

DATE: 30 AUGUST 2026

1

Uzbekistan and Kyrgyzstan (Source: The Indian Express)

Uzbekistan

- **Location:** Uzbekistan is a doubly landlocked country located in Central Asia.
- **Capital:** Tashkent
- **Border Countries:** Kazakhstan, Kyrgyzstan, Tajikistan, Afghanistan, Turkmenistan.
- **Bordering Waterbodies:** Aral Sea
- **Geography:** Part of the Eurasian Steppe or Great Steppe.
- **Climatic Type:** Continental Climate
- **Major International Groupings:** Organisation of Islamic Cooperation (OIC), Shanghai Cooperation Organisation (SCO), and hosts the SCO's Regional Anti-Terrorist Structure (RATS) in Tashkent.



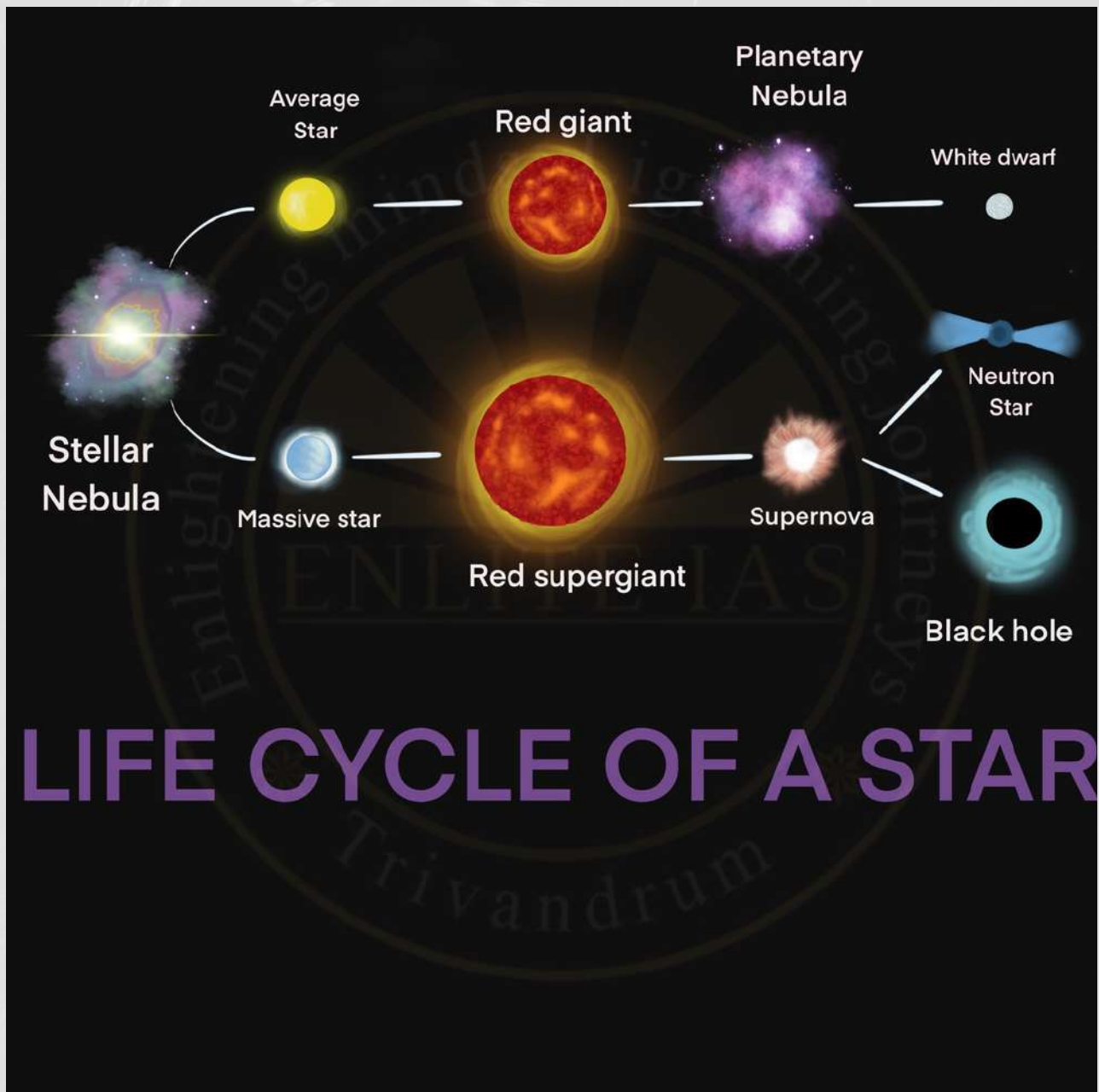
Kyrgyzstan

- **Location:** It is a landlocked country in Central Asia lying in the Tian Shan and Pamir mountain ranges.
- **Capital:** Bishkek
- **Border Countries:** Kazakhstan, Uzbekistan, Tajikistan, and China.
- **International Cooperation:** Organization for Security and Cooperation in Europe (OSCE), Eurasian Economic Union (EES), and Collective Security Treaty Organization (CSTO).



DATE: 30 AUGUST 2026

2 Life Cycle of A Star (Source: The Hindu)



3 Haircut (Source: The Indian Express)

HAIRCUT IN ECONOMY

A tool used to reduce the value of a claim or asset to share the burden and restore financial stability.

WHAT IS HAIRCUT?

A haircut is a reduction in the value of a financial asset or claim from its face value. It is expressed as a percentage.



WHY IS IT USED?

- REDUCE LOSSES**
Shares losses with creditors or investors instead of complete default.
- RESTORE FINANCIAL STABILITY**
Helps institutions, banks or countries manage stress and avoid collapse.
- ALIGN INCENTIVES**
Ensures all stakeholders share the pain fairly.
- IMPROVE SOLVENCY**
Reduces outstanding liabilities and improves balance sheets.

HOW HAIRCUT WORKS?



WHERE IS HAIRCUT USED?

- BANKING & FINANCE**
On collateral in loans, or on non-performing assets during restructuring.
- SOVEREIGN DEBT RESTRUCTURING**
Countries reduce the principal or interest payable to creditors.
- CORPORATE RESTRUCTURING**
Companies negotiate haircuts on loans or bonds to avoid bankruptcy.
- INVESTMENT & MARKETS**
Used in repo markets, derivative contracts, and margin requirements.

EXAMPLE



ADVANTAGES

- ✓ Prevents total default and bankruptcy.
- ✓ Helps in quick resolution of financial stress.
- ✓ Improves long-term financial health.

DISADVANTAGES

- ✗ Creditors may face losses.
- ✗ Can reduce investor confidence.
- ✗ May increase borrowing costs in future.



KEY TAKEAWAY

Haircut is a practical mechanism to share losses, reduce debt burden and promote financial stability in times of stress.

