Prelim Bits 18-12-2021 | UPSC Daily Current Affairs

Venture Capital and Private Equity

Prime Minister hosted a roundtable interaction with representatives of Venture Capital and Private Equity Funds at Lok Kalyan Marg.

- Private equity is confused with venture capital (VC) because both refer to firms that invest in companies and exit by selling their investments in equity financing, for example, by holding initial public offerings (IPOs).

S. No	Private Equity	Venture Capital
1.	Private equity is equity (shares representing ownership of, or an interest in, an entity) that is not publicly listed or traded.	Venture capital is financing given to start-ups & small businesses that have the potential to generate high rates of growth and returns.
2.	Private equity is a source of investment capital from high-net-worth individuals and firms. These investors buy shares of private companies - or gain control of public companies with the intention of taking them private & delisting them from public stock exchanges.	Funding for this type of financing comes from wealthy investors, investment banks, and specialized VC funds.
3.	Investment can be substantial capital directly invested in a company.	Investment can be financial, or can also be offered via technical/ managerial expertise.
4.	Private equity firms mostly buy well-established companies that may be deteriorating or failing to make the profits. Private equity firms buy these companies and streamline operations to increase revenues.	Venture capital firms mostly invest in start-ups with high growth potential.
5.	Private equity firms mostly buy 100% ownership of the companies in which they invest. As a result, the firm is in total control of the companies after the buyout.	Venture capital firms invest in 50% or less of the equity of the companies. Most venture capital firms prefer to spread out their risk and invest in many companies to minimize absolute losses.

Reference

1. https://pib.gov.in/PressReleasePage.aspx?PRID=1782820
2. https://www.investopedia.com/ask/answers/020415/what-difference-between-private-equity-and-venture-capital.asp

SBI's Changed Lending Rates

The State Bank of India (SBI) has increased the benchmark lending rate or base rate by 10 basis

points, to 7.55%. The SBI also revised the benchmark prime lending rate to 12.3%.

- The decision will not affect loans taken since January 2019 but will affect those who borrowed before that.
- This is because the SBI had migrated to External Benchmark Lending Rate (EBLR) linked to repo rate since January 2019.
- There is no change in EBLR as this rate changes with a change in the benchmark interest rate of the Reserve Bank of India (RBI).

Benchmark Lending Rate

- Benchmark Interest Rate means the rate that is used as a standard or base to pay interest rate for deposits and loans.
- Also known as base rate, it is the minimum interest rate of a bank, below which it cannot lend, except for DRI allowances, loans to bank's own employees and to bank's depositors against their own deposits.
- The base rate system has replaced the Benchmark Prime Lending Rate (BPLR) from July 1, 2010.
- For the loans taken before July 1, 2010, the RBI has allowed to continue with BPLR at which the loans were approved. But, they were given the option of switching to the base rate before the expiry of their loans.
- In Indian Interbank market, Mumbai Interbank Offer Rate (MIBOR) - Indian equivalent of LIBOR - and Mumbai Interbank Bid Rate (MIBID) are the interest rate benchmarks.
- The function of both MIBOR and MIBID is to act as financial benchmarks.
- MIBID/MIBOR rate is used as bench mark rate for majority of deals struck in the derivative market.

S.No.	MIBOR	MIBID
1.	MIBOR - Mumbai Interbank Offer Rate	MIBID - Mumbai Interbank Bid Rate
2.	MIBOR is loan interest rate; it is the rate at which a lender would like to charge.	MIBID is the interest rate that a borrower likes to pay while getting a loan.
3.	MIBOR is the offer rate. It is the rate offered by lenders.	MIBID is the bid rate. It is the bid rate quoted by a borrower who seeks a loan.

Benchmark Prime Lending Rate

- Benchmark Prime Lending Rate (BPLR) is the rate at which commercial banks charge their customers who is most credit worthy.
- According to the RBI, banks can fix the BPLR with the approval of their Boards.
- However, the RBI stipulates the interest rates as BPLR is influenced by the Repo rate and Cash Reserve Ratio (CRR) apart from individual bank's policy.
- The calculation of BPLR is not that transparent and sometimes the banks under this system could lend to customers below the BPLR. So, Base Rate was introduced subsequently.

Reference

1. https://www.thehindu.com/todays-paper/tp-business/sbi-lifts-base-rate-a-tad-to-affect-pre-2019-loans/article3798218ece
2. https://www.goodreturns.in/classroom/2014/06/what-is-the-difference-between-bplr-base-rate-273200.html
3. https://www.investopedia.com/terms/r/referencerate.asp

Immune Amnesia

As the global vaccination rate of the measles vaccine fell from 86% (2019) to 84% (2020), this has mounted a concern over the immune amnesia caused by measles.

- Immune amnesia means the contagious infection can wipe out the immune system's memory of other illnesses.
- The children who recover from measles may become susceptible to other pathogens they may have had protection from before they had the measles virus.
- It was found, in 2012, that measles infects and destroys memory and memory-like cells, thus erasing the recollection of past encounters with various microbes and vaccines.
- The loss of immune memory is near-total and permanent.
- Once the measles infection is over, the body has to relearn everything almost from scratch. Oddly, the only virus we'll definitely be able to recognise after falling sick with measles is measles itself.
- **Related Links** - Measles

Reference

1. https://www.downtoearth.org.in/news/health/covid-19-fallout-immune-amnesia-may-be-lurking-amid-millions-of-missing-measles-shots-80669
2. https://www.bbc.com/future/article/20211112-the-people-with-immune-amnesia

Overdraft Facility

Ministry of Rural Development will launch the Overdraft facility of Rs. 5,000 to verified women SHG members under Deendayal Antyodaya Yojana - National Rural Livelihoods Mission (DAY-NRLM).

> DAY-NRLM is a flagship programme of Ministry of Rural Development launched in 2011.
>
> It aims to eliminate rural poverty through mobilizing poor women into community institutions like SHGs and strengthening their livelihood base by accessing necessary credit from banks.

- **For Individual** - Overdraft occurs when there isn't enough money in an account to cover a transaction or withdrawal, but the bank allows the transaction anyway.
- Essentially, it's an extension of credit from the financial institution that is granted when an account reaches zero.
- An overdraft is like any other loan: The account holder pays interest on it and will typically be charged a one-time insufficient funds fee.
- **For Government** - If the Ways and Means Advances (WMA) exceeds 90 days, it would be treated as an overdraft.
- The interest rate on overdrafts is 2 percentage points more than the repo rate.

Ways and Means Advances

- The RBI gives temporary (short-term) loan facilities to the central and state governments, it is called Ways and Means Advances (WMA).
- The Ways and Means Advances scheme was introduced in 1997, to meet mismatches in the receipts and payments of the government.

- These are given at the repo rate, which is 4.40 per cent.
- The government can avail of immediate cash from the RBI, if required.
- But it has to return the amount within 90 days, interest is charged at the existing repo rate.
- To know more about Ways and Means Advances, click here.

Reference

1. https://pib.gov.in/PressReleasePage.aspx?PRID=1782557
2. https://www.investopedia.com/terms/o/overdraft.asp

Map of Underground Fungal Networks

Scientists have unveiled plans to map the world's huge underground webs of fungi for the first time.

- Underground fungal networks underpin the health of plants, trees and broader ecosystems by creating thread-like webs in soil.
- They suck in CO2 and transport nutrients like phosphorus to plants.
- Fungal networks are under threat from factors including fertiliser use in agriculture, urbanisation and climate change.
- **Significance of the map** - The world-first map will help identify the most bio diverse hotspots that could better protect natural ecosystems and store carbon dioxide to help tackle climate change.
- The map will be used to identify sites with the potential to store more CO2, and withstand changes brought about by global heating.
- It would also identify at-risk areas and work to improve conservation of below-ground biodiversity hotspots.
- **Related Links** - Wood Wide Web

Reference

https://indianexpress.com/article/technology/science/worlds-underground-fungal-life-mapped-7650377/

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