Daily current affairs

Posted at: 20/09/2018

Belt and Road Initiative (BRI)

- The Belt and Road Initiative (BRI) is an ambitious effort to improve regional cooperation and connectivity on a trans-continental scale.
- The initiative aims to strengthen infrastructure, trade, and investment links between China and some 65 other countries that account collectively for over 30 percent of global GDP, 62 percent of population, and 75 percent of known energy reserves.
- The BRI consists primarily of the Silk Road Economic Belt, linking China to Central and South Asia and onward to Europe, and the New Maritime Silk Road, linking China to the nations of South East Asia, the Gulf Countries, North Africa, and on to Europe.
- Six other economic corridors have been identified to link other countries to the Belt and the Road. The scope of the initiative is still taking shape—more recently the initiative has been interpreted to be open to all countries as well as international and regional organizations.

NRI bonds

- These are bonds issued by the Reserve Bank of India to non-resident Indians who are interested in investing their money in India.
- Since these bonds offer higher returns than other similar investments, they can be used as a tool to attract capital during times when other domestic assets fail to attract the interest of foreign investors.
- Many investors view them as a safe investment as these bonds are issued by the Indian central bank.

Can bonds save the rupee?

- NRI bonds could theoretically help increase demand for the rupee and stabilise its value against the dollar.
- The actual effect of these bonds on the rupee, however, will depend on how

attractive they are to NRIs.
- While these bonds can provide temporary assistance to the rupee by encouraging capital inflows into the economy, they may not address the fundamental economic issues that are causing the fall of the rupee.
- Until the RBI can rein in domestic inflation and the government can take steps to boost exports and curb imports, emergency measures like the issuance of NRI bonds can only offer temporary respite to the rupee.

What is Prompt Corrective Action Framework?

- RBI introduces Prompt Corrective Action when the Bank's financial conditions worsen below certain limits (trigger points).
- The limit set are in the form of three conventional financial indicators which are called trigger points– CRAR, Net NPA and Return on Assets.
- Trigger points implies the RBI imposes corrective action in accordance with the level of trigger points.
- The some of the structured and discretionary actions that could be taken by the Reserve Bank are: recapitalization, restrictions on borrowing from inter-bank market to steps to merge/amalgamate/liquidate the bank or impose moratorium on the bank if its CRAR does not improve.
- The corrective actions are tough with worsening of the financials.
- The PCA framework is applicable only to commercial banks and not extended to co-operative banks, non-banking financial companies (NBFCs) and FMIs.
