guidelines for interoperability. इस सुविधा को लागू करने के लिए तकनीकी दिशानिर्देश दिए हैं रिजर्व बैंक ने।

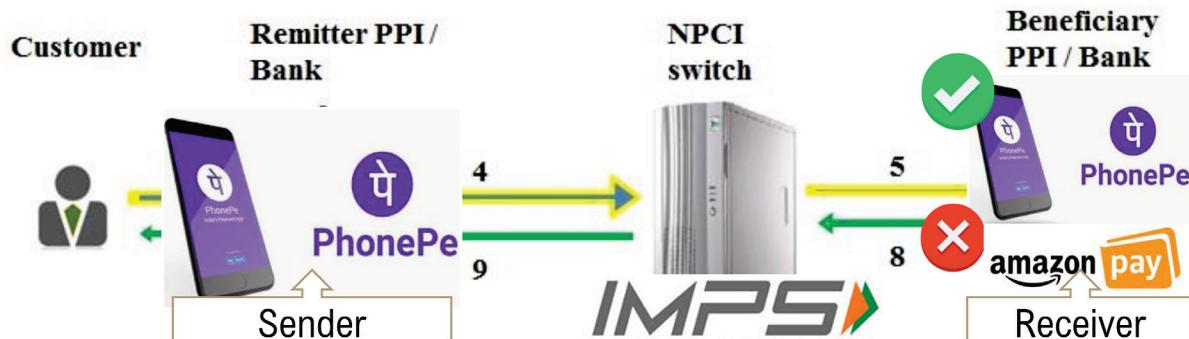


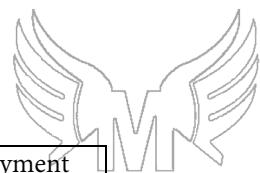
Figure 7: in above diagram, interoperability is absent. Phonepay money can't be transferred to Amazonpay directly.

10.9 📲 NATIONAL PAYMENT CORPORATION OF INDIA(NPCl)

- ⇒ 2008: NPCl is registered under Company Act as a "Not for Profit Company". (मुनाफा रहित कंपनी)
- ⇒ Originally it was founded by 10 banks with ₹ 100cr capital. 2020-Dec: Paytm, PhonePe, Amazon Pay etc also became shareholders of NPCl (ये सब शेयर धारकों ने पूँजी डालकर इस कंपनी को बनाया है)
- ⇒ Objective? Provide cost-effective payment solutions / technology for Banks. (रियायती लागत पर बैंकिंग टेक्नोलॉजी)
- ⇒ Its UPI-BHIM app & other mechanisms also help in financial inclusion of villagers & poors by expanding the reach of banking network. (गरीबों / गाँववालों के वित्तीय समोवेशन में मदद के लिए अलग अलग तकनीकी आविष्कार किए हैं)
- ⇒ More abt financial inclusion more in 📃 Pillar# 1D.

Table 6: NPCl has built following mechanisms / platforms / systems / apps:

BBPS	Bharat Bill Payment system for automated monthly payments of utility bills (gas, electricity etc.)
NACH	National Automated Clearing House for bulk monthly payments of utility bills, dividends, salaries, pension / insurance premiums etc.
NFS	National Financial switch. This technology runs the ATM network
CTS	Cheque Truncation System (2010) learned in previous section



  UPI 1.0 (2016)	<p>Full Form: Unified Payment Interface=It's a technology for building digital payment apps based on IMPS with following features:</p> <ul style="list-style-type: none"> ⇒ QR Scan & Pay to merchants. ⇒ You can link bank account for direct transfer of money without storing money in 'wallet' first. (unlike AmazonPay / Mobikwick etc) ⇒ Such app can have Push transaction (e.g. Remittance to family), Pull Transaction (e.g. monthly bill deduction by Electricity Co.) or even Bill sharing among friends. ⇒ Examples of UPI based app: SBI's SBIBuddy/Yono, Axis Bank's AxisPay and NPCI's own BHIM. ⇒ UPI 2.0 (2018): Upgraded version of UPI. What are its new features ? How is it different than UPI 1.0 ? Ans. not important for our exam. #  थोड़ा-पढ़ो-आगे-बढ़ो
  BHIM (2016)	<p>Full form: Bharat Interface for Money (remember this Fullform for exam!)</p> <ul style="list-style-type: none"> ⇒ It works on Android, iOS/Apple mobiles as an APP, ⇒ Works even on non-smart (=basic feature) phones using *99# USSD-Unstructured Supplementary Service Data. ⇒ Bank to bank / peer to peer transaction using mobile phone (xyz@upi). No need to install multiple apps for each bank account (SBIBuddy, AxisPay etc) just one BHIM app to use all such bank accounts. App has 3 factor authentication system. ⇒ Your money stays in bank account and earns interest. It's not stored in 'wallet outside your bank account' as it happens in Mobikwick, PhonePe etc. (PS: in later stage, PhonePe etc private apps also included UPI type mechanism so storing money in 'wallet' became optional but we need not engage in Hairsplittery/PHD.) ⇒ No cards involved so no MDR or such hidden charges.
 RuPay (2012)	<ul style="list-style-type: none"> ⇒ Rupee + Payment = RuPay card is world's 7th payment gateway similar to Mastercard, Visacard, China's Union Pay- but, at less service charges. ⇒ Works in 3 channels: 1) ATM, 2) Point of Sale Device (PoS/card reader machine), 3) Online portals. ⇒ Used by banks, railway and even Dairies (to pay ₹₹ to milk depositor farmers). ⇒ Rupay debit card given free with PMJDY (Jan Dhan) Bank account (Ref Pill1D). ⇒ Rupay has signed collaboration agreements with some digital payments companies in Singapore, Japan etc. So, it may be used in those countries. But presently Rupay is not having the widest reach across all the countries unlike MasterCard and Visa.
AEPS	<ul style="list-style-type: none"> ⇒ Useful for Direct Benefit Transfer (DBT: प्रत्यक्ष हस्तांतरित लाभ) into beneficiary's account for MNREGA wages, LPG subsidy, scholarship etc.  More in Pill#6 ⇒ It's also required for Bankmitra-MicroATM system.
NETC	<ul style="list-style-type: none"> ⇒ National Electronic Toll Collection provides technology support to the FASTag toll collection. (राजमार्ग पर पथकर वसूलने के लिए)
PAI chatbot	Artificial Intelligence (AI) based chatbot to reply to people's online queries about NPCI's products like FASTag, RuPay, UPI, AePS etc.
DakPay (2020)	Payment App by Department of Post and its India Post Payments Bank (IPPB)
BharatQR(2016)	Given in next section of this handout. Scroll down
E-Rupi (2021)	Given in next section of this handout. Scroll down



10.10 ₹ 📱 ☁ DBT → E-RUPI BY NPCI (2021)



- (Origin) E-rupi is an SMS /QR Code based Prepaid Cashless Electronic Voucher created by National Payment Corporation of India (NPCI) using its UPI Platform. [क्यूआर कोड आधारित प्रीपेड नगदीरहित इलेक्ट्रॉनिक रसीद जिसे भारतीय राष्ट्रीय भुगतान निगम (एनपीसीआई) ने अपने यूपीआई प्लेटफॉर्म का उपयोग कर बनाया]
- It is also supported by finance ministries Department of Financial Services and Health ministry's National Health Authority (NHA) [वित्त मंत्रालय के वित्तीय सेवा विभाग और स्वास्थ्य मंत्रालय के राष्ट्रीय स्वास्थ्य प्राधिकरण ने भी इसकी मदद की है]

10.10.1 ₹ 📱 ☁ E-Rupi: Challenges in Physical Procurement/DBT

Suppose the government wants to give Rs.500 worth shoes to schoolchild of a poor family. Following are the ways to accomplish it. [मान लीजिए सरकार स्कूल के गरीब बच्चों को ₹500 के जूते देना चाहती है]

Method तरीका	How?	Problem समस्या
Physical procurement [सरकार भौतिक स्वरूप में जूतों की खरीद करें और गरीब बच्चों दे,]	Government (Minister/IAS) buys shoes from Bata/Lakhani/XYZ company → send to school principal → Delivered to Child [लेकिन यहाँ मंत्री, अफसर, विद्यालय के हेडमास्टर पैसे या जूतों का गबन करें ऐसा डर]	<ul style="list-style-type: none"> ⇒ 🚫 Minister/IAS demand bribe from Bata/Lakhani/XYZ to Approve the government purchase tender. [सरकारी ठेका पारित करवाने के लिए रिश्ता] ⇒ 🚫 Substandard quality of shoes may be purchased from crony company who paid bribes. ⇒ 🚫 District education Officer (DEO), School principal may siphon/selloff shoes to the retail stores instead of giving to poor children [जूतों का गबन. हेड मास्टर गरीब जूतों के बच्चे जूते की दुकान को बेच दे] ⇒ 🚫 Shoe Size mismatch → Child may get the “sarkari” shoes but may not wear it= waste of taxpayer's money. [जूते बच्चे के पैर के नाप के बराबर ना हो]
Direct benefit transfer (DBT: प्रत्यक्ष लाभ अंतरण)	Govt transfers ₹500 to father's account	🚫 Father may use DBT money on Vimal, liquor and gambling instead of buying shoes for the child
	Govt transfers ₹500 to child's account	🚫 Child may use DBT money to buy Chocolates or Video Games instead of shoes.

10.10.2 ₹ 📱 ☁ E-Rupi: How does it fix Problems in Physical Procurement/DBT?

- ⇒ Govt (e.g. Education department) deposits money in a bank account (e.g. SBI) → NPCI generates E-rupi code. [Thus it is “pre-paid” by Government for beneficiary]
- ⇒ Government sends this E-Rupi QR Code/SMS Code to father → ke “Use this Rs.500 to buy shoes for child” [सरकार लाभार्थी के मोबाइल फ़ोन पर इ-रुपी नामक कोड भेजेगा, केवल जूता खरीदने के लिए इस्तेमाल हो सके]
- ⇒ Father takes child to the shoe store, buys the shoes Pays via E-rupi digital code. Shoestore then sends E-rupi code to banker (e.g. SBI) to redeem money (which was deposited by Govt).
- ⇒ Suppose Child prefers Bata (₹800 ka more comfortable leather shoe) over Lakhani (₹500 ka less comfortable rubber shoe) → Father pays E-Rupi QR(₹500)+Father's own cash (300)= buy Bata. Thus E-rupi gives more freedom to the beneficiary to purchase the goods as per their requirement/preference.



[लाभार्थी को अपनी पसंद और ज़रूरत के हिसाब से सामान खरीदने का अवसर/ स्वतंत्रता मिले]

- ⇒ IF Footware store “X”’s staff very arrogant then father may goto Footware Store “Y” = **Dignity & Power to customer.** Unlike PDS stores where beneficiary has to stand in long queues and often get humiliated by the shopkeeper for asking questions abt quality of rice/wheat/sugar/edible oil. [सरकारी राशन की दुकान पर अगर गरीब लाभार्थी अनाज की गुणवत्ता या खाद्य तेल में मिलावट की कोई शिकायत करे तो उसे दुकानदार ज़लील करता था . लेकिन E-rupi के चलते ग्राहक को स्वतंत्रता मिलती है कि यदि कोई दुकानदार बतमीजी करता है तो ग्राहक दूसरी दुकान चला जाएगा.]
- ⇒ Money will ultimately go to the best quality shoe maker (e.g. Bata). Less scope for corruption/ purchase of substandard quality shoes by taking bribes by the Minister/IAS = crony capitalism will decrease.
[लाभार्थी वो सामान खरीदेगा जो उच्च गुणवत्ता का है. इससे पहले कंपनियां मंत्री अफसरों को रिश्वत खिलाकर, लाभार्थीओं को घटिया किस्म का सामान दे दी थी= वो पक्षपाती पूँजीवाद कम होगा]
- ⇒ Father will not be able to use this QR code At Gutkha Parlor, Liquor Shop or Gambling Den. [लक्षित वस्तुओं के अलावा किसी अन्य चीज़ की खरीद में ही इ-रुपी कोड इस्तेमाल नहीं हो पाएगा]
- ⇒ District education Officer (DEO) or School principal cannot siphon shoes to blackmarket.
- ⇒ Footwear store accepted the E-rupi payment → money transfer takes place through banks = less scope for evading GST, Income Tax, Corporation Tax. [unlike cash transactions] [डिजिटल तरीके से बैंक खाते में पैसों का लेन देन होगा तो करचोरी और कालेधन के अवसर भी व्यापारी के लिए कम होंगे]
- ⇒ E-Rupi issued on mobile phone. = **Less touchpoints between the beneficiary and government officials.** Beneficiary **need not stay in queue to get the physical vouchers** from govt office = less scope for bribery and harassment [कोड सिधे लाभार्थी के मोबाइल फोन में आ जाएगा। गरीब आदमी ने सरकारी दफ्तर के थके नहीं खाने होंगे, सरकारी बाबू को रिश्वत नहीं देनी होगी]

10.10.3 E-Rupi: potential applications in Future [भविष्य में उपयोग]

- Food for mother, child and poor families under various schemes. Medicines for TB, Corona etc. Fertilizer subsidies for farmers [खाद्य दवाइयां उर्वरक की सब्सिडी दी जा सकेगी]
- Even private sector companies can issue it for 1] employees e.g. Gym membership, golf club membership, hotel tourism travel. 2] use it for corporate social responsibility (CSR) programs. [निजी कंपनियां भी कर्मचारियों को विविध चीजों के लिए दे सकती हैं. कारपोरेट सामाजिक दायित्व अदायगी में भी इसका इस्तेमाल हो सकता है]

Conclusion: Appreciable step by government to deliver the entitlements to the poor families in targeted and leakproof manner. This will help in a long way in increasing the accountability, transparency and efficacy of Direct benefit transfer (DBT) programs. [सरकार का प्रशंसनीय कदम. गरीब परिवारों को लक्षित रूप से और रिसावमुक्त तरीके से सरकारी योजनाओं का लाभ मिले, जिससे प्रत्यक्ष लाभ अंतरण योजनाओं की जवाबदेही, पारदर्शिता और प्रभावकारिता बढ़ेगी।]

10.11 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 7: 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. ⇒ So, RBI has prohibited companies from launching any new proprietary QR code.
UPI QR code	Generated by UPI app of NPCi. It can be scanned by all Apps which are developed using UPI technology.
Bharat QR code	Developed by NPCi with help of Visa and Mastercard. It can be scanned by all Apps which are developed using UPI technology.



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

10.12 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 digital infrastructure for share/bond/foreign currency deals etc. ( Ref: HDT-Pillar#1C)

10.12.1 New Umbrella Entity (NUE) for Retail Payments System (2019)

- ⇒ Presently, Paytm has rival companies like Mobikwick, Phonepe; Mastercard vs Visa; SBI vs Axis Bank;
 - ⇒ But there is no rival company against NPCi. वर्तमान समय में NPCi का प्रतिस्पर्धी कोई नहीं है
 - ⇒ NPCi is an umbrella entity for retail payments system - it operates in card payment (RuPay), Money transfer (IMPS), Mobile Apps (UPI, BHIM), ATM Network (NFS) etc.
 - ⇒ 2020: RBI issued a proposal, “if any Indian company interested to compete in this (NPCi-like) retail payment segment, we'll license them as new umbrella entity (NUE: खुदरा भुगतान के लिए नई छतरी इकाई). Subject to these technical “XYZ” technical eligibility requirements” [What are those eligibility conditions e.g. Minimum Capital, Shareholding Pattern etc ?  NOTIMP4EXAM, no matter how many private mock test walla ASK it in their Faaltu Tests #  थोड़ा पढ़ो आगे बढ़ो]
 - ⇒  Benefits? More companies like NPCi → more competition → more innovation and cheaper services for users. (स्पर्धा बढ़ेगी तो नए तकनीकी आविष्कार होंगे, डिजिटल भुगतान सेवाएं पहले से भी ज्यादा सस्ती / किफायती, ग्राहक का फायदा)

**AB
CD** ? MCQ. Find Correct Statement(s) [asked in UPSC- Prelims-2017]

1. NPCI helps in promoting the financial inclusion in the country.
 2. NPCI has launched RuPay, a card payment scheme.

AB CD ? MCQ. Find Correct Statement(s) [asked in UPSC- Prelims-2018]

1. BHIM app allows the user to transfer money to anyone with a UPI-enabled bank account.
 2. While a chip-pin debit card has four factors of authentication, BHIM app has only two factors of authentication.



10.12.2 Third Party Application Providers (TPAPs): Google Pay, WhatsApp Pay

- WhatsApp Pay is a feature that allows users to send/receive money via WhatsApp to their contact list using UPI technology. UPI technology is developed by (NPCI).
- ⇒ Google Pay (GPay, formerly called 'Tez') is an App by Google for online payments.
- ⇒ As per rules, Payment Service Operators need to register with RBI under Payment and Settlement Systems Act, 2007. But Google functioned without authorization. बिना आरबीआई के पंजीकरण के चला रहा है
- ⇒ 2019-April: Delhi HC inquired. Google clarified: "Google Pay operates as a technology service provider to its partner banks, using UPI infrastructure. We are not part of payment processing or settlement. Payment is directly done from one bank account to another. So, we require no license / authorization / registration required from RBI." Beyond that जिसको आंदोलनकारी बनना है → वो झंडा लेकर जंतर-मंतर पर धरना प्रदर्शन करे, जिसको IAS/IPS बनना है वह आगे का Next topic पढ़े....

10.13 CREDIT & DEBIT CARDS (ALSO CALLED 'PLASTIC MONEY')



Table 8: Card Types based on Payment modality

1) Credit Card (कर्ज पे शॉपिंग)	2) Debit Card (अपने बैंक बचत का पैसा इस्तेमाल करो)
<ul style="list-style-type: none"> ⇒ It allows holder to make purchase on credit (=loan), even if he may / may not have sufficient balance in his bank account at the time of purchase. एक तरह से कर्जे पर खरीदारी की सेवा ⇒ Customer does shopping using credit card → bank transfers ₹ ₹ to merchant from bank's own funds and later bank recovers ₹ ₹ from customer. ⇒ Customer can pay entire due amount at once or convert it into Equated Monthly Installments (EMI). बकाया रकम किश्तों में भुगतान कर सकता है ⇒ Interest rate may be charged depending on billing cycle, grace period and other terms and conditions PhD करने की हमको जरूरत नहीं है. 	<ul style="list-style-type: none"> - It allows holder to make purchases upto the extent of the amount lying in own his bank balance. अपने बैंक खाते में जितना पैसा है उतना ही इस्तेमाल - Customer does shopping using debit card → bank transfer ₹ ₹ from customer's own bank account to merchant. So, if he has insufficient balance, he may not be able to make purchase. Although nowadays e-commerce sites allow debit-card based EMIs but that much PhD/Hairsplittery unnecessary for IAS For MCQ. Simply remember: Debit card= shopping ONLYIF you have ₹ in bank balance, Credit card= shopping without ₹ in bank balance.
If Credit card used for withdrawing money from ATM, then it's a type of 'borrowing', so, bank levies interest rate.	Debit card can be used to withdraw ₹ ₹ from ATM from your existing bank balance. So, it's not 'borrowing'.
<u>Credit card vs Overdraft?</u>	<u>Debit card vs Overdraft?</u>
<ol style="list-style-type: none"> 1. Credit cards = for shopping. You carry card in your pocket. Bank may give u some reward-points/gifts if you spend "₹.X" per year 2. - for overdraft= you have to manually visit the bank branch, fillup form. It's not in the form of a 'card'. Doesn't give u points/gifts. Further difference not.imp.not.here.for.IBPS-exam 	You should be intelligent enough to self-understand that much. शिक्षक हर चीज की स्थून फिडिंग करेगा/चम्मच से खिलाएं वह विद्यार्थी के मानसिक विकास के लिए अच्छी बात नहीं



- ⇒ 3) **Hybrid Card / Duo Card:** Single card containing two chips for 1) credit card and 2) debit card. So, you don't have to carry two separate cards. E.g. Indusbank Hybrid card. एक ही कार्ड में दोनों का मजा 😊
- ⇒ 4) **Pre-paid card:** It's a subtype of debit card. Debit card is linked to a given bank account. But Pre-paid card can be bought even without having account in the given bank e.g. IRCTC's UBI Prepaid Card which can be used for buying rail tickets, meals etc. Backend support provided by Union Bank of India (UBI) and NPCi's Rupay gateway. (इस कार्ड को पैसा देके खरीदना पड़ता है। बैंक खाता होना जरूरी नहीं।)

10.13.1 **Card Types based on Security Features:** (सुरक्षा प्रणाली के हिसाब से कार्ड के प्रकार)

1. **Magnetic Card:** 1960s technology. Data on magnetic strip. But, such data can be duplicated, cloned, skimmed while swiping the card = fraud. So, RBI stopped such cards from 1/1/2019 using powers under Payment & Settlement Act. चुंबकीय कार्ड में जालसाजी का खतरा 🛡️ → इसलिए आरबीआई ने ⚙️ प्रतिबंधित किया
2. **EMV card:** Full form: Europay+Mastercard+Visa chip infrastructure with encryption. RBI had ordered migration in 2013- finally effective from 1/1/2019. Two sub-types
 - o (A) **EMV-Contact:** cards must remain in Point of Sale (PoS) Terminal during transaction.
 - o (B) **EMV-Contactless cards:** simply tap the card on terminal using RFID (radio-frequency identification) technology. (बस छूकर निकल जाओ. कार्ड को मशीन में घुसेड़ने की जरूरत नहीं)

HomeWork: Read about RFID & NFC from Sci-Tech book/internet.

10.13.2 **Card Tokenization (2019)**



Figure 8: थप्पड़ से डर नहीं लगता, Identity theft se lagtaa hai!

- ⇒ During the purchase customer may have to enter following data about his credit/debit card: Account Holder's Name, 16-Digit Account Number, Expiry Date, Security Code (CVV/PIN).
- ⇒ Often merchant site (e.g. Amazon) offers to store this data in their server so next time customer does not have to retype it and he can do "one click purchase". 🛡️ Challenge? Data may be hacked/leaked/misused.
- ⇒ Tokenisation = creates a set of numbers called 'token' to replace/hide the sensitive card data such as the 16-digit account number, expiry date and security code. (हैंकिंग से बचने वास्ते असली कार्ड नंबर की जगह टोकन/काल्पनिक-नंबर बनाकर दे दो ऐसी बात है। ताकि विक्रेता का आपके कार्ड की गुप्त जानकारी मिले नहीं)
- ⇒ This ensures your card information is not disclosed to merchant website.
- ⇒ Card owner can generate Tokenization through visiting card-issuer's/banker's website/App through laptops, desktops, tablet, wearables (smartwatch) etc.
- ⇒ From 1/1/2022, Merchant / Seller can't store card details. He'll have to delete previous card data. Only source banks and card issuers (such as Rupay, Visa, and Mastercard) can store card details.

10.13.3 **National Common Mobility Card (NCMC, 2019)**



Figure 9: NCMC card unboxing ka video bhi youtube & Instagram पे डालते हैं

'One Nation One Card Model' by **Ministry of Housing & Urban Affairs (MoHUA)** with the help of NPCi, Bharat Electronics Limited (BEL Company), and some banks. It has 3 components: (तीन घटक हैं इसके)



- ⇒ 1) NCMC Card: To be issued by banks. Nature can be Debit/Credit/Prepaid. Can be used for metro, bus, suburban railways, toll, parking, retail shopping etc.
- ⇒ 2) SWEEKAR: Automatic Fare Collection System. (यात्री किराया वसूलने की स्वचालित प्रणाली)
- ⇒ 3) SWAGAT: Swachalit / Automated Gate at railway/bus station. (अपने आप खुलने-बंद होने वाले दरवाजे)

10.13.4 🚗 FASTag for paying toll fees at highways (2017)

FASTags are prepaid rechargeable tags that allow for automatic toll collection at electronic toll collection gates Radio-frequency Identification (RFID) technology.

- ⇒ 2013 onwards Govt required automobile companies to install RFID tags on windscreens of cars.
- ⇒ 2017: National Highways Authority of India (NHAI, a statutory body under Highway ministry) launched 2 mobile apps MyFASTag and FASTag Partner to facilitate Electronic Toll Collection (इलेक्ट्रॉनिक माध्यम से पथकर/टोल वसूली के लिए राष्ट्रीय राजमार्ग प्राधिकरण द्वारा अलग अलग एप बनवाए गए हैं).
- ⇒ NPCi's has developed National Electronic Toll Collection (NETC) technology to aid this.
- ⇒ Persons loads up ₹ ₹ in his mobile app → activates RFID tag in his car → when it passes through highway toll-booth, the money is automatically deducted. (गाड़ी टोल नाके से गुजरेगी अपने आप पैसा कट जाएगा)
- ⇒ 😊 Benefit? faster traffic movement. (तेज यातायात मैं मदद क्योंकि गाड़ी रोककर हाथ से भुगतान नहीं करना)
- ⇒ FASTag has validity of 5 years. It is vehicle specific and once it is affixed to a vehicle, it cannot be transferred to another vehicle = helps in tracking of vehicle theft, criminal's movement etc (एक बार वाहन को चिपकाया तो दूसरे वाहन में उस टेग/स्टिकर को स्थानांतरित नहीं कर सकते इसके जरिए चुराए वाहनों को ढूँढना पुलिस के लिए आसान)
- ⇒ From Mid-Feb-2021, it became mandatory for all vehicles passing through tolls to have FASTags. Vehicles without FASTags will have pay up more fees/toll at the gates. (ये लगाना अनिवार्य हुआ अन्यथा ज्यादा फीस)

10.13.5 📡 Card Entities in Negative News: MasterCard, HDFC Bank

- **HDFC Bank:** 2020-Dec: RBI suspended it from issuing new card due to security /server problems. 2021-Sept: Ban lifted. (रिजर्व बैंक ने सुरक्षा कारणों से अस्थायी रूप से रोक लगाई थी कि तुम नए ग्राहकों को कार्ड नहीं दे सकते)
- **MasterCard** is a payment gateway operator running card network in India for various banks. But despite RBI directive it was not storing Indian customer data in Indian servers. So 2021: RBI has prohibited MasterCard from onboarding (=issuing new cards) to Indians. (भारतीय ग्राहकों का डेटा केवल भारतीय सर्वर में ही संग्रहित करना है ऐसे रिजर्व बैंक के नियम को ये मान नहीं रहा था तो रिजर्व बैंक ने इसे ग्राहकों को नए कार्ड जारी करने से मनाई की)

10.13.6 🏧 ATM and its Types



- ⇒ Automated Teller Machine (ATM) allow bank customer to withdraw money or check balance without visiting any branch of a bank. (स्वचालित रूप से नकदी मुद्रा देने वाला यांत्रिक डिब्बा)
- ⇒ ATM network works on NPCi's NFS (National Financial Switch) technology.

Bank label	Bank itself owns and operates the ATM network.
Brown label	Bank owns but operations outsourced (cash refilling truck, guard) ⇒ <i>Note: Some books offer different definition, but I've taken above definition from Economic Times Article 2015.</i> (कुछ किताबों में व्याख्या अलग है मैंने इधर से ली है)
White label	Non-Bank owns and operates. E.g. Muthoot Finance, Tata Communication, Prism ⇒ In 2012: RBI invited application, 4 companies given license. ⇒ From 2013-19 no new applications invited.



	⇒ 2019-Aug: RBI announced 'on-tap' licensing system for white label ATM i.e. a company can apply to RBI as and when it wants (just like applying for driving license). company need not wait for notification (unlike IAS exam notification).
Micro-ATM	Bankmitra manually makes entries of deposit and withdrawal for customer. He uses handheld device for using card & Aadhar biometrics. NPCi's AEPS technology gives backend technological support.

2019-June: RBI setup V-G Kannan Committee on ATM charges by banks such BankingGK #notIMP4IAS.

10.14 MDR: FULL FORM: MERCHANT DISCOUNT RATE (व्यापारिक छूट दर)

- ⇒ MDR is the fees that a merchant must pay to his (acquirer) bank for every credit / debit card transaction.
- ⇒ MDR fees is **shared** among 3 parties 1) customer's card issuing bank 2) merchant's acquiring bank 3) payment gateway provider. (तीन पक्षों में इस फीस को बांटा जाता है)
- ⇒ MDR hurts merchants' profit margin, discourages them from adopting Point of Sale (PoS) terminals (=card swiping machine) → obstacle to digital economy. (व्यापारी के मुनाफे पर असर होता है इसलिए वह कार्ड मशीन अपनाने में उदासीनता दिखाते हैं।)

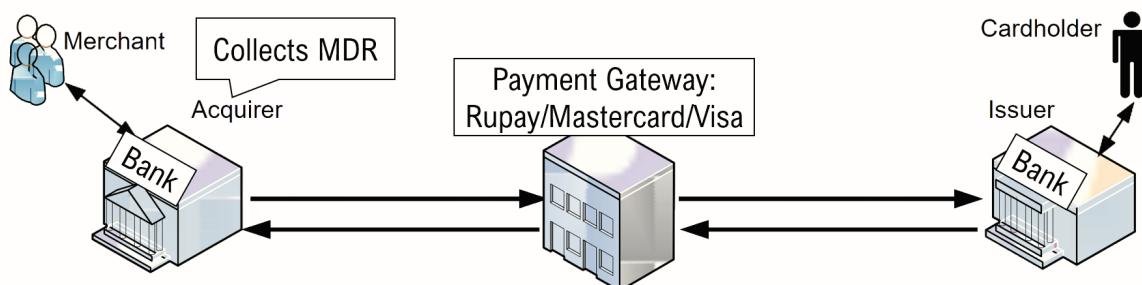


Table 9: Steps taken to address MDR issue

RBI	⇒ 2017: Imposed ceilings on MDR fees i.e. MDR can't be more than "x%" of the transaction amount. (रिजर्व बैंक द्वारा तय सीमा से ज्यादा फीस नहीं मांग सकते)
MEITY	<ul style="list-style-type: none"> ⇒ WEF 1/1/18: Ministry of Electronics & Information Technology (MEITY) started MDR-subsidy to acquirer bank on bills upto ₹ 2,000, if payment made via Debit Card ⇒ Scheme valid for 2 years. ⇒ Direct benefit: Encourage digital payments ecosystem. ⇒ Indirect Hidden benefit: Datamining of tax evading merchants
Budget	⇒ Nirmala S's Budget-2019: If biz.firm turnover > ₹ 50 crore is accepting payment via Rupay debit card then NO MDR on such transaction. RBI and Banks will absorb this 'MDR Fees burden'. (₹ 50 cr से ज्यादा का कारोबार करने वाली कंपनी यदि रुपये डेबिट कार्ड से भुगतान स्वीकार करती है तो उस पर एमडीआर फीस नहीं लगे- वो सारी एमडीआर फीस का बोझ रिजर्व बैंक और बैंकों ने स्वयं ढोना होगा)

^ऐसी सब तकनीकी चीजों का हिंदी तैयार करने की कोई जरूरत नहीं. Mains में आसान भाषा में एक वाक्य में लिख दो, “डिजिटल भुगतान को प्रोत्साहन देने के लिए सरकार ने एमडीआर फीस का बोज कम करने के लिए सब्सिडी तथा अन्य कदम उठाए हैं।”

10.15 MEASURES TO PROMOTE LESS-CASH ECONOMY

- ⇒ During 2016-17 in the aftermath of Demonetization (नोटबंधी/विमुद्रीकरण के बाद)
 - ✓ Ratan Watal Committee to Finance Ministry for medium term recommendations to strengthen digital payment ecosystem. (डिजिटल भुगतान परिस्थितिकी तंत्र को मजबूत करना)
 - ✓ Chandrababu Naidu chief ministers' Committee to PM to promote digital payment.
 - ✓ HRD ministry's Vittiya Saksharta Abhiyan wherein college students explain people about digital transactions. (डिजिटल भुगतान कैसे करें उसकी जागृति फैलाना)



- ✓ NITI+NPCI launched lottery / cashback schemes for customers (**Lucky Grahak**) and merchants (**Digi Dhan Vyapar**). Government itself launched further cashback schemes for using UPI-BHIM.
- ⇒ **Budget-2017:** imposed ceilings on cash transactions, gave tax incentives to companies for using digital transactions, **↓** custom duties on ATM devices. (नगदी व्यवहारों पर रोकथाम, डिजिटल भुगतान अपनाने पर करों में रियायत)
- ⇒ **Budget-2018:** promised to explore blockchain technology [of cryptocurrencies] for promoting digital economy.
- ⇒ **Budget-2019 by Nirmala.S:** imposed TDS on withdrawal of ₹1 cr/> cash from a single user account.
<More in **█ Pillar2: Taxation → Black Money** (अपने बैंक खाते से मोटी नगदी रकम उठाने पर टीडीएस करेगा)
- ⇒ **Digidhan Mission (2017) Digital Payment Abhiyan (2019)** = Ministry of Electronics and Information Technology (MeitY)'s camapgin to **▲**digital payment. But, outdated topics. We'll not waste time learning exact features. **⌚ DONOT lose Sleep**

10.15.1 **█ RBI's Nandan Nilekani Panel (2019: Jan to May)**



Nilekani (Ex-chairman of UIDAI, also associated with Infosys) gave total 70+ suggestions. Notable are:

Suggested Reforms @Government (नीलेकणि ने सरकार को ये सुझाव दिए)

- ⇒ Government transfers welfare schemes' money directly into bank accounts of poor people under Direct Benefit Transfer (DBT) mechanism. But poor people withdraw cash from bank account entirely because local merchants not accepting digital payments. So, raise awareness about BHIM-UPI and its adoption.(सरकार गरीबों के बैंक खाते में विविध योजनाओं का पैसा जमा तो करती है, किन्तु गांव के व्यापारी डिजिटल भुगतान स्वीकार नहीं करते इसलिए गरीब आदमी हमेशा बैंक से नकदी रकम निकालनी पड़ती है और नकदी में भुगतान करना पड़ता है)
- ⇒ Give companies tax incentives for using digital payments. (कर प्रोत्साहन /करों में छूट दी जाए)
- ⇒ **↓** reduce taxes on the devices required for digital payments. (डिजिटल भुगतान की मशीनों पर करों में कटौती)
- ⇒ Govt orgs should not charge **convenience fees** (सुविधा शुल्क) from citizens while accepting digital payments.
- ⇒ **National Common Mobility Card (NCMC):** Allow its usage in all transport routes and PoS.
- ⇒ Setup Computer Emergency Response Team for finance (FIN- CERT: आपातकालीन प्रतिक्रिया टीम).

█ Nilekani's Suggested Reforms @RBI (नीलेकणि ने रिजर्व बैंक को ये सुझाव दिए)

- ⇒ RBI should prepare area wise 'Digital Financial Inclusion Index' (डिजिटल वित्तीय समावेशन सूचकांक) to monitor progress & take remedial steps. Ensure no user is more than 5 kms away from a banking access point.
- ⇒ Setup a **Fund** to develop digital payment infrastructure in poorly served areas e.g. subsidy on PoS devices. RBI and Banks should co-contribute ₹ ₹ in this fund. (रिजर्व बैंक और अन्य बैंक द्वारा एक निधि बनाई जाए. जिसके पैसों से पिछड़े इलाकों में डिजिटल भुगतान मशीन खरीद/इस्तेमाल के लिए व्यापारियों को सहिती दी जाएगी)
- ⇒ **↓**Reduce the MDR / card payment fees. Allow customer to do "x" no. of digital payment transactions per month with zero charges. (कार्ड भुगतान पर लगने वाले विविध फीस में कटौती की जाए)
- ⇒ RBI should make NEFT available 24/7 and remove its fees. (Done in 2019-20: RBI removed charges on both NEFT and RTGS.)

█ Nilekani's Suggested Reforms @NPCi

- ✓ NPCI shd offer RuPay and BHIM UPI in other countries to facilitate remittance to India.
- ✓ Encourage local language apps/ software for digital payments. (स्थानीय भाषाओं में सॉफ्टवेयर बनवाओ)



Nilekani also suggested many other technical reforms but not imp4exam

MCQ Who among the following was the Chairman of the Committee on Deepening Digital Payments appointed by the RBI ? (Asked in UPSC-CDS2019-II-Q116)

- (a) H.R.Khan (b) Nandan Nilekani (c) N.R.Narayana Murthy (d) Sanjay Jain

10.15.2 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

10.15.3 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. # ⊖

10.15.4 Payment and Settlement Systems in India: Vision 2019 – 2021

RBI published this document in 2019-May. it repeated most of the points that Nilekani report said. As such not much IMP unless preparing for RBI exams (रिज़र्व बैंक के दस्तावेज प्रकाशित करता है हालांकि मोटी मोटी बाते हमने पढ़ ली)

10.15.5 RBI Digital Payments Index (DPI: डिजिटल भुगतान सूचकांक)

- ⇒ With 5 component: (i) Payment Enablers (weight: भारांक 25%), (ii) Payment Infrastructure – Demand-side factors (10%), (iii) Payment Infrastructure – Supply-side factors (15%), (iv) Payment Performance (45%) and (v) Consumer Centricity (5%). (WEIGHT NOT IMP4IAS but for RBIOfficerEXAM)
- ⇒ Report will be published 4-4 months. (हर चार महीने पर प्रकाशित होगा ये रिपोर्ट)
- ⇒ Base Year 2018, then annual growth measured in Digitisation of payments then → backward areas will be found → RBI will give more attention to those areas. (आधार वर्ष 2018 की तुलना में डिजिटल भुगतान के विभिन्न मानकों में कितनी बढ़ोतरी हुई, उस हिसाब से विविध इलाकों का पिछ़ापन तय होगा और रिज़र्व बैंक वहाँ सुधार के लिए ज्यादा ध्यान देगी)

10.16 DIGITAL PAYMENT REGULATORY BODIES (नियंत्रण संस्थाएँ)

10.16.1 Digital Transactions Ombudsman (DTO-2019)

- ⇒ RBI designates senior RBI officials at 21 places across India as DTO. They hear customer complaints upto ₹ 20 lakh against prepaid payment instruments, Mobile wallets, Apps, NEFT/RTGS and other digital transactions. ((डिजिटल लेनदेन शिकायत निवारण अधिकारी/लोकप्रहरी).
- ⇒ They can order the company / bank to fix problem and pay upto additional ₹ 1 lakh for mental agony of customer (मानसिक उत्पीड़न के लिए जुर्माना/मुआवजा). → Higher Appeal to Dy.Gov of RBI.
- ⇒ If matter > ₹ 20 lakh, then matter outside his jurisdiction. Victim has to approach court. (20 लाख से अधिक रकम का मामला होगा, तो पीड़ित ने न्याय/इंसाफ के लिए अदालत/कोर्ट में जाना होगा)



10.16.2 📈 (Proposed) Payment Regulatory Board (PRB)

- ⇒ **1998:** Narsimham-II Committee on Banking Reforms suggested regulatory framework for e-banking, card payment etc.
- ⇒ **2007:** Payment & Settlement Systems Act (भुगतान और निपटान प्रणाली अधिनियम) → RBI → (Statutory) Board for Regulation and Supervision of Payment and Settlement Systems (BPSS: भुगतान और निपटान प्रणाली के विनियमन और पर्यवेक्षण के लिए बोर्ड).
- ⇒ All types of payment system providers have to register with RBI's BPSS- whether bank, non-bank, wallet/Prepaid Payment Instrument (PPI) etc. (सभी भुगतान संस्थाओं ने इस वैधानिक संस्था में पंजीकरण करवाना अनिवार्य)
- ⇒ **2016:** Ratan Watal Committee suggested replacing above BPSS with a Payments Regulatory Board (PRB: भुगतान नियामक बोर्ड) in RBI. This PRB to look after Interoperability, Consumer protection, Innovation, R&D in digital payments. (उक्त BPSS संस्थान को बदलकर एक नया PRB संस्थान बनाने का सुझाव दिया गया)
- ⇒ **2018:** draft Payment and Settlement System Bill to implement PRB. (इसके लिए विधेयक का मसौदा भी बनाया गया)
- ⇒ But, RBI vs Government difference of opinion about who should be chairman, how many members from Government side etc. रिजर्व बैंक और सरकार के बीच मतभेद के चलते ये नई प्रस्तावित PRB संस्था अभी तक बनी नहीं है।

10.17 ⚒ CRYPTO-CURRENCY & BLOCKCHAIN TECHNOLOGY

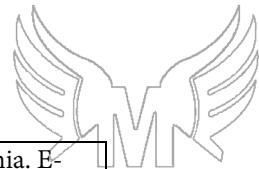


- ⇒ [Definition] **Cryptocurrency:** is a digital / virtual currency created & stored using blockchain technology. क्रिप्टोमुद्रा एक डिजिटल मुद्रा है जिसे ब्लॉकचेन तकनीक का उपयोग करके बनाया और संग्रहीत किया जाता है।
- ⇒ [Definition] **Blockchain:** A secured decentralized database that maintains a continuously growing list of records / transactions. Old entries can't be deleted, new entries will be visible to all. Mainly used for running cryptocurrency network. But it can also store any type of data. (ब्लॉकचेन एक डेटाबेस है जो रिकॉर्ड की निरंतर बढ़ती सूची को विकेन्ट्रीकृत रूप से बनाए रखता है।)
- ⇒ [Origin] Anarchist groups lost faith in FIAT MONEY because USA's Subprime Crisis (2007) eroded the purchasing power of US Dollar. They also dislike Banks & Card Companies because of transaction charges on e-banking, card payments, MDR, interoperability issues. (अशासनवादी समूहों को सरकार द्वारा जारी की मुद्रा नापसंद। इन अशासनवादी समूहों को बैंक और कार्ड कंपनियों से भी नफरत है।)
- ⇒ **2009:** An anonymous user (अनाम/अज्ञात) **Satoshi Nakomoto** launched a cryptocurrency 'Bitcoin'.
- ⇒ total 21 million Bitcoins, wherein 1 Bitcoin (BTC) = 10^8 Satoshi (the smallest unit).
- ⇒ Other examples: Ethereum, Litecoin, Digicoin, Laxmicoin, Ripple, Dogecoin etc..

10.17.1 💳 Hot Wallet vs Cold Wallet

- ⇒ Just like you store money in Paytm DIGITAL Wallet. You can store Bitcoin and other cryptocurrency in Crypto Digital Wallets. Such wallet could be hot wallet or cold wallet.
- ⇒ Hot wallets are connected to the internet, (e.g. an online app)
- ⇒ While cold wallets are not connected to internet (e.g. a USB pendrive).

3 ways to obtain Cryptocurrency	⌚ Negative Points / Challenges (क्रिप्टो मुद्रा हासिल करने के तीन तरीके, और वे खराब क्यों हैं?)
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<p><i>1) Mining of the blockchains using powerful computers</i></p> <p>शक्तिशाली कंप्यूटर द्वारा डिजिटल-खनन</p>	<ul style="list-style-type: none"> - Graphics cards demand & price hike: 2x-4x times due to bitcoin mania. E-waste generation. (ग्राफिक्स कार्ड अप्रत्याशित रूप से महंगे हो गए हैं) - Thermal Electricity wastage worth 20 megaton CO₂ per year (बिजली की बर्बादी) - Iran: People deploying large number of computers for Bitcoin mining → Electricity outage in normal houses → Diesel generator → Pollution /smog. So 2021-Iran banned bitcoins. (डीजल जनरेटर से वायु प्रदूषण)
<p><i>2) Selling goods and services to a miner / owner of cryptocurrency</i></p> <p>जिसके पास क्रिएटो मुद्रा है उसे कोई वस्तु या सेवा बेचो</p>	<ul style="list-style-type: none"> ⇒ Bitcoin wallets have “public address” (like an email) & private key (like a password). Unlike Paytm wallet, possible to create a Bitcoin wallet without any phone number or email id. So, difficult to trace by law enforcement agencies. Misuse in Narcotics, Illegal trade, Terror finance.** ⇒ Selling goods/services in exchange of Bitcoins= Govt deprived of GST, Custom duty, Income tax. सरकार को कर नहीं मिलेगा, क्योंकि आय/बिक्री छिपाना आसान ⇒ If Scam: can't get justice under Consumer Protection Act. ग्राहक सुरक्षा कानून में न्याय नहीं मिलेगा। क्योंकि खरीद बिक्री वैधानिक निविदा से नहीं हुई।
<p><i>3) Exchanging legal tender to buy cryptocurrency.</i></p> <p>वैधानिक मुद्रा की मदद से क्रिएटो मुद्रा को खरीदो</p>	<ul style="list-style-type: none"> ⇒ For traditional Rupee to Dollar exchange, Forex dealers have to register with RBI under FEMA Act. (Foreign Exchange Management Act, Pillar#3) ⇒ But, if ₹ or \$ exchanged with Bitcoin = terror finance, sending black money to tax havens. (आतंकी वित्तपोषण, काले धन को विदेशभेजना) More in Pillar2: ⇒ Bitcoin exchange rate: speculation, volatility, Government deprived of Capital Gains Tax (CGT: पूँजीगत अभिलाभ कर को छिपाना, Pillar#2) ⇒ Ponzi investment frauds- so, Government came up with ‘Banning of Unregulated Deposit Schemes Ordinance/bill, 2019’. (More in Pillar1D: Financial Inclusion.)

⇒ 2021: Car with a Bomb parked outside Mukesh Ambani's home with a letter demanding ransom in Bitcoins. Which proves criminals prefer the anonymity of Bitcoins. मुकेश अंबानी के घर के सामने बम वाली गाड़ी रखके से क्रिप्टोमद्रा में फिरैती माँगी गई। जो साबित करती है कि अपराधियों को भी बिटकॉइन की गोपनीयता पसंद है।

**  **FAQ:** How is Bitcoin not traceable, we can trace it using XYZ technology? Ans. we are not here for B.Tech (Computer Science) Semester exam/James Bond recruitment. We just have to memorize 3-4 negative points for Mains-Answer-writing-ki-pipudiso # # # # थोड़ा-पढ़ो-आगे-बढ़ो

Q MCQ. Find correct statement(s) about Bitcoin? [UPSC-CDS-2017-I]

1. It is a decentralized virtual currency.
 2. It is generated through complex computer software systems.
 3. The Reserve Bank of India recognized it as a legal tender in January 2016.

**AB
CD** ? MCQ. Find correct statement(s) about “Blockchain Technology” [UPSC-Prelims-2020,SetB-Q20]

1. It is a public ledger that everyone can inspect, but which no single user controls.
 2. The structure and design of blockchain is such that all the data in it are about cryptocurrency only.
 3. Applications that depend on basic features of blockchain can be developed without anybody's permission.

Answer Codes: [a) 1 only [b) 1 and 2 only [c) 2 only [d) 1 and 3 only



10.18 📈 ⚙️ 💸 CRYPTOCURRENCY LEGAL STATUS IN INDIA → RBI BAN/SC UNBAN

- ⇒ RBI's Institute for Development and Research in Banking Technology (IDRBT)- studying how to use blockchain technology for promoting digital economy. ब्लॉकचेन टेक्नोलॉजी की मदद से डिजिटल भुगतान को कैसे प्रोत्साहन दें इस पर रिजर्व बैंक की संस्था संशोधन कर रही है
- ⇒ However, RBI's attitude towards cryptocurrencies has been skeptical/negative <Refer to Next Section> (क्रिप्टो मुद्राएं के बारे में रिजर्व बैंक का रवैया/दृष्टिकोण संशयशील/ नकारात्मक है)
- ⇒ Since 2013: RBI had been warning Indians not to get involved in cryptocurrency due to frauds, tax evasion and terror finance. (रिजर्व बैंक चेतावनी देता है इसमें निवेश न करें क्योंकि धांधली, करचोरी, आतंक वित्तपोषण का खतरा)
- ⇒ 2018: RBI directed all banks to stop relations with any Cryptocurrency company. (रिजर्व बैंक ने बैंकों को आदेश दिया कि क्रिप्टोमुद्रा कंपनियों के साथ लेनदेन/व्यवहार बंद करें)

Then some cryptocurrency exchange companies like CoinDCX etc went to Supreme Court alleging that:

- ⇒ Parliament has not made any law declaring this activity as illegal (unlike possession cocaine / narcotics.)
- ⇒ Even Japan, USA, Singapore etc has not completely banned investment in cryptocurrency but imposed regulations to control its misuse/fraud. (इन देशों ने संपूर्णता प्रतिबंधित नहीं किया बस निगरानी के लिए सख्त कानून बनाए हैं)
- ⇒ Anekantavada philosophy of Jainism: 4 blind men try to describe an elephant but end up describing only one physical feature of the elephant. (आरबीआई और सरकार को पता ही नहीं है कि क्रिप्टोमुद्रा क्या चीज़ है)
- ⇒ Similarly, without fully studying the nature/impact of cryptocurrency, a blanket ban was placed, which has killed their business since no bank is opening their bank accounts. (हमारे व्यवसाय के हक को छीन लिया है)

⌚ 2020-March: SC revoked the RBI ban because (सुप्रीम कोर्ट ने रिजर्व बैंक के प्रतिबंध को हटा दिया क्योंकि):

- ⇒ Article: 19(1)(g): All citizens have the right to practise any profession including those companies dealing with cryptocurrency. (व्यवसाय का हक/मौलिक अधिकार सभी को है)
- ⇒ Same objective (financial fraud protection) could be achieved by imposing a less drastic ban.
- ⇒ So, RBI ban did not pass the **test of proportionality**.
 - Proportionality test is a legal method used by courts in matters where State's decision (for public safety/welfare e.g. Aadhar card or Bitcoin ban) interferes with fundamental rights of people (right to privacy, right to business)
 - अनुपातिकता की परीक्षा: सरकार जो जनहित में निर्णय ले रही है, वह मूलभूत अधिकारों का किस अनुपात में हनन कर रहा है?

What next? 🎩 RBI may release a calibrated regulation on cryptocurrency e.g. PAN card required, can't invest more than ₹"x" lakh per month etc. topic is still developing. 🎩 💾 🎓 🖐️

10.19 📈 ⚙️ 💸 CRYPTOCURRENCY LEGAL STATUS IN INDIA → GOVT'S ATTITUDE

- ⇒ 2017-18: Dinesh Sharma Committee to FinMin & Subhash Chandra Garg committee to FinMin suggested Government to ban it. (विविध सरकारी समितियों ने इस पर प्रतिबंध की सिफारिश की है)
- ⇒ 2018: Budget says Crypto-currencies are not legal tenders. We'll eliminate use of these crypto-currencies in financing illegitimate activities or as part of the payment systems. (बजट में वित्त मंत्री ने कहा कि अवैध/गैर कानूनी वित्तीय गतिविधियों में क्रिप्टो मुद्रा का उपयोग बंद करवाएंगे)
- ⇒ 2019: Ministry of Finance→ Department of Economic Affairs has proposed a draft bill called the 'Banning of Cryptocurrency & Regulation of Official Digital Currency Bill, 2019' (क्रिप्टोक्यूरेंसी पर प्रतिबंध और आधिकारिक डिजिटल मुद्रा का विनियमन विधेयक, 2019- वित्त मंत्रालय के आर्थिक मामलों के विभाग द्वारा बनाया गया है).
- ⇒ It aims to ban the use of all types of cryptocurrencies issued by private operators. Non-bailable offense, jail upto 10 years. (निजी निर्माताओं द्वारा बनाई गई डिजिटल मुद्रा रखना गैर-जमानती अपराध बनाने का प्रस्ताव है),
- ⇒ However, (if and when) RBI launches a blockchain-based digital currency, it'll be permitted. (हालांकि यदि रिजर्व बैंक खुद की डिजिटल मुद्रा बनाएगा तो वो गैरकानूनी नहीं होगा। उसके लिए गवर्नर शक्तिकांता दास को जेल में फिट नहीं करेंगे)

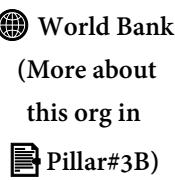
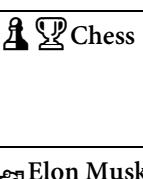


⇒ 2021: Ministry of electronics and IT (MEITY) published draft framework to use blockchain technology in database management of health record, property ownership, electricity distribution, supply chain management etc. Challenge? Lack of skilled man-power, Cybersecurity/Hacking. स्वास्थ्य रिकॉर्ड, संपत्ति का स्वामित्व, बिजली वितरण, आपूर्ति शृंखला प्रबंधन आदि में ब्लॉकचेन प्रौद्योगिकी का उपयोग करने के लिए इलेक्ट्रॉनिक्स मंत्रालय ने एक का मसौदा प्रकाशित किया हालाँकि भारत में ब्लॉकचैन उपयोग के लिए प्रशिक्षित मानवबल की कमी, हेंकिंग का खतरा

10.20 🎖️ ⚙️ 💫 🔒 CRYPTOCURRENCY BANNED IN OTHER NATIONS?

- ⇒ Nepal, Algeria, Egypt, Morocco, Turkey etc: holding Bitcoin is illegal. (कुछ देशों में क्रिएटी मुद्रा रखना गैरकानूनी है)
- ⇒ Iran banned Bitcoins for causing electricity outages & pollution (due to diesel generator use in mining)
- ⇒ Chinese prohibited the financial institutions (= Banks and Non-Banking Financial Companies/NBFCs) from providing buying/selling/investment services for bitcoin etc cryptocurrencies. After this crackdown, Bitcoin prices ↓ ↓ by 30% [चीनी प्रशासन ने देश की सभी वित्तीय संस्था को आदेश दिया है कि बिटकॉइन जैसी क्रिएटी मुद्रा की खरीद/बिक्री/निवेश से जुड़े हुए कोई भी काम भी ना करें। इसके बाद विश्व बाजार में बिटकॉइन का दाम पहले से करीब करीब 30% गिर गया.]

10.21 ⚙️ 💫 : 😊 CRYPTOCURRENCY PERMITTED IN OTHER NATIONS

	<ul style="list-style-type: none"> ⇒ United Nations International Children's Emergency Fund (UNICEF, HQ- New York, USA; 1946, later renamed to UN Children's Fund) ⇒ 2019-Oct: UNICEF setup a Cryptocurrency Fund to accept donations in cryptocurrencies. It has become the first UN organization to accept cryptocurrency. (यूनिसेफ संस्था दान में क्रिएटी मुद्रा का भी स्वीकार करती है)
	<ul style="list-style-type: none"> ⇒ 2018-Aug: World Bank launched World's first blockchain bond called "Bond-i" in Australia, denomination: Australian Dollars → public invests, gets ~2% interest after 2 years. ⇒ Blockchain bond requires less cost in server / database /paperwork maintenance unlike traditional bonds.  <i>More in Pillar#1C: SEBI/Sharemarket</i> ⇒ World Bank's report "Remittance Prices Worldwide 2020" says it costs an average 6-7%, to transfer money from one country to another, blockchain based money transfer technologies can help ↓ ब्लॉकचेन तकनीक द्वारा पैसा भेजने पर लागत खर्च में कमी
	<ul style="list-style-type: none"> ⇒ 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) <p>But, WEF is not as big body as United Nation, and this report is not as great as the United Nations' Universal Declaration of Human Rights. So,  DON'T LOSE SLEEP.</p>
	2021: FTX Crypto Chess Cup: Online tournament. Prize \$320,000 will be paid in cryptocurrency to ↑ popularity and acceptance of Cryptocurrency. (क्रिएटी मुद्रा की लोकप्रियता व स्वीकृति बढ़ाने के लिए, ऑनलाइन शतरंज प्रतियोगिता जहां इनाम की रकम क्रिएटी मुद्रा के स्वरूप में)
	⇒ Tesla Electric car company owner. Regularly tweets about Bitcoins, Dogecoin. → investors become crazy/panicked → cryptocurrency prices ↑ / ↓ .



	<p>⇒ Thus, price of cryptocurrency = very volatile / unstable / sensitive to social media news/rumors/influencers. If common man invests, his lifetime savings may be ruined. Therefore, Government regulation necessary. (एलोन मस्क के ट्रीट से क्रिएमुद्राओं के द्वारा मैसा निवेश करें, तो ज़िंदगी भर की कमाई भी बर्बाद हो जाने का डर। इसलिए सरकारी नियंत्रण ज़रूरी है।)</p>
Bitcoin Mining Council (2021)	<p>Voluntary Global Forum of bitcoin miners, to promote sustainability of Bitcoin system. E.g. using Solar cells instead of diesel generators for electricity for digital mining. (बिटकॉइन का डिजिटल खनन करने वालों का वैश्विक स्वैच्छिक मंच। सौर बिजली से डिजिटल खनन करें इत्यादि)</p>
 Venezuela	<ul style="list-style-type: none"> - Bolivar currency = little value in Venezuela country due to hyperinflation, and failed economy. (अत्यधिक महंगाई के चलते बोलिवर मुद्रा का मूल्य/खरीद-शक्ति न के बराबर है) - So, 2018: President Nicholas Maduro launched “Petro” - a cryptocurrency whose price is linked with market price of 1 oil barrel. Their Supreme Court recognized it as “Fiat money – Legal Tender”. - Can be bought using Dollar, Euro, even other cryptocurrencies.
Marshall Islands	<p>Capital: Majuro, Sovereign state having free association with USA (for defense, social security, budget). Legal Tender was US\$D. But,</p> <p>⇒ 2018-Feb: became first country to launch sovereign cryptocurrency named “Sovereign” [SOV]. So, now two legal tenders: US Dollars and SOV.</p> <p>⇒ No anonymity unlike Bitcoins. (गुमनामी की सुविधा नहीं.)</p>

10.21.1 ⚙️ 💳 ⚡ El-Salvador: Bitcoin becomes a legal tender (2021)

- ⇒ El-Salvador: Two Legal tenders [1] US Dollars (from 2001). [2] Bitcoin (from 2021).
- ⇒ Thus, El-Salvador became 1st nation in the world to allow Bitcoin as legal tender. अल-साल्वाडोर देश में दो वैधानिक निविदा: अमेरिकी डॉलर, बिटकॉइन। बिटकॉइन को ऐसी अनुमति देने वाला यह दुनिया का पहला देश है।
- ⇒ Shopping, Salaries, tax payment may be done using Bitcoins or US Dollars. (खरीदारी, वेतन भुगतान, कर भुगतान में दोनों ही मुद्राओं का इस्तेमाल कर सकते हैं)
- ⇒ Exchange rate between Bitcoin and US dollar (e.g. 1BTC=50,000 US Dollars) will be decided by market forces of supply and demand. बिटकॉइन तथा अमेरिकी डॉलर के बीच मुद्रा विनिमय दर बाज़ार शक्तियाँ तय करेगी।
- ⇒ If foreign investors bringing bitcoins to El-Salvador, then they will be given certain tax benefits. (विदेशी निवेशक यदि बीटकॉइन के स्वरूप में अल-साल्वाडोर में मैसा निवेश करेंगे तो सरकार उन्हें करों में कुछ रियायतें/छूट/माफ़ी देगी।)

FAQ: Why El-Salvador allowed Bitcoin? Ans. ⚡ not important after looking at previous prelims and mains papers. We're not preparing for El-Salvador-ELAS exam

10.21.2 ⚙️ 💳 🎓 Cryptocurrency → Stable-coins



- ⇒ Stablecoin is a type of cryptocurrency whose price is backed by a reserve asset like gold / dollar / fiat currency e.g. Facebook's proposed 'Libra', Tether, Basecoin, and TrueUSD.
- ⇒ ⚽ But, stablecoins challenges: 1) money laundering (धनशोधन / काले धन को वैध बनाना) 2) terror financing (आतंकी वित्तपोषण) 3) lack of consumer protection (उपभोक्ता संरक्षण की कमी) 4) financial frauds (वित्तीय घोखाधड़ी)।
- ⇒ **2019: European Union** announced, “No stable coins shall be allowed in EU until we frame law.”
- ⇒ **2019: G20 summit at Osaka, Japan.** The leaders expressed similar apprehension. (आशंका/डर जताया)



10.21.3 ⚡️ 💎 💶 Cryptocurrency → Stable-coins → Facebook's Libra #Epicfail

- ⇒ 'Libra' is a blockchain based cryptocurrency by Facebook's subsidiary company 'Calibra', using programming language 'Move'.
- ⇒ Unlike Bitcoin, this Libra coin's exchange rate will be stable because Libra's value backed with Financial fiat currencies. (e.g. suppose Mark Zukerburg kept 500 million\$ in a locker & promised to exchange it @1LIBRA=\$20 or something)
- ⇒ You can buy Libra with Fiat Money → stored in Calibra wallet. Libra can be re-converted to fiat money.
- ⇒ Usage: Money transfer through Whatsapp, Online shopping.
- ⇒ All this may happen ONLY IF regulators permit. But France says, "we'll not allow it in Europe."
- ⇒ Visa, Uber, Paypal, PayU etc. companies had also invested in project. But later some of these partners left. इसका संपूर्ण हिंदी अनुवाद नहीं करेंगे. कुल मिलाकर बात यह है कि फेसबुक जैसी निजी कंपनियां भी अपनी मुद्रा निकालना चाहती हैं किंतु फ्रांस जैसे देशों की सरकार उसकी अनुमति देने के लिए राजी नहीं।

10.22 🐾 ⚡️ 💎 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/ उपलब्ध कराना)

- ⇒ PBC will use supercomputer to create its fiat currency 'Yuan' (also known as '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. (भारत और यूरोप में केंद्रीय बैंक डिजिटल मुद्रा की व्यवहार्यता के लिए समितियां बनाई गई हैं)
- ⇒ 2021: Britain govt planning to launch official digital currency called "Britcoin"
- ⇒ 2020: 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 हमें जल्दबाजी में अन्य देशों से पहले इसे शुरू नहीं करना है!" - ऐसा अमेरिका का रवैया है)

10.22.1 🐾 ⚡️ 💎 =₹ Benefits of CBDC (केंद्रीय बैंक डिजिटल मुद्रा के फायदे)

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: ढूँढना 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. Mass hysteria of Bitcoin & other Cryptocurrencies, which are issued by private actors & pose danger of Terror Finance, Narcotics etc. (निजी क्षेत्र द्वारा जारी क्रिएटिव मुद्रा 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%”, (यदि डिजिटल मुद्रा विद्यार्थी को शिक्षा लोन के लिए दी जा रही है तो अपनेआप कम ब्याज दर लगे)
 - 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) increase interest rate to Y%
 - c. [How will that work? Ans. ⚡️🎓 #Boycott-PHD #थोड़ा-पढ़ो-आगे-बढ़ो.]

7. 📈⚠️ Spread of virus/bacteria through physical currency notes. [Mains Logical Structure: this type of low level benefits should be written at the bottom part of the answer.] (रोग विषाणु के प्रसार में कमी)

10.22.2 🐾⌚✿=🚫₹ Challenges of CBDC (चुनौतियाँ)

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)

10.22.3 🐾⌚✿✍️ 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)

10.23 🎫 ≠ ✨ Non-Fungible TOKEN (NFT: गैर-फंजीबल टोकन)



10.23.1 (◻=◻+◻+◻+◻) Fungibility: Meaning?

Item	Can it be subdivided in smaller units?	Is mutual substitution possible in terms of value?	Is it fungible?
₹2,000 Note	Yes ₹500x 4 Notes=2000	Yes ₹500 x 4 Notes can buy same quantity of goods as a single ₹2000 Note	<input checked="" type="checkbox"/> Yes
1kg gold bar	Yes 100gm x 10 biscuits=1kg gold bar	Yes 100gm x 10 biscuits can buy same quantity of goods as a single 1kg gold bar	<input checked="" type="checkbox"/> Yes
1Bitcoin	1BTC=10 ⁸ Satoshi coins	Yes 1BTC's value = 10 ⁸ Satoshi coins. So, theoretically, they buy same quantity of goods	
100 gm single Diamond	Bigger single piece diamond considered to be more precious/valuable than small-small pieces diamond. So, 100gm Single_Big_Diamond =NOT equal 1gm x 100 small_Diamonds, in terms of value		<input checked="" type="checkbox"/> No



Shares, Bonds	NOT possible (How Ref: Pillar#1C: SEBI sharemarket)	No
NFT	NOT possible. Explained below.	No

10.23.2 Non-fungible token (NFT: गैर-फंजीबल टोकन)

- ⇒ (Definition) NFT is a Digital file photo file (JPEG), Animated image (GIF), music file (MP3) etc Stored using blockchain Technology. ब्लॉकचेन प्रैयोगिकी द्वारा संग्रहित की गई एक फ़ोटो, संगीत इत्यादि फ़िल्म की डिजिटल फाइल है।
- ⇒ They cannot be subdivided. Their individual sub-units exchanged with one another. Because their values are different based on buyer's preference. So NFTs are non-fungible. अलग अलग चित्र/संगीत कृतियों का मूल्य, ग्राहक की पसंद से हिसाब से अलग हो सकता है इसलिए उन्हे छोटे टुकड़ों में विभाजित करना / आपस में उनकी अदला-बदली नहीं हो सकती।
- ⇒ Mass Hysteria going on to purchase such digital assets from new-age artists using (mostly) Ethereum cryptocurrency. नए जमाने के डिजिटल चित्र/धुन बनाने वाले कलाकारों से नीलामी में एनएफटी खरीदने का सामूहिक पागलपन चल रहा है।
- ⇒ e.g. American digital artist Beeple's Non-fungible token JPEG File (Title "Everydays: the First 5000 Days")→ auctioned for \$70 million in Ether Cryptocurrency.
- ⇒ Robot Sophia created a digital painting/art "Sophia Instantiation" (NFT)→ Auctioned for more than 6 lakh dollar\$.
- ⇒ Many sportsmen, filmstars also creating NFT out of their posters/autographs but we'll not waste preparing all that General Knowledge (GK). (मशहूर खिलाड़ी और फ़िल्म अभिनेता भी इसे जारी कर रहे हैं)

10.23.3 NFT-Charms? (आकर्षण)

- ⇒ 1) Multimedia Creators: Easier to trade digital assets (डिजिटल चित्रकार, डिजिटल धुनकार इत्यादि के लिए अपनी कृतियों की बिक्री करना आसान।)
- ⇒ 2) Easier to verify ownership records. Prevent plagiarism. (डिजिटल कृतियों के स्वामित्व की जाँच करना आसान। नकलचियों के लिए जालसाजी करना मुश्किल।)
- ⇒ 3) Cinema / Sports tournament / Travel tickets etc can be stored with ownership records. Helps in Paperless administration. (सिनेमा / खेल / परिवहन की टिकट की बिक्री डिजिटल स्वरूप से करना आसान, कागज मुक्त प्रशासन।)

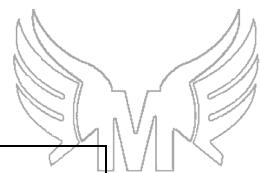
10.23.4 NFT-Challenges: (चुनौतियां)

- ⇒ 1) Started in 2017→ steep price rise in 2021. Single GIF /meme file selling for millions dollar\$ worth of cryptocurrencies. This mass-hysteria / investment-bubble will collapse. Investors will lose money. ये सामूहिक पागलपन /निवेश का गुब्बारा फट जाएगा तब निवेशकों का पैसा ढूब जाएगा।
- ⇒ 2) Money laundering & terror Finance. धनशोधन और आतंकी वित्तपोषण में दुरुपयोग सम्भव
- ⇒ 3) Maintaining such computer blockchain record → Electricity consumption → CO₂ Emission. (इस डेटाबेस का संचालन/वहन करने में बहुत ज्यादा बिजली खपत होती है, जिससे कार्बन डाइऑक्साइड उत्सर्जन में बढ़ोतारी।)

10.24 ESSAY: CASHLESS ECONOMY- CHARMS AND CHALLENGES

नगदी-रहित अर्थतंत्र के आकर्षण और चुनौतियां

- (Origin) In ancient times, people used to trade with each other using barter system. But its limitations __ __ <give evolution story>. उद्धव: प्राचीन काल में, लोग वस्तु विनिमय प्रणाली का उपयोग करके एक दूसरे के साथ व्यापार करते थे। लेकिन इसकी मर्यादा ओने पैसों को जन्म दिया..... बोल के शब्दमर्यादा के हिसाब से थोड़ा-बहोत इतिहास छाप दो।
- (Definition) A cashless economy is an economy where financial transactions are not conducted with money in the form of physical banknotes or coins, but rather through electronic methods such as __ __ <insert examples>. व्याख्या: नगदी-रहित अर्थतंत्र का मतलब है की वित्तीय लेनदेन को भौतिक/नगदी स्वरूप के सिक्कों या बैंकनोट में नहीं किया जाता है, बल्कि इलेक्ट्रॉनिक तरीकों से वित्तीय लेनदेन किए जाते हैं।



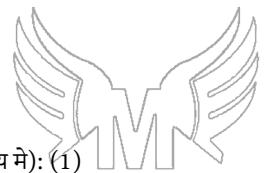
Stakeholder	⊕: Charms आकर्षण	⊖: Challenges चुनौतियां
	<ul style="list-style-type: none"> ⇒ Saves cost of printing new currency (Rs.27 billion a year) – environment, (मुद्रा छपाई का खर्च) ⇒ Better efficacy of monetary policy updates, NPA/fraud surveillance.(More in Pill1A2) 	<ul style="list-style-type: none"> - MDR, Interoperability, Financial Scams. - Know your customer (KYC): Aadhar vs privacy debate (Ref: Polity, SC Judgement) डिजिटल भुगतान में वित्तीय धांधलीया रुकवाने के लिए रिजर्व बैंक यदि कहे कि हर चीज में आधार कार्ड अनिवार्य होगा तो और सुप्रीम कोर्ट/नागरिक की निजता का संघर्ष
	<ul style="list-style-type: none"> - Better tax surveillance, checks on fake counterfeit currency terror finance (कर चोरी, जाली नॉट) - targeted delivery of agri-loans and subsidies/ Direct Benefit Transfer (DBT): Annually ₹ 1 lakh crore can be saved in corruption/leakage. (प्रत्यक्ष लाभ अंतरण, भ्रष्टाचार में कटौती) - Can save farmers from moneylenders, and poor families from Ponzi schemes. (More in Pill1D) 	<ul style="list-style-type: none"> - Power, telecom infra not available everywhere. बिजली, संचार सुविधा की कमी - Government itself must become a role model first in handling tax, tender, tolls, procurements through digital payment. सरकारी विभाग खुद नगदी में काम पसंद करते हैं - To encourage digital payment if subsidy, tax breaks, lotteries given for perpetual time → fiscal deficit. लॉटरी देकर लोगों को लुभाते रहे तो सरकार का वित्तीय घाटा बढ़ जाएगा - Post-Demonetization, digital transactions ↑ but then again ↓ so, punitive measures = :- (सजा देने से लोग सुधरते नहीं)
	<ul style="list-style-type: none"> Secure, difficult to steal, time, convenience, financial inclusion. सुरक्षित, चोरी करना मुश्किल, समय, सुविधा, वित्तीय समावेशन 	<ul style="list-style-type: none"> - Digital divide, Low financial literacy-notion of security with holding physical currency. सब के पास डिजिटल उपकरण और डिजिटल भुगतान की जागृति/साक्षरता नहीं है - Cyberfrauds, Card cloning, service fees on card payments. जालसाजी/धोखाधड़ी
	<i>Homework</i>	<i>homework</i>

10.24.1 Conclusion: Cashless Economy (निष्कर्ष)

- Digital payment is not a panacea, nor is cash all bad. For a developing country like India, “Less cash” economy better than “Cashless” economy. डिजिटल भुगतान को राम-बाण / सर्वरोगहर औरधि मानना गलत. नगदी रूपया हमेशा ही खराब चीज है, ऐसा सोचना भी गलत। भारत जैसे विकासशील देश के लिए 'नगदी-रहित' बनना उपयुक्त नहीं। किंतु, नगदी का प्रयोग 'कम' करने की जरूरत अवश्य है।)

10.24.2 Mock question for Mains/ESSAY

- 1) (GSM3) Examine critically, the charms and challenges of Central Bank Digital Currency (CBDC) initiatives for Indian monetary system. भारतीय मौद्रिक प्रणाली के लिए, 'केंद्रीय बैंक डिजिटल मुद्रा' की पहल के आकर्षण और चुनौतियों की समीक्षा कीजिए (250 words)
- 2) (GSM3) "While regulatory clearance to cryptocurrencies can open Pandora's box, the underlying blockchain technology holds panacea for various areas of governance and economy". Explain in context of India. क्रिप्टो मुद्रा को अनुमति देने से विनाश की परिस्थिति का निर्माण, किन्तु अंतनिहित ब्लॉकचेन टेक्नोलॉजी प्रशासन और अर्थतंत्र के लिए रामबाण इलाज बन सकती है। (250 words)



- 3) (GSM3) Explain these two terms with respect to 'less cash economy' ('कम नगदी वाले अर्थतंत्र' के परिपेक्ष्य में): (1) MDR (2) Interoperability. (150 words)
- 4) (GSM3) "E-rupi increases the efficacy of Direct-Benefit Transfer by making the entitlement more targeted and leak-proof." Substantiate/Elucidate. (ई-रुपी पालता को अधिक लक्षित और रिसाव-मुक्त बनाकर प्रत्यक्ष-लाभ अंतरण की प्रभावकारिता को बढ़ाता है। उदाहरण द्वारा साबित कीजिए)
- 5) (GSM3: Science-Tech) Write Short Notes on 1) Non-Fungible Tokens 2) Fastag (150 words)
- 6) (GSM4: Ethics) Educational institutions play an important role in inculcating values in students. Examine the ways in which 'E-Learning' amplifies and diminishes that role. विधार्थीओंमे मूल्यों का सिंचन करने की शैक्षणिक संस्थानों की भूमिका को ई-शिक्षा कितना मजबूत और कमजोर करती है? समीक्षा कीजिए। (250 words)
- 7) (GSM4: CASE Study) Phulmati Devi visited Ujjwal Bank to withdraw money from her mother Lajmati Devi's bank account. She claimed, "*my mother is 100 years old, and unable to come in person, due to severe illness. So, she has sent me on her behalf.*" But, Cashier refused to give money. He insisted for physical verification that mother Lajmati Devi is indeed alive & wishes to withdraw money. Next day, Daughter Phulmati placed her mother on a cot and dragged cot to the bank (बूढ़ी माँ को चारपाई पे लिटाकर, बेटी चारपाई घसीटते हुए बैंक तक आई). A bystander shot the video, which became viral on social media, drawing much criticism of the public against the bank's apathy towards poor people. (गरीबों के प्रति उदासीनता). As the chairman of Ujjwal Bank, how will you tackle this crisis and prevent its recurrence in future? (इस बैंक के चेयरमेन की भूमिका मे आप इस संकट से कैसे निपटेंगे और भविष्य में इसकी पुनरावृत्ति को कैसे रोकेंगे?) (250 words)



Next Handout: Pillar1A2: Monetary Policy: CRR, SLR, Repo etc.

Pillar1A2: Money Supply (M0-M4) & Monetary Policy- CRR, SLR, Repo

Previous Years' official UPSC MCQs also given in this handout. You can see that UPSC is not going into microscopic details of RBI's Operational/technical guidelines. Very simple-broad-overview type MCQs asked.

So,  Donot live in  imaginary fear that.... काल्पनिक डर से मत जियो के

⇒ Inexperienced Pvt Mock Test-walla asking random/technical Qs so I must do PHD 

⇒ EconomicTimes / Financial Express/ Hindu-BusinessLine columnist are writing long winded columns on RBI's Operation Twist or TLTRO so I must do PHD 

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11 MONEY'S DEMAND, SUPPLY & CREATION

11.11 DEMAND OF MONEY: LIQUIDITY PREFERENCE THEORY (तरलता अधिमान)

British Economist John Maynard Keynes (Book: *The General Theory of Employment, Interest and Money, 1936*) noted that people prefer to keep a part of assets in liquid form (cash money) with 3 motives:

- Transaction motive** (संव्यवहार उद्देश्य): For using money as a medium of exchange e.g. for buying daily milk, vegetables and fruits.
- Precautionary motive** (एहतियाती): To protect against sudden / unforeseen expenditure e.g. medical emergency or impulsive purchase during a holiday trip.
- Speculative motive** (सट्टा-उद्देश्य): Investors hold cash to make the best use of any investment opportunity that arises later e.g. waiting for gold / land prices to fall, then "I will use my cash to buy it". Also known as "**Asset Demand of Money**".

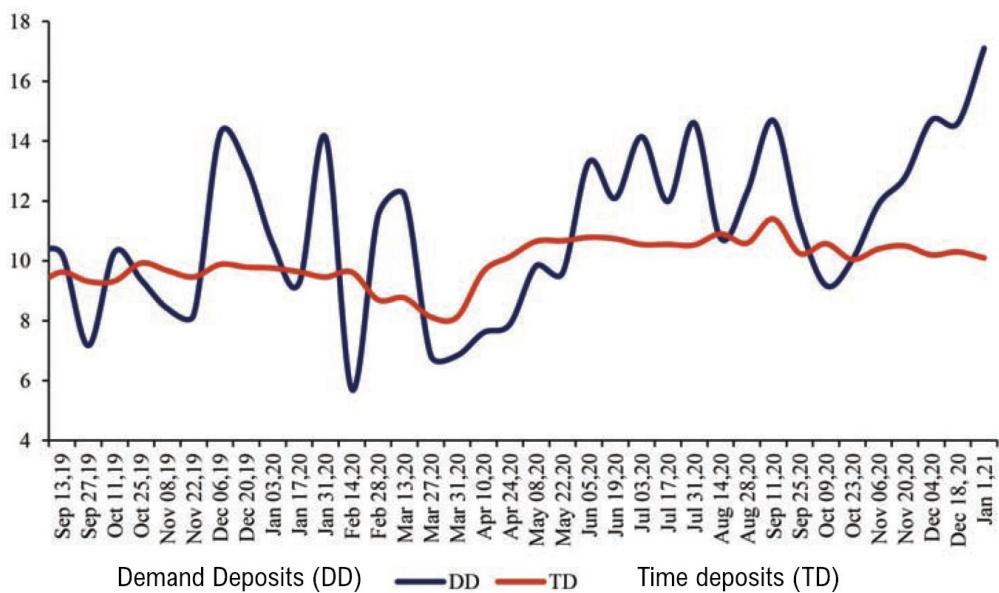
The amount of money held in cash form **vary inversely with interest rates**. If higher interest available in Bank Deposits, Bonds etc. → people would invest money there, instead of keeping money in liquid form (cash).

11.12 SUPPLY OF MONEY (मुद्रा की पूर्ति)

Time Liabilities of a Bank (FDRD) समय / मीयादी देयताएँ	Demand Liabilities of a Bank (CASA) मांग देयताएँ
<ul style="list-style-type: none"> - Fixed deposits, Cumulative/ recurring deposits, Staff security deposit etc. - Bank legally not required to pay customer before maturity. But may pay after deducting penalty/ interest. 	<ul style="list-style-type: none"> - Current Account - Savings Account - Demand Draft - Overdue balance in Fixed Deposits - Unclaimed deposits.

Public parks more money here, because better returns / higher interest rates.	LESS
LESS	More liquid because easily convertible into cash on demand.

- ⇒ Bank deposits suddenly **▲** in the aftermath of Demonetisation-2016 (because the public was required to deposit banned notes in their bank account). However, afterwards the growth of bank deposits has fallen.
- ⇒ **▣▣** 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 शुरूआती 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।



11.12.1 **₹** **↑** Cash in Hand = all-time-high in Corona Wave 2.0 (2021-May)

2021-May: Cash in the hands of the public reaches an all-time high of ₹28.39 lakh crore. Meaning people have withdrawn large quantity of cash from the banks. Why?

- ⇒ 1) Corona wave 2.0 (2021) = over 1 lakh new patients added → Hospitals' loot-bazaar, Black marketing of Oxygen & Remdesivir injections=relatives required cash money.
- ⇒ 2) State government were imposing partial-lockdowns. People got panicked and withdrawn savings from banks, to keep cash in hand for emergency/daily needs.
- ⇒ 3) Corona → job loss / business **▼** → Even for day to day purchase, a jobless person is forced to take out savings from the bank.

2021-मई महीने में लोगों के हाथ में नकदी की मात्रा ऐतिहासिक रूप से सबसे ज्यादा पार्ह गई। क्योंकि कोरोना फूसरी लहर के चलते इलाज का खर्च, लॉकडाउन/ तालाबंदी के डर से, बेरोजगारी के चलते जीवन निवार्ह के लिए- लोगों ने बेंकबचत का ढेर सारा बचत का पैसा नगदी में निकाला है।

Q Which of the following is not included in the assets of a commercial bank in India? (Prelims-2019)

- (a) Advances (b) Deposits (c) Investments (d) Money at call and short notice

11.12.2 **₹** **↑** Measures of Money Supply (मुद्रा आपूर्ति के परिमाण)

- Money supply means the total amount of money in an economy at any given time.

- Money supply plays a crucial role in the determination of 1) price level (=inflation) and 2) interest rates on deposits & loans. मुद्रा की आपूर्ति महंगाई दर और ब्याज दरों पर असर करती है
- RBI measures the money supply through indicators: M0, M1, M2, M3, M4

Table 1: *CU: Coins & Currency with Public

Measure संकुचित, व्यापक		*CU	Commercial Banks		Post Office Savings Bank		Liquidity तरलता	Qty मात्रा
			Demand Deposits (CASA)	Time Deposits (FDRD)	Demand Deposits (SA)	Time Deposits		
Narrow Money	M1	✓	✓	✗	✗	✗	☆☆☆☆	☆
	M2	✓	✓	✗	✓	✗	☆☆☆	☆☆
Broad Money	M3	✓	✓	✓	✗	✗	☆☆	☆☆☆
	M4	✓	✓	✓	✓	✓	☆	☆☆☆☆

- Self-Extrapolate e.g. $M_3 = M_1 + \text{Time deposits with commercial banks}$. (स्वयं से फार्मूला बनाइए)
- M3 is the most commonly used measure of money supply, also known as “Aggregate Monetary Resources / Aggregate Money Supply” (समस्त मौद्रिक संसाधन).
- In above formulas for money supply, we are only counting the “NET Demand / NET Time deposits” i.e. only public deposits in bank. We are not counting interbank deposits i.e. one commercial bank’s deposit in other commercial banks. एक बैंक से दूसरे बैंक में पैसा डिपॉजिट किया हो तो उसे इधर नहीं गिनते.
- Liquidity= ease of converting an asset into cash. Cash is the most liquid asset.
 - o Highly liquid assets (अत्यधिक तरल संपत्ति): Gold, Demand deposits, G-Sec/T-Bill, shares/bonds of reputed companies. तुरंत खरीदार मिल जाते हैं इसलिए अपनी संपत्ति को आप नगदी धन में आसानी से परिवर्तित कर सकते हैं
 - o Relatively illiquid assets: Home/Real estate, Paintings/Sculptures etc. Because difficult to find buyers at right price instantly. खरीदार आसानी से नहीं मिलता इसलिए इन संपत्तियों की तरलता थोड़ी कम है
- Liquidity injection / infusion (तरलता अन्तःक्षेपण) refers to phenomenon when RBI buys Bank/NBFCs’ G-Sec/T-bill/financial assets to provide them with cash.

₹ 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

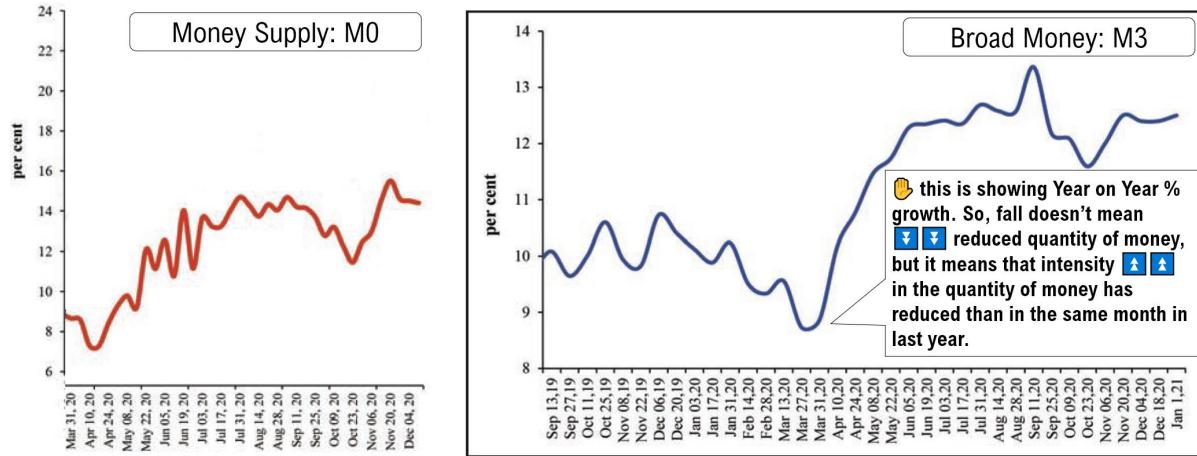
11.13 🔎 FACTORS AFFECTING MONEY SUPPLY [M1, M3]

M1, M3 Money Supply will **↑** when:

- When Money multiplier and / or Velocity of money **↑**.
- When RBI's asset side increases **↑** e.g. Govt borrowing more from RBI using G-sec. जब सरकार रिझर्व बैंक से ज्यादा पैसा कर्जे में ले
- (is there are limit on how much money can Govt borrow? Ans. YES. We'll see in Pillar2 → FRBM Act.)
- With the **↑** in banking penetration, financial inclusion (वित्तीय समावेशन)
- Boom period, Whenever loan demand **↑** (तेजी का माहौल → लोन ज्यादा लिए जा रहे हो)
- When RBI adopts Cheap / Easy / Dovish / Expansionary monetary policy to combat deflation.

11.13.1 📈 Corona-2020 impact on Money Supply M0 and M3 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



M0	<ul style="list-style-type: none"> ⇒ 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 करी दे और सामने रुपए मुहैया कराए जिसके चलते आरक्षित मुद्रा (M0) की मात्रा में बढ़ोतरी हुई - पिछले साल की तुलना में
M3	<ul style="list-style-type: none"> ⇒ 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

11.14 💳 CREATION OF MONEY (मुद्रा का निर्माण)

M0 / Reserve Money / Government Money / High Powered Money (उच्च शक्ति मुद्रा) is issued under RBI Act, by RBI's ISSUE DEPARTMENT, with condition that ISSUE DEPARTMENT's assets must match its liabilities.

Assets of Issue Department (परिसंपत्तियाँ)	Liabilities of Issue Department [M0]
<ol style="list-style-type: none"> Rupee coins [RBI 'buys' coins & ₹1 notes from Govt and circulates it as the 'Agent of govt'] Gold coins [Min. ₹ 200 crores] सोने के सिक्के Gold bullion [Min. ₹ 115 crores] सोने की ईंटें Foreign Securities, incl. IMF [Earlier Min. ₹ 400 crores but Post-1995 no such requirement.] (Indian) Govt. Securities [through which Govt borrows money from RBI & returns Principal + Interest at later date] सरकारी प्रतिभूतियाँ 	<p>Total Currency notes (& coins & ₹1 notes) in circulation, which consists of:</p> <ol style="list-style-type: none"> Held by Public 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 & Governments)

* 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. More in Pillar#2

⌚ Moral outrage: Where is the repo, where is the profit, how can ₹1 coin be on asset side as well as liability side? How did RBI print money before "THIS" to acquire gold? ++500-jaat-ke-doubts.
My Ans. Please refer to Viral Kohli's wedding snapshot in the PowerPoint.

11.15 💰⚡ MONEY MULTIPLIER (मुद्रा गुणक)

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

Table 2: this process is called 'Fractional Reserve Banking & Credit Creation'

High Powered money (M0) = 100	Asset Side	Loaning	10% Reserve ('R')
Bank#1	100	90	10
Bank#2	90	81	9
Bank#3	81	72.9	8.1
Bank#..
Total Money (here M3)	Total sum = ₹1000**		

$$\text{Money Multiplier} = \frac{\text{Stock of Total Money (M3)}}{\text{Stock of High Powered money (M0)}} = \frac{1000}{100} = 10$$

**⌚ Moral Outrage: How can loan and CRR be counted in M3? Ans. They're not counted.

But, before money went into loans & CRR, it was sitting on deposit side. M3 counts deposits.

- Every "R" reserve generates "1/R" new money. Here, 10% reserve (R) generated $1/R = (1/(1/10)) = 10$ times the high-powered money. [बैंक कर्ज देने से पहले यदि 10% रकम आरक्षित रखती है तो 10 गुना ज्यादा पैसों का निर्माण]
- 4% reserve ratio will generate $[1/(1/25)] = 25x$ times (in theory). 📈 however in reality the multiplier may be lower, due to poor banking penetration. (गांव गांव तक बैंक की सुविधा नहीं है इसलिए वास्तविक जीवन में इतना मुद्रा गुणक नहीं होगा)
- In a functional economy, money multiplier is always greater than 1.
 - o & It directly improves with ↓ reduction in CRR. (सीआर आर घटेगा तो मुद्रा गुणक बढ़ेगा)
 - o & It indirectly improves as economy develops, consumption / loan demand increases, banking penetration, digital economy/less-cash economy etc.
 - o In 1960s = less than 2x, 90s = more than 3x, At present = more than 5x.

11.15.1 💰⚡ Money Multiplier Before Corona as per 📊 ES20

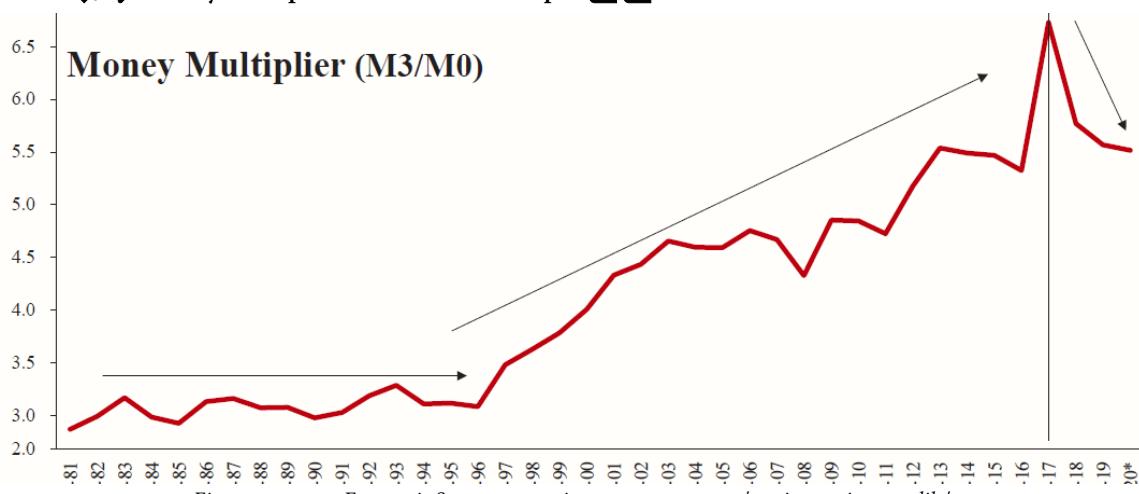
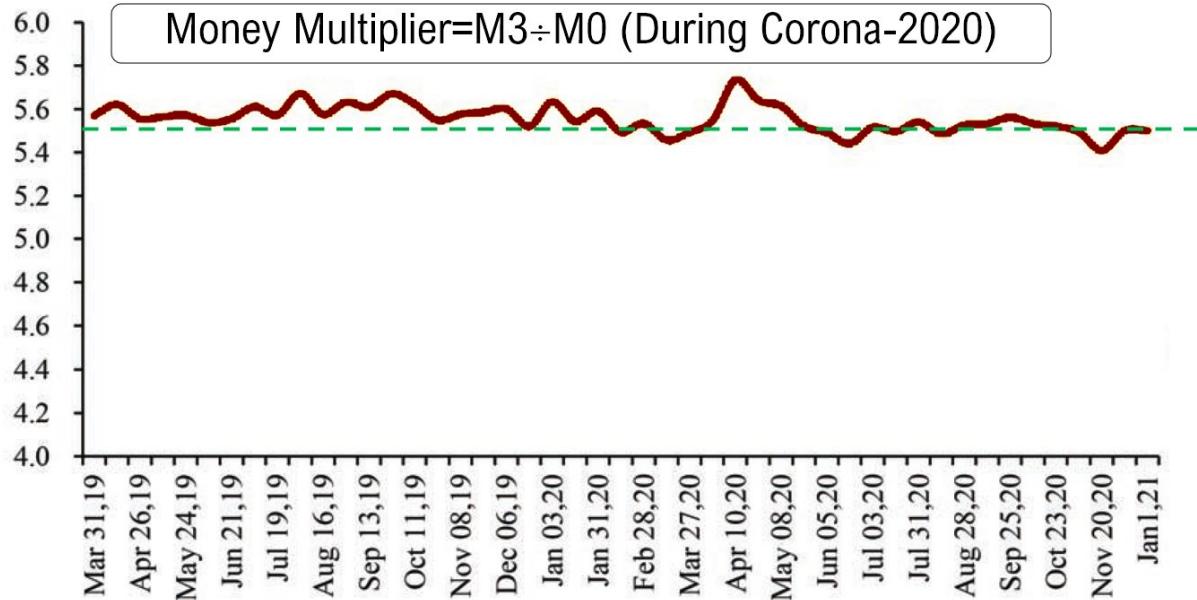


Figure 1: source- Economic Survey 2020, zigzag pattern means 'not increasing steadily'.

- 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.

11.15.2 Corona-2020 impact on money multiplier as per ES21



- ⇒ 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. जनता लोन में पैसा लेने के लिए कम आई, इसलिए बैंकों ने अपनी अतिरिक्त राशि रिजर्व 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 रिजर्व 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 enter 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 private 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 [At Least, In the initial months of lockdown]. तालाबंदी के शुरुआती महीनों में लोगों ने ऐहतियाती कारणों से बैंकों से अपनी डिपॉजिट निकाली इस कारण भी, मुद्रा गुणक में बढ़ोतरी नहीं हो पाई.

? Money Multiplier in an economy increases with ___? (UPSC-Prelims-2019)

- | | |
|--|--|
| A) Increase in the cash reserve ratio | B) Increase in the banking habit of the population |
| C) Increase in the statutory liquidity ratio | D) Increase in the population of the country |

Same MCQ also repeated in Prelims 2021

11.15.3 📈 Misc. topic: Velocity of Money Circulation (मुद्रा संचालन का वेग)



It is the average number of times money passes from one hand to another, during given time period. e.g. you bought pen worth Rs.10 from shopkeeper, he uses same ₹10 note to buy tea from another shop, then same currency note performed function of 20 Rupees. कितनी बार एक नोट एक हाथ से दूसरे हाथ में जाता है?

This “Velocity of money circulation” is affected by following factors:

- **Income distribution:** Money in the hands of poor people has higher velocity than the rich people.
- If more people borrow money for purchase → higher velocity. Hence developed countries => higher velocity, because people save less and spend more because of consumerist lifestyle and confidence in Government's social-security e.g. USA. (जब लोगों में बचत की भावना कम हो)
- Boom period in economy = more raw material purchase & hiring = higher velocity. (तेजी का माहौल)
- Other 500 *jaat* ke permutation combination PHD = poor cost:benefit for exam
- What is its scene in Corona? Answer not given in ES21 so no point in SELFPHD.

12 🐻 🔊 MONETARY POLICY (मौद्रिक नीति)

- **[Definition]** Monetary Policy is a macroeconomic policy (समष्टि आर्थिक नीति), designed by the central bank of a country, to manage money supply & interest rates. It helps shaping variables such as inflation, consumption, savings, investment, and capital formation (मुद्रा आपूर्ति व व्याजदरों को नियंत्रित करके मुद्रास्फीति/महंगाई, मांग/खपत, बचत, निवेश, पूँजी निर्माण को आकार देना- रिजर्व बैंक द्वारा बनाई गई इस प्रकार की नीति को मौद्रिक नीति कहते हैं).
 - **[Significance]** Monetary policy plays an important role in price stability [inflation control], economic growth, job creation and social justice in any economy. (महंगाई-नियंत्रण, आर्थिक वृद्धि, रोजगार सृजन, सामाजिक न्याय के लिए महत्वपूर्ण साधन है ये मौद्रिक नीति)
 - **Milton Friedman:** American economist whose research on monetary policy made this subject more popular, he also won a Nobel in Economics in this regard (1976).
 - **Philip Curve:** Inflation ↑ = unemployment ↓ (and vice versa). महंगाई बढ़ेगी तो बेरोजगारी घटेगी. महंगाई कम होगी तो बेरोजगारी बढ़ेगी. (More in Pillar#4C)
 - Therefore, stable & moderate inflation is good for the economy. (स्थिर व मध्यमस्तर महंगाई अर्थतंत्र के लिए अच्छी)
- So, RBI tries to keep inflation with 2-6% Consumer Price Index (CPI: All India) using its bi-monthly monetary policy made by its 6- member statutory Monetary Policy Committee. (छ.: सदस्यवाली वैधानिक समिति द्वारा द्वि-मासिक मौद्रिक नीति निर्माण करके रिजर्व बैंक महंगाई दर को उपभोक्ता मूल्य सूचकांक के हिसाब से 2-6% में नियंत्रित करने की कोशिश करता है)

12.11 💰 🔊 MONPOLICY: QUANTITATIVE TOOLS (परिमाणात्मक साधन)

Also known as (aka) **General or Indirect Tools** as they affect the entire economy, and not just a particular sector. (सामान्य या अप्रत्यक्ष उपकरण क्योंकि यह किसी एक क्षेत्र-विशेष को नहीं किंतु पूरी अर्थव्यवस्था को असर करते हैं)

12.11.1 Statutory Reserve Requirements: CRR, SLR (Fight inflation: ↑, deflation: ↓)

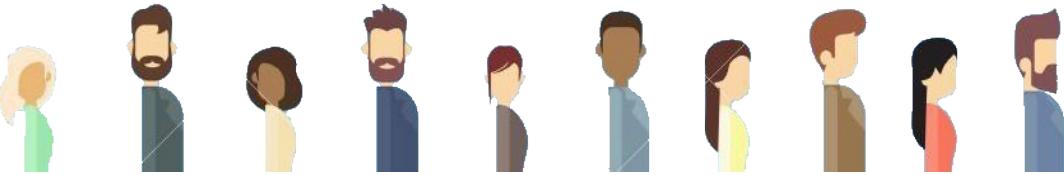
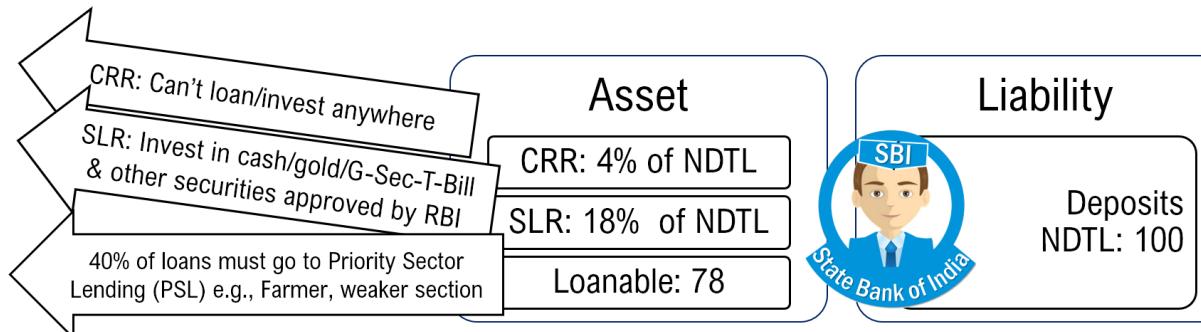


Figure 2: depositors waiting in a queue & demanding- हमारा पैसा वापस करो, ABHI KE ABHI!

- CRR and SLR are collectively known as “Variable Reserve Ratios” or “Statutory Reserve Ratios” (इन दोनों को परिवर्तनीय आरक्षित अनुपात / वैधानिक आरक्षित अनुपात भी कहा जाता है)



CRR	SLR
Full form: Cash Reserve Ratio (नकद कोष अनुपात)	Full form: Statutory Liquidity Ratio (वैधानिक तरलता अनुपात)
Banks must keep this much deposits (or balance) with RBI. RBI doesn't pay interest on this deposit, except in extraordinary circumstances like 1999's Banking slowdown. (बैंक ने जमाकर्ताओं से हांसील की हुई रकम का कुछ हिस्सा रिजर्व बैंक में जमा करना पड़ेगा।)	Banks must keep this much deposits in liquid assets such as cash, gold, G-Sec, T-Bills, State Development Loan Bonds and other securities notified by RBI. (बैंक ने जमाकर्ताओं से हांसील की हुई रकम का कुछ हिस्सा, रिजर्व बैंक द्वारा मान्य तरल परिसंपत्ति में निवेश करना होगा)
Bank earns no profit / interest, as such.	Some profit may be involved. (मुनाफा हो सकता है)
<ul style="list-style-type: none"> - CRR: first suggested by the British economist J.M. Keynes & first introduced in US Federal Reserves (=Central Bank of USA). - Mandated under RBI Act, 1934 	Mandated under Banking Regulation Act, 1949 (बैंकिंग विनियमन अधिनियम के अनुसार इसे लागू किया जाता है)
RBI can fix any amount of CRR, legally there is no minimum or maximum limit. Corona-2020: it was 3% of Net Demand & Time Liabilities of a bank (NDTL: निवल मांग और समय देयताएँ) 2021-May: it'll be gradually increased to 4%	Presently it is 18.00% of NDTL. Legally, SLR can't be more than 40%. कानून रूप से रिजर्व बैंक इसे 40% से ज्यादा नहीं रख सकतीं.
<ul style="list-style-type: none"> - All Banks must keep CRR. - However, RBI may prescribe separate % norms/slabs for Regional Rural Banks (RRBs) and Cooperative Banks. - More in  Pillar 1B1: classification of Banks 	Similar to left cell of this table. (सभी प्रकार के बैंक के लिए अनिवार्य. हालांकि क्षेत्रीय ग्रामीण बैंक तथा सहकारी बैंकों के लिए इसकी प्रतिशत मात्रा रिजर्व बैंक, अन्य बैंकों की तुलना में थोड़ी भिन्न रख सकती है)

Difference between NDTL, ODTL, Total DTL? = NOT IMP4IAS. If you want to satisfy your curiosity, do google search yourself but I don't think it as best use of my/your time. #ARJUN-Fisheye

- CRR-SLR are counted on fortnightly basis. If not maintained, bank will have to pay penalty interest rate to RBI. This Penalty rate is linked with **Bank Rate**. (हर 15 दिनों के लिए गिना जाता है। नहीं माना तो जुर्माना लगेगा.)
- CRR-SLR ensure monetary stability of India through **two primary functions**:
 - 1) CRR assists in money multiplier effect,
 - 2) CRR-SLR provide buffer/protection during a **Bank Run** (बैंकों में से जमाराशि वापस लेने की दौड़) i.e. an emergency when every depositor wants to pull out money from his bank account at once, mainly due to fake news / rumors.
- While in theory CRR/SLR can be used for inflation control but RBI primarily relies on REPO Rate (=its Policy Rate) to combat inflation, and not CRR/SLR. (हालांकि, महंगाई नियंत्रण के यह मुख्य साधन नहीं है)

12.12 📈📊₹ CRR, SLR: DEVELOPMENT IN RECENT YEARS

12.12.1 📈📊₹ (2016): Incremental CRR during Demonetization (नोटबंदीमें वृद्धिशील सीआरआर)

- During demonetization (2016-17): public required to deposit the banned ₹500-1000 ke notes in banks. So, banks' deposits increased drastically.
- During that time, RBI temporarily prescribed **Incremental CRR**.

What was it? how did it work? Ans. 6 years old technical topic for Prelims-2022. Very poor cost benefit in preparing #₹ थोड़ा-पढ़ो-आगे-बढ़ो. उस 6 साल पुराने मुददे की अब पंचात करने नहीं बैठेंगे

12.12.2 📈📊₹ (2020-Feb) CRR Exemption for 5 yrs, depending on loans (सीआरआर में छूट)

2020-Feb: RBI instructed the banks:

- ⇒ Whatever new (retail) loans you give for (1) automobiles (2) residential housing / home mortgages. (3) MSMEs [After 31/Jan/2020 upto 31/Jul/2020]. Some of these deadlines later extended but PHDNOTIMP
- ⇒ You can subtract that much loaned ₹ amount from deposits while computing cash reserve ratio (CRR) for the next five years (from the date when the loan was given or other technical norms, which are not important). (यदि बैंक ने वाहन, मकान और छोटे उद्योगों को कर्ज दिया, तो सीआरआर में उस बैंक को छूट मिलेगी)
- ⇒ In other words, if a bank gives more loans to the above 3 sectors, it'll have to keep **↓ CRR → ↑** loanable funds → profit to the bank. And more loans → more business activity → economic growth for the country. (देश की आर्थिक वृद्धि में मदद होगी)

12.12.3 📈📊₹ (2020-Mar) CRR **↓** from 4% to 3% in ₹ Atmanirbhar Bharat



Figure 3: कोरोना महामारी से जु़ज़ रही अर्थव्यवस्था पुनर्जीवित करने के लिए सीआरआर में कटौती करना मंगता है।

- To revive Indian economy after Corona, RBI made certain changes in its monetary policy during March-April-2020 period.
- 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.
- ⇒ **2020-March:** RBI announced 100 basis points (bps) (=1%) cut in CRR. so Earlier 4%-1%=. This will the loanable funds available with the banks. (कोरोना वर्ष 2020 के दौरान रिज़र्व बैंक ने सीआरआर में 1% की कटौती की ताकि बैंकरों के पास लोन में धूमने के लिए ज्यादा राशि उपलब्ध हो जाए)
- ⇒ 2021: now moving towards economic recovery, enough loanable funds in banks available so, RBI ordered restoration/ of CRR in two phases: 3.5% (2021: March2May) →4% (2021-May) (वापस बढ़ोतरी)

CRR Technical things NOTIMP

Following technical operational aspects of CRR not imp / poor cost benefit in studying for exam

- What is Automated sweep-in and sweep-out (ASISO) facility? NOT-IMP
- What is Flexible Automated Option for Managing CRR? NOT-IMP
- Further, Banks are required to calculate CRR on a fortnightly (15 days) basis. They have to maintain at least 90% of that amount in CRR on daily basis. RBI also minimum daily CRR balance maintenance from 90% to 80% upto 2020-June. NOTIMP. इस प्रकार की चीजें परीक्षा के लिए काम की नहीं

Above type of information is not really important for the scope of civil service exam. So, don't lose sleep if some inexperienced private Mocktest quiz master framing MCQs like this.

Cash Reserve Ratio refers to _____. (UPSC-CDS-i-2020)

- the share of Net Demand and time liabilities (NDTL) that banks have to hold as liquid assets
- the share of NDTL that banks have to hold as balances with the RBI
- the share of Net demand and time liabilities that banks have to hold as part of their cash reserves
- the ratio of cash holding to reserves of banks

Find correct statements about SLR: (UPSC-CDS-2011-II)

- To meet SLR, Commercial banks must keep cash only.
- SLR is maintained by the banks with themselves.
- SLR restricts the banks leverage in pumping more money into the economy.

Answer codes:(a) 1, 2 and 3 (b) 1 and 3 (c) 2 and 3 (d) only 2

When RBI reduces SLR by 50 basis points which of the following is likely to happen? (UPSC-Pre-2015)

- India's GDP growth rate increases drastically.
- Foreign Institutional Investors may bring more capital into our country.
- Scheduled Commercial Banks may cut their lending rates.
- It may drastically reduce the liquidity to the banking system.

MonPolicy → Quant Tools → Rates → Bank rate (बैंक दर):

	Bank Rate	MSF	Repo Rate
Introduced in	RBI Act, 1934**	2011	2000
What is the % rate?	Since 2012: Bank Rate% = MSF%	MSF = Repo% + “x”%	Monetary Policy Committee decides
Who can borrow from the RBI?	Only banks		All clients of RBI: bank, non-bank, Union & State Govt
Collateral required?	**Yes and No	Bank can pledge securities from its SLR quota	Yes, G-Sec/T-bill. But not from SLR

	Bank Rate	MSF	Repo Rate
Loan duration	Longer than repo	Short term usually overnight to 14 days	
Primary Utility?	Nowadays mainly for deciding penalty on errant banks	Emergency borrowing by bank, using their securities from SLR quota subject to certain limits.	Short term borrowing by all clients of RBI.

- ⇒ **RBI Act, 1934: “Bank rate is the standard rate at which RBI buys or **rediscounts** first class securities, bills of exchange or other commercial papers.(-NCERT)” *rediscounting basically means the “repo-walla game= RBI buys @x price, re-sells@y price where y>x”*
- ⇒ But, since the introduction of the Repo rate in the 2000s, the Bank rate has become a dormant tool (निष्क्रिय उपकरण) =not frequently used by RBI for lending or by banks for borrowing).
- ⇒ So, **reference books/websites differ** in its present operational status e.g. some of them would say:
- Bank rate requires no collateral and is meant for long term loans.
 - Bank rate accepts collateral which can be both GSec/T-bill as well as private companies' securities.

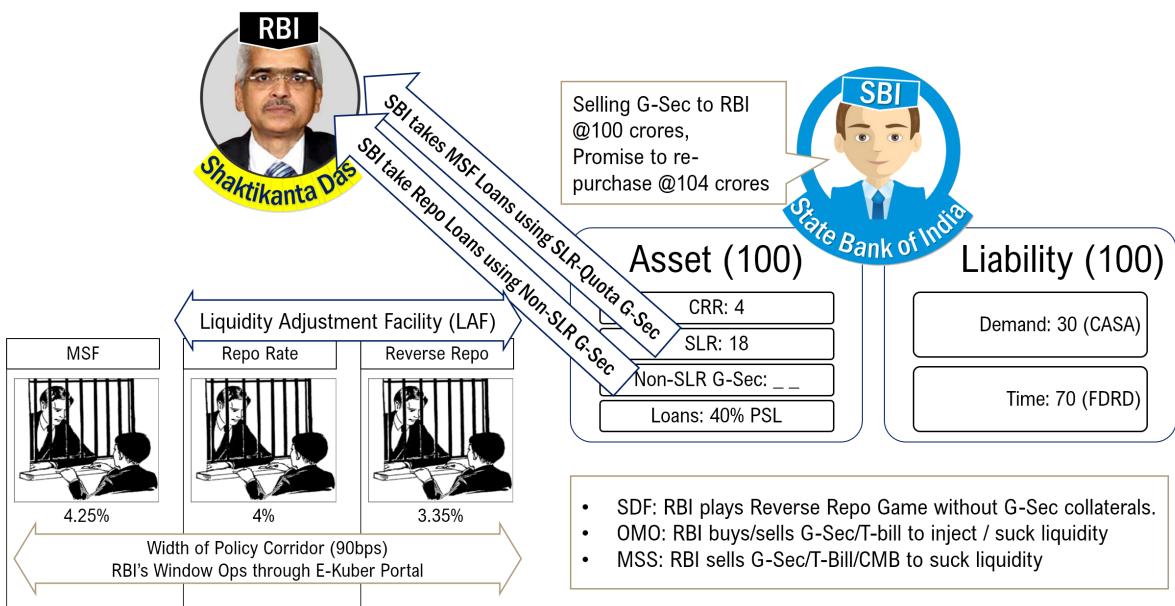
So, in the real exam, it depends on which book/web source the examiner has copied the statement(s) and accordingly you've to take a judgement call in ticking the answer. विभिन्न और किताबों और वेब साइटों पर बैंक दर की व्याख्या/अर्थ गठन अलग अलग है इसलिए असल परीक्षा में जो पूछा जाए तो स्थिती/विवेक के हिसाब से आपने जवाब tick करना है।

12.13 MONPOLICY → QUANT TOOLS → RATES → LAF REPO (2000)

RBI's Liquidity Adjustment Facility (LAF, तरलता समायोजन सुविधा): has two windows:

° LAF-Repo Rate (रिपो दर/पुनः क्रय-अनुबंध)	° ° LAF-Reverse Repo Rate (उलट रिपो/ पुनः क्रय-अनुबंध)
The Interest rate at which RBI lends short-term loans to its clients, keeping their G-Sec as collaterals. (रिजर्व बैंक अपने ग्राहकों को लघु अवधि के ऋण देता है। उसपर लागू व्याज दर को रिपो दर कहते हैं। ग्राहक ने अपनी सरकारी प्रतिभूतियों को रिजर्व बैंक में गिरवी रखना पड़ता है)	It's the interest rate that clients earn when parking their surplus funds with the RBI for short periods, to earn interest. (ग्राहक अपना अतिरिक्त धन, रिजर्व बैंक में लघु अवधि के लिए जमा कर जो व्याजदर कमाते हैं, उसे उलट-रिपो-दर कहते हैं)
<p>⇒ Clients enter into an agreement with RBI to repurchase their G-sec at a future date at a (higher) pre-determined price.</p> <p>⇒ Banks can't pledge their SLR-quota-G-Secs for this borrowing. </p>	Mechanism similar to Repo, RBI gives its G-Sec as a collateral to client.
<ul style="list-style-type: none"> - Repo also called 'Ready Forward Transaction'. - Repo Rate is our Policy Rate to control inflation. (मैट्रिक नीति दर) 	Reverse Repo Rate = Repo% MINUS x%

- ⇒ **Repo** = RBI lends short term loans its clients, & demands G-Sec/T-bill as collateral.  Every place I've not mentioned T-bill, as it just reduces the speed of revision.
- ⇒ **Market Repo** = Players other than RBI (such as bank, NBFCs) loaning short money to other Banks/NBFCs/Corporate Companies, and demanding financial securities (G-Sec/T-Bill/shares/bonds/commercial paper etc.) as collateral. What do those terms mean? Ans. Ref the table given in topic Operation Twist.



12.13.1 (2020) 🐻反腐: Repo Rate ↓ to cheapen the loans & revive economy



Figure 4: कोरोना महामारी से जु़ज रही अर्थव्यवस्था पुनर्जीवित करने के लिए रिपो दर में कटोती करना मंगता है।

- ⇒ 2019: repo was in the range of 5-6%. Then, 2020-Corona → 🐻 Atmanirbhar Bharat RBI's monetary policies from Mar-April-May-2020 → REPO Rate ↓ to 4%
- ⇒ **Stance:** Accommodative. Means in the next meeting they will either ↓ repo or keep it unchanged. But no chance of ↑ the repo rate in next meeting.
- ⇒ Theoretically: ↓ repo → ↑ demand → ↑ inflation but, RBI expects that inflation will be under control because:
 - ⇒ Monsoon will be normal so food prices (& resultant inflation) will be under control.
 - ⇒ Corona-led Economic slowdown → demand ↓ → inflation should ↓.
 - ⇒ Crude oil prices also under control due to Corona slowdown.
 - ⇒ Thus, inflation is going to remain under control. Therefore, large reduction in repo rate WAS justified to boost economic growth in 🌟 Corona.

反腐 However, 2020-July-August: CPI >6.5% which is above the 2-6% limit.

- ⇒ So, then, ideally RBI should ↑ the repo rate to combat inflation, but that will make the loans expensive and harm the post-corona economic revival. so the RBI kept the repo rate unchanged. (महंगाई से लड़ने के लिए अगर लोन महंगे कर दिए तो कोरोना महामारी पश्चात भारतीय अर्थतंत्र को पुनर्जीवित करना मुश्किल होगा → इसलिए रिजर्व बैंक के दरों में कोई बदलाव नहीं किया गया)
- ⇒ Besides, the present inflation is caused by supply-side problems due to lockdown. Once the unlockdown progresses → supply ↑ → inflation ↓. so changes in the repo rate not required at present. (लॉकडाउन हटने पश्चात वैसे भी बाजार में चीज वस्तुओं की आपूर्ति बढ़ेगी तो अपने आप महंगाई काबू में आ जाएगी, ऐसा रिजर्व बैंक का सोचना था)
- ⇒ To conclude, Repo unchanged @4% from May-2020 upto 2021-November when I'm writing this note.

12.13.2 (2020) 🐾 ₹ Reverse Repo Rate cut & Policy corridor Changed asymmetrically



Figure 5: sir, जब तक आप loan के लिए हाँ नहीं कहेंगे, हम आपको telemarketing spam-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 रिझर्व 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 reduced ↓ the reverse repo rate to discourage such laziness of banks. (बैंकों के इस आलसीपन को दूर करने के लिए रिझर्व बैंक ने रिवर्स रेपो रेट में कटौती की)

⇒ 🎉 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 etc)

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. (हालांकि कुछ खास फायदा नहीं हुआ ऐसा आर्थिक सर्वेक्षण का कहना है)

12.13.3 🎉 🔍 MonPolicy → Quant Tools → Variable Rate Reverse Repo (VRRR)

TRADITIONAL FIXED REVERSE REPO	VARIABLE RATE REVERSE REPO
Interest Rate fixed by RBI e.g. 3.35% (रिझर्व बैंक द्वारा रिवर्स रेपो रेट की दर पहले से ही तय कर दी जाती है.)	Interest Rate decided by Bidding process of clients (How? Explained in video but not important.) Thus, RBI not fixing the percentage% in advance. It is variable%...depending on bidding action of clients.
RBI can reject/refuse to accept reverse repo deposits from clients without giving him any reasons.	same as the left cell.(आरबीआई रिवर्स रेपो दर मैं ग्राहक की डिपाजिट लेने से मना कर सकता है, बिना कोई उस ग्राहक को कारण बताए.)
--	This activity was paused during Corona 2020 but resumed in 2021-January.

Reasons for conducting VRRR (क्यों यह “परिवर्तनीय दर वाला उल्टक्रय अनुबंध” खेल खेला जा रहा है?)

⇒ Because RBI wants to suck excess money supply from the market without modifying the 'fixed' reverse repo % (रिवर्स रेपो के निश्चित दरों में छेड़छाड़/बदलाव किए बिना रिझर्व बैंक बाजार से अतिरिक्त पैसा चूस सके.)

⇒ Clients can hope to earn more interest rate in VRRR than fixed rate reverse repo. (VRRR नीलामी में किस प्रकार की बोलियां लगाई गई हैं उस हिसाब से ग्राहक को शायद थोड़ा ज्यादा व्याज कमाने मिले)

12.13.4 (2020) Long Term Repo Operations (LTROs: दीर्घ अवधि के रेपो ऋण)

- ⇒ Usually, Repo loans are for short term borrowing from overnight to 14-days.
- ⇒ But, 2020-Feb: RBI announced to conduct Long Term Repo Operations (LTROs) of 1 yr & 3 years tenors.
- ⇒ RBI will loan total ₹ 1,00,000 crore, in various rounds through E-Kuber platform.
- ⇒ **Interest rate:** prevailing repo rate. Interest rate will be compounded annually. (वार्षिक रूप से चक्रवृद्धि व्याज)
- ⇒ This will  loanable funds with banks → economic growth can be revived. (आर्थिक वृद्धि में मदद होगी)
- ⇒ MSF and (short term) repo lending will also be continued separately as per their own existing norms.
- LTRO doesn't aim to eliminate / replace them. (बाकी जो लघु अवधि के उपकरण हैं, वह भी जारी ही हैं)

Further operational guidelines, how it impacts the bond yields etc. = poor cost:benefit

12.13.5 Targeted Long Term Repo Operations (TLTRO: लक्षित दीर्घकालिक रेपो)

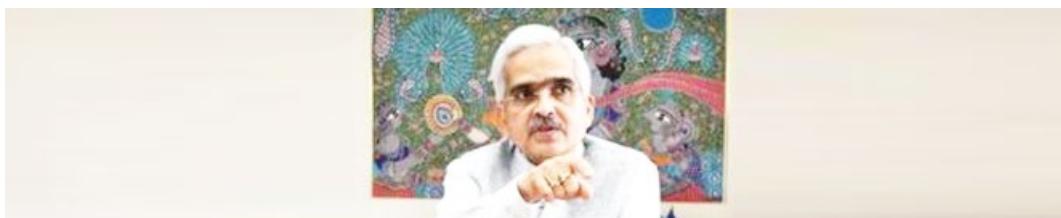


Figure 6: @Banks- jo Long term REPO loan diyaa hai uskaa certain % you must give to Bond Market

- ⇒ **Tenure?** upto 3 years
- ⇒ **Interest Rate?** FLOATING RATE linked with REPO Rate. Its exact formula? NOTIMP
- ⇒ **Total quantity?** First round 1.0= ₹1 lakh crore, round 2.0= ₹50,000 crore and so on but figures NOTIMP.
- ⇒ If a bank borrows ₹₹ from this window → then
 - within “X” number of days,
 - bank must invest Y% of this borrowed money
 - in Bond market/ debt securities (such as corporate bonds/non-convertible debentures, commercial papers etc.) issued by “Z” borrower.
 - “Z” could be a Corporates, Mutual Funds, Non-Banking Financial Companies (NBFCs) and Housing Finance Companies (HFCs). (More in  Pillar#1B1: Classification)
- ⇒  **Benefit?** (इससे क्या फायदा होगा)
 - Debt securities are primary source of funding for NBFCs and HFCs. This measure will help them obtain funds to revive business. (गैर बैंकिंग वित्तीय कंपनियों को मदद मिलेगी)
 - Similarly, Mutual Funds and industrialists who need funds, will benefit.

12.13.6 TLTRO- Useless Doubts by novice students (बाबू-शोना / कच्चे खिलाड़ियों के फालतू प्रश्न)

1.  Why would bank borrow ₹₹ in TLTRO if so many conditions are imposed on it? Ans. maybe the bank feels it will earn profit from such investment. (उनको जरूरत होगी तो लेंगे, वरना नहीं लेंगे)
2.  Why would bank borrow ₹₹ in REPO rate (Short term) when TLTRO offering long term loans? Ans. 1) depends on the requirement of the bank 2) TLTRO amount is finite e.g. first round total ₹1 lakh given. So, if a banker came late to RBI's shop, but Jalebi stock was finished, banker has to buy Samosa.
3.  How does TLTRO involve “flight of foreign investors & its impact on exchange rate & bond yield” etc.? Ans. Such long-winded-financial-cause-effect = no importance in UPSC, even though private mock-test-walla design useless MCQs from it. इतनी दूर की बीरबल की खिचड़ी अपने को पकाने की जरूरत नहीं है!

4. I want to do PHD on this until Taimur grows up & gets married. **Ans.** Good luck to you! You keep doing that, but, I'm finished teaching this topic here. # थोड़ा-पढ़ो-आगे-बढ़ो

12.13.7 RBI's special or flexible liquidity window to help MF

Franklin Templeton Mutual Fund (MF) decided to stop / windup some MF schemes in India, because they couldnot generate good profit during the Corona crisis.

⇒ So, its Fund manager will liquidate (=sell off) the shares/bonds → return ₹₹ to investors.

⇒ Investors panicked because

- Fund manager did not give clear timelines about money refund.
- even if Fund manager tries to sell off shares/bonds, it is difficult to find buyers at the right price so MF-investors may lose money.
- Alleged financial scam angle. (कथित वित्तीय घोटाला)

⇒ **RBI reform?** Special or flexible liquidity window to help Mutual Funds

- From this window, banks borrow from RBI → Bank uses it to either
 - Give loans to Mutual Fund or
 - Use the ₹₹ to buy debt-securities from Mutual Fund

What is the total amount of funds in this special window? What is the tenure of loans here? Do banks need to pledge G-Sec to borrow? How much interest is charged? **Ans.** Low profile technical reform to a crisis affecting a small segment of financial market. # Boycott-PHD

12.13.8 Sector Specific On-Tap Liquidity Windows (2021, Corona Wave 2.0)

"On-Tap" Window	Whenever banker requires, he can goto RBI to borrow this amount. (इस खिड़की से बैंकर रिजर्व बैंक से तीन साल की दीर्घ/लंबी अवधि के कर्ज लेंगे)
Tenure	Long term = 3 years. (3 साल की दीर्घ अवधि के लिए)
Interest Rate	Banker need to pay "X%" interest to RBI, wherein X% = RepoRate% (रिजर्व बैंक इस कर्ज पर बैंकर से उतना ही ब्याज दर लेगा जो रेपो दर में चल रहा है)

List of Sectors

Sector (Launched in)	Banker must loan this amount to following Sectors:	Which banks eligible to use this Window?	Total Amount ₹
Special LTRO Window (SLTRO) (2021-May)	A) Micro and small industries (सूक्ष्म और लघु उद्योग) B) Unorganized sector entities (असंगठित क्षेत्र)	Only Small Finance Banks (SFB [#]) giving Fresh loans upto Rs.10 lakh per borrower in these sectors (केवल लघु वित्त बैंक)	₹10,000 cr
Healthcare launched (2021-May)	Hospitals, vaccine manufacturer, vaccine importers, medical device makers, oxygen suppliers etc अस्पताल, टीका उत्पादक, आयात करने वाले चिकित्सा साधन बनाने वाले इत्यादि	All types of Banks [#] (सभी किसी के बैंक) Refer to Pillar1B1 for Bank Classification	₹50,000 cr
	Hotels, Restaurants, Tour Operators, Bus Operator, Car Repair Service,	All types of Banks [#] (सभी किसी के बैंक)	₹15,000 cr

Contact-Intensive Sectors (2021-June)	Beauty Parlours/Spa/Saloons, Event/Conference Organisers बैंकर ने ये पैसा स्पर्श-संवेदनशील उद्योग क्षेत्र जैसे प्रवासन उड्डयन इत्यादि को कर्ज में देना होगा		
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12.13.9 Enhanced Reverse Repo Rate for Hardworking Bankers

- ⇒ If Bankers uses Sector Specific On-tap Liquidity Window (e.g. bankers taking loans from RBI to lend to hotel, beauty parlours, vaccine manufacturer etc). यदि कोई बैंकर रिजर्व बैंक द्वारा बनाई गई क्षेत्र विशेष खिड़कियों से पैसा कर्ज में लेके विविध क्षेत्रों को देता है
- ⇒ If this banker achieved Rs.“XX” loan giving target, then, IF he parks his surplus funds under Reverse Repo Window → RBI will pay him 3.75% Reverse Repo Rate. (instead of 3.35% reverse repo paid to lazy bankers.) तो उस मेहनतकश बैंकर को रीवर्स रीपो रेट में रिजर्व बैंक ज्यादा प्रतिशत ब्याज देगी, अन्य आलसी बैंकरों की तुलना में.
- ⇒  Benefit? It encourages bankers to work harder to give loans to various sectors.
- ⇒  FAQ/Moral Outrage? How / Why is this possible? How can banker borrow money and yet have surplus funds? Ans. Banker will not instantly get all borrowers on day1. So, often he would invest his surplus money (of depositors) temporarily in RBI (under Reverse Repo)- just to earn small amount of profit, instead of letting the cash stay idle in his bank office. (बैंकर को यदि तुरंत कर्ज लेने वाला कोई ग्राहक नहीं मिले तो छोटी अवधि के लिए बैंकर अपना पैसा रिजर्व बैंक में रखेगा ब्याज कमाने के लिए)

12.13.10 MonPolicy → Quant Tools → Rates → MSF (2011)

- Marginal Standing Facility (MSF: सीमांत स्थायी सुविधा) is the Interest rate at which RBI lends short-term loans to Scheduled Commercial Banks (SCB) & Regional Rural Banks (RRB) with their SLR-quota G-Sec as collaterals. (ऐसी खास खिड़की है जहाँ से रिजर्व बैंक द्वारा अनुसूचित वाणिज्यिक बैंकों को तथा क्षेत्रीय ग्रामीण बैंकों को, उन बैंकों के एसएलआर कोटा की प्रतिभूतियों को गिरवी लेकर रिजर्व बैंक उन्हें लघु अवधि के कर्ज देता है)
- MSF higher than Repo Rate. MSF = Repo% + 0.25%

12.13.11 MonPolicy → Quant Tools → Rates- associated terms

-  **Policy Corridor:** It's the width among MSF-Repo-Reverse Repo. Refer to reverse repo rate shortnote for more. इन सब उपकरणों के बीच की चौड़ाई को “मौद्रिक नीति गलियारा” कहा जाता है
- **Window Operations:** LAF-MSF “windows” are operated through RBI's E-Kuber Core Banking Solution (CBS) platform.
- **(Uncollateralized) Standing Deposit Facility (SDF, स्थायी जमा सुविधा):** Banks park funds in RBI for short-term to earn interest. No G-sec / collateral, unlike Reverse Repo. This helps RBI absorb excess liquidity for short term in situations like demonetization when RBI may not have enough G-Secs to pledge as collaterals. Urjit Patel Committee on Monetary policy (2013) proposed this, Budget-2018 agreed to amend RBI Act for this. But not yet implemented. (बिना कुछ गिरवी रखे, रिवर्स रीपो का मज़ा मिलेगा)
- **Tri-Party Repo (त्रि-पक्षीय पुनः क्रय-अनुबंध):** In ordinary repo, there are two parties- borrower vs. lender (RBI).
 - o In Tri-party Repo, there are 3 parties 1) borrowers 2) lenders 3) Tri-Party Agent (e.g. NSE or BSE) who, acts as an intermediary between the two parties to facilitate collateral custody, payment and guaranteed settlement.
 - o 2017: RBI issued guidelines → 2018: National Stock Exchange (NSE) started it, 2019: Bombay Stock Exchange (BSE) started it.

- **This is not a tool of Monetary Policy.** It is meant to help Corporate companies to borrow money from the market.(ये मौद्रिक नीति का हिस्सा नहीं है)
- **BPLR, MCLR, External Benchmarks, Teaser Loans etc:** Terms related to how individual banks decide their lending rates to borrowers. Ref: End section of this present handout.
- **Liquidity Trap:** To be covered separately in Pillar-4Z: Microeconomics.

12.13.12 Market Operations (OMO, MSS): (Inflation → Sell G-Sec, Deflation → Buy)



Figure 7: Aloo Lelo, Pyaaz Lelo, G-Sec Lelo...

- I. **Open Market Operations** (खुले बाजार की क्रियाए): RBI buys and sells Union & State Govts' securities to control money supply.
 - RBI buying= Money supply increased/liquidity injected in the market.
 - RBI selling = Money supply decreased/liquidity absorbed from the market.
- II. **Market Stabilization Scheme** (बाजार स्थिरीकरण योजना): RBI sells special type of G-sec, T-Bill & Cash Management Bills (CMB) to suck excess liquidity. How it works? How is it similar or different than OMO? Ans. NOTIMP. Very low profile thing for scope of UPSC. # थोड़ा-पढ़ो-आगे-बढ़ो
- III. **Sterilization / Forex Swap:** Their primary objective is to control the currency exchange rate volatility (e.g. \$1=₹65,70,80...). <More in Pillar#3 >
- IV. **Operation Twist (2019):** a special type of OMO. Explained in next segment.

MCQ. 'Open Market Operations' refers to: (Prelims-2013)

- a) borrowing by banks from the RBI b) lending by commercial banks to industry and trade
c) purchase and sale of government securities by the RBI d) None of the above

MCQ. Which of the following would result in an increase in money supply in economy? (Prelims-2012)

1. Purchase of G-Sec from the public by the Central Bank.
2. Deposit of currency in commercial banks by the public.
3. Borrowing by the government from the Central Bank.
4. Sale of government securities to the public by the Central Bank.

Answer Codes: (a) 1 only (b) 2 and 4 only (c) 1 and 3 (d) 2, 3 and 4

MCQ. Which of them is/are part of Monetary Policy? (Prelims-2015)

- 1) Bank rate 2) Open market operations 3) Public debt 4) Public Revenue

Answer Codes: (a) 1 only (b) 2, 3 and 4 (c) 1 and 2 (d) 1, 3 and 4

12.14 MONPOLICY: QUANTI TOOLS: OMO → OPERATION TWIST

Before that, you've to be aware of some many basic concepts:

12.14.1  Security → Debt → G-Sec & Bonds (ऋण के लिए जारी की गई प्रतिभूतियां)

A 'Security' means a certificate/document indicating that its holder is eligible to receive a certain amount of money at a particular time. This could be a...

Table 3: प्रतिभूतियों के विभिन्न प्रकार

Borrower	Govt	Corporate (निगम)
Short term (less than 1 year) →	Treasury bills, Cash Management bills	Bill of Exchange, Commercial Papers, Promissory Notes.
Long term (1 year/>) →	G-Sec, Sovereign Bonds	Bonds / Debentures
Interest rate	Usually lower than Corporates' because risk is low	Depends on following factors →

12.14.2 🛒 (₹): 🎲: 🎮 Deepening of G-Sec market- Retail investors' RDAG @RBI

- RBI launched “Retail Direct Scheme” in 2021.
- Under this scheme, RBI permits “Retail Direct Gilt (RDG) account” for retail investors on its E-Kuber online platform. (आम निवेशक रिज़र्व बैंक में अरडीजी नामक खाता खोल पाएंगे)
- Both Resident Indians & non-resident Indians (NRIs) can open this account. (गैर निवासी भारतीय भी)
- Then Retail investors can directly buy Treasury Bills (T-Bill), G-Secs (of Union Government), State Development Loans (SDL are ‘G-secs’ of State Govts) and Sovereign Gold Bonds, from RBI directly. (आम निवेशक सीधा रिज़र्व बैंक से इन प्रतिभूतियों को खरीद सकता है.)
- Application fees to open the account = ₹ ZERO
- 🎁 Benefit? 1) Earlier retail investors bought G-sec “indirectly” through mutual funds wherein mutual fund manager (MF) charged commission/fees. Now retail investor can buy directly so does not have to pay such commission/fees to MF managers. (बिचौलियों को ढलाली/कमीशन नहीं देना होगा)
- (More in 📊 Pillar#1C- SEBI Share market, DEMAT account etc)

12.14.3 🎲: 🎮 Corporate Bonds: factors that determine its interest rate

If companies want to borrow money, they may issue bonds to investors. e.g. “Whoever buys this Reliance Bond worth ₹1000, we will pay him 9.40% interest rate per year and return the principal after 15 years.” Usually the interest rate offered on such bonds depends on

Factor (कारक)	How it determines corporate bond interest rate?
(Risk) Credit rating of company	Lower credit rating (e.g. CCC or D) → higher interest rate needs to be offered because risk of default is high. जब दिवालियेपन का जोखिम ज्यादा हो
Inflation	why/how: Ans. Ref: 📊 Pillar1C → Inflation Indexed Bonds
Bank deposit interest rates	Higher the (Bank) deposit interest rate, higher bond interest rate needs to be offered to attract households to shift money from bank savings/FD to corporate bonds. (अगर बैंक जमाकर्ताओं को अच्छा ब्याज दे रहा है तो कंपनी ने ज्यादा ब्याज ऑफर करना होगा)
Yield on G-Sec	If G-Sec yield ↑, then corporate will have to offer even higher bond interest rate to attract the investors from G-Sec investment towards C-Bond investment.

12.14.4 🎲: 🎮 Bond Yield (बांड में निवेश करने पर होने वाली आय या मुनाफा)

- ⇒ Bond yield is the profit an investor earns on a bond investment.
- ⇒ Suppose, Government issues a G-Sec or Bond: 8% annual interest, tenure: 1 year
- ⇒ Bhide Master invests ₹ 100. So, upon 1 year maturity he'll get ₹ 8 Interest + ₹ 100 Principal = ₹ 108. So his profit or yield will be= 8%
- ⇒ But suppose, before maturity of 1 year, Bhide Master urgently needs cash. So he sells ₹ 100 face-value bond to Mr.Jethalal at a discounted price of ₹90. पैसों की अचानक जरूरत पड़ने पर सस्ते दाम में किसी को बेच दे
- ⇒ Jethalal keeps the it till maturity → Government pays him ₹ 108. परिपक्व होने तक बेचे नहीं

⇒ So, for Jethalal the profit OR current bond yield to maturity is....

$$= \left(\frac{108-90}{\text{original investment of } ₹ 90} \right) * 100 = 20\%$$

12.14.5 Bond Yield \propto 1/Price (सस्ते में खरीदा= तो मुनाफा ज्यादा)

⇒ Bhide bought @100, his yield is 8%; Jethalal bought @90, his yield is 20%.

⇒ Thus, Bond yield is **inversely related** to the current selling price of the bond in the secondary market.

⇒ If a bond's demand → its selling price will → bond yield (Because of inverse relation)

12.14.6 Bond yield: other factors affecting it (अन्य कारक)

- ⇒ If the economy is booming (तेजी), companies are making great profit, investors may sell bonds at lower prices in a hurry to unlock their money to invest it in shares of companies, because they think it'll get them more dividend. Then bond's current selling price in the secondary market → yield .
- ⇒ If the economy is facing **recession** (Continuous decline in growth rate: मंदी) → companies will NOT make great profit → investors sell shares, and prefer to buy bonds hoping they'll get secured fixed interest. Then bond's demand in the secondary market → selling price → yield .

12.14.7 Operation Twist: why?

- ⇒ Commercial banks were reluctant to lend money to private sector companies because of the problem of Bad Loans /Non-Performing assets (NPA: More in Pillar 1B2). दिवालियेपन की घटनाओं के चलते, बैंकवाले निजी क्षेत्र की कंपनियों को कर्ज देने से डर रहे थे। आर्थिक वृद्धि और रोजगार सृजन के लिए यह अच्छी बात नहीं थी।
- ⇒ If such companies could borrow money by issuing corporate bonds (at cheaper interest rate) → more factories, more jobs, more production, more GDP.
- ⇒ RBI decided to attack the third factor: "If the yield on long term G-Sec decreased, then automatically Corporate Bond interest rates could also decrease."

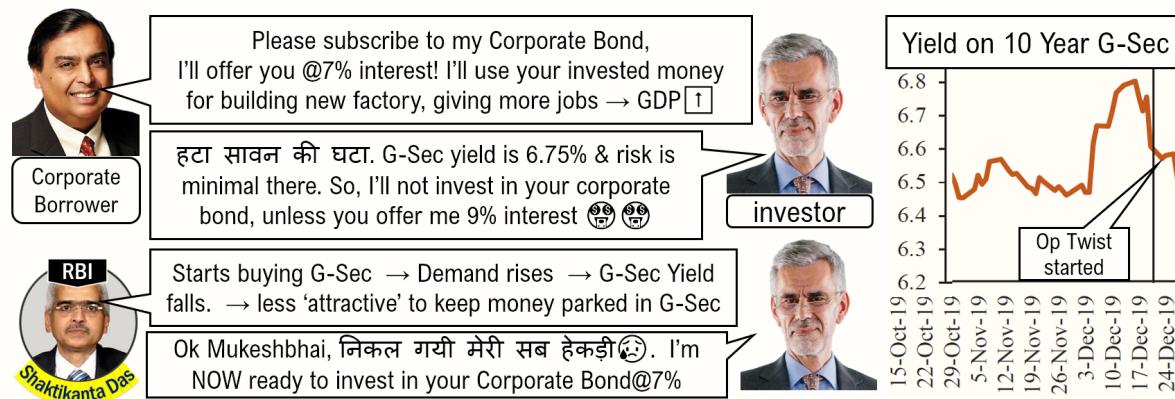


Figure 8: figures are only for illustration. No need to memorize numbers.

12.14.8 RBI's Operation Twist: methodology (2019-Dec)

Since RBI's existing monetary policy tools had failed to make loans cheaper for corporates / boost the economy. So in 2019-Dec, RBI started a "special OMO" wherein:

RBI Sold→ shorter -term G-Sec (of 1 year & higher tenor) worth ₹10,000 crore

RBI Bought →	bought longer -term G-Sec (of 10-14 years tenor) worth ₹10,000 crore (i.e. equal amount as above, so as to keep money supply unchanged.) रिजर्व बैंक ने जितना बेचा, उतनी ही रकम का कुछ और खरीद लिया ताकि मुद्रा आपूर्ति में कोई बदलाव न हो.
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⇒ Since RBI started buying long-term G-Sec, their demand will \uparrow → price will \uparrow → yield is \downarrow . The 10YearGSec's yield lowered from 6.75% to 6.60%

⇒ And we've already learned, Corporate bonds are priced (benchmarked) keeping G-sec yields in mind.

So, Op Twist → Lower G-Sec yield means →

- ✓ Cheaper borrowing for Private sector Companies. Because
 - They can borrow money by issuing their (long term) Corporate-Bonds at much cheaper interest rate than before. (निजी क्षेत्र की कंपनियों के लिए बॉन्ड जारी कर- ऋण लेना हुआ सस्ता 😊)
 - When a private company meets a bank manager to borrow money, it can negotiate the loan price, “If your bank does not lend me money at this cheaper interest% then I will issue my own corporate bonds.” → Even the bank lending rates for corporate loans could be reduced.
- ✓ Cheaper borrowing for Government. For reasons similar to above. (How? Explained in Video)
- ✓ Investor of long term G-Sec will feel discouraged to hold the G-Sec till maturity (10-14 years), He will try to sell it to another party/RBI and pull out his money, then he may park ₹₹ it a Corporate Bond / Bungalow / car / Goa-vacation etc. Thus, it helps boost the consumption → economy grows.

समज में आ गया हो तो बढ़िया है, नहीं तो रटा मारो जिंदगाद (if not understood then memorize by Rot-learning)

1. 1961: "Operation Twist" was first used by the US Federal Reserve.
2. 2019: RBI used also done it. Officially called "Special Open Market Operation (OMO) wherein the Central bank simultaneously buys and sells G-sec of varying maturities to adjust their yields. Which helps reduce interest rates on corporate bonds/debentures → easier to mobilize investment → factory expansion → jobs, GDP growth. (यह एक खास किस्म की खुले बाजार की क्रिया है, जहाँ अगल अलग मियादी की सरकारी प्रतिभूतियाँ खरीद-व-बेच कर रिजर्व बैंक उनकी उपज को कम करता है, ताकि कॉर्पोरेट कंपनियां सस्ते ब्याज में पैसा बाजार से हासिल कर सकें, ताकि रोजगार और आर्थिक वृद्धि में मदद मिले)
3. Objectives of Op-Twist=
 - a. To make borrowing cheaper for Companies and Govt. कंपनीओं/निगमों और सरकार के लिए कर्ज सस्ता करवाना
 - b. It was NOT MEANT For fighting inflation. महंगाई से लड़ना इसका उद्देश्य नहीं है
4. It ensures better Monetary Policy transmission for economic growth. (because, earlier, simply reducing the repo rate has not helped much in making loans cheaper, for corporates. इससे पहले रेपो दर कम करने पर भी बाजार में लोन सस्ते नहीं हो रहे थे, तो रिजर्व बैंक ने सोचा ये ऑपरेशन ट्रिस्ट नामक नया साधन आजमाते हैं)
5. Net liquidity remains unchanged because ₹10,000 crore goes in and the same amount comes out of the market. (सकल तरलता में कोई बदलाव नहीं क्योंकि ऑपरेशन ट्रिस्ट में जितना खरीदा, उतना ही बेचा है)

⌚🎓⌚ Beyond this, further PHD on what/why/how = poor cost:benefit for MCQs. For example “The simultaneous sale of short-term bonds, on the other hand, helps push up short-term rates which had fallen below RBI's benchmark rate. This would not only correct the anomaly in the short-and long-term rates” All this is not important for the scope of competitive exams, even if inexperienced private mock-test quiz-masters ask it. We need not loose sleep over each and every column.

12.14.9 ⌚🎓⌚ Bond Yield & Inverted Yield Curve: Concepts with poor cost-benefit for exam

1. Inverted Yield curve = इस मुददे को पढ़ने में हम वक्त बर्बाद नहीं करेंगे
2. Negative Bond Yield = इस मुददे को पढ़ने में हम वक्त बर्बाद नहीं करेंगे

3. Chinese Bond Yield ki News, Italian Bond Market crisis = इस मुद्दे को पढ़ने में हम वक्त बर्बाद नहीं करेगे
 ⚡️ 📈 🔞 very poor cost-benefit chasing these topics. Irrespective of how many times the Hindu columnists write about it and how many private mock test-walla make faal tu MCQs from it. # 🔞 थोड़ा-पढ़ो-आगे-बढ़ो

12.15 🎧 🔊 🎲: 📈 MONPOLICY: QUANTI TOOLS: OMO → G-SAP

- ⇒ Full form: (Secondary Market) G-sec acquisition programme
 ⇒ Mechanism: RBI to buy G-Sec from Secondary market on specified timetable. एक निश्चित समय तालिका के हिसाब से रिज़र्व बैंक द्वितीय बाज़ार से सरकारी प्रतिभूतियां खरीदेगा

G-SAP	During these months	Total
G-SAP 1.0 (पहला चरण) →	1 st Quarter of 2021-22 = April to Jun 2021 (पहली तिमाही)	₹1.0 Lakh cr
G-SAP 2.0 (द्वितीय चरण) →	2 nd Quarter of 2021-22 = July to Sept 2021 (दूसरी तिमाही)	₹1.2 Lakh cr

12.15.1 🎧 🔊 🎲: 📈 OMO → G-SAP : 😊 Benefit?

- ⇒ 🔺 Money supply in the economy. (अर्थतः में मुद्रा आपूर्ति बढ़ेगी)
 ⇒ Investors, who sold G-Sec to RBI= those investors got ₹ → They may 1) do shopping and/or 2) invest in other companies shares/bonds → 1+2=economic growth. मुद्रा आपूर्ति में बढ़ोतरी के चलते निवेशकों के हाथ में पैसा आएगा तो वे बाज़ार से खरीदारी करेंगे, अन्य कम्पनियों में निवेश करेंगे → देश की आर्थिक वृद्धि में मदद मिलेगी
 🔞 FAQ/Moral Outrage: Why G-SAP? Why not achieve this objective via 🔻 reducing REPO ? Ans.
 ⇒ Every person may not be interested in taking new bank loans. Some investors may be interested in selling their previous investments in G-Sec to unlock the money. (हर व्यक्ति बैंक से कर्ज़ लेगा ये ज़रूरी नहीं है। कुछ निवेशक अपना पुराना G-sec निवेश बेचकर पैसा बटोरना चाहते हो तो जी-सेप में आ सकते हैं)
 ⇒ if RBI 🔻 decreases the repo rate too much → it can result in A) inflation and B) 🔻 decrease in the deposit interest rates offered by the bankers on savings account → middle-class and pensioners affected negatively. (रेपो दर में बहुत ज्यादा कटौती हुई तो नई समस्याएँ खड़ी होंगी)

Table 4: To Sum up, OMO, GSAP, OP-TWIST (कुल मिलाकर बात ये हैं कि)

G-SAP	<ul style="list-style-type: none"> ⇒ RBI is buying G-Sec to increase money supply → Post-corona revival. ⇒ Money amount, date&time/calendar/timetable is transparently & systematically announced in advance before starting. ⇒ इसमें पैसों की मात्रा, समय-तालिका सब कुछ पारदर्शी और व्यवस्थित रूप से, खरीदारी शुरूआत करने से पहले रिज़र्व बैंक प्रकाशित कर देता है।
OMO	<ul style="list-style-type: none"> ⇒ RBI is selling G-Sec to control inflation. ⇒ RBI is buying G-Sec to fight deflation. मुद्रास्फीति(मंहगाई)/अपस्फीति(सस्ताई) से लड़ने के लिए रिज़र्व बैंक सरकारी प्रतिभूतियों को बेचेगी/खरीदेगी ⇒ Its timetable NOT announced in advance, in detailed manner, unlike G-SAP. रिज़र्व बैंक के विवेक/मनमर्जी पर अनियमित समय पर ये क्रिया होती थी। समय से पूर्व, विस्तृत रूप से इसकी समय तालिका प्रकाशित नहीं की जाती थी। ⇒ OMO window is NOT discontinued. It'll continue to function as per discretion of RBI. इस खिड़की को बंद नहीं किया गया। रिज़र्व बैंक के विवेकानुसार भविष्य में भी जारी रहेगा।
Op.Twist	⇒ RBI is Buying and Selling of G-Sec of varying maturities

	⇒ To reduce G-Sec yield → so future borrowing becomes cheaper for Government and Companies. रिजर्व बैंक द्वारा भिन्न भिन्न अवधि/मियादी की सरकारी प्रतिभूतियों को खरीदना और बेचना ताकि योल्ड कम हो सके ताकि भविष्य में सरकार तथा कंपनियों के लिए कर्जा लेना सस्ता हो सके।
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Ques: India Government Bond Yields are influenced by which of the following? (Prelims-2021)

1. Actions of the United States Federal Reserve [अमेरिकी फेडरल रिजर्व की क्रियाओं द्वारा]
 2. Actions of the Reserve Bank of India. [रिजर्व बैंक की क्रियाओं द्वारा]
 3. Inflation and short-term interest rates [महंगाई और लघु अवधि के ब्याज दर]
- Answer Code: a) 1 and 2 Only b) 2 Only c) 3 Only d) 1, 2 and 3

12.16 MONETARY POLICY: QUALITATIVE TOOLS (गुणात्मक साधन)

- ⇒ Quantitative tools (SLR, CRR, Repo etc.) control the ‘volume’ of loans. मात्रात्मक साधन कर्जे की मात्रा को तय करते हैं
- ⇒ Whereas, qualitative tools (PSL,LTV etc.) control the “distribution” of loans to a particular sector of economy. गुणात्मक साधन कर्जे के वितरण को तय करते हैं
- e.g. how much loan to agriculture or particular segment of society (e.g. farmers, women, SC/ST).
- ⇒ Hence, qualitative tools also known as SELECTIVE (चयनात्मक) or DIRECT (प्रत्यक्ष) Tools.

12.16.1 Moral Suasion (नैतिक दबाव / सलाह) & Publicity (प्रचार)



Figure 9: “मैंने तो अपनी repo-दर कम कर दी लेकिन ये लालची बैंक वाले अपने loan-दर कम नहीं कर रहे, कम से कम मेरा लिहाज/सम्मान रखने के लिए भी उन्हे थोड़ा तो सस्ता करना चाहिए।” - RBI Governor

- Moral suasion meaning applying “Persuasion” without applying punitive measures. RBI governor tries this tactic via conferences, informal meetings, letters, seminars etc
- Example, RBI-Governor asking banks to transmit repo-rate cuts, open new branches in rural areas, spread financial literacy, give loans to farmers beyond PSL quota etc. Similarly, RBI Governor requesting CM or Finance Minister to control fiscal deficit & subsidy leakage to enhance the efficacy (प्रभावकारिता) of RBI’s monetary policy.
- Publicity: RBI governor could give media statement, speech during university convocation (दीक्षांत पदवीदान समारोह), memorial lectures... “Look I reduced repo rate but banks are not passing the benefit to customers...and xyz”. By doing so, he can create an effective public opinion which also pressurizes the banks to stop their thuggery.

12.16.2 Direct Action (सीधी कार्यवाही: क्योंकि लातो के भुत बातो से नहीं मानते)

- RBI can punish banks (and even non-banks) for not complying with its directives under RBI Act, Banking Regulation Act, Payment and Settlement Systems Act, Prevention of Money Laundering Act (PMLA), Foreign Exchange Management Act (FEMA). रिजर्व बैंक के दिशा निर्देशों का पालन न करने पर विभिन्न कानूनों में सजा/दंड
- 2019: RBI ordered the banks to have a “Clawback” provision in their CEO & Top executives’ salaries. E.g. If the CEO did any scam/fraud, he’ll have to return his previously paid salary / bonus, even if he had retired/left the job afterwards. (किसी बैंक का सीईओ कांड में पकड़ा गया तो उस सीईओने पुरानी तनख्वाह भी लौटानी होगी.)

12.16.3 📈 Margin Requirements / Loan to Value (LTV) (सीमा अनिवार्यता)



Figure 10: जब घर मे पढ़ा है सोना, फिर कहे 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 हैं? रिजर्व बेंक उसके मानदंड में बदलाव द्वारा, बाजार में चीज-वस्तुओं की मांग को बढ़ाया कम कर सकता है)

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

👉 Benefit? More quantity of loan by pledging same quantity of gold → 🎉 post-corona-economic-revival.

12.16.4 Selective Credit Control (चयनात्मक ऋण नियंत्रण)

In a negative / restrictive direction (नकारात्मक)	In a positive direction (सकारात्मक दिशा में)
<ul style="list-style-type: none"> - Credit Rationing System: English (in 18th century) and USSR (till 1990s)– their central bank will not give more than “X” amount as loan to individual banks. And an individual can't get more than prescribed amount of loans for each category (housing, education, business). (एक व्यक्ति को इससे ज्यादा कर्जा नहीं मिलेगा) - 1960s: Credit Authorization Scheme (CAS) in India: all commercial banks had to obtain prior approval of the RBI before loaning ₹ 1 crore/> to a single borrower. - 1970s: RBI imposed quantitative ceiling on non-food loans to boost green revolution, food inflation. <p>But such measures failed due to lax monitoring and loopholes. (शिथिल निगरानी के चलते, बेअसर रहे ये साधन)</p>	<ul style="list-style-type: none"> - 🚗 Consumer credit control e.g. During deflation / recession, RBI can relax the down payment / EMI installment norms for durables like Vehicles, TV, Fridge etc. to boost consumption and demand. - Priority Sector Lending <see below> प्राथमिक क्षेत्र के ऋण मानक

12.17 🏛️ 🎙️ 🎵 PRIORITY SECTOR LENDING (PSL: प्राथमिकता क्षेत्र के लिए ऋण मानक)



Figure 11: थोड़ा लोन हमको भी दिलवा दो Governor-sahib, हम बहोत गरीब हैं!

⇒ **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 के साथ साथ और भी क्षेत्रों को इसमें शामिल किया गया)

⇒ **2015:** some reforms in PSL. → **2019:** RBI's UK Sinha Committee on MSME loan reforms suggested some more reforms in the PSL. → **2020-Sept:** RBI reformed PSL guidelines as following: (निम्न सुधार किए गए)

Priority Sector Loans norms → minimum quota after 2020-Sept Reforms	BEFORE	AFTER
Weaker Sections (कुल लोन का कम से कम 12% जाना चाहिए कमज़ोर वर्ग को): ⇒ SC, ST, Women, PH, Minorities, Manual scavengers, Artisans, ⇒ PM-Jan DhanYojana Overdrafts upto Rs.10,000 ⇒ 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) Agriculture: सीमांत किसान और छोटे किसान ⇒ Marginal Farmer (owns upto 1hectre land) सीमांत किसान ⇒ Small farmer (>1 upto 2ht) छोटे किसान	10%	8%
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.10lakh), ⇒ Social Infrastructure (schools,drinking water, sanitation facilities, health care, COVID related hospitals/labs etc); ⇒ Renewable Energy Projects (wind mills, biomass generators, solar street light, micro-hydel plants etc.) etc. (नवीकरणीय ऊर्जा परियोजनाएं)	4.50%	2.50%
Total PSL for Indian Scheduled Commercial Banks and (Foreign Banks with 20 or more branches).	40%	40%

* Above quota reforms to be implemented in Phase Wise manner by 2023-24. (क्रमिक रूप से नए सुधार 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) कमज़ोर 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) who are lending to above PSL categories = such ‘indirect loan’ to PSL sectors will also be counted for bank’s quota. (बैंक द्वारा गेरबैंक वित्तीय कंपनी को दिया गया कर्जा यदि परोक्ष रूप से प्राथमिक क्षेत्र को जाता है तो वह राशि भी क्वोटा-सफलता में 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. (बैंक और गेर-बैंक का साथ में मिलकर पीएसएल क्षेत्र को कर्ज दिया, तो उसमें बैंक ने दिया कर्ज इस क्षेत्र में गिन लिया जाता है, कुछ शर्तों के आधीन)

12.17.1 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 बैंक)	40%	same 40%
Regional Rural Banks (RRB: क्षेत्रीय ग्रामीण बैंक)	75%	same 75%

Small Finance Banks (SFB: लघु वित्त बैंक)	75%	same 75%
Urban Cooperative Banks (UCB: शहरी सहकारी बैंक)*	40%	▲ 75%
Rural Cooperative Banks (ग्रामीण सहकारी बैंक)	N/A	N/A

- ⇒ These quotas implemented in a gradual/phase-wise manner. Will become fully effective in 2023-24.
- ⇒ Internal quotas may be different for these Banks e.g. RRBs: Weaker section =15%. But, poor cost-benefit in chasing all that information. # 📈 💳 थोड़ा-पढ़ो-आगे-बढ़ो

12.17.2 🏴️ 🎧 🎵 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

12.17.3 🏴️ 🎧 🎵 PSL Reforms-2020: Weightage to poor districts (गरीब/पिछड़े जिलों को भारतक)

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 जिसमें बैंक पिछड़े जिलों में लोन देकर बहुत आसानी से अपना पीएसएल लक्ष्यक हासिल कर सकती है।)
High Credit penetration e.g. Ahmedabad, Pune etc. जहां पहले से ही काफी कर्जा दिया जा चूका है	₹90 (ताकि बैंक जो पहले से सम्पन्न जिले हैं, 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.

AB CD ? Priority Sector Lending by banks in India constitutes loans to _____. (UPSC-Pre-2013)

- a) Agriculture b) Micro and Small Enterprises c) Weaker Sections d) All of the above

12.17.4 🏴️ 🎧 🎵: 📈 Priority Sector Lending Certificates (PSLC) from 2016 onwards



Figure 12: भाई आमिर/Rancho हमने अपना assignment नहीं किया, तू अपना "EXTRA-walla" हमे बेच दे!

- ⇒ In this arrangement, the overachieving Banks can sell their excess PSL in form of 'certificates' to underachieving banks without transferring the loan assets or its risk. (लक्ष्यकों से ज्यादा उपलब्धि हांसील करने वाली बैंक, अन्य जरूरतमंद बैंक को सर्टिफिकेट बेचती)

- ⇒ Four kinds of PSLCs traded through RBI's E-Kuber Portal, viz., Agriculture (PSLC-A); Small and Marginal Farmers (PSLC-SM); Micro Enterprises (PSLC-ME); and General (PSLC-G).  But, their internal difference/Operational details notIMP4Exam.
- ⇒ If an underachiever bank can't fulfil its PSL-quota through PSL-certificates purchase then ultimately,
- ⇒ Underachiever bank will have to deposit PSL-shortfall money to NABARD's Rural Infrastructure Development Fund (RIDF), SIDBI, National Housing Bank (NHB), MUDRA Ltd. etc as per the norms decided by RBI from time to time. (लक्ष्यकों को हासिल नहीं कर पाने वाली बैंक ने आरबीआई द्वारा चिन्हित अलग-अलग संस्थाओं में पैसा निवेश करना पड़ेगा)
- ⇒ Underachiever bank will earn interest from such deposited money, but it'll be (usually) linked with Bank-Rate & their money will be locked-in a long-term project. वह पैसा लंबे समय तक अटक जाएगा

Q Which of the following is not an instrument of Selective Credit Control? (Pre-1995)
 a) Regulation of consumer credit b) Rationing of credit c) Margin requirements d) Cash reserve ratio

Q An increase in the Bank Rate generally indicates that ___ (Pre-2013)
 a) Market rate of interest is likely to fall.
 b) Central Bank is no longer making loans to commercial banks.
 c) Central Bank is following an easy money policy.
 d) Central Bank is following a tight money policy.

Q If RBI decides to adopt an expansionist monetary policy, which of the following would it not do ? (Pre-2020)
 1. Cut and optimize the Statutory Liquidity Ratio
 2. Increase the Marginal Standing Facility Rate
 3. Cut the Bank Rate and Repo Rate

Answer Codes: [a] 1 and 2 only [b] 2 only [c] 1 and 3 only [d] 1, 2 and 3

12.18 🔈 ⚡ MONETARY POLICY TOOLS: A READY RECKONER TABLE

Table 5: समज में आ गया हो तो बढ़िया है, नहीं तो रद्दा मारो जिंदाबाद (If understood then well & good, else memorize by Rot-Learning)

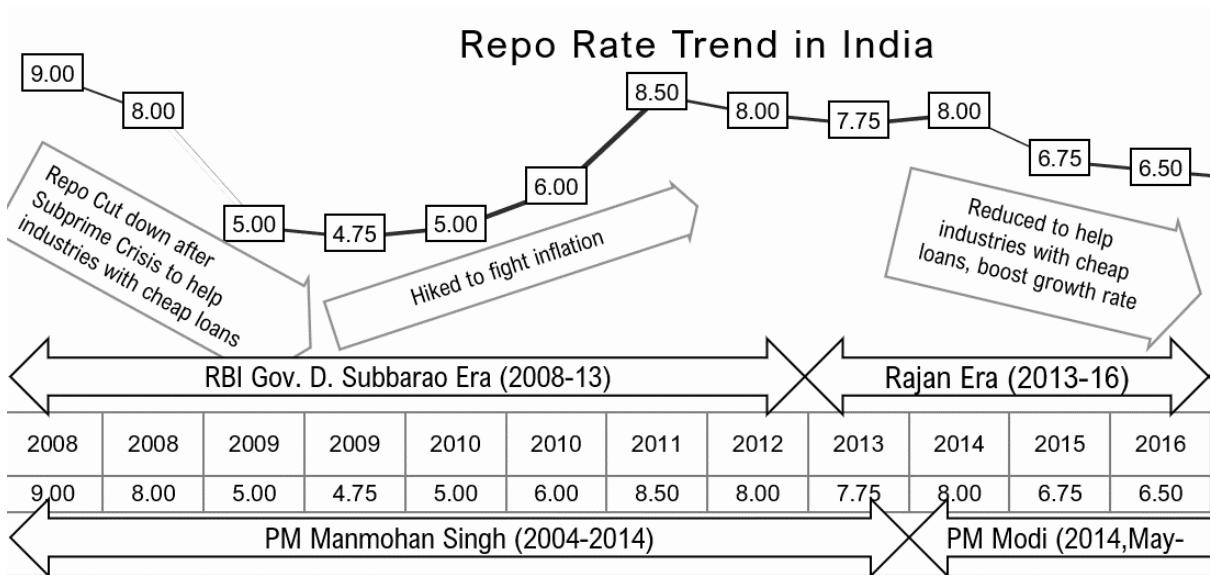
Tools & Strategy?		<2%CPI= Fight deflation (अपस्फिति)	>6%CPI= Fight Inflation (मुद्रास्फीति)
⇒ Deflation: ↑ money supply, inject liquidity=> make loans cheaper, ↑ consumption		Easy, Cheap, Dovish, Expansionary policy. आसान-सस्ता व्याजदरे, विस्तारवादी	Tight, Dear, Hawkish, Contractionary तंग- मँहारी व्याजदरे, संकुचनवादी
⇒ Inflation: Do reverse			
Quantitative	Reserves: CRR, SLR	↓ (Decrease)	↑ (increase)
	Key Rates (Repo, MSF, Bank Rate)	↓ (Decrease)	↑ (increase) महंगाई से लड़ना है तो रेपो दर बढ़ा दो
	Market Ops (OMO)	OMO: RBI Buys G-Sec from market.	OMO: RBI Sells G-Sec
Qualitative Tools	Moral Suasion / Direct Action	Nudge / Force the banks to enforce Dovish Policy	Enforce the Hawkish policy
	Margin Requirement / Loan to Value (LTV)	Increase e.g. Gold-LTV: 60% → 90%	inverse
	Selective Credit Control / Priority Sector Lending (PSL)	↑ loan-flow to sectors that can generate employment e.g. textile →workers buying more →demand /consumption increased →deflation fought. लोन का बहाव कुछ ऐसे क्षेत्रों में करो कि रोजगार निर्माण हो और वह सब मजदूर खरीदारी करें ताकि अर्थतः में मांग बढ़े	- ↓ the loan-flow to sectors where speculative investment is leading to demand-side inflation e.g. real estate & housing. - ↑loan-flow to sectors where loans can ↑supply e.g. onion farmers.

** MCQs usually confined to how can CRR,SLR,Repo & OMO be used for inflation / deflation control. For rest of the tools you need not waste time thinking 500-jaat-ke-combination. 🙌

12.19 🔈 ⚡ MONETARY POLICY IN PRESENT-DAY INDIA

There are 3 strategies / ways of making a monetary policy: (तीन तरीके से मौद्रिक नीति बनाई जा सकती है)

1. ⚡ **Exchange rate stability** (विनियम दर स्थिरता): Singapore & other export-oriented economies use this. They try to keep their local currency at certain rate against US-dollar to boost exports. (How? Ans: Pillar#3)
2. ⚡ **Multiple Indicators** (एकाधिक संकेतक): Central Bank tries to focus on Economic Growth, Employment, Inflation Control and Exchange rate stabilization. India's RBI followed this strategy upto 2016.
3. ⚡ **Inflation targeting / Price Stability** (मुद्रास्फीति लक्ष्यीकरण): Central Bank only aims to keep inflation controlled, THEN other indicators (growth, employment, exchange rate) will automatically fall in line. Model successful in Western nations → RBI's Urjit Patel Committee Report (2013-14) recommended it for India → adopted from 2016-October, by amending RBI Act Section 45. (2016 में रिजर्व बैंक के कानून में संशोधन कर भारत ने यह रणनीति/तरीका अपनाया है)



12.19.1 🔍 Monetary Policy Making under RBI Act since 2016



Figure 13: जाने क्या होगा रामा रे..... सोचना है क्या? जो होना है होगा, चल पड़े हैं फिर यारो....

Table 6: composition of the statutory Monetary Policy Committee (MPC: वैधानिक मौद्रिक नीति समिति):

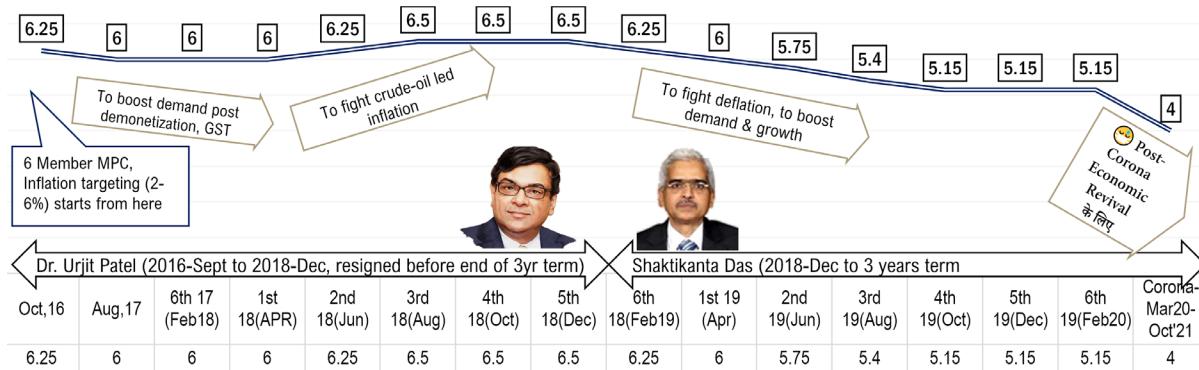
RBI side (3 members)	Govt. Side (3 members)
<ol style="list-style-type: none"> RBI Governor, as the Ex-officio Chairman. Dy.Governor responsible for Monetary Policy. Michael Patra (from 2020-Jan). Earlier Viral Acharya. One person nominated by RBI Central Board: Mridul Saggar (Executive Director, RBI). <p>Their tenure tied with their ex-officio job tenure (पदेन कार्यकाल) E.g. Shaktikanta's <i>shakti</i> (powers) will be gone after his 3-years tenure as RBI-Governor expires, unless he is reappointed. (Note: Shaktikanta is reappointed till December 2024.)</p>	<ol style="list-style-type: none"> Dr. Shashanka Bhade from National Council for Applied Economic Research (NCAER, Delhi) Dr. Ashima Goyal from Indira Gandhi Institute of Development Research (Mumbai) Dr. Jayanth R Varma from IIM-A <p>Tenure: 4 years, no re-appointment. (4 साल का कार्यकाल और उसके बाद पुनःनियुक्ति असंभव)</p>
RBI Governor & Dy.Gov are selected by Financial Sector Regulatory Appointment Search Committee (FSRASC) is headed by Cabinet Secretary (IAS)	They're selected by Search-cum-Selection Committee headed by Cabinet Secretary (IAS)

- ⇒ Meeting quorum 4 persons, incl. Governor. (कार्यसाधक संख्या: कम से कम चार लोगों की हाजारी जरूरी)
- ⇒ Legally required to hold minimum four meetings in a year. (कानूनी रूप से सालाना कम से कम 4 बार मिलना जरूरी)
- ⇒ In practice, they meet every two months to decide bi-monthly monetary policy updates. (Although during Corona-lockdown met more frequently).
- ⇒ Repo rate(=Policy rate= benchmark interest rate: decided by Majority vote. (मौद्रिक नीति दर बहुमत से तय होगा)

- ⇒ When they vote for the first time, all members, including the Governor, will vote. If tie → Governor can vote again for second time as casting vote (यदि मतों में बराबरी हुई, तो गुप्ती सुलझाने के लिए निर्णायक मत गवर्नर देंगे).
 - ⇒ To ensure **transparency / accountability** (पारदर्शिता / जवाबदेही):
 - Govt can send message only in writing. (सरकार केवल लिखित में संदेश भेज सकती है)
 - Committee must publish its minutes of the meeting on the 14th day, and “Monetary Policy report” at every 6 months.(नियत समय पर कुछ दस्तावेज प्रकाशित करने होंगे)
 - ⇒ **⌚ Inflation target** decided by Union Government, after consulting with RBI Governor. (गवर्नर से विमर्श करने के बाद महंगाई नियंत्रण का लक्ष्य सरकार तय करेगी)
 - ⇒ **⌚ Present target:** Keep Consumer Price Index (CPI:All India) within 2-6%. [alternate way of saying= 4% +/- spread of 2%] (More about CPI/Inflation in  Pillar#4C)
 - ⇒  Target was Valid for: 2016-2020 (ending at 31/03/2021). Now same target extended till 31/3/2026
 - ⇒ **⌚ Target fail:** if inflation not kept in this 2-6% zone for 3 consecutive quarters (=9 months) then Committee must send report to Govt with reasons and remedies (यदि सतत नौ महीनों तक महंगाई इन सीमाओं के बाहर रही तो समिति की असफलता मानी जाएगी → असफलता के कारण-उपचार की रिपोर्ट रिज़र्व बैंक ने सरकार को भेजनी होगी).

Asked in UPSC-Pre-2015	Asked in UPSC-Pre-2017
<p>Q With reference to inflation in India, find correct statement:</p> <ul style="list-style-type: none"> a) Controlling the inflation in India is the responsibility of the Government of India only b) The Reserve Bank of India has no role in controlling the inflation c) Decreased money circulation helps in controlling the inflation d) Increased money circulation helps in controlling the inflation 	<p>Q Consider following statements about Monetary Policy Committee:</p> <ol style="list-style-type: none"> 1. It decides RBI's benchmark interest rates. 2. It is a 12-member body including the Governor of RBI and is reconstituted every year. 3. It functions under the chairmanship of the Union Finance Minister. <p>Find Correct Statements:</p> <p>(a) 1 only (b) 1 and 2 only (c) 3 only (d) 2 and 3 only</p>

12.20 🔊 REVIEW OF BI-MONTHLY MONETARY POLICIES



12.20.1 Stance: Calibrated Tightening / Neutral / Accommodative

After every meeting, RBI MPC will announce its stance i.e. What they'll do with Repo Rate in the next Meeting. (भविष्य की मीटिंग में रेपो दर के साथ क्या किया जाएगा, इसका इशारा/ संकेत दिया जाता है)

Stance= what RBI will do in next meeting	Will they hike/increase  repo?	Will they cut/decrease  Repo?	Will they hold/keep repo unchanged?
Calibrated Tightening	<input checked="" type="checkbox"/> Possible	 No they'll not cut	<input checked="" type="checkbox"/> Possible
Neutral	<input checked="" type="checkbox"/> Possible	<input checked="" type="checkbox"/> Possible	<input checked="" type="checkbox"/> Possible
Accommodative	 No they'll not hike	<input checked="" type="checkbox"/> Possible	<input checked="" type="checkbox"/> Possible

- ⇒ This provides guidance to the investors/borrowers/bankers about future action of RBI.
- ⇒ However, RBI MPC is not legally bound to follow the stance. E.g. Dec-2018 Governor Urjit-Patel led MPC announced Calibrated Tightening, yet in next meeting Feb-2019 Governor Shaktikanta led MPC decreased  repo rate, because they felt it was necessary to combat deflation. (कानून रूप से बाध्य नहीं. कभी कभी समिति इसका उल्लंघन भी कर देती है)

12.21 RBI's MONETARY POLICIES: BEFORE 2020-CORONA

	 Policy Decisions & Regulatory Announcements [We will study in appropriate pillars/sections, so DONOT LOSE SLEEP YET]
2018 -era pattern	<p>⇒ Inflation was high/rising  so, Governor Urjit Patel led MPC kept  Repo in the range of 6-6.50% (मुद्रास्फीति/महंगाई बढ़ रही थी इसलिए रेपो दरों को ऊचा रखा गया था)</p> <ul style="list-style-type: none"> - Stance: Calibrated Tightening.
2019-era pattern	<p>⇒ Inflation was falling below 2%  so, Governor Shaktikanta Das led MPC kept decreasing Repo from 6.##% to 5.##%. (अपस्फीति/सस्ताई बढ़ रही थी इसलिए रिपो दरों में कटौती)</p> <ul style="list-style-type: none"> - Stance: Accommodative.
Feb-2020	<ul style="list-style-type: none"> - Repo: 5.15% accommodative stance - CPI Inflation rose to 7.4% in December-2019 (which is outside the statutory limit of 2-6%) & this inflation rate was highest since 2014-July. So, ideally, RBI should have  repo rate to combat inflation but (वैसे तो महंगाई बढ़ रही थी इसलिए रेपो दरों में बढ़ोतारी करनी चाहिए किन्तु) <ul style="list-style-type: none"> o 1) December-2019 policy had kept Accommodative stance = repo couldn't be increased. It could only be kept same/reduced. o 2) Union Budget-2020 announced various measures to boost economic growth so Committee preferred to wait & watch how those measures impact inflation and growth, before changing repo rate. <p>RBI announces Measures to promote economic growth::</p> <ol style="list-style-type: none"> 1. LTRO: Long Term Repo Operations (LTROs) of 1 yr & 3 yr. 2. CRR Exemption based on (new) loans given for 1) automobiles, 2) residential housing and 3) MSMEs <p>RBI announces measures to promote digital economy</p> <ol style="list-style-type: none"> 1. Regional Rural Banks (RRBs) will be allowed to operate as 'merchant Acquiring Banks', in other words, they can also tie up with card companies directly. ( Ref: 1A1). 2. RBI to construct a "Digital Payments Index" (DPI) to capture the growth of digital payments across India. ( Ref: 1A1).
March to April	<ul style="list-style-type: none"> - Given below as a separate sub-topic for Corona

12.22 📈 💵 🔊 RBI's MONETARY POLICIES: CORONA MARCH TO MAY '20

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 in March to May. कोरोना महामारी के चलते आए आर्थिक संकट से निपटने के लिए समिति ने तय समय से पहले एकाधिक मीटिंग का आयोजन किया: The gist of above March-April-May announcements are as following (and they're considered to be part of

₹ ATMANIRBHAR BHARAT, which we'll learn in Pillar#2D and #4C):

12.22.1 ₹ ATMANIRBHAR → Gist of RBI's March2May 2020 Announcements:

- ⇒ ↓ CRR to 3% and ↓ Repo to 4%. (इन दरों में कटौती की गई)
- ⇒ Policy corridor changed, to ↓ Reverse repo rate. #SBI telemarketing4loans
- ⇒ ₹ 📈 📉 : Targeted Long Term Repo Operations (TLTRO: लक्षित दीर्घकालिक रेपो) → RBI gives loans to banks with condition that banks must invest it in "X" places to help Corporates & NBFCs. (Refer the full short note in earlier part of this handout.)
- ⇒ ₹ 📈 📉 ₹ RBI's special or flexible liquidity window to help Mutual fund companies.

₹ ATMANI → Reforms by RBI in Mar-Apr-May-2020	We'll learn in 📈 Pillar#
₹ 📈 🖐️ Loan/EMI/NPA relief / Moratorium (ऋण अदायगी पर अस्थाई रूप से रोक)	📘 1B2: NPA
₹ 📈 🖐️ ₹ Special Refinance Facility for AIFI (All India Financial Institutions). खास किस्म की पुनर्वित योजना, आखिल भारतीय वित्तीय संस्थानों के लिए	📘 1B1: classification of Banks → AIFI (NABARD, SIDBI, EXIM, NHB)
RBI defers BASEL Norms, IndAS accounting Norms, orders bank to pause/halt the Dividend Distribution (नियमों को स्थगित किया गया)	📘 1B2: BASEL norms
₹ 📈 🖐️ ₹: RBI reforms Ways and Means advances (WMA) and Consolidated Sinking Fund (CSF)	📘 1C: SEBI/Sharemarket: Short term Debt instruments
RBI reforms <ul style="list-style-type: none"> ⇒ Voluntary Retention Route (VRR: स्वैच्छिक अवधारण मार्ग) ⇒ Fully Accessible Route (FAR: सम्पूर्णतः सुगम्य मार्ग) 	📘 3A: Balance of Payment (BoP): FDI, FPI

12.22.2 ₹ 💵 🔊 RBI's Monetary Policies: 2020-August

- ⇒ 2020-May- last meeting (Which was originally scheduled in the month of June)
- ⇒ 2020-Aug: meeting held.
- ⇒ Repo **unchanged** @4% so Automatically MSF@4.25 and RR@3.35%. **Stance:** Accommodative
- ⇒ No changes in repo because (रिपो दरों में कोई बदलाव नहीं किया क्योंकि)
- ⇒ ↑ food inflation due to i) corona-lockdown supply chain disruptions and ii) heavy rains. Repo changes can't help solving this. (आपूर्ति श्रृंखला प्रबंधन में समस्या और भारी बारिश के चलते खाद्य महंगाई बढ़ी थी- तो रिपो दरों में बदलाव द्वारा उस महंगाई का समाधान असंभव)
- ⇒ Still if RBI ↑ repo then expensive loans → post-corona economic-revival will be harmed. So, no changes in Repo. (फिर भी यदि जबरदस्ती रिपो में बढ़ोतरी की जाए तो मंहगे लोन कोरोना में नई समस्याएं करेंगे)
- ⇒ Announced to conduct more rounds of Op.Twist, to help Govt & Companies to borrow at a cheaper rate.
- ⇒ **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) \uparrow 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. RBI assured we'll implement that report. (More in Pillar#1B2: Bad Loans)
- ⇒ RBI to loan ₹75,000cr to All India Financial Institutions (AIFIs: NABARD, SIDBI, EXIM, NHB) → post-corona economic-revival. (Ref: HDT-Pillar#1B1 - classification of Banks and NBFCs)
- ⇒ 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. (Ref: HDT-Pillar#1A1)
- ⇒ 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
- ⇒ CRR: technical reforms i) Automated sweep-in and sweep-out (ASISO) facility. ii) Flexible Automated Option for Managing CRR Balances. = NOT IMPORANT for exam. # थोड़ा-पढ़ो-आजमे-बचो

12.22.3 RBI's Monetary Policies: 2020-October (दरों में कोई बदलाव नहीं)

Repo unchanged @4% so Automatically MSF@4.25 and RR@3.35%. Stance: Accommodative. Because

- ⇒ CPI inflation >6.5% in July-August 2020. This is beyond the statutory 2-6% limit. So, ideally RBI should \uparrow the repo rate to combat inflation, but that will make the loans expensive and harm the post-corona economic revival. so the RBI kept the repo rate unchanged. (महंगाई से लड़ने के लिए अगर लोन महंगों कर दिए तो कोरोनावायरस के पश्चात भारतीय अर्थतंत्र को पुनर्जीवित करना मुश्किल होगा इसलिए रिजर्व बैंक के दरों में कोई बदलाव नहीं किया गया)
- ⇒ Besides, the present inflation is caused by supply-side problems due to lockdown. Once the unlockdown progresses → supply \uparrow → inflation \downarrow . so changes in the repo rate not required at present. (तालबंधी हटने पश्चात वैसे भी बाजार में चीज वस्तुओं की आपूर्ति बढ़ेगी तो अपने आप महंगाई काबू में आ जाएगी.)
- ⇒ TLTRO: another round announced
- ⇒ Less Cash Economy / Digital Payment: (1) RTGS made 24/7 (2) perpetual license. (Ref: Pillar#1A1)

12.22.4 Monetary Policy: 2020-December (दरों में कोई बदलाव नहीं)

- ⇒ RBI is required to control the inflation within 2 to 6% of CPI all India. Inflation @7.6% (Oct), So in theory repo \uparrow 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 सर्से लोन मुहैया करना भी उतना ही जरूरी! इसलिए रेपो दर में कोई बदलाव नहीं.
- ⇒ Banks prohibited 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. (More in Pillar#1B2)

12.22.5 Monetary Policy: Feb-2021 update (दरों में कोई बदलाव नहीं)

Repo unchanged @4% so Automatically MSF@4.25 and RR@3.35%. Stance: Accommodative. Because

- ⇒ 1) Food inflation is normalizing with arrival / supply of winter fruits & vegetables, but fuel inflation is worrisome. So can't \downarrow 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 can't \uparrow Repo [else Expensive loans = \downarrow demand → \downarrow GDP growth]. (आर्थिक वृद्धि दर पुनर्जीवित नहीं हुआ है यदि लोन महंगे हुए तो आर्थिक वृद्धि दर बढ़ाने में दिक्कतें होंगी)

- ⇒ 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 a ‘Retail Direct Gilt Account’ (RDG Account) 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)

12.22.6 Monetary Policy: April-2021 update (दरों में कोई बदलाव नहीं)

- ⇒ No changes in rates & stance. Repo rate 4%, Reverse Repo rate 3.35%, MSF 4.25%, Accommodative Stance. (रिजर्व बैंक की दरों में कोई बदलाव नहीं)
- ⇒ Payment Bank: Before: They can't accept more than ₹1 lakh per depositor. After: balance limit increased to ₹2 lakh rupees/ per depositor. (More in  Pillar#1B1: Classification)
- ⇒ Centralized Payment Systems (CPS), viz- RTGS and NEFT – Direct Membership allowed to Non-Bank payment system operators e.g. Phonepe, Amazonpay etc. (More in  Pillar#1A1)
- ⇒ Interoperability & cash withdrawal ki technical guidelines released But NOT greatly important for Exam#  थोड़ा-पढ़ो-आगे-बढ़ो . (Ref in  #1A1)

12.22.7 Monetary Policy: June-2021 update (दरों में कोई बदलाव नहीं)

- ⇒ No changes in. Repo rate 4%, Reverse Repo rate 3.35%, MSF 4.25%, Accommodative Stance.
- ⇒ On-tap Liquidity Window for Contact-intensive sectors such as hotel, tourism, beauty parlors

12.22.8 Monetary Policy: Aug-2021 update (दरों में कोई बदलाव नहीं)

- ⇒ No changes in key rates or Stance. Repo unchanged @4% so Automatically MSF@4.25 and RR@3.35%. Stance: Accommodative
- ⇒ one MPC member Prof. Jayanth Varma voted against the Accommodative stance. He believes that repo needs to be increased in future to combat inflation. But the majority voted in favor of the continuing Accommodative Stance with 4% Repo. (हालांकि एक सदस्य ने विरोध में वोट डाला कि हमने भविष्य में रेपो दरों को महंगी करनी चाहिए ताकि महंगाई से लड़ा जा सके, लेकिन बहुमति मतानुसार रेपो दर में बढ़ोतरी नहीं हुई)
- ⇒ Announced to absorb over Rs.4 lakh crores via Variable Rate Reverse Repo (VRRR)
- ⇒ We'll continue to do GSAP, Op-Twist and open market operations (OMOs) depending on the situation/requirement of the economy.
- ⇒  NOT IMP: MSF some technical rules changed.

12.22.9 Monetary Policy: Oct-2021 update (दरों में कोई बदलाव नहीं)

No changes in key rates or Stance. Repo unchanged @4% so Automatically MSF@4.25 and RR@3.35%. Stance: Accommodative

Transaction limit	BEFORE	AFTER
IMPS (एक बारी में कितना भुगतान कर सकते हैं उसकी मर्यादा में बदलाव)	Rs.2 lakh	Rs.5 lakh

- ⇒ Immediate Payment Service (IMPS) of National Payments Corporation of India (NPCI): Transaction limit increased, to encourage digital economy [NOTE: In Pillar#1A1 Handout Page18 Table- do the correction accordingly in single line ke "IMPS limit increased from ₹2 lakh to ₹5 lakh"]
- ⇒ NBFCs will be required to set up the Internal Ombudsman within their office. This will help reduce the workload of RBI's own NBFC-Ombudsman. (गैर बैंक वित्तीय संस्थानों ने अंतरिक शिकायत निवारण अधिकारी की नियुक्ति करनी होगी) (More about NBFCs  Pillar#1B1- Classification)

12.22.10 Monetary Policy: future updates

Stay tuned for Mrunal's Free Win22 Series of lectures & handouts for upcoming bi-monthly monetary policy updates of December-2021, February-2022, April-2022 etc

12.22.11 Monetary Policy bi-monthly announcements: ignored (निपु में से कुछ भी काम का नहीं है)

- After the MPC Committee decides repo rate, the RBI governor also announces some regulatory announcements by himself. But, I've **ignored** many technical announcements due to their poor cost:benefit for "general studies of economy" such as सब तकनीकी डिजिटालिसेशन अपनी परीक्षा में काम के नहीं. फालतू में बक्स बर्बाद मत करो।
- CRR ASISO guidelines| Borrowing limits under Marginal Standing Facility as a % of NDTL
 - (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)
 - Guidelines for Foreign Exchange Trading Platform for Retail Participants developed by Clearing Corporation of India.
 - new committees to review systemically important Core Investment Companies (CICs).
 - Technical guidelines for retail investors to participate in State G-Sec auctions.
 - Basel III standards Leverage Ratio guidelines: 4% for Domestic Systemically Important Banks (DSIBs) and 3.5% for other banks.
 - Will implement recommendations of Usha Thorat Task Force on Offshore Rupee Markets.
 - Updated norms for non-interest-bearing Special Non-resident Rupee (SNRR) Account.
 - Placement of Margins for Government Securities Transactions on behalf of FPIs
 - Facilitating Flexibility in Liquidity Management by issuers of Certificates of Deposit
- Above things and so many other things. #  थोड़ा-पढ़ो-आगे-बढ़ो

Monetary Policy Committee decides only Repo rate. Other decisions, such as CRR-SLR cut, PSL norms, banning magnetic-chip cards etc are decided separately alone by RBI Governor. However, after the meeting, he'll make above type of announcements, in the Press conference.

  MCQ. The Reserve Bank of India's recent directives relating to 'Storage of Payment System Data', popularly known as **data diktat command the payment system providers** that : (Prelims-2019)

- 1) They shall ensure entire data relating to their payment systems are stored in a system only in India.
- 2) They shall ensure that the systems are owned and operated by public sector enterprises.
- 3) They shall submit the consolidated system audit report to the Comptroller and Auditor General of India by the end of the calendar year.

Find Correct Statement(s): codes: (a) 1 only (b) 1 and 2 only (c) 3 only (d) 1,2 and 3 only

Ans. After April-2018's monetary policy RBI governor announced certain regulatory reforms. One of them was :- Payment System data must be stored in India within next 6 months, to ensure its safety against misuse /

Russian-Chinese-hackers. So, for Prelims-2019, this was D-1 year current affairs. Now we are targeting 2022, so need not put so much efforts behind 2018's current affairs.

12.23 📈 ₹ 🏠 💳 BANKS' LENDING RATES % (बैंक क्रण की व्याज दरें)

%



Figure 14: Sir, अब से आपको ये लोन, इतने प्रतिशत व्याज मे पड़ेगी।

RBI's 6-member statutory MPC decides policy rate (=repo rate) to keep inflation within 2-6% CPI (All India) but who decides lending rates of individual banks, & how? Ans:

1969	Govt began nationalization of private banks, and 'administered interest rates' (प्रशासित व्याज दरें) on them i.e. Govt would decide how much loan interest rate the banks should charge on borrowers?
1991	M.Narsimham suggested deregulation: Govt should not dictate / administer individual banks' interest rates. RBI should only give methodology to banks. (सरकार ने अपने मनमाने व्याज दर थोपने नहीं चाहिए)
2003	RBI introduced Benchmark Prime Lending Rate (BPLR) system
2010	- RBI introduced BASE Rate + Spread system; - update frequency on individual banks' discretion (अपनी मर्जी/ विवेकाधीन). So, it did not help transmission of monetary policy much. Even IF RBI reduced repo rate, the banks would not update their formula figures regularly. रिजर्व बैंक ने अपनी रिपो दर कम करी किंतु बैंकोंने लोन सस्ते नहीं किए।

12.23.1 📈 ₹ 🏠 💳 Bank's loan interest rate: MCLR system(2016)

- In 2016, RBI ordered banks to link their loan interest rate = "Marginal Cost of Funds based Lending Rate (MCLR) + Spread" system.
- Banks to calculate on monthly basis. Its formula consists of CRR Cost, Operating Cost, Marginal cost of funds (Repo Rate, Deposit Interest) etc. what is the meaning of these things, how they work? ANS.
- NOTIMP for exam. # 🌐 थोड़ा-पढ़ो-आगे-बढ़ो
- Benefits? Better transmission of Monetary Policy; transparency & accountability to borrowers.
- Limitation? From January to Oct 2019, RBI has reduced its repo rate by 135 bps but banks reduced their loan interest rates by merely 40-47 bps. Thus, even though the RBI reduces its repo rate, banks are not quickly reducing their loan interest rates. (रिजर्व बैंक ने अपनी रिपो दर कम करी किंतु बैंकोंने लोन सस्ते नहीं किए)

12.23.2 📈 ₹ 🏠 💳 Bank's loan interest rate: External Benchmark (बाहरी बेंचमार्क)

- ⇒ MCLR's #EPICFAIL ultimately forced RBI to order following from 1st October 2019.
- ⇒ Banks must link their loan interest rates with "External Benchmark + Spread + Risk premium" system.
- ⇒ Banks must feed the latest data of external benchmark in above formula, atleast once every three months. So both fresh and old/existing borrowers will benefit (e.g. if repo rate decreased). (हर 3 महीनों पर फार्मूला में नए आंकड़े डालने होंगे तो मान लीजिए रेपो दर सस्ती हुई होगी तो नए और पुराने लोन ग्राहकों को उस सस्ते व्याजदर का फायदा मिल जाएगा)
- ⇒ External Benchmark Benefits? Ans = Same benefits which MCLR couldn't fully deliver.

Individual bank free to pick any one External Benchmark such as	External Benchmark system is applicable to the new loans given to....
1) RBI repo rate or 2) 91-day T-bill yield or	1. Personal loans (taken for any sudden emergency expenditure)

Individual bank free to pick any one External Benchmark such as	External Benchmark system is applicable to the new loans given to....
3) 182-day T-bill yield or 4) any other benchmarks by an organization named Financial Benchmarks India Ltd.	2. Retails loans (home, vehicle, electronics etc) 3. Loans to micro & small enterprises 4. Loans medium enterprises (this 4 th category is to be added from 1/April/2020). 5. It is applicable to old/previous loans in above categories, if borrower fills the application form.

Related topic: Fixed vs Floating interest loans, teaser loans, NPA etc. Pillar1B-2: burning issues → NPA

12.23.3 Corona-2020 impact on Deposits interest rate & Loans interest rate as per

Deposits amount बचत में आने वाली राशि	⇒ Initial months of lockdown the growth of deposit because people withdrew money in panic. Although in the later months → Unlock down and normalcy → Quantity of deposit तालाबंदी के शुरूआती 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
Deposit interest बचत ब्याज दर	⇒ The saving deposit rates = 3.25-3.5% in 2019 but 2.7-3.0% in 2021. Reason: ⇒ RBI has reduced repo rate, and also provided long term loans in TLTRO so, banks are not so greatly desperate to acquire the raw material (i.e. money) from deposits. रिजर्व बैंक से दीर्घावधि के रिपोर्ट लोन मिलने के चलते बैंकों को डिपॉजिट कर्ताओं की ज्यादा जरूरत महसूस नहीं हुई इसलिए उनको बजट का पैसा बैंकों में जमा करने के लिए लुभाने के लिए ज्यादा बचत ब्याज दर% जारी करने की भी जरूरत महसूस नहीं हुई ⇒ 2) Loan demand So cannot offer high level of returns to depositors. कोरोना की मंदी बैंकों का लोन देने का काम वैसे भी धीमा हो गया इसलिए वह डिपॉजिट कर्ताओं को, उनकी बचत पर अच्छा ब्याज दर% नहीं दे पाए
Loan interest	⇒ due to in repo rate in the External benchmark system लोन ब्याज दर सस्ते हुए ऐसा आर्थिक सर्वेक्षण का कहना है

12.24 LIMITATIONS OF MONETARY POLICY IN INDIA (मौद्रिक नीति की मर्यादाएं)



Figure 15: मैं काम तो कर रहा हूँ, लेकिन उसकी सकारात्मक असर, अर्थव्यवस्था पर दिख नहीं रही।

Even though monetary policy updated is every 2 months, its efficacy in controlling inflation & boosting growth is restricted by following factors: (मौद्रिक-नीति मंहगाई-नियंत्रण और आर्थिक वृद्धीमें असरकारकता नहीं दिखा पायी क्योंकि:)

- 1) Western countries' households → consumerist lifestyle → don't save large amount of money in Banks. So their banks borrow more quantum of money from US Federal reserve and European Central Bank respectively. Whereas in India, Repo is not major source of funds for Indian banks, due to higher level of savings & deposits. (पाश्चात्य देशों में उपभोक्तावादी जीवनशैली। जबकि भारतीयों में बैंक-बचत की भावना के चलते हमारे बैंकों के लिए आरबीआई के रेपो लोन, पैसों का मुख्य स्रोत नहीं है। अंतः रिपो दर सस्ते होने पर भारतीय बैंकों को खास फर्क नहीं पड़ता।)
- 2) Before the External Benchmark System: Indian Banks did not immediately pass on the RBI rate cuts to customers, citing NPA/Bad loans / profitability problem. According to RBI's own research, it took

minimum 6-12 months for repo rate cut to benefit end-customers and it took about 24 months for repo rate changes to impact inflation. (बाहरी-बेंचमार्क से पहले के समय में, भारतीय बैंक तुरंत अपने व्याजदर कम नहीं करते थे।)

- 3) Poor management in Public Sector Banks (PSB), scams in the private sector banks, large level of Non-Performing Assets (NPA) also stymie the impact of monetary policy. (सार्वजनिक क्षेत्र के बैंकों में बेअसर प्रबंधन, निजी क्षेत्र के बैंकों में घोटाले, अनर्जक परिसंपत्तिया) More in Pill1B2
- 4) **Supply Side Issues:** El-Nino/Poor monsoon hurting crop production → food inflation; Wars & Geopolitical issues global crude oil & raw material prices, protectionism by China-US denting our exports. RBI can't control them. (कम बारिश + मध्यपूर्व की भूराजनीतिक तनाव = भारत में कच्चे माल की आपूर्ति को असर करते हैं, चीन-अमरीका का संरक्षणवाद भारतीय निर्यातमें बाधा डालता है। इन्हे नियंत्रण में रखना आरबीआई के लिए मुश्किल।) Pill3&4A
- 5) While cheap loans can boost consumption, investment and growth but because of poor-monsoon-fear and oil-price fear, RBI (during Raghuram Rajan and Urjit Patel's governorships) was usually apprehensive of inflation and more inclined to keep repo rate high. Then RBI was get criticized for not facilitating cheap loans & economic growth because of its 'Hawkish policy'. (महंगाई-नियंत्रण के चक्र में कभी कभी खुद रिजर्व के मंहगे रिपो-व्याजदारों ने अर्थतन्त्र को आगे बढ़ने से रोका है।)
- 6) **Government Side Issues:** Fiscal deficit, Subsidy leakage, Populist Loan-waivers etc. (राजकोषीय खाथ, सबसिडी का रिसाव, लोकलभावन के लिए किसानों की क्रण-माफी) Pill#2D → FRBM Act
- 7) **Structural Issues in Economy:** lack of Ease of Doing Biz, electricity-road infrastructure = production /supply affecting inflation trends. (व्यापारमें सुगमता की कमी, बिजली-सड़क की अवसंरचना आदि बुनियादी मसलों के चलते उत्पादन/आपूर्ति की कमी। रिजर्व बैंक जादू की छड़ी चलाकर इसे दुरुस्त नहीं कर सकता) More in Pill4B&5
- 8) Presence of **Informal moneylenders** in rural areas who circulate black money at exorbitant interest rates. Poor penetration of banking sector, lack of financial inclusion, cash-intensive rural economy etc. (व्याजखोर/साहूकार जो कालाधन ऊंचे व्याज पर धुमाते हैं, सभी गरीबों के वित्तीय समोवेशन की कमी, नगदी मुद्रा पर ज्यादा आधीन है हमारी ग्रामीण अर्थव्यवस्था। रिजर्व बैंक अपनी रेपो दर कम भी करें, इधर कुछ फर्क नहीं पड़ता) More in Pill1D

12.24.1 Monetary policy limitations: Lazy banking in Corona Crisis

2020-Corona= RBI pursued Easy/Dovish/Expansionary monetary policy wherein it CRR, Repo, opened New windows/Tools such as TLTRO, G-SAP etc. Yet ...

Year 2020-21	Loans to households/businessmen.	Money invested in G-Sec
Indian Banks→	~5.8 trillion rupees	~7.2 trillion rupees

Thus, majority of the banks' money invested in G-Sec rather than in Loans to households/businessmen. This is an evidence of "Lazy Banking". Reasons?

- ⇒ A) banks are reluctant to give loans to people fearing NPA/bad loans (More in Pill#1B2)
- ⇒ B) People themselves not coming to take loans due to uncertainty in their future income and business. कोरोना-आर्थिक मंदी से उबरने के लिए रिजर्व बैंक ने विस्तारवादी/आसान मौद्रिक नीति अपनाई, किंतु बैंकों ने यह सारा पैसा क्रङ्ज़/लोन में कम धुमाया और ज्यादातर पैसा तो सरकारी प्रतिभूतियों में ही निवेश किया है। ऐसी "आलसी बैंकिंग" का कारण= 1) क्रङ्ज़दारों के संभवित दिवालियेपन के डर से बेंकर लोन-आवेदनपत्र/अर्जी जल्दी से पास नहीं कर रहे 2) नोकरी-व्यापार की आर्थिक अनिश्चितता के चलते लोगों में भी बैंक-लोन लेने का उत्साह कम है।

12.24.2 Monetary policy limitations: Cheap loans causing inflation?

- ⇒ MPC member Prof. Jayanth Varma believes that Covid-19 is becoming like tuberculosis which kills a very large number of people every year without inflicting major damage to the economy. And there is a

- possibility that Covid-19 will haunt us for the next 3-5 years. (क्षय रोग /टीवी मैं भी सालाना कई लोग मरते हैं लेकिन उससे अर्थतंत्र को कोई नुकसान नहीं होता। भविष्य में कोरोना भी ऐसा हो जाएगा। इसलिए कोरोना के डर से पूरी जिंदगी हम लोन सस्ते नहीं रख सकते)
- ⇒ But we can't continue to keep cheap loans (4% repo) for so long, else it'll cause asset price inflation. (e.g. suppose rich men buying 3-3 bungalows using cheap loans for 'investment' → demand for bungalows increased → home prices increased = inflation in asset prices. Similar problem in Sharemarket Ref#1C). (वरना यही सस्ते लोन भविष्य में मकान, शेयर इत्यादि संपत्तियों में महंगाई का कारण बन सकते हैं)
- ⇒ This could also result in **Stagflation**: Persistent high inflation, high unemployment and low growth resulting. (अंतः उच्च महंगाई दर, उच्च बेरोजगारी दर हो सकती है और आर्थिक वृद्धि दर में गिरावट हो सकती है)

12.24.3 Conclusion / निष्कर्ष

- ⇒ Monetary policy plays an important role in price stability, economic growth, job creation and social justice in any economy. But, its efficacy is low for Indian economy, because of the aforementioned issues. (उक्त कारणों के वर्तमानमें मौद्रिक नीति महंगाई नियंत्रण, आर्थिक वृद्धि, रोजगार सृजन, सामाजिक न्याय में महत्वपूर्ण भूमिका नहीं अदा कर पाती)
- ⇒ However, both RBI and Government of India have been making attempts to address it through various reforms for fixing the bad loan/NPA problem in banking sector, developing the infrastructure & promoting the ease of doing business, financial inclusion and less-cash economy. (अनर्जक परिसंपत्तिया, बुनियादी अवसंरचना, व्यापार में सुगमता, वित्तीय समोवेशन, कम-नगदी वाली अर्थव्यवस्था के लिए रिजर्व बैंक व सरकार ने कदम उठाए हैं।)
- ⇒ In the upcoming time, these reforms will help improving the impact of Monetary policy in India's economic growth and human development. (इन सुधार/कदमों के चलते भविष्य में आर्थिक- वृद्धि, मानव विकास में मौद्रिक नीति का असर अवश्य बढ़ेगा।)

12.25 MOCK QUESTIONS FOR UPSC MAINS/GSM3 (250 WORDS)

- 1) "Monetary policy is both a catalyst and an impediment to India's growth story." Examine critically. "भारत की विकास-गाथा में मौद्रिक नीति एक उद्दीपक भी है और एक अवरोधक भी है।" इस कथन की समीक्षा कीजिए।
- 2) "Monetary policy is a useful medicine, but NOT panacea for economic growth". Comment in context of India. "आर्थिक विकास के लिए, मौद्रिक नीति एक उपयोगी दवा है, लेकिन रामबाण नहीं"।
- 3) Discuss the significance of Monetary policy in India's economic growth and human development. भारत की आर्थिक वृद्धि और मानव विकास में मौद्रिक नीति के महत्व पर चर्चा करें।
- 4) Give an account of the steps undertaken by RBI to revive the Indian economy from Corona pandemic. कोरोना महामारी से भारतीय अर्थव्यवस्था को पुनर्जीवित करने के लिए आरबीआई द्वारा उठाए गए कदमों का विवरण दीजिए।
- 5) Enumerate the steps taken by the RBI under the Atma Nirbhar Bharat initiative. आत्मनिर्भर भारत अभियान के अंतर्गत आरबीआई द्वारा उठाए गए कदमों की सूची दीजिए।
- 6) Write short notes on 1) Operation Twist 2) G-SAP

 [NEXT HDT: Pillar1B1- Classification of Banks and NBFCs](#)