Chapter 6

Finance & Investments

Foreign Investment in India

Foreign Investment in India is regulated under Foreign Exchange Management Act, 1999 (FEMA).

'**Foreign Investment'** is any investment made by a person resident outside India on a **repatriable basis** in capital instruments of an Indian company or to the capital of an LLP through the Automatic Route or the Government Route.

Capital Instruments' are equity shares; fully, compulsorily and mandatorily convertible preference shares; fully, compulsorily and mandatorily convertible debentures and share warrants issued by an Indian company.

Investment on repatriation basis means an investment, the sale/ maturity proceeds of which are, net of taxes, eligible to be repatriated out of India

Investment will include acquisition, holding or transfer of **depository receipts** issued outside India, the underlying of which is a security issued by a person resident in India.

A person resident outside India may hold foreign investment either as **Foreign Direct Investment or as Foreign Portfolio Investment** in any particular Indian company.

FDI invests in new production activities hence help in economic development. Whereas FPIs invest mainly in capital market for short term.

Automatic Route

Under the Automatic Route, the non-resident investor or the Indian company does not require any approval from Government of India for the investment.

Government Route

Under the Government Route, prior to investment, approval from the Government of India is required. Proposals for foreign direct investment under Government route, are considered by respective Administrative Ministry/ Department.

Foreign Direct Investment (FDI)

Foreign Direct Investment' (FDI) is the investment through capital instruments by a person resident outside India

(a) in an unlisted Indian company; or

(b) in 10 percent or more of the post issue paid-up equity capital on a fully diluted basis of a listed Indian company.

If an existing investment by a person resident outside India in capital instruments of a listed Indian company falls to a level below 10 percent of the post issue paid-up equity capital on a fully diluted basis, the investment will continue to be treated as FDI.

Fully diluted basis means the total number of shares that would be outstanding if all possible sources of conversion are exercised.

Non-debt financial resource

Foreign Direct Investment (FDI) is considered as a major source of **non-debt financial resource** for the economic development. FDI flows into India have grown consistently since liberalization and are an important component of foreign capital since FDI infuses long term sustainable capital in the economy and contributes towards technology transfer, development of strategic sectors, greater innovation, competition and employment creation amongst other benefits.

Therefore, it is the intent and objective of the Government of India to attract and promote FDI in order to supplement domestic capital, technology and skills for accelerated economic growth and development. FDI, as distinguished from Foreign Portfolio Investment, has the connotation of establishing a '**lasting interest**' in an enterprise that is resident in an economy other than that of the investor.

ELIGIBLE INVESTORS

A non-resident entity can invest in India, subject to the FDI Policy except in those sectors/activities which are prohibited. However, an entity of a country, **which shares land border with India** or where the beneficial owner of an investment into India is situated in or is a citizen of any such country, can invest only under the Government route. Further, a citizen of Pakistan or an entity incorporated in Pakistan can invest, only under the Government route, in sectors/activities other than defence, space, atomic energy and sectors/activities prohibited for foreign investment.

Prohibited sectors

FDI is prohibited in the following sectors:

1. Lottery Business including Government/ private lottery, online lotteries.
2. Gambling and betting including casinos.
3. Chit funds
4. Nidhi company.
5. Trading in Transferable Development Rights (TDRs).
6. Real Estate Business or Construction of Farm Houses. ('Real estate business' shall not include development of townships, construction of residential/commercial premises, roads or bridges and Real Estate Investment Trusts (REITs) registered and regulated under the SEBI (REITs) Regulations 2014.)
7. Manufacturing of Cigars, cheroots, cigarillos and cigarettes, of tobacco or of tobacco substitutes.
8. Activities/ sectors not open to private sector investment viz., (i) Atomic energy and (ii) Railway operations (other than permitted activities mentioned under the consolidated FDI Policy **like 100% FDI in Railway Infrastructure**)

Foreign technology collaboration in any form including licensing for franchise, trademark, brand name, management contract is also prohibited for Lottery Business, Gambling and Betting activities.

"**Inventory based model of e-commerce'** means an e-commerce activity where inventory of goods and services is owned by e-commerce entity and is sold to the consumers directly. FDI is not permitted in inventory-based model of e-commerce.

'**Market place model of e-commerce**' means providing of an information technology platform by an e-commerce entity on a digital & electronic network to act as a facilitator between buyer and seller. 100% FDI under automatic route is permitted in marketplace model of e-commerce.

Foreign Portfolio Investment (FPI)

'Foreign Portfolio Investment' is any investment made by a person resident outside India in capital instruments where such investment is

(a) less than 10 percent of the post issue paid-up equity capital on a fully diluted basis of a listed Indian company or

(b) less than 10 percent of the paid up value of each series of capital instruments of a listed Indian company.

'Foreign Portfolio Investor (FPI)' is a person registered in accordance with the provisions of Securities Exchange Board of India (Foreign Portfolio Investors) Regulations, 2019. Various categories of foreign investors like Foreign Institutional Investors (FIIs), Sub Accounts and Qualified Foreign Investors (QFIs) merged into a new investor class termed as Foreign Portfolio Investors (FPIs).

In case the total holding of an FPI increases to 10 percent or more of the total paid-up equity capital on a fully diluted basis or 10 per cent or more of the paid-up value of each series of debentures or preference shares or warrants issued by an Indian company, the total investment so made by the FPI will be re-classified as FDI.

Foreign Portfolio Investment (FPI) is often referred to as "**hot money**" because of its tendency to flee at the first signs of trouble in an economy or improvement in investment attractiveness elsewhere in the world, particularly in the US at the hands of the Federal Reserve.

Participatory notes

Participatory Notes commonly known as P-Notes or PNs are instruments issued by registered foreign institutional investors (FII) to overseas investors, who wish to invest in the Indian stock markets without registering themselves with the market regulator, SEBI

Q.1 Prelims 2007
Participatory Notes (PNs) are associated with which one of the following ?
(a) Consolidated Fund of India (b) Foreign Institutional Investors
(c) United Nations Development Programme (d) Kyoto Protocol

Q.2 Prelims 2019
Which of the following is issued by registered foreign portfolio investors to overseas investors who want to be part of the Indian stock market without registering themselves directly?
(a) Certificate of Deposit (b) Commercial Paper (c) Promissory Note (d) Participatory Note

Depository receipt

'Depository receipt' means a **foreign currency denominated instrument**, whether listed on an international exchange or not, issued by a foreign depository in a permissible jurisdiction on the back of permissible securities issued or transferred to that foreign depository and deposited with a domestic custodian and includes 'global depository receipt' as defined in section 2(44) of the Companies Act, 2013;

'Domestic custodian' means a custodian of securities, an Indian depository, a depository participant, or a bank and having permission from SEBI to provide services as custodian.

An issuer may issue permissible securities to a foreign depository for the purpose of issue of depository receipts. A foreign depository may issue depository receipts by way of a public offering or private placement or in any other manner prevalent in a permissible jurisdiction.

Each DR represents a certain number of shares in Indian Company. The foreign investors can buy and sell the DRs. He can also convert the DR into the equivalent number of underlying equity shares.

Depositary receipt allows companies to raise capital in foreign market and thereby have a wider shareholding leading to better valuations.

ADR and GDR

Equity shares of an Indian company cannot be directly listed on Foreign Stock Exchanges. To overcome this problem, Indian companies adopt the ADR/ GDR route. American depositary receipts (ADRs) are listed on an American stock exchange while Global depositary receipts (GDRs) are listed on a stock exchange outside the USA, normally on the Luxembourg or London stock exchange.

Foreign Currency Convertible Bonds

"Foreign Currency Convertible Bonds" means bonds issued and subscribed by a non-resident in foreign currency and convertible into ordinary shares of 'the issuing company in any manner, either in whole, or in part, on the basis of any equity related warrants attached to debt instruments;

The inward remittance received by the Indian company vide issuance of DRs and FCCBs are treated as FDI and counted towards FDI.

Double Taxation Avoidance Agreement

DTAA is a tax treaty signed between two countries to avoid dual taxation on same income.

It improves transparency in tax matters and curb tax evasion and tax avoidance. It promotes cross border flow of investments, technology and services. It makes a country an attractive investment destination.

Major portion of FDI in India is from Singapore as it has double taxation avoidance agreement with India.

Since legitimate investors were routing investments through Mauritius and Singapore to sidestep taxation. Hence India has amended DTAA with Mauritius, Singapore and Cyprus to curb tax evasion.

Q.3 Prelims 2012
Which of the following would include Foreign Direct Investment in India?
1. Subsidiaries of foreign companies in India 2. Majority foreign equity holding in Indian companies
3. Companies exclusively financed by foreign companies 4. Portfolio investment
Select the correct answer using the codes given below:
a) 1, 2 , 3 and 4 b) 2 and 4 only c) 1 and 3 only d) 1, 2 and 3 only

Q.4 Prelims 2010
A great deal of FDI to India comes from Mauritius major and mature economies like UK and France. Why?
(a.) India has preference, for certain countries as regards receiving FDI
(b.) India has double taxation avoidance agreement with Mauritius
(c.) Most citizens of Mauritius have ethnic identity with India and so they feel secure to invest in India
(d.) Impending dangers of global climatic change prompt Mauritius to make huge investments in India

Q.5 Prelims 2011
Both foreign direct investment (FDI) and foreign institutional investor (FII) are related to investment in a country. Which one of the following statements best represents an important difference between the two?
(a) FII helps bring better management skills and technology. While FDI only brings in capital.
(b) FII helps in increasing capital availability in general, while FDI only targets specific sectors.
(c) FDI flows only into the secondary market, in general, while FII targets primary market.
(d) FII is considered to be more stable than FDI.

Q.6 Prelims 2002
Global capital flows to developing countries increased significantly during the nineties. In view of the East Asian financial crisis and Latin American experience, which type of inflow is good for the host country?
(a) Commercial loans (b) Foreign Direct Investment (c) Foreign Portfolio Investment (d) External Commercial Borrowings

Q.7 SCRA-2014
The term 'hot money' is used to refer to
(a) Currency + Reserves with the RBI (b) Net GDR receipts (c) Net Foreign Direct Investment (d) Foreign Portfolio Investment

Q.8 CDS-2016
In India, the term 'hot money' is used to refer to
(a) Currency + Reserves with the RBI (b) Net GDR (c) Net Foreign Direct Investment (d) Foreign Portfolio Investment

Q.9 Prelims 2020
With reference to Foreign Direct Investment in India, which one of the following is considered its major characteristic?
(a) It is the investment through capital instruments essentially in a listed company.
(b) It is a largely non-debt creating capital flow.
(c) It is the investment which involves debt-servicing
(d) It is the investment made by foreign institutional investors in the Government securities.

Q.10 CDS 2022
Which one of the following would be considered as Foreign Direct Investment ?
(a) A foreign company buying shares in stock exchanges in India
(b) A foreign country pension fund investing in Indian stock markets
(c) A foreign merchant banker buying shares from Indian stock markets
(d) A foreign entity setting up an educational institution in India

Q.11 Prelims 2021
Consider the following:
1. Foreign currency convertible bonds 2. Foreign institutional investment with certain conditions
3. Global depository receipts 4. Non-resident external deposits
Which of the above can be included in Foreign Direct Investments?
a) 1, 2 and 3 b) 3 only c) 2 and 4 d) 1 and 4

Q.12 Prelims 2022
With reference to foreign-owned e-commerce firms operating in India, which of the following statements is/are correct?
1. They can sell their own goods in addition to offering their platforms as market-places.
2. The degree to which they can own big sellers on their platforms is limited.
Select the correct answer using the code given below:
(a) 1 only (b) 2 only (c) Both 1 and 2 (d) Neither 1 nor 2

National Investment and Infrastructure Fund

About NIIF	The NIIF is India's first sovereign wealth fund. The NIIF was created, after a decision by the Union Cabinet on 29.7.2015 The proposed **corpus of NIIF is Rs. 40,000 Crores** (around USD 6 Billion). GOI's contribution to the NIIF shall be 49% of the total commitment at any given point of time. The NIIF Funds work on a model whereby equity participation from strategic partners (including overseas sovereign / quasi-sovereign / multilateral / bilateral investors) is invited, alongside Government's contribution.
Funds under NIIF	Three funds have been established by the Government under the NIIF platform and registered with SEBI. Master Fund, Fund of Funds and Strategic Opportunities Fund. Master Fund **-** The NIIF Master Fund is the largest India-focused infrastructure fund. The fund's strategy is to invest in high quality businesses / assets across different **core infrastructure** sectors. Fund of Funds- The largest India-dedicated Fund of Funds programme globally – NIIF Fund of Funds is focused on building a Private Equity portfolio across diversified sectors and investment strategies. Investment example-Green Growth Equity Fund Strategic Opportunities Fund- The NIIF direct private equity fund, The NIIF Strategic Opportunities Fund (SOF) is the largest India-focused private equity fund. SOF has been established with the objective to provide long-term capital to high-growth future-ready businesses in India. The fund's strategy is to build a portfolio of large entrepreneur-led or professionally managed domestic champions and unicorns. Investment example- Manipal hospital

Real estate investment trusts (REITs) and Infrastructure investment trusts (InvITs)

The Securities and Exchange Board of India (SEBI) notified regulations for investment trusts – specifically, real estate investment trusts (REITs) and infrastructure investment trusts (InvITs) – in September 2014.

REITs and InvITs are Collective Investment Scheme similar to a mutual fund, which enables direct investment of money from individual and institutional investors in infrastructure /real estate projects either directly or via special purpose vehicles (SPVs) to earn a small portion of the income as return.

An investment trust is a vehicle created to primarily invest in revenue-generating real estate or infrastructure assets. These entities are 'trusts' by definition, and their 'units' (shares) are to be mandatorily listed on exchanges and regulated by SEBI. The units are traded based on their net asset value.

These entities have a pass-through structure and are therefore required to distribute majority of their earnings to unit holders. Globally, these are positioned as high-dividend-paying investments suitable for investors looking for **long-term**, stable cash flow with moderate capital appreciation.

Alternative Investment Fund or AIF

Alternative Investment Fund or AIF means any fund established or incorporated in India which is a **privately pooled investment vehicle** which collects funds from sophisticated investors, whether Indian or foreign, for investing it in accordance with a defined investment policy for the benefit of its investors. AIF is not permitted to make an invitation to the public to subscribe to its securities.

An AIF under the SEBI (Alternative Investment Funds) Regulations, 2012 can be established or incorporated in the form of a trust or a company or a limited liability partnership or a body corporate. Most of the AIFs registered with SEBI are in trust form.

Disinvestment Policy

Government Company or PSU

As per Section 2(45) of Companies act 2013, Government company" means any company in which not less than fifty one per cent (51%) of the paid-up share capital is held by the Central Government, or by any State Government or Governments, or partly by the Central Government and partly by one or more State Governments, and includes a company which is a subsidiary company of such a Government company;

Objectives

a) Minimising presence of Central Government Public Sector Enterprises including financial institutions and creating new investment space for private sector

b) Post disinvestment, economic growth of Central Public Sector Enterprises (CPSEs)/ financial institutions will be through infusion of private capital, technology and best management practices. Will contribute to economic growth and new jobs.

c) Disinvestment proceeds to finance various social sector and developmental programmes of the government.

Features of Disinvestment Policy

- Public Sector Undertakings are the wealth of the Nation and to ensure this wealth rests in the hands of the people, promote public ownership of CPSEs

- While pursuing disinvestment through **minority stake sale** in listed CPSEs, the Government will retain majority shareholding, i.e. at least 51 per cent of the shareholding and management control of the Public Sector Undertakings;

- **Strategic disinvestment** by way of sale of substantial portion of Government shareholding in identified CPSEs upto 50 per cent or more, alongwith transfer of management control.

Coverage of Policy

a) Policy covers existing CPSEs, Public Sector Banks and Public Sector Insurance Companies.

b) Various sectors will be classified as strategic and non-strategic sectors.

c) The **strategic sectors** classified are:

i) Atomic energy, Space and Defence

ii) Transport and Telecommunications

iii) Power, Petroleum, Coal and other minerals

iv) Banking, Insurance and financial services

d) In strategic sectors, there will be bare minimum presence of the public sector enterprises. The remaining CPSEs in the strategic sector will be privatised or merged or subsidiarized with other CPSEs or closed.

e) In **non-strategic sectors**, CPSEs will be privatised, otherwise shall be closed.

Q.13 Prelims 2011
Why is the government of India disinvesting its equity in the central public sector enterprises (CPSEs) ?
1. The government intends to use the revenue earned from the disinvestment mainly to pay back the external debt.
2. The government no longer intends to retain the management control of the CPSEs.
Which of the statements given above is/are correct ?
(a) 1 only. (b) 2 only. (c) Both 1 and 2. (d) Neither 1 nor 2.

Asset monetization

Asset monetization involes creation of new sources of revenue by unlocking of value of hitherto unutilized or underutilized public assets which have not yielded appropriate or potential return so far, create hitherto unexplored source of income for the company and its shareholders

Core assets: Plant and machinery, leasehold and freehold land, office buildings, staff colony, guest houses, branch offices and so on depending on the direct contribution to the core activities such as manufacture, production or operations of the business or otherwise.

Non-core assets: which are no longer required for the operation of a business. (e.g. Unutilied Land and Building, Plant and Machinery, Non-core subsidiary company). Selling off non-core assets can not only raise cash but also make a company more efficient.

The Department of Investment and Public Asset Management (DIPAM) under MoF is working on restructuring and asset monetisation of public sector enterprises for better management and competitiveness in the present world.

Seed capital

Seed capital is the initial funding required to start a new business.

Venture Capital Fund

A fund set up for the purpose of investing in startup businesses. Venture Capitalist are firms or companies that use other people's money.

Q.14 Prelims 2014
What does venture capital mean?
A. A short-term capital provided to industries
B. A long-term start-up capital provided to new entrepreneurs
C. Funds provided to industries at times of incurring losses
D. Funds provided for replacement and renovation of industries

Death Valley Curve

Used in	Venture capital
About it	It refers to period from when a startup raises an initial capital till it starts generating revenues. Initial costs of almost all the start-ups are very high. This is called Death Valley curve as the startup is most vulnerable to death because of additional capital requirements as income has not yet been generated. Thus startup has to manage itself during the Death Valley phase.

Angel funds, Angel investors and Angel tax

Angel funds encourage entrepreneurship in the country by financing **small startups at a stage** where such start-ups find it difficult to obtain funds from traditional sources of finance such as banks, financial institutions, etc. Further, such funds provide mentoring to the entrepreneurs as well as access to their own business networks.

Angel investor

Angel investor is a high-net-worth individual who funds startups at the early stages.

Angel investors provide the **initial support** and sometimes mentorship to startups. They are usually experienced entrepreneurs and typically use their own money.

Angel tax

As per Income Tax Act, Any consideration received by a startup against issue of shares which **exceeds the fair market value** of such shares; such excess consideration will be taxable in the hands of the startup, as an income

For example- ABC Pvt Ltd. issue share at Rs. 80. Face value of Share is Rs. 10 and Fair Market value is Rs. 30, then Rs. 50 (excess of consideration over FMV) will be taxable in the hand of ABC Pvt Ltd.

Angel Tax exemption to DPIIT recognized Startup

If aggregate amount of paid up share capital and share premium of the startup after issue or proposed issue of share, if any, **does not exceed, 25 crore rupees**:

Q.15 ES 2020
An individual investor who invests in the e-project usually during an early stage is
(a) corporate strategic investor (b) founder capital (c) angel investor (d) venture capital

Chit Fund Company

Registered by	State Governments under the Chit Funds Act, 1982 – an Act administered by the Ministry of Finance but with responsibilities of implementation resting with the States
Chit meaning	"Chit" means a transaction under which a person enters into an agreement with a specified number of persons that every one of them shall subscribe a certain sum of money (or a certain quantity of grain instead) by way of periodical instalments over a definite period and that each such subscriber shall, in his turn, as determined by lot, be entitled to the prize amount.
Power of investigation	Power to investigate and prosecute the Chit Fund Company lies with the State Governments.
Investigation under Companies act	Serious Fraud Investigation Office (SFIO) under the Ministry of Corporate Affairs can investigate the Chit Fund companies on violations of provision of Companies act, 2013

Nidhi Company

"Nidhi" means a company which has been incorporated as a Nidhi with the object of cultivating the habit of thrift and savings amongst its members, receiving deposits from, and lending to, its members only, for their mutual benefit.

Under section 406 of the Companies Act, 2013 and Nidhi Rules, 2014, companies incorporated as Nidhi Companies need to apply to the Central Government for declaration as a Nidhi Company.

Zombie company

Companies that continue to operate even though they are insolvent or near bankruptcy. As such they generally depend on banks (creditors) for their continued existence.

Although generating cash, after covering running costs, fixed costs (wages, rates, rent) they only have enough funds to service the interest on their loans, but not the debt itself.

This means that there is no spare cash or capacity for the company to invest or grow.

Vanishing companies

Companies which, after raising funds through **Public issues**, fail to file documents and balance sheets and become untraceable are called 'Vanishing Companies'

Shell Companies

Meaning	Companies which does not conduct any operations and indulge in money laundering
Status in India	In India, There are about 15 lakh registered companies in India; and only 6 lakh companies file their Annual Return. This means that large number of these companies may be indulging in financial irregularities
Characteristics of Shell companies	There is no definition of the term "Shell Company" in the Companies Act, 2013. It normally refers to a company without active business operation or significant assets, which in some cases are used for illegal purpose such as tax evasion, money laundering, obscuring ownership, benami properties etc.

Public Private Partnership (PPP) Projects

PPP brings efficiency in service delivery, expertise, enterprise and professionalism apart from harnessing the needed investments in the public sector.

All PPP Projects sponsored by Central Government has to take approval from Public Private Partnership Appraisal Committee (PPPAC), chaired by Secretary (Department of Economic Affairs-MoF).

Mezzanine financing

Mezzanine financing is a debt capital that gives the lender the right to convert the loan into equity in case of non-repayment.

Peer to Peer Lending

About P2P lending	Peer to Peer Lending Platform" means an intermediary providing the services of loan facilitation via online medium or otherwise, to the participants.
Benefit of P2P lending	for borrowers- lower interest rates than those offered by money lenders/unorganized sector and for lenders- higher returns than what conventional investment opportunities offer
Regulator	An entity carrying on the business of a Peer-to-Peer Lending must get Certificate of Registration from RBI as a Non-Banking Financial Company- Peer to Peer Lending Platform.

Public Financial Management System (PFMS)

The Public Financial Management System (PFMS) is a web-based online software application developed and implemented by the Controller General of Accounts (CGA), Department of Expenditure, Ministry of Finance, Government of India.

PFMS started during 2009 with the objective of tracking funds released under all Plan schemes of Government of India, and real time reporting of expenditure at all levels of Programme implementation. Subsequently, the scope was enlarged to cover direct payment to beneficiaries under all Schemes.

PFMS is integrated with the Core Banking system in the Country, and hence, has the unique capability to first validate the account before pushing online payments to almost every beneficiary/vendor. every Department/Ministry of Government of India transfers funds electronically to beneficiary (individual or institution) through PFMS. Further, State Governments and the Implementing Agencies transfer the cash components to beneficiaries through PFMS.

Q.16 CDS 2019
The Public Financial Management System (PFMS) is a web-based online software application designed, developed , owned and implemented by the
(a) Department of Financial Services (b) Institute of Government Accounts and Finance
(c) Controller General of Accounts (d) National Institute of Financial Management

Invest India

Official agency of Govt	Invest India is the National Investment Promotion and Facilitation Agency of India and act as the first point of reference for investors in India.
Function	provide sector-and state-specific inputs, and hand-holding support to investors through the entire investment cycle, from pre-investment decision-making to after-care. All facilitation and hand-holding support to investors under the “Make in India” programme is being provided by Invest India.
Set up by	Invest India was formed in 2009 under Section 25 of the Companies Act 1956 for promotion of foreign investment. Shareholding pattern of Invest India is 51 % of Industry Associations (i.e. 17% each of FICCI, CII & NASSCOM) and the remaining 49% of Central and 19 State Governments
Fees	Invest India is a not for profit company, which does not charge for its services nor does it authorize any agents to do so on its behalf
India Investment Grid	India Investment Grid (IIG) is an online platform to showcase investment opportunities in India to global investors. The platform is looked after by Invest India.

Q.17 CDS 2019
Which of the following statements about 'Invest India' is/are correct ?
1. It is a joint venture (not for profit) company.
2. It is the National Investment Promotion and Facilitation Agency of India.
Select the correct answer using the code given below.
(a) 1 only (b) 2 only (c) Both 1 and 2 (d) Neither 1 nor 2

The Insolvency and Bankruptcy Code, 2016

Second biggest economic reform	This is considered as the biggest economic reform **next only to GST** that will facilitate ease of doing business.
About code	It offers a market determined, time bound mechanism (**within 180 days plus 90 days extention**) for orderly resolution of insolvency, wherever possible, and orderly exit, wherever required.
Insolvency and Bankruptcy Board of India	IBBI was established on October 1, 2016 in accordance with the provisions of The Insolvency and Bankruptcy Code, 2016. The Insolvency Professionals (IPs) are registered and regulated by the IBBI
Administration	By Ministry of Corporate Affairs

National E-Governance Services Limited

About NeSL	NeSL is India’s first Information Utility and is registered with the Insolvency and Bankruptcy Board of India (IBBI) under the aegis of the Insolvency and Bankruptcy Code, 2016 (IBC). The company has been set up by leading banks and public institutions and is incorporated as a union government company.
Objective	To accept, store and make readily available authenticated financial information submitted by creditors that helps establish defaults as well as verify claims under the Insolvency and Bankruptcy Code, 2016 expeditiously and thereby facilitate completion of the insolvency resolution transactions under IBC in a time bound manner.

National Company Law Tribunal (NCLT)

About NCLT	The Central Government has constituted National Company Law Tribunal (NCLT) under section 408 of the Companies Act, 2013 w.e.f. 01st June 2016. Principal Bench at New Delhi.
President of NCLT	The President shall be a person who is or has been a Judge of a High Court for five years.
Role of NCLT	NCLT is also the adjudicating authority for Corporate Insolvency Resolution Process (CIRP) under Insolvency and Bankruptcy Code 2016 (IBC). Banks or Creditors may approach NCLT for recovery of their loan.
National Company Law Appellate Tribunal	NCLAT was constituted under Section 410 of the Companies Act, 2013 for hearing appeals against the orders of National Company Law Tribunal(s) (NCLT). **Principal** Bench at New Delhi. The chairperson of NCLAT shall be a person who is or has been a Judge of the Supreme Court or the Chief Justice of a High Court. Recently, Finance Minister Smt. Nirmala Sitharaman inaugurates the Chennai Bench of NCLAT (25-01-2021). The Chennai Bench of NCLAT shall have jurisdiction to hear the Appeals arising out of the orders passed by the benches of NCLT having jurisdiction of Karnataka, Tamil Nadu, Kerala, Andhra Pradesh, Lakshwadeep and Puducherry. The Finance Minister stated that the Union Government's decision to set up a bench of the NCLAT at Chennai will give a major relief to the companies and litigants in Southern States of India, who faced great difficulty in travelling to Delhi for work pertaining to filing and arguing of appeals in the NCLAT. This will reduce the pendency of cases, shorten the period of process and shall result in speedier disposal of the cases. Any person aggrieved by any order of the NCLAT may file an **appeal to the Supreme Court**.

Sustainable Finance Instruments

Sustainable finance is defined as investment decisions that take into account the environmental, social, and governance (ESG) factors of an economic activity or project.

Green Bonds are any type of bond instrument where the proceeds will be exclusively applied to finance or re-finance, new and/or existing eligible **Green Projects**. e.g. Renewable energy projects, Pollution control projects.

Social Bonds are any type of bond instrument where the proceeds will be exclusively applied to finance or re-finance new and/or existing eligible **Social Projects.** e.g. Health, Education

Sustainability Bonds are any type of bond instrument where the proceeds will be exclusively applied to finance or re-finance a combination of both Green and Social Projects.

Sustainability-Linked Bonds ("SLBs") are any type of bond instrument for which the financial characteristics can vary depending on whether the issuer achieves predefined Sustainability/ ESG objectives. In that sense, issuers are thereby committing explicitly (including in the bond documentation) to future improvements in sustainability outcome(s) within a predefined timeline. SLBs are a forward-looking performance based instrument.

The potential variation of the coupon (interest rate) is the most common example if target not achived.

International Capital Market Association

ICMA is a not-for-profit association under the Swiss Civil Code. The Association is headquartered in Zurich.

ICMA serves as Secretariat to the Green Bond Principles (GBP), the Social Bond Principles (SBP), the Sustainability Bond Guidelines (SBG) and the Sustainability-Linked Bond Principles (SLBP).

These are the voluntary process guidelines for issuing the above bonds.

Crowd funding

Crowdfunding is solicitation of funds (small amount) from multiple investors through a web-based platform or social networking site for a specific project, business venture or social cause.

Crowd sourced funding is a means of raising money for a creative project (for instance, music, film, book publication), a benevolent or public -interest cause (for instance, a community based social or co-operative initiative) or a business venture, through small financial contributions from large no of persons.

Crowd funding falls under the purview of capital markets regulator (SEBI)

Q.18 ES-2018
What is Crowdfunding ?
(a) Money collected for public welfare projects by levying an entry fee to exhibitions , shows, etc
(b) Money collected by charitable organizations by placing a donation box at prominent locations
(c) Money raised by innovators and inventors' by launching their products and services through the Internet
(d) Money raised by individuals by passing the hat around to onlookers at a street performance

Investor Education and Protection Fund (IEPF)

Transfer of unclaimed and unpaid dividends	As per section 125 of Companies Act, 2013, The amount of dividend, matured deposits, matured debentures, application money, etc., which remained unpaid/unclaimed for a period of 7 years from the date they first become due for payment, are transferred to IEPF.
Consolidated Fund of India	The amount credited to IEPF forms a part of the Consolidated Fund of India
Use of fund	to make refund of unpaid amounts to eligible stakeholders and promote investor education, awareness and protection
IEPF Authority	For administration of Investor Education and Protection Fund, Government of India has on 7th September, 2016 established Investor Education and Protection Fund Authority under the provisions of section 125 of the Companies Act, 2013.

Insider Trading

Meaning	subscribing, buying, selling, dealing etc. in securities of a company by an insider having access to or in possession of unpublished price sensitive information
Insider means	director, officer or an employee of the company, their relatives, officer of Banker of company, Stock exchange etc having access to or in possession of unpublished price sensitive information
Unpublished price sensitive information	means any information, relating to a company or its securities, that is not generally available which upon becoming generally available, is likely to materially affect the price of the securities of that company. e.g. financial results; dividends; change in capital structure; mergers, de-mergers, acquisitions, delistings, disposals and expansion of business changes in key managerial personnel; and any material events related to company.
Legality	Illegal in India as per SEBI (Prohibition of Insider Trading) Regulations, 2015

Serious Fraud Investigation Office (SFIO)

About SFIO	As per the Companies Act, 2013, SFIO has been established through the Government of India vide Notification No. S.O.2005(E) dated 21.07.2015. It is a **multi-disciplinary organization under the Ministry of Corporate Affairs**, for detecting and prosecuting or recommending for prosecution white-collar crimes/frauds.

	It consists of experts in the field of accountancy, forensic auditing, banking, law, information technology, investigation, company law, capital market and taxation, etc. Investigation into the affairs of a company is assigned to SFIO. SFIO don't investigate fraud or criminal charges against any type of individuals one.
Director	SFIO is headed by a Director as Head of Department in the rank of Joint Secretary to the Government of India.
H.Q.	The Headquarter of SFIO is in New Delhi, with five Regional Offices in Mumbai, New Delhi, Chennai, Hyderabad & Kolkata.

Forensic audit

Government has asked PSU banks to do forensic audit of loan defaulters to deal with rising NPA.

Forensic audit is the thorough inspection of the accounts of the company to separate genuine cases of business failure from those where funds have been diverted.

It helps in detecting diversion of funds, wilful defaults and window dressing of financial statements.

Social audit

Social audit is a process of reviewing official records and determining whether state reported expenditures reflect the actual monies spent on the ground.

Mahatma Gandhi National Rural Employment Guarantee Act **(MGNREGA) was the first Act to mandate Social Audits** by the Gram Sabha of all the projects taken up in the Gram Panchayat.

Big Four accounting firms of the World

1. Deloitte
2. Price Waterhouse Coopers (PwC)
3. Ernst & Young (E&Y)
4. KPMG

These firms are referred as Big4.

FinTech

The term "FinTech" is a contraction of the words "finance" and "technology".

FinTech is **technologically enabled financial innovation** that could result in new business models, applications, processes, or products with an associated material effect on financial markets and institutions and the provision of financial services".

Startup Ecosystem in India

India has emerged as the 3rd largest ecosystem for startups globally with over 77,000 DPIIT-recognized startups across 656 districts of the country as of 29*th August 2022.*

As of 07th September 2022, India is home to 107 unicorns with a total valuation of $ 340.79 Bn.

Unicorn is a term used in the venture capital industry to describe a privately held startup company with a value of over $1 billion.

A **decacorn** is company that has attained a valuation of more than $ 10 Bn. As of 27th July, 2022, 46 companies world over have achieved the decacorn status. India has four startups namely, Flipkart, BYJU's, Nykaa and Swiggy, added in decacorn cohort.

Q.19 CDS 2022
What is 'Unicorn Company' often mentioned in Indian news? .
(a) Any privately held startup company with a value of over $ 1 billion
(b) Any public sector company to be merged with another public sector company
(c) Privatization of any loss-making State-owned company
(d) Any foreign multinational company doing business in India in collaboration with an Indian company

Answers of MCQs

1	**2**	**3**	**4**	**5**	**6**	**7**	**8**	**9**	**10**	**11**	**12**	**13**	**14**	**15**	**16**	**17**	**18**
b	d	d	b	b	b	d	d	b	d	a	b	d	b	c	c	c	c
19	**20**	**21**	**22**	**23**	**24**	**25**	**26**	**27**	**28**	**29**	**30**	**31**	**32**	**33**	**34**	**35**	**36**
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