The Finance and Investment Cell, Hansraj College is a voluntary group of students aiming to disseminate quintessential knowledge on finance, investment, and related aspects through the conduct of its activities throughout the year. Since its inception in 2012, the cell has traversed a great path to grow in size, scope and shape so as to make it more engaging for its members and community. We’ve diversified ourselves from activities eponymous to the name by launching our very own in-house mentorship and consulting wing and social wing two years back. Be it organizing multifarious events or hosting regular speaker sessions with eminent personalities, the Cell has managed to build a reputation for itself.

In order to bridge the gap, we set out to spread financial literacy in a fun yet holistic way. Our efforts over a year bore fruits as the newsletter got traction and received immense appreciation from our subscribers. Similar to businesses adapting to the changes in the industry, we too aim to persevere towards adapting to the needs of our readers and bring out the most intriguing and verified content. Within a short period of time, our free monthly newsletter garnered over 6000 subscriptions which is a testament to the efforts put behind this encapsulating piece of work. After launching three successful volumes spanning sixteen editions, with volume 4, we hope that we can curate the best content for all our readers to make it not only informative but also interesting and relatable. We promise to be unfettered in our efforts to make finance easy and simple for you. With the hope that these pieces help you enhance your knowledge, we wish that you have a pleasant reading experience.

This special edition amalgamates two of the most beautiful forms of art: writing and music. With the sections named after songs, there can’t be a better way to depict the harmony of this newsletter. It has been rightly said by B.B. King that, “The beautiful thing about learning is nobody can take it away from you.” We are never too young or old to gain knowledge on different subjects regardless of the question if it is really beneficial for us. In the long run, it pays dividends in one form or another and more so when it is about finance. In this day and age with so much happening in the world of finance, we felt a dire need of providing a one-stop solution for our readers so that they can keep themselves updated. We express our heartfelt gratitude to everyone who has dipped their oars into the turbulent waters of the newsletter and have sailed it to the shore of publication, to our principal Dr. Rama for entrusting us with the responsibility, to our convenor Mr. Ashutosh Yadav for guiding us throughout the journey and to the dignitaries for sparing their valuable time to send their best wishes for the newsletter. We wish the readers a great experience unfolding the scintillating world of finance enlightened with insights and experiences.

Ashutosh Yadav
It has been rightly said by B.B. King, "The beautiful thing about learning is nobody can take it away from you." In this day and age with so much happening in the finance world, we recognized a dire need of providing a conclusive solution to our readers for becoming finance mavens.

Keeping this in mind we launched our endeavour to promulgate financial awareness “The Hansraj Finance Gazette”, a specially curated monthly newsletter to sum up everything related to finance under one roof for the readers. The newsletter has been operational since 2020 and now with our fourth edition and a family of 8500+ readers we are elated to take forward this journey of financial learning.

We express our heartfelt gratitude to everyone who has supported us from ideation to publication of our newsletter, to our principal Dr Rama for entrusting us with the responsibility, to our convenor Mr Ashutosh Yadav for guiding us throughout the journey and to the dignitaries for sparing their valuable time to send their best wishes for the newsletter. We wish the readers a great experience unfolding the scintillating world of finance enlightened with insights and experiences.
I READ THE NEWS TODAY, OH BOY!
Reaching for the stars
Don't go breaking my rules
Who let the bulls out?
News on shuffle

IN CONVERSATION WITH
Subhash Garg

THAT'S WHAT I LIKE
Commission Free Trading
Compassionate Capitalism
Demystifying Defunct
STRAIGHT OUTTA
EDITORS' DESK

The January Effect
Fantasy Sports Industry
BLINDIN' MONEY
Big Data in Sustainable Finance
P2P Lending Network
Risk averted retirement
Lemons or Cherries

LET'S SKIP TO THE FUN PART
Crossword
Who's the Face behind?
Book Review
The Wall

THE CHOIR
YOU WILL REMEMBER IT ALL TOO WELL!
I READ THE NEWS TODAY, OH BOY!

REACHING FOR THE STARS

WHO LET THE BULLS OUT?

DON'T GO BREAKING MY RULES

NEWS ON SHUFFLE
REACHING FOR THE STARS

Startups & Business
Ebbing of the Netflix Quotient?

The titular ‘king’ of the streaming media service is having a tough time traversing the market meanders as its Stock NFLX had tumbled down to 41% in January 2022, against an all-time high in the month of November 2021. And the ship for Netflix not only seems to tumble in the ocean of stocks, but it’s also experiencing turbulence in subscriber base. Only the expected revenue and profits generated are the signs of relief.

The addition of 8.28 million global paid net subscribers in its fourth quarter may seem fine against the projected 8.19 million by StreetAccount estimates, but ultimately, it stands weak against the addition of 8.5 million subscribers in Q42020.

According to Netflix, one of the obvious credit for this dampening scenario goes to the fierce market competition that has emerged in recent years, something that the company had refrained from admitting previously. The recent surge in its pricing may also prove to be responsible for the sluggish consumer growth, according to some experts.

Netflix is finding it hard to sign up more subscribers, notably in the markets where it has been present for the longest time, the United States for example. So it has to cram up the growth in developing markets like India and other Asian Pacific Countries.

Amidst all the speculations and strategic suggestions put forth before the allegedly ‘ebbing’ entity, it is staying optimistic and plans to march forward with new strategies (the gaming venture) and exciting content to be published on the way. Speculating any extremes at this early stage won’t be fruitful, that’s for sure.
The BharatPe Controversy

It seems like Ashneer Grover is having a hard time after being mired in controversy after controversy. First, he has come under fire for his brash behaviour in the newly launched ‘Shark Tank’, which honestly is a double-edged sword. While it makes for good television, with an exciting combination of entertainment and knowledge, on the other hand, it does nothing to endear him to the budding entrepreneurs and a certain segment of netizens. As a fellow judge on the show commented, “He is constantly looking at scoring the best deal for himself and is insecure about it, you can tell. Everyone is looking to make good investments but what you are willing to do for it is what makes the difference. This leads to him talking down to other sharks”.

At its core, he represents a new set of founders in the Indian startup ecosystem, who look to maximise their wealth, not just by making money through the company they founded, but also by deploying their personal money aggressively. Secondly, the recording of a purported phone conversation between Mr Grover and an employee from Kotak Mahindra Bank surfaced on social media and has gone viral in the past few “days. Mr Grover can be heard launching an expletive-laden tirade against a bank worker for missing out on Nykaa shares during its IPO (Initial Public Offering). While the contents of the aforementioned audio clip are being investigated, Kotak Mahindra Bank is mulling over taking legal action against Mr Grover. While he initially denied the allegations and termed it baseless through the means of a now-deleted tweet, BharatPe has acted swiftly, with Mr Grover temporarily taking a “voluntary leave” of absence and “spend the time thinking more deeply about our next phase of product development and BharatPe’s path to profitability and IPO”, in his exact words.
Tech giant Google is all set to invest up to $1 billion in the telecom major Bharti Airtel as part of its ‘Google for India Digitisation Fund’ which aims to increase access, connectivity and will add a step on the ladder of digital transformation. The deal comprises a $700 million investment for a 1.28% stake in Airtel and an amount upto $300 million for prospective multi-year commercial agreements. 7,11,76,839 preference equity shares will be allotted to Google International LLC at Rs.734 per share which sums up to Rs. 5224.38 crores. The companies were in negotiation since mid of 2021 but the deal was finalised by January end of 2022. The motive of the deal is to enable affordable access to Android-enabled devices to consumers within a set price range along with the views to consider the potential introduction of 5G technology and cloud systems for businesses across India.

Experts believe that the deal will aid Alphabet Inc. to focus on small and medium businesses in India and penetrate the SMB market. As Airtel is already catering to 1 million small and 2000 large businesses, it’s a winning situation for the cloud.

It’s interesting to note that in July 2020, Google has invested $4.5 billion in Airtel’s biggest rival Reliance Jio but the Airtel CEO claims an absence of conflict of interest on the part of Google.
The death of VG Siddhartha, CEO of India’s one of the most popular coffeehouse chains, CAFE COFFEE DAY, left everyone astounded. A typewritten letter found after his demise stated that he was under debt. He mentioned “failing to create a profitable business model”. There was a total debt of Rs. 2603 crore on CCD, which stood at Rs. 7200 crore as of March 2019.

At that point in time, Malvika Hedge, wife of late VG Siddhartha, decided to hold the position instead of mourning. She took the reins of the business and did not let her set back. Many thought CCD would not survive for long. But, Malvika, stood up to fulfil her husband’s dream.

Coming to the position, she wrote letters to 25000 employees stating “We’ll work to reduce the debt to a manageable level by selling a few more investments as I am committed to the company’s future”.

She was right. Even while covid-19, when most of the businesses were having a tough time, CCD managed to grow. She put onboard new investors and stood firm to bring the company out of debts. Her motivation and dedication showed results pretty soon. The recent annual reports show that the company has a net debt of Rs 1731 crore as of March 31, 2021.

Malvika aims to make CCD a multi-billion dollar company devoid of a debt burden. She wishes to open her coffee shops in every corner of the world. She is a true idol of dedication, motivation and perseverance.
Tata Group’s Big Basket is reportedly planning to enter the competitive space of community buying segment or as it is most popularly referred to Social Commerce. With this, it will be joining the likes of startups such as Meesho, Flipkart, and Udaan who have already started to make inroads in the industry. Community buying targets the tier 4 and tier 5 cities in the country which is being popularly referred to as Bharat by the players in the market.

Community buying is quite a new and upcoming segment in the Indian e-commerce space in which a community lender collects orders from the community in bulk through social media platforms such as WhatsApp. Goods then arrive at the nearest pickup point from where the community lender must unpack and distribute them. This model helps in reducing the cost of logistics and customer acquisition for e-commerce companies.

The company currently operates in 30 cities across India and is looking to expand and diversify its customer base beyond tier 2 and tier 3 cities. With platforms such as Farmiso (Meesho), Shopsy (Flipkart), and Price company (Udaan) already experimenting with taking the delivery of groceries and essentials beyond metros, the company has its work cut out and has to double down on its efforts. While experts feel that community buying which is growing in India has some concerns around the standardization in manufacturing quality, groceries and essentials are expected to succeed under this model. Whether Big Basket’s Bharat bet is successful or not, time will tell.
The Maharaja Acquisition: All about the Air India handover to Tata

“Dear Guests, this is your Captain speaking... Welcome aboard this historic flight, which marks a special event. Today, Air India officially becomes a part of the Tata Group again, after seven decades,” Captain Varun Khandelwal said to passengers on Air India flight AI665 travelling from Delhi to Mumbai as, after 69 years of being run as a government entity, Air India was handed back to the Tata Group on the 27th January 2022.

The airline was founded in 1932 by JRD Tata himself and was the first civil aviation airline. It has had its fair share of a tumultuous experience from being nationalized to being re-privatized. The journey of privatization of Air India can be traced back to 2000-01 when NDA made attempts to privatize Air India by selling a 40% stake but it did not work out. Air India’s golden existence was soon distinguished as its debt increased tenfold from 5,000 crores to 50,000 crores during a ten-year period from 2006 to 2017.

The final privatization attempt began in 2017 and concluded with Tata bidding 18,000 crores for acquiring 100 per cent ownership in Air India and being the winning bidder. The shares were transferred to Talace Private Limited which is a Special Purpose vehicle of Tata Sons. Of the total bid, Tata is paying 2,700 crores to the government and is retaining 15,300 crores as debt. Three banks, i.e., HDFC Bank, Bank of Baroda, and State Bank of India will give loans to Tata to finance the existent debts of Air India.

To revive Air India, the Tata Group has made a 100-day plan for the airline to improve the operational and service standards that include its on-time performance, as well as issues related to call centres and passenger complaints. The immediate focus is on two critical areas - considerably improved meal service and airline interface with crew and ground staff.

The Tata Group’s ultimate plan is to create a single aviation unit which could give the conglomerate a major advantage in the Indian aviation space which they can certainly do now as post the handover, the Tata Group is likely to operate three airlines - Air India, Air India Express and Vistara (51% stakes owned by the Tatas). The group also awaits the merger of AirAsia India, in which 84% of the stakes are owned by the Tatas.
TVS Motor Co. expands operations in Europe by acquiring a 75% stake in Swiss E-Mobility group for $100 million in an all-cash deal! The remaining 25% will be done later and these E-bikes will be introduced in European nations first, later India. The latest move is going to do wonders for TVS Motors in the overall EV business. It had earlier acquired 80% stake in the EGO Movement. TVS Motor Co. Joint Managing Director Sudarshan Venu confirmed that the company is committed to E-personal mobility products and this acquisition will strengthen their e-bike segment.

SEMG is known for providing E-Mobility solutions in the DACH region with M-way, Switzerland’s largest e-bike retailer, generating a revenue of $100 million (Rs 10 crore). SEMG has a total of 38 retail stores in Switzerland selling brands like Cilo, Allegro, and Zenith along with a 20% market share in the Swiss Market. Venu believes that India has potential for all these brands as the demand for E-bikes has been rising since 2021. We can witness the above brands in the Indian Market by the second half of 2022.

With the growing requirement and demand for E-vehicles amidst a hike in fuel prices, The TVS acquisition of Swiss is going to fuel up the EV Revolution. TVS has forecasted that the present need for sustainable transportation is going to do wonders for them through this acquisition. Thus, it’s going to be a bullish era for TVS as the market of E-Bikes holds significant growth potential.
Zomato sets up NBFCs, acquires minority stakes in UrbanPiper, AdOnMo

Zomato is a unicorn start-up that has always followed the three golden roles of business - adapt, innovate, and expand. The vision of Zomato is to focus on investing in food businesses and their relative ecosystem. The company announced its acquisition of two minority stakes in the booming start-ups- AdOnMo and UrbanPiper for about US$ 20 million.

This investment is in alignment with Zomato’s earlier pledge to invest $1 billion in start-ups. As of 31st March 2021, AdOnMo’s turnover was Rs 3.27 Crores and that of UrbanPipers was Rs 6.34 Crores. AdOnMo is the first company that promotes ‘Digital Out Of Home’ advertising in India. Zomato has taken up a 19.48% stake of Rs.112.20 crore in AdOnMo with an aim to capture a larger market share through unexplored digital avenues. Additionally, a 5% stake for Rs. 37.38 of UrbanPiper has been taken up by Zomato. UrbanPiper is a platform that acts as a bridge between food delivery players and restaurants. Investment in UrbanPipers would help Zomato reach new heights in the restaurant industry.

In addition to this, a wholly-owned subsidiary in the form of an NBFC (Non-Banking Financial Company) is being set up by the approval of Zomato’s board with an aim to extend credit to its customers, delivery partners and restaurants under the guidelines of RBI.

In conclusion, Zomato has paved its way to accelerate its growth and become twice as successful in the forthcoming years.
Microsoft acquires Activision Blizzard

Activision has nearly 400 million monthly active players in 190 different countries of the world. Tech giant Microsoft, the owner of the gaming console Xbox, has acquired the video game publisher Activision Blizzard for a whopping price of $68.7 billion which is paid all in cash and this deal is the largest one in recent times. It has acquired the company at a price of $95 per share. After this deal, Microsoft will become the third leading gaming company by revenue behind Tencent and Son. Activision has made some of the most amazing games in the past decade and they include the entire ‘Call of Duty’ franchise, ‘Warcraft’, ‘Diablo’, ‘Overwatch’, and ‘Candy Crush’.

Activision however had come under fire in recent months due to sexual assault allegations and allegations of gender discrimination as well as worker strikes which could be troublesome for Microsoft. Microsoft has also acquired various other gaming companies like Zenimax media for $8.1 billion in 2020 and mobile game maker Zynga for $12.7 billion. This is because of the growth of the gaming industry and the rise of Web 3. S&P global market has also predicted in November of last year that the gaming market would reach heights and cross $200 billion in 2022 itself.

Microsoft is also looking to expand into the ‘metaverse’ which is basically a new world that is completely online and this online world has become a recent focus of tech giants and other large companies. Microsoft's gaming subscription service is definitely looking towards one of the most diverse lineups in the gaming industry.
Amazon-Future-Reliance: Czars at loggerheads

The roots trace back to November 2019 when in one corner of the world a deal was signed between Amazon and Future groups (not sure).

In November 2019, Amazon NV Investment Holdings (“Amazon”) purchased a 49 per cent (49%) equity holding in Future Coupons Limited (“Future Coupons”), a promoter group entity of Future Retail Limited (“Future Group”), from Future Retail Limited (“Future Group”). Future Retail owned 7.3 per cent of Future Groups, giving Amazon a 3.5 per cent stake in the parent company. Future Coupons and Amazon have agreed to a deal for Rs 1,431 crore ($188.6 million) (part of Future Groups). When Kishore Biyani wrote to Amazon India in March 2020, claiming that the pandemic had caused a significant decline in Future Retail’s market capitalization, the tables were turned. Future Retail agreed to sell its retail, wholesale, logistics, and warehousing operations to Reliance Retail for Rs 24,713 crore ($3.4 billion).

Amazon got an interim stay on Future Group’s deal with Reliance from an arbitrator in Singapore. Amazon also contacted the Competition Commission of India (CCI) and the Securities Exchange Board of India (“SEBI”) as a result of this. But this stay wasn’t for long until Future Retail approached Delhi High Court and the division bench ruled in their favour. But this came of overruling didn’t stop as Amazon again approached to Supreme Court which further direct all the authorities i.e. NCLT, CCI and SEBI to not pass any final order for a period of four weeks.

This blame game appears to be more of a battle for the Indian market than an owing stake, as both Reliance and the other leader are considering strengthening their supply chains.

On the grounds of courts, orders, laws, stays, Future retail agrees to accept the transaction with billionaire Mukesh Ambani-led energy-to-telecom conglomerate Reliance and rejected the proposal of US e-commerce giant Amazon for investment in FRL.

“If you were serious about providing funding to the extent of Rs 3,500 crore within the timeline (in order to repay banks and avoid NPA classification), we would have been happy to engage with you,” said FRL. But it is now clear that your letters were just a game of smoke and mirrors, just to serve your purpose of gaining all the media attention and creating media headlines that “Amazon is prepared to help.” Isn’t there still a lot of drama to come?
Vi’s stake at stake!

What is one going to do with deserted pocket and cumulative debits? The government in the disguise of the lender of the last resort interceded to bestow Vi by undertaking 35.8% of the equity in lieu of accumulated adjusted gross revenue (AGR) repayments and interest thereon of the preceding 4 fiscal years.

GOI has emerged as the single largest shareholder in the entity. The amalgamated stake of the promoter group stands somewhat around 46.3% with Vodafone holding out 28.5% and Aditya Birla group with a superficial high stake of 17.8%.

In the preceding fiscal year, the government allowed telecom operators to convert their AGR due into either equity or preference at the discretion of the government in the virtue of optionally or compulsorily convertible or redeemable or participating in nature or amalgamation of two or all. The proposed equity has been planned to be held with the Unit Trust of India (UTI) or by any other trustee arrangement.

The government owning significant minority (and controlling) or majority stakes in multiple telecom companies will only stress-test the elasticity of its bandwidth to govern each of those stakes. The strategic and comprehensive collaboration of Vi with BSNL is being speculated keeping in view the ease in governance and booking profits from disinvestment in the coming fiscal years.
India’s bad bank gets RBI approval; set to take up Rs 50,000 crore bad loans

The Indian banking sector has been grappling with an NPA crisis for a few years now. To tackle this growing issue, Finance Minister Ms. Nirmala Sitharaman had announced the intent of setting up a bad bank during last year’s Budget FY21, to deal with the expected spike in Non-Performing Assets (NPA) post-COVID-19, as indicated in the Financial Stability Report, January 2021 by the Reserve Bank of India (RBI). The proposal was centred around creating an ARC (Asset Reconstruction Company) and AMC (Asset Management Company) model.

After more than a year of being stuck in the implementation stage, the operation to set up India’s bad bank is finally up and running after having received all regulatory approvals from the RBI. NARCL had begun its operations last year but was denied permission to transfer the assets to IDRCL. Under the latest structure approved by the regulator, the bad bank—the National Asset Reconstruction Co. Ltd (NARCL)—will acquire and aggregate the identified non-performing assets from banks, while India Debt Resolution Co. Ltd (IDRCL) will handle the process of debt resolution. IDRCL has been designated as a principal-agent for NARCL and will be responsible for the resolution.

While a total of 38 accounts aggregating Rs 82,845 crore have been identified for transfer to NARCL, the asset resolution is set to proceed in a phased manner. In the initial phase, at least 15 accounts worth Rs 50,335 crore will be transferred to the proposed bad bank by March 31. The Rs 83,000 crore that banks have agreed to transfer is less than Rs 2 lakh crore predicted last year. Khara believes that this is because some assets have been resolved in the last year. “This unique public-private partnership will bring the benefit of aggregation and expertise to resolve stressed assets. I expect faster asset resolution to take place in the banking sector with the setting up of the bad bank”, said State Bank of India Chairman Dinesh Khara in a press conference.
Is the EU’s green investment rule book the ‘biggest greenwash’ ever?

In essence, the EU Taxonomy outlines and categorises which economic activity can be termed “green” in order to be eligible for EU financing. After it was first proposed in March 2019, the debate over what should be included in the taxonomy soon shifted to the strategic interests of EU member states. The main source of contention has been the use of fossil fuels and nuclear power.

Some argue that classifying nuclear and natural gas as green investments would facilitate the transition to a low-carbon economy by stimulating funding for infrastructure that would help countries transition away from the worst fuels, primarily coal. Others argue that nuclear power and natural gas are exacerbating the situation rather than solving it. Nuclear power produces electricity without releasing carbon dioxide, but it also produces radioactive waste as one consequence. Although a gas-fired power station emits half as much carbon dioxide as a coal-fired power plant, it is very far from carbon-free.

Investors disagreed with Brussels’ plan, devised at the close of last year, to classify investments in some natural gas and nuclear power as ecologically sustainable, according to a Reuters survey of 16 fund managers with $6 trillion in assets. The draught taxonomy has sparked outrage among professionals and sustainable investors, as well as green initiatives such as FridaysForFuture, a youth-led association that marched in front of the Berlaymont in Brussels on Thursday to voice their opposition to the idea.

Throughout the months of negotiations over the ideas, Germany and other EU member states argued that gas investments were required to assist their transition away from more polluting coal. Others argued that labelling a fossil fuel as green would jeopardise the EU’s credibility as a worldwide leader in combating climate change.

Nuclear energy, which produces no emissions, is also polarising. Nuclear power, according to France, the Czech Republic, and Poland, would play a significant role in reducing global warming. Austria, Germany, and Luxembourg are among the countries that oppose the bill.

By the end of January, the Commission aims to have a final text.
WHO LET THE BULLS OUT
Markets
The impact of US monetary policy on India and other emerging markets is noticeably undeniable. The US Dollar, being the world’s reserve currency commands great influence over foreign trade and investment strategies of other economies.

On Wednesday, January 26 during the Federal Open Market Committee meeting, Jerome Powell, the Chairman of the Federal Reserve indicated the very high likelihood of a steady hike in interest rates throughout 2022 while simultaneously putting a stop to the asset purchase program, in order to reign in the inflation rate, which currently stands at 7%. He also did not deny the possibility of a 50 base-point hike in March 2022.

Historically, in such situations, there has been a tendency for investments from FIIs to slow down in markets like India. When interest rates rise in the US, it is likely to make India less attractive for foreign investments and for the currency carry trade.

In theory, RBI is expected to raise interest rates in response to the Federal Reserve in order to prevent FPI outflows from the Indian bond market and to control inflation. Nevertheless, the RBI has clearly stated that despite rising inflation the Monetary Policy Committee has no plans of raising interest rates. This is contrary to what central banks in several other countries are planning to do.

Lower rates in India and simultaneous rises in interest rates around the world is likely to result in an outflow of foreign capital from domestic markets.
From February 25, 2022, Indian traders will witness the settlement cycle for their trades being shortened from the T+2 cycle to a quicker T+1 format as announced by the National and the Bombay Stock Exchange in November 2021. The cycle will initially apply to the bottom 100 stocks based on market value. Thereafter, 500 more stocks based on the same market value criteria will be added from the last Friday of every month beginning from March 2022.

Under the previous settlement cycle of T+2 days, traders had to wait for 2 business days after the transaction day, before the stocks were debited (credited) from (in) their Demat account. With the implementation of this decision, the traders who deal in the stocks that fulfil the mentioned criteria will receive the money or the shares in their account within 24 hours of the trade.

Primarily, moving to a shorter settlement cycle will improve market liquidity and decrease the settlement risk. However, the Foreign Portfolio Investors (FPIs), who account for roughly 20% of India’s market capitalisation, are against the transition to a shorter cycle. The main cause of worry for the FPIs is that due to the shortened cycle increased operational complexities owing to the difference in time zones would prevail. Simultaneously, these investors will have to incur huge currency conversion costs as India allows investment only in Rupees. Expressing the same, the Asian Securities Industry and Financial Markets Association (ASIFMA), Traders Forum Asia and the UK-based Investment Association have sent a joint letter to SEBI Chairman Ajay Tyagi urging him to revisit the decision.
Stock prices plummet as interest rates spiral

Starting mid-December 2021, treasury yields and interest-rate expectations in America have soared to the sky as the Fed has publicised plans to narrow its asset purchases. The Fed has been striving to stabilise inflation to its target of 2%. And with unemployment rates plummeting and inflation higher and stickier, the Federal Reserve is set to raise the interest rates for the first time since 2018. In return, however, investors are changing strategies, preparing themselves against the impact of tighter money in the upcoming months.

As investments are shifted to “safer” means of dividend stocks and gold-exchange traded funds, six of America’s largest companies—Bank of America, Citigroup, Goldman Sachs, JP Morgan Chase, Morgan Stanley and Wells Fargo—reported their stock prices to have tumbled after the announcement. One particular potent speculation could be investors’ fear of higher interest rates that unequivocally lead to a decline in stock prices of banks. Since the smooth flow of cheap money in the market had led asset prices to reach abnormally new heights earlier in 2020 and 2021, investors now postulate that the opposite is more probable to befall. A quick overview of banking profits since the last three months of 2021 suggest how the slowdown has already commenced.

The unease of high long-term interest rates reduce the currentvaluations of organisational cash flows, making scripts less worthy in value. More importantly, growth fuelled by fewer interest rates, pent-up demand, and a $1.9 trillion fiscal-stimulus package in 2021 is slowly fading away. Therefore, when the Fed raises the benchmark interest rate, banks and lenders tend to increase borrowing costs. When credit cards and other forms of debt become expensive, there’s a visible reduction in consumer spending and demand. Above this, these trim the outlook of company profits and deplete investors’ enthusiasm for purchasing their stocks.

While opinions on the Omicron variant being the last wave of the pandemic could have reflected an automatic stabilisation in the US inflation, the emergence of the new NeoCov variant might bring along unprecedented changes in policy formulation, and with it unpredictable changes in the prices of company stocks.
On January 19th, 2022 the Securities and Exchange Board of India (SEBI), launched its new mobile application “Saa₹thi” which aims to spread awareness about the stock market to the youth of the nation.

This decision was made in response to a significant increase in the number of individual investors who began trading in the stock market during the pandemic, with 14.2 million new accounts being opened to trade in the stock market in FY21 alone. While this is a positive sign of youth participation in the stock market, approximately 76% of India’s adult population still lacks financial literacy, according to a global survey conducted by Standard & Poor’s Financial Services LLC.

This means that a large number of retail investors have been investing or are thinking about it without having complete knowledge about the basics of the securities markets. Saa₹thi aims to solve this issue by empowering the investors with basic knowledge about the security market including the KYC process, the trading and settlement procedure, information about mutual funds, all recent market developments, and much more.

The Saarthi app is currently available in English and Hindi, with plans to expand to regional languages in the future, according to Ajay Tyagi, chairman of SEBI. This can be a great initiative as it can ensure that each and every individual can get basic knowledge regarding the stock market irrespective of the language they speak.

With the recent surge in the number of retail investors in the market, Saa₹thi can ensure all such investors are empowered with the correct information and knowledge before they begin on their investing journeys.
NEWS ON SHUFFLE

Miscellaneous
Xi Jinping and Common Prosperity Policy

Common prosperity being described as a means to “properly deal with the relationship between efficiency and fairness” is now a wide-ranging crackdown that is bringing many companies and celebrities to heel in the name of addressing inequality. Deng Xiaoping declared four decades ago that China would ‘let some people get rich first’ in its race for growth and now Xi Jinping has put China’s tycoons on notice that it is time for them to share more wealth with the rest of the country. Therefore, China never failing to surprise anyone, is now focusing on inequality. Under the policy, the president has sought to reshape the country’s business and cultural landscape via a months-long series of crackdowns. This has targeted industries including fintech, education, and entertainment as well as perceived societal ills such as celebrity culture, gaming and effeminate fashion trends. Now that the next phase of growth demands shift, Mr. Xi says the Communist Party will pursue “common prosperity,” pressing businesses and entrepreneurs to help narrow the stubborn wealth gap that could hold back the country’s rise and erode public confidence in the leadership.

Facing scrutiny, some of China’s biggest billionaires, like Jack Ma, have lined up to pledge billions of dollars to charity.

Stating that “We cannot let an unbridgeable gulf appear between the rich and the poor.”, Xi defends crackdowns in Common Prosperity. Not desiring egalitarianism but to make the pie bigger and then dividing it properly through reasonable institutional arrangements, the president assures that everyone will get a fair share from development, and development gains will benefit all people in a more substantial and equitable way.

Even after defending and assuring the good intentions during the World Economic Forum’s (WEF) annual meeting of government and corporate leaders, the future of investing in China has come into question along with never-ending criticism.
Impact on Ukraine’s Economy
During any major risk event, investors find a haven in bonds (seen as the safest assets) and it is no different this time. On January 14, as fears of a Russian force build-up on the Ukrainian border grew, yields on Ukrainian government Eurobonds in US dollars jumped to 11-14%. Since then, they’ve climbed even higher. As a result, Ukraine’s access to the international financial market has practically been revoked.

Global Impact
The Ukraine crisis has arrived at an unpleasant time. World energy prices are already high, as oil and natural gas supplies have trailed behind the rebound of demand following the pandemic. Natural gas is now nearly fivefold more expensive than it was a year ago. Russia has exacerbated the situation by shipping less gas than usual and keeping storage levels at Russian gas monopoly Gazprom’s European gas facilities at a minimum. A potential invasion would have ramifications across a range of markets, from wheat and oil prices to sovereign dollar bonds in the region, as well as safe-haven assets and stock markets. Additionally, Ukraine accounts for roughly one-third of Russia’s gas exports to Europe. According to specialists, the pipes might become collateral damage in the event of an invasion.

The impending crisis has spurred speculation that the US may impose sanctions on Russia, potentially leading to the cancellation of major projects like the Nord Stream 2 (NS2) pipeline. If Nord Stream is harmed, Putin may decide to double down and reduce gas exports to Europe as a form of retaliation.

The tensions, according to JPMorgan, may lead to a substantial jump in oil prices, with a rise to $150 a barrel reducing global GDP growth to only 0.9% annualised in the first half of the year and more than doubling inflation to 7.2%.
In Conversation With

SUBHASH GARG

THE $10 TRILLION DREAM

Mr Subhash Garg is a fiscal strategist and former Finance and Economic Affairs Secretary, Government of India. He’s also the author of the recently released book, “The $10 Trillion Dream” which explores the critical policy issues that India faces today and suggests reforms for it to become a $10 trillion economy by the mid-2030s.
Your upcoming book has gained a lot of momentum owing to its title. Can you give us some insights on what to expect from the book? How do you think India will become a USD 10 trillion dollar economy by 2035?

Mr Garg
My sense is that the making and the unmaking of the economies is (based on) the economic policy. On economic policy as such, there are books on specific aspects such as industrial policy, manufacturing policy or even to some extent on agricultural norms but there’s very little about a very comprehensive view about the entire economy and the role of policy. So in my book, I upgraded the policy as one of the three most important building blocks of the economy besides capital and human resources. This book is all about policies. It traces India’s policymaking in 75 years since independence, like what has worked and what has not. For e.g. the policy choice for going for a socialist pattern in the 1950s and building the industry of India not in the private sector but the public sector. The first part of the book critically analyses the policy and performance and leads to my conclusion that we don’t have a policy framework in India that can catapult the country into a 10 trillion-dollar economy.

Then in the second segment, I suggest every bold and comprehensive reform. It’s written not like a typical economic book but more like a story so that people can
understand and comprehend more. The book has so much to be read.

Question
Your book portrays economic policy as the cornerstone for growth. How successful do you think this budget has been in introducing policies to tackle the current economic scenario?

Mr Garg
The biggest policy of the budget has been to increase CAPEX and the idea is simple, that more investment is needed. Going by the capital-output ratio, more investment will lead to more output and growth. The government targets the infrastructure area for investment as it is (the) key to growth but it's not taking place in the private sector. Therefore the government may make more investments. Infrastructure in the country needs to be built and that is the main policy the government has pursued. In reality, the CAPEX of the government is not going to increase next year, there is more of substitution. For eg, the NHAI which used to borrow Rs. 65000-70000 cr yearly from the market to build roads from next year will receive this money from the government instead of borrowing from the markets. Now in aggregate, this does not lead to additional CAPEX. My conclusion about the budget is that it's a good pitch for growth. It does not allow inflation concerns and the paucity of government revenues. It goes for a very high borrowing situation and the plan but on the whole, there is no real expansion in the CAPEX. I would rate, from the growth point of view, the budget as a neutral policy contribution rather than anything plus or minus.

Question
It is speculated that the fuel prices would increase after elections and this surely affects the microeconomic demand. Do you think that the budget has neglected the microeconomic factors?

Mr Garg
Taking you on your right observation about the fuel prices. It’s for everyone to see that for the last 75-80 days, there have not been any adjustments in the fuel prices, whereas the global prices for crude oil have gone from $75-80 per barrel to $93-94 per barrel and there is no need to be shy about it, it’s all because of the elections which are going to be held, otherwise, the government would have to adjust so as soon as the elections are over or maybe a few days after that there is no escape from increasing the prices. The government can do reverse or by adjusting the excise duties, so suppose the prices have to be increased by about Rs.5-6 or taking care of the increased crude oil prices and the government reduces excise duty by Rs.5-6 the consumer prices may not go up but then it will hit the revenue receipts of the government and will increase its deficit. Another way which is more restrictive is that you don’t allow the oil companies to either pass on the cost or the government also doesn’t give it in the form of the excise duty reduction, in that case, it hits the balance sheet of the BPCL and IOC viewers. The BPCL, which is supposed to be disinvested, will get further compromised and hit upon its profitability and all and will not be worth buying by anyone. So it presents a very hard choice but the government will have to buy it, there is no choice.
**Question**
The tax slabs remain unchanged but the burden remains for the salaried and middle class, they are also hard hit by the regressive taxes due to their impact and incidence. What is your take-away from this?

**Mr Garg**
So this is a fact that salary class bears a greater part a much greater part in the tax incidence of the country and as you know there are two major sources of income generation- one is the profits by the businesses and the other is the labour income which includes the entire salary class and wage-earning people. There is no dispute about the salaried people suffering under taxes. The legitimate expectation from the people who were paying taxes was that there would be some sort of adjustment in the salary slabs, there might be some increase in the minimum taxation slab, etc. None of those things happened and maybe the salaried class would need to wait for the next budget.

**Question**
Despite the 9.2% economic growth, the impact of K-Shaped economic recovery is quite visible. Do you think that the budget for 2022 tried to overcome this?

**Mr Garg**
The government can manage this by taking two policy actions- one is that the low-income earners or people at the bottom of the pyramid who have suffered the loss of wages, are assisted either in the form of cash transfers to make up for the losses or they are provided with some kind of support. The government chose this strategy of providing minimal kind support. So you’ll observe that every family is being given 5kg of rice and 1kg of pulse for free and the program has been going on for 21 months now. It is the largest program. The other program was supported by NREGA, however, in the last two years, not many people have resorted to the NREGA program. The allocation to this program has also been reduced but this is a flexible allocation, if there is a demand for this kind of work the government can always increase it. So to answer your question, the k-type recovery or phenomenon, for the lower side of it, the poor or the low-income earners, was not a very comprehensive program, but a minimal survival package that is likely to be withdrawn from the next year. A strong policy measure would have been to impose the wealth tax on the wealthier people for the current year or the next year but that has not been brought up. So on both sides of the “K”, the policy prescription and the budget of fiscal preventions are not something that can bring the two sides of the “K” closer and make it better for the country.

**Question**
Micro, Small and Medium Enterprises (MSMEs) continue to be the backbone of the Indian Industrial Sector. What are the steps taken by the government to revive them in the post-pandemic period?

**Mr Garg**
There were two government’s preferred interventions- one, the RBI will open the liquidity taps for the banking sector, both in the form of loan policies as well as bonds. The
RBI did give a lot of accommodation for recognizing the non-performing loans. The other improvements were made by the government itself such as the Emergency Credit Landing Guarantee Scheme, which was that if you give these MSMEs about 20% additional loans and that 20% would be guaranteed by the government. In case there is a default in the payment of those loans, then the government will pay back to the banks. Now these two interventions have held the banks, to continue to lend, though not as much as the government expected, this ECLGS has been for four and a half lakh crores until 31st March and has been raised to five lakh crores for the next year. There have been, under this facility, only two lakh crores and there is not much of a great take-off, which shows that the liquidity measures taken by RBI did not lead to high bank credit growth. There has been some growth in the MSMEs due to the government’s ECLGS and therefore there has been a limited impact. My worries are more deep-seated from the policy perspective, I believe that the credit decision should be that of banks and it should not be compromised by any external guarantee as in that case you tend not to worry about credit or risk and then don’t make that kind of assessment. It leads to this habit being formed that you continue to give us a guarantee and not treat those loans as non-performing which leads to the killing of the credit display. My fear is that in years to come there would be a lot more non-performing loans.

**Question**

In the last budget there was a lot of focus on bad banks being created and the formation of NARCL to resolve the issue of rising NPAs, however, the budget this time did not even mention the same. Do you think the significant impact has been created in a year itself or is it to follow? Secondly, given RBIs financial stability report mentions that banks are still ailing with NPAs and your predictions that NPAs are here to stay, how do you think that a bad bank will be able to solve these problems?

**Mr Garg**

So it was quite surprising this time, in contrast to the last year’s budget, that the government’s intervention in the financial sector was just conspicuous by a total absence. If you recall, last year there were 4 big announcements in this sector, privatisation of banks and insurance companies, a large monetisation pipeline, setting up a national bank for infrastructure financing and, as you mentioned, about bad banks. This year there is literally no mention of these. My assessment is that limiting myself to the bad banks issue, both structures have been set up, the NARCL and IDRCL. Beyond setting them up formally and staffing them, not much really has happened. Some conflicting situations have also arisen. For example, the NARCL is supposed to be a public sector body. It is only supposed to cater to NPAs of public sector banks. However, the IDRCL is a private sector controlled. It is supposed to be the resolution arm. The public sector banks have an apprehension that if the IDRCL ends up doing something with the bad loans and they are questioned later then their necks would be caught whereas the IDRCL will probably get away. That has led to a kind of standoff. So, I think resolving this conflict itself will
consume most of the energy. I have some doubts about the ability of the institutions to be able to actually resolve the NPAs. So maybe this is why the Finance Minister did not talk about it but let’s leave it to next year to see how things shape up.

**Question**
What do you think about the 30% tax on virtual digital assets? How will it impact the current crypto environment in India?

**Mr Garg**
The RBI’s primary concern is about the currency use of the cryptos. Cryptos have broadly three uses-one is as currency, the second one is in business, goods and services and the third one is as an asset. The bitcoin came up as a currency initially, now we have a lot of stable coins for international transactions which are packed to dollars one to one so whether you make transfers in dollars or transfers in the stable coin it means the same except the stable coins claim that the cost of transfer through stable coin is much smaller than the traditional remittances or transfer routes. There are a lot of business uses, there are a lot of applications being built on blockchain platforms like Ethereum. There is a lot of business including credit and finance (that) is done through a decentralised financial system. Likewise creating NFTs and doing many other services such as music are being done on platforms like blockchain. The third use is that of creating assets or the crypto platforms are becoming asset-intensive such as creating NFTs so that NFTs themselves become an asset. Likewise, the platform bitcoin or Ethereum itself is an asset class.

There has been over recognition of cryptos as cryptocurrency, that is what shaped the RBI’s concern in the policy. The country is planning to come up with an altogether different cryptocurrency of its own so the RBI’s concern remaining primarily on the currency side is reflected in the government taking a decision that we will come up with an official digital currency and the RBI act has been amended to provide for the change that the distilled rupee would be equivalent to the banknotes. For the time being the intent is to issue a digital currency but this doesn’t solve the problem of international payments or how you would deal with a situation where the bitcoins of the world would be used as a currency. The government said that it would bring out a law to ban cryptocurrency and that aspect, for the time being, has not been addressed. On the asset side, the main use is that the government will treat them as war assets like the NFTs, etc. and tax them at 30%. This removed the confusion which had been all around the eyes of the investors, the tax authorities, how you make gains from the crypto but the two measures that the government has taken-one being the 30% tax which is definitely considered a very high rate of tax on the gains which are made as compared to the other asset classes not subjected to this kind of taxation.

The other measure, in my opinion, that is more dangerous for crypto is 1% TDS. Supposedly you earn around Rs.10000 of profit a year, so whenever you buy any crypto, you’re supposed to deduct 1% payment to the person who sold you. Hence, you have to identify by whom the sales were made which is very difficult to
figure out in the way which crypto assets are sold and it is impossible if you do it outside of the exchange. The tax proposals say that if it happens to be a non-resident seller then the TDS is not required to be deducted. So the day this proposal was made, I said that “The party’s over”. And the last use of crypto, which is that of business, has not been addressed. My opinion on this proposal is that it is a partial story, some things have been improved but there is still a lot of mess around it.

Question
Sir, presently there are 7 countries with their central bank digital currency and China has been trying the e-yuan for 2 years now. It has only now been launched in the winter Olympics as a method of payment. Do you think that the aim to launch the e-rupee by this financial year would be accomplished?

Mr Garg
This subject needs to be understood in all its dimensions. Today all of you must probably be making digital payments. So, digital payments are taking place enormously. Let us all be clear that most of the payments that money is used for making are digital today. What is not digital today are the small payments that are made by the use of physical currency. So, when you buy from some small vendor, that is where you use cash. I know quite a few youngsters do not carry cash now but there are many Indians who still use cash in making payments. Now digital currency is supposed to substitute cash currency for others. You and I do not need digital currency, our bank accounts are enough to make digital payments. Therefore whatever you design as digital currency should be able to be used by those people as conveniently as they use cash. Otherwise, it will not substitute cash. There has been a transition to digital payments but still, a lot is left. My apprehension is that the digital currency that the RBI is about to launch might actually become an additional mode of digital payment rather than as a kind of digital currency for the retail or poor people who currently use the physical currency. There are massive issues in reaching out to these small people.

Would they be able to create digital wallets to keep their digital currency? Will they be comfortable making payments? My sense is that the time for digital currency has come and sooner or later the physical notes will get substituted by the digital notes in your wallet. But that process is not easy and is the least likely to be serviced by cryptocurrency. You can’t have a blockchain and cryptography-based, common consensus, decentralised currency or system of arriving at the final payments, etc. For this, it would have to be some sort of centralised currency. I have been making this point that the best way perhaps is to dematerialise the banknotes and then allow those dematerialised banknotes to be used through the digital wallets by anyone who wants to do it. This would be the least disruptive and it would be the digital currency form. Whatever amendment has been made does not necessarily indicate that the RBI will go through the cryptocurrency and the blockchain route. In my judgement, it is impossible to do it. So China, as you referred, is using partly blockchain cryptography in
a controlled mode and therefore they have the control which is absolutely necessary for the central bank to exercise and it’s not the proof of consensus mechanism that blockchains employ. So, my own assessment is that it will take years for the RBI to come up with digital currency.

Question
The MGNREGA allocation is cut by 25% despite high rural unemployment and a poor rural economy. Is the budget 2022 ignoring the common man?

Mr Garg
MGNREGA is a demand-based program. So, whoever feels that he does not have a good job and who needs to be assisted or partly supplemented by the program, registers himself/herself for getting a maximum of 100 days work in a year. If you look at the last 5-7 years data, the minimum MGNREGA demand has been for about 6-7 crore people taking work. Let’s say 6-7 crore is the minimum that you’ll find every year. These may be the rural landless labourers or the poor marginal farmers who besides earning something from their labour might for some days come and do it. For this kind of demand, Rs. 73,000 crore provision meets the requirement going by the historical record. So, I’m not worried about the government keeping a provision of Rs. 73,000 crore as against much higher provision for the last two years when there is much higher demand. If there is more demand, then the government can always increase the allocation in the revised estimates.

Question
How will the PM Gati Shakti Yojna impact the economy?

Mr Garg
PM Gati Shakti is more of a governance reform. What it does is that it creates more of a centralised monitoring mechanism where you can connect each project with the other one. Transport is not a stand-alone compartmentalised business. If you come by rail, you need something to connect you to take you home. I would rate this as a governance reform program which if properly implemented and done, would contribute to better implementation of projects. But I won’t take much from this that this will lead to higher utilisation of infrastructure spent or the allocations. The fact that the government had to virtually bail out NHAI this year by withdrawing it from the borrowing program in the open market because its loans had accumulated to such a large extent that it was impossible to borrow more suggests that the institutional structure and the financial strength of the players in the system are quite weak and those issues are not addressed by Gati Shakti. Gati Shakti is more of a performance improvement program. So it will have to do both, the performance improvement and governance improvement on one side and its financial viability and economic strength on the other side. Unless both these things are done, the full result of Gati Shakti will not be tangible.

Question
The government expenditure on education remains skewed. Ms Sujatha Rao said that the ports and roads don’t make sense if people are
illiterate and sick. To which extent do you believe it’s true? Also, what is your take on the mention of a digital university being opened?

Mr Garg

Banks were physical, they started to become more and more digital and now we have fully digital banks. Likewise, education has become digital. The idea of a digital university is good. My opinion is that the government should not set up another digital university. Some private universities are becoming digital in any case. A much better thing for the government is to digitalise the existing universities.

Coming to the second part of the question, most of the education expenditure takes place at the states and not at the centre. The Centre runs some programs to assist the states. My bigger policy issue, which you’ll find being discussed in my book quite eloquently, is that we treat education as charitable. You officially cannot make profits. In other parts of the world, education is free of these constraints. Thus, we need much bigger reforms in this regard. Today, we face an acute scarcity of doctors, paramedics etc. despite most colleges offering free education because of enormous capacity constraints. I think there needs to be a fundamental shift in education policies.

Question

Sir, we’ve seen that the global rates of inflation are surging and the Federal government is already taking action. What do you think should be the policy intervention by the Indian government and the RBI in order to make sure that it does not affect India to a great extent?

Mr Garg

So the Federal government as you rightly noted, has turned completely around from the opinion of inflation being a transitory phenomenon to being well-entrenched and the policy pivot shift has been complete. Not only is quantitative easing being reversed, people are now talking about quantitative tightening and also the interest rates being raised. This has had an effect on the financial flows which come to the country. FPIs are withdrawing money from both the debt and equity markets. So, the big advantage we enjoyed for the last couple of years of global flows coming to India and creating easier financing conditions and the cheaper money is in for a reversal. Likewise, the inflation elsewhere is real and will feed into global inflation. The Finance Minister also recognised this. So, I think our monetary policy is still in the belief that we have to create conditions for easy availability of finance for growth and also for the government borrowing program to be financed at lower costs. Now, I would believe that from next year the RBI will not be able to sustain this low-interest situation. We already have seen the bond yields going up by 20-25 points after the budget and by 50 points in the last 3-4 months. This means that there might be further hardening and the RBI would find it very difficult to continue with these loans or easy monetary policies. Inflation at this moment from the retail side appears to be within the policy tolerance range but the wholesale inflation is very high and sooner or later that will feed into the retail. So, I think there are some tough times ahead from the inflationary and global flows point of
view.

**Question**
Sir, we at FIC focus on promoting financial literacy. In one of our drives last year, we found out that not only the underserved section but also students lack the awareness they need to handle their personal finances. What road map can you suggest for our readers to be more financially aware and able?

**Mr Garg**
I think that’s a very valid question. Indians generally have a good money sense and have been global leaders in financial management. I think intrinsically we are well wired to understand finance but institutionally, we have perhaps taught our students more about the theory of finance and not much about the practical aspects of finance. My view is that when there is much public sectorisation of the financial field, in that system, there is much less real finance. It’s more like there is some part of savings that have to be invested and you do it mechanically without assessing risks, etc. So, I would suggest that it’s much better to switch over to doing finance while studying. In my judgement, there is a fundamental shift required for us to fine-tune our inherent talent in finance.

7/02/22

**Interviewers:**
Vipriya Anjum, President
Ketav Rastogi, Co-ordinator at the Editorial & Marketing Department
Kayna Arora, Co-ordinator at the Editorial & Marketing Department
THAT'S WHAT I LIKE

Featured Articles
It's been said that "There is no such thing as a free lunch". However, this quickly turned to "Don't look a gift horse in the mouth" when the era of 'commission-free' trading began. It started with Robinhood, the famed US stockbroker when it pioneered commission-free trading back in 2013 by eliminating the fee charged to investors on buy or sell orders. As more stockbrokers in the USA jump on the bandwagon to retain their competitive edge in the market, it is time to evaluate if 'commission-free' trading is heaven-sent or a double-edged sword.

The obvious question that arises is "How do these brokerage firms earn money when their primary offering is given for free?". The answer to the same can come from a wide array of techniques invisible to investors. Let's go with the example of Robinhood. Earlier, the company used to advertise that it earned its revenues by earning interest on its clients' uninvested funds. However, during the pandemic, when interest rates plummeted, Robinhood began finding alternatives. Upon analysis of the company's disclosure documents, a few revenue streams were identified, namely: margin trading, rehypothecation and monthly fees for upgraded services.

Margin trading is a process by which day traders purchase more stocks than they can afford to. Essentially they purchase stocks at a margin of their original value by borrowing the rest from the brokers. The brokers, in turn, keep the purchased stocks as collateral. Their position is mandatorily squared off at the end of the trading session (If you've bought securities, you'd have to sell them and vice-versa). Since stock rates are quite volatile, margin traders are required to maintain minimum margins throughout the session. In case of overages, more money is paid to the broker or trade is automatically squared off.

Rehypothecation is another segment within margin trading through which the stocks pledged as collateral, are used by the broker to fulfil their own interests and obligations. It may be anything from funding their own market bets or borrowing money from a bank using the investor's collateral if things go south. A lot of
Robinhood’s clients fall into margin trading and are thus exposed to rehypothecation. If done with the right judgment, this practice works out quite well. However, it is relevant to note that misjudgement here was one of the reasons for the famed fall of Lehman Brothers; a financial services firm.

Payments for Order flow is a practice followed by US brokerage firms, which was termed as illegal in the UK. Essentially, through this flow, market makers like huge brokerages on behalf of smaller ones bundling orders together to keep costs lower. This is a very controversial practice since the matter of disclosure fell on the small brokerages which were not handled transparently. Moreover, traders discovered that some of their “free” trades were not routed with the investor’s best interests in mind. These trades were costing them quite a bit since they weren’t getting the best price at the time the transaction was placed.

There is also a psychological factor involved with “zero-commission” trading. During the pandemic as the stock markets witnessed a huge influx of new investors, there is a possibility that zero-commission trades may cause bad trading behaviour. It is generally agreed that medium and long term investments are less riskier and bring bigger returns. Therefore, eliminating brokerage fees causes investors to value day-trading over fundamental investing. While free trading saves costs, it might also lead to rash trading which takes a hit on returns. Ultimately, if this encourages more day traders, that’s probably a bad thing.

However, the most questionable practice associated with ‘commission-free’ trading remains the widening of the Bid/Ask Spread. A Bid/Ask spread is essentially the difference between the highest price offered by a buyer and the least price at which the seller is willing to sell. Typically an efficient trade consists of the thinnest bid/ask spread. However, constructing less efficient spreads may be a way for brokerages to capture extra revenue for themselves. Let’s say that a trader wants to buy a stock of ABC Ltd. for $10. Seller A is willing to sell for $11, Seller B for $12 and Seller C for $13. The bid/ask spread for the above three are $1, $2 and $3 respectively. The most efficient routing would be to match the buyer with Seller A. This way, the firm only earns $1. However, if the brokerage routed the trade to Seller C, it would earn more revenue through subtler
means. Therefore widening the spread is one method by which zero-commission firms earn revenue by making inefficient trades.

Another way for these firms to earn money would be to sell a customer’s order flow data to other market participants. This sabotages the customer’s short-term trades and is widely unethical.

Although it has certain flaws, the zero-commission model delivers what it essentially promises, no charges on trading activity. While we see the wide prevalence of this model in the USA, why is it nowhere close to being implemented in India? The answer lies with the stringent SEBI regulations. Where American brokerages are free to earn interest by leveraging idle balances in customer accounts, Indian brokerages mandatorily have to send back the same to the client’s bank account. Where American exchanges do not require brokers to solely route trades through them (thus facilitating Payment for order flow), Indian exchanges do not provide alternatives for the same. In America, all Demat securities are held with brokers which leads to the lending of securities and an additional revenue stream. However, this is impossible to do in India. Therefore, there is no way for Indian brokerage firms to survive on the zero-commission model as the American ones do. Is it a boon or a bane? It all depends on the investors.

-Nishitha BS
The above statement sounds like it’s courting controversy, doesn’t it? However, if one were to look at the Nordic Model, then even such a utopian concept can easily be translated into reality. Before we go on to dissect this model in greater detail, let us first try and understand the rationale behind the same. For this, we take a two-pronged approach, with Archishman arguing for and Garima arguing against the same:

The Nordic model cannot simply be defined as either socialist or democratic socialist. A better term to define it would perhaps be compassionately capitalistic. Socialism at its core involves the government dictating the economy, with the invisible hand of the marketplace tied behind its back. The Nordic model however combines features like free market and economic efficiency, with the State participating mainly to provide services in the sectors of education and health for human development that are financed by taxes. A key component of the Nordic model is the emphasis placed on the creation and maintenance of a social safety net and collective risk-sharing.

The aforementioned social safety net is primarily achieved through mass unionisation, with each union negotiating a fair baseline wage rate for their workers. This pay rate varies from industry to industry, depending on the type of work performed which keeps both employers and employees happy. In contrast, a government-mandated minimum wage which is seemingly high would lead to a scenario in which firms would have no choice but to lay off some employees. This is because by forcing firms to raise wages higher than the estimated output of an activity, they have no choice but to stop the same. It would also result in higher prices for the consumers as the employers offset the deficit in cost by charging more, leading to less consumption, fewer business profits, and fewer taxes for the government to collect. Apart from the Nordic labour market institutions with their active policies and generous unemployment benefits, the bumble bee feature of the Nordic Model is quite unique. Here, the negative effects of high taxes which are economically harmful are mitigated through public spending which supports employment and growth on items like child care,
education, infrastructure, research, and labour market policies. It also links the entitlements in transfer systems (notably pensions) to labour market attachments, resulting in greater participation in the labour force which in turn helps in maintaining economic growth and providing social welfare services on such a large-scale.

In a nutshell, this social safety net has inculcated a greater degree of trust in citizens for their government, and also for private companies as they believe that both the public and private sector have their best interests in mind through a general social contract, which is exceedingly fair.

This social safety net is offered through the means of collective risk-sharing, which enables citizens to cope with risks and adapt to change in socio-economic dynamics in a much easier manner. Thus, it has helped the Nordic countries to adapt to a globalised world, by facilitating adjustments that allowed the economy to raise productivity, thereby raising the standard of living in these countries. Perhaps this is the reason why Nordic countries consistently rank highly on the World Happiness Index. Underpinning this virtuous interaction of security and flexibility is the widespread feeling of trust – among citizens and in public institutions – and a sense of fairness related to the egalitarian ambitions of the welfare state (education, social policy), as mentioned above.

In conclusion the Nordic Model, despite its relatively higher tax rates, more than makes up for it by providing strong social safety nets, with an equally robust free-market system, the type we see in a social democracy. This compassionate capitalism, coupled with political freedom and negligible levels of corruption, has laid out a blueprint for other countries to follow.

The Nordic Model may seem like heaven on earth, but is it really a bed of roses?

Firstly, as seen in the social contract (pictured above), the biggest repercussion of the Nordic welfare state model is the strain caused on the government finances due to the low net contribution to the public sector over the course of any citizen's life. Any particular citizen would benefit from the Nordic Model during his/her childhood.
through public education and also during his/her old age through the state-mandated pensions. Thus, the only time the citizen would be contributing toward the economy is during his/her active working years by paying taxes. Interrelatedly, the taxes imposed are very high and they do not vary with the level of income ranging from 46.22% tax slab in Iceland to 57% tax slab in Sweden. As a result, workers are highly disincentivized from taking up jobs, as even if they would, the tax rates cause a huge hole in their pocket leaving close to nothing for them to spend or save.

Secondly, working careers under the Nordic model start relatively late owing to their so-called ‘better’ education system, while on the other hand life expectancy has also increased owing to advances made in the healthcare sector (while retirement age remains the same) {A boon or a bane? Well, that’s for you to decide}. Going by the social contract depicted above, taxes can be increased only to a certain extent, and even then it would put considerable pressure on the labour force and cause serious repercussions on employment and growth. Stating differently, the spending on public welfare would increase at a much faster rate than the GDP will.

Thirdly, globalisation poses a very common risk in the sense that some of the graduates from universities that were financed by the Nordic governments, then go on to make a career abroad, pay comparatively fewer taxes abroad, and then return to their home country to enjoy the benefits of retirement pension which is financed by the state.

In conclusion, the Nordic Model seems like a double-edged sword, with its own set of pros and cons. We have laid down all our cards, it is for you to decide now which edge is sharper.

- Garima Gupta & Archishman Chaudhuri
The invention of mobile phones revolutionized communication forever - such was the nature of this technological innovation. Nevertheless, this was just the beginning of such advancements. Since then, mobile phones have become faster and more compact with the addition of new features every passing year, making older technologies obsolete. Akin to evolution, those that were able to adapt; survived, while the rest perished in the mobile phone industry. This article provides a cursory look over the rise, dominance, and the subsequent fall of Nokia and Blackberry - The former giants of the cell phone industry.

From Telephones to Handsets
The very earliest first phones were not mobile at all. They were these radio methods of communication that were relayed on a singular very powerful base station as compared to the signal being transferred from one phone to another. The first mobile telephony service was established for first-class passengers on the Deutsche Reichsbahn i.e the German Railways that ran between Berlin and Hamburg and the first calls were made in 1946 on a car radiotelephone in Chicago, United States. A device weighing 40kg was also installed in Sweden in 1956 which was the first automated mobile phone system for private vehicles. It used a vacuum tube technology with a rotary dial.

NTT was the first commercial mobile phone network that was founded in Japan in 1979 and this was later followed by the Europeans.

Then in 1991, came the Global system of mobile communication as a 2G network in Finland which was the forerunner of the mobile data boom. In India, we skipped the entire analog generation and went directly to gsm and 2g mobiles.

The Big Dogs
Now came the rise of the Giant Nokia. We all know the classics like the 5110, 3300, and 3310 which are still iconic to this date and they dominated the market back then. To date, about 126 million Nokia 3310 have been sold, so was the craze behind this phone. Nokia 7650 was one of the first phones in India that had an inbuilt camera in it and this did wonder. It could also send photos using Bluetooth, GRPS, or even infrared technology.

After this came the
blackberry boom which launched its first device in 1999, it was a pager also called the 850 series. Their first mobile was launched in 2004 which was the 7100 series. This mobile company is best known for its email facilities and messaging facilities like blackberry messenger. This was a very eye-catching mobile as it had a very different design and did try to have a touchscreen approach (9500 series, 2008) which was something the users have never seen before. Initially, they were also using their own software however in 2015 they adopted android.

The Smartphone

The first touchscreen phone was the IBM Simon made by IBM in 1992. This was in every sense of the word a “smart” phone, but it was not adopted by a lot of consumers. Several features of the Simon made it stand head and shoulders above its competitors. These include email, fax, calendar, appointment scheduler, notepad, calculator, world clock, and much many more.

The most attractive feature of upcoming smartphones at the dawn of the 21st century was internet connectivity and their proficiency in facilitating e-mail communication. This made them very popular among professionals and they were, therefore, quick to replace the previous generation of phones.

This was the main reason for the success of Blackberry. Their phones coupled touchscreens with the QWERTY keyboard. This feature made them very user-friendly for professionals and teenagers alike in the 2000s, but later became the reason for their demise. They simply could not compete against the new generation of Apple and Android phones that had a greater vision for their future. These new phone manufacturers focused on developing a variety of applications expanding their utility beyond the professional realm. Blackberry was slow to adapt and was very rigid in terms of abandoning its QWERTY keyboard and changing its operating system.

The Nokia Story

Nokia was once a Goliath in the smartphone industry. This is evident from the fact that it had a market share of 50% in 2007. By 2013 however, it lost 90% of its market
value and was acquired by Microsoft.

The reason for this failure is a mix of shortsightedness and mismanagement within the company that was reflected in its inferior products.

The central issue was that instead of focusing on a long-term solution such as developing a new operating system altogether, that could compete with Apple and Android, Nokia adopted the short-term “fix” of designing new phone models to meet short-term market demands.

This shortsightedness and rigidity in Nokia was a consequence of fear. Due to the status and magnitude of the company, top managers were afraid of the external competitive environment and responded by adopting temporary “fixes”, while the middle managers were afraid of challenging the status quo by telling them the truth about the company and its competition.

A culture of fear within Nokia led to a lack of innovation and thus became the force responsible for its downfall.

**Conclusion**

We, as a species, need to adapt and grow as our environment does and never stop. Else, we are usually eradicated, just like the handheld mobile. Companies like Nokia are trying to make a comeback and it is showing some positive results in the Q4 of 2020 however it is highly unlikely that they will dominate the market like they once did. Handheld mobiles have a very special place in our hearts, being the first mobile phones for many of us. However, in the current day and age, they lack the flexibility offered by their counterparts and due to a lack of modernisation they have faded and their chapters most likely closed.

- Arnav Mathur & Tushasp Rajput
The GDP of Japan in 1994 was estimated to be 4.9 trillion US dollars. Cut to 2017, the GDP was still 4.9 trillion US dollars. Despite being the world’s third-largest economy behind China and the United States, Japan has had no genuine economic growth in the last thirty years. And in a society where growth is almost assumed to be endless, this can be a major issue.

In the years between 1945 to 1991, with the help of the Allies, it was able to rebuild and go through its own Industrial Revolution in the 1960s, thanks to which it became the first of the modern Asian countries to experience explosive economic growth, at a rate of 10% a year, which for a national economy was unheard of. The conditions for rapid and sustained economic expansion were in place, as a consequence of the young and well-educated population, high domestic savings rate that provided enough capital, and an activist government and bureaucracy which provided guidance, assistance, and subsidies. Besides incorporating a massive automobile industry and being at the forefront of consumer electronics, it was working diligently to ensure that this newfound money was prudently put in infrastructures such as high-speed rail airports and metro systems, which would boost their economy even further. People began to speculate on when Japan will overtake the United States as the world’s economic superpower.

Then, in the early 1990s, it all came to a halt. What caused this slowdown in the first place? Japan is now the world’s oldest country, due to a low birth rate.
and a long life expectancy. This means that an increasing proportion of the workforce is dedicated to supporting older generations, that much more private and public money is directed into health care, and that new people are finding it increasingly difficult to advance up a constantly congested corporate ladder.

Furthermore, other Asian economies that have seen their own economic booms are posing a threat to Japan’s main industries. If you were in need of a reliable economy car 20 years ago, you couldn’t go wrong with Japanese brands like Toyota and Honda. Today, South Korean manufacturers beat Japanese manufacturers in terms of cost and warranties. The same can be said for consumer electronics, which has been entirely dominated by China and Taiwan’s industrial giants. The wage price cycle hasn’t developed either. Due to a lack of flexibility, people tend to stay at organizations for a long period, making it difficult to switch employment without suffering a significant personal loss. As a result, employers are under no obligation to grant these workers wage increases and people are unwilling to open their wallets since earnings are not increasing.

So, surely, the government did something about it? Monetary and fiscal policy are the two main control tools used by the Japanese government to stimulate growth. As per the monetary policy, people will pay less money on their debt commitments, such as home loans, if the bank lowers interest rates. They will have more money left over at the end of the month to spend in the economy which is necessary for an economy to grow.
But hang on, wouldn’t this cause inflation? Well, not really. In Japan, growth, particularly wage growth, has been so slow that, regardless of the interest rate, the price level of goods has remained unchanged. In reality, much of the country has been experiencing deflation. People will just cling to their money and shove it into a mattress if money is buying more and more every year. Why would I spend money on a Toyota Camry now when I could get a Lexus next year for the same amount? Not spending money will bring an economy to a halt, and the central bank will do practically anything it can to prevent this from happening. The Bank of Japan’s most desperate approach is known as Quantitative Easing (QE), wherein it makes large-scale purchases of financial assets, like government and corporate bonds and even stocks in a bid to combat deflation.

In 2013, the Central Bank of Japan planned to literally double the amount of Yen in circulation through QE and money-printing in an attempt to fight off deflation. This had mixed results, but the growth was not reintroduced into the economy as a whole.

How can printing additional currency not create inflation, one must wonder? To understand, we must distinguish between two types of money: base money, which includes bank reserves and a small amount of money in circulation, and broad money, which includes currency in circulation, savings accounts, and other cash-equivalents. A rise in base money will have little influence on a consumer’s ordinary purchases, but a rise in broad money will have a direct impact.

What went wrong for Japan was that despite printing a lot of money, they failed to raise broad money proportionately. As a result, consumer spending did not increase as much as Japan would have hoped, resulting in another period of stagnation.

So the only other option left for the government was moderations to spending and taxation as part of fiscal policy. If the government wishes to stimulate the economy, it will reduce taxes and increase government spending. This usually works fairly well and has the added benefit of potentially investing in public works projects that will provide long-term benefits in addition to a short-term boost to the economy. However, there is one drawback. When you spend a lot of money without
earning it, you will soon deplete any savings you have and get into debt. Japan currently has a national debt of 11 trillion US dollars which represents almost two times the national GDP. Add the burden to pay interest on those loans, though it is low due to the debt taking the form of government bonds, these repayments do have a serious impact on the long-term growth of the economy.

This economic model raises several important problems that other economies will have to address, such as what will an economy do to maintain stable growth when a bigger portion of its population ages and becomes less productive? The central banks of numerous countries dropped interest rates to all-time lows to stimulate economies following the pandemic; however, there will soon be little room for further reductions to properly recover economies out of recession. So, how would these financial institutions go about rebuilding the economy?

Japan is still a vibrant country. It’s a stable society with a low unemployment rate, but it tends to be accompanied by less desirable phenomena such as stagnant salaries and an economy that lacks the dynamism of the United States, where a new business like Tesla storms onto the scene and seizes a large portion of a market like cars. This stagnation could be a sign of something bigger because for as long as we’ve studied productive national economies, we’ve essentially believed that growth would continue indefinitely. But, truth be told, the fate of Japan’s peak and plateau is becoming increasingly inevitable for almost all economies of the world built on being the world’s workshop.

-Aditi Jain & Madhav Goel
Rational Choice Theory is an integral part of economics as we know it. From Smith to Keynes to Hayek, while renowned economists squabble over a variety of things, the true nature of economies, most effective structure of ownership of resources, and a variety more, perhaps one actor which is stable across all models are the individuals. It is assumed that all sentient actors in a model, or more commonly put, circumstance, act after due rational calculation, and out of self-interest.

Via this argumentative essay, I aim to prove three things. First, Rational Choice Theory has a monumental scope and hence applies to a vast magnitude (majority) of economic models. Second, a majority of economic actors, in terms of the gross value of goods and services involved, or the number of actors involved, adhere to Rational Choice Theory. Finally, I would argue that its viability can be attested via the fact that no counterfactual model exists.

Models
Take a moment and revisit the economics of classes 11 and 12. What were the common actions taken by a consumer? If given a cheaper good with the same qualities, they will buy it. What about the producer? If a service can be sold at a higher price than now, while keeping the volume of goods sold intact, the producer will increase the price.

The point is, even though economic models...
become complex due to the variety of factors interacting, the individual decisions taken are fairly simple. Motivations are often straightforward and stagnant (for example, a producer will always try to maximise profit), and hence when stripped down to its fundamental aspects, all actors work by the postulations.

One might bring up as a refutation the case of countries getting involved in unnecessary conflicts, or other cases of supposed irrational actions. Yet an example, one can take the stock market. The vast majority of investors across the globe are institutional if one accounts for dollars invested. Even if one were to go by several investors, the number of investors trying to make a profit while utilising all available information outstrips those acting on misinformation.

**Counter factual**
One might scoff at the above two arguments, and justifiably so. It doesn’t deal in absolutes, but on a gradient, the word majority is perhaps the most used one in this essay. Yet, this is where
The Rational Choice Theory states that people make rational calculations to reach rational outcomes to maximise their utility. Many economists argue about the veracity of this theory. Critics are of the opinion that consumers hardly “perform” rational calculations to make utility-maximising decisions.

It is important to understand that people are rational in a utopian world. When jolted back to reality, the realisation dawns upon us that this is the real, imperfect world where people are dominantly driven by emotions and other external factors.

Almost everything humans do, including altruism and self-sacrifice, is rational, according to some theorists. Non-rational or illogical action becomes part of the model when it is expanded to include all forms of action as rational. By including every possible form of action in rational choice, it becomes obscure how
the standards of what is reasonable and what is not have been established.

Herbert Simon, a Nobel Laureate, proposed the theory of bounded rationality in place of the assumption of perfect rationality in orthodox Economics. According to this hypothesis, people are not always able to get all of the information they require to make the best decision feasible. For most judgments that humans make, Simon maintained that knowing all alternatives, or all consequences that flow from each alternative, is realistically impossible.

Similarly, economist Richard Thaler pointed out some of the flaws in the premise that humans act rationally. Mental accounting, as proposed by Thaler, demonstrates how humans value some dollars more than others, despite the fact that all dollars have the same value. They might drive to a different store to save $5 on a $20 purchase, but not on a $1,000 buy.

The Rational Choice Theory portrays consumers as highly aware, self-realised individuals, taking the prescribed steps towards utility maximisation. What the theory conveniently leaves out, by the virtue of assumptions, is how individuals, unlike the quintessential ones taken in models, respond to sentiments and incentives which firms exploit by using a wide array of marketing techniques to increase sales. Often there is an illusion of wants; people are often tricked into believing what is necessary for them. Thus, consumers who think they may be behaving rationally may, in fact, be doing the exact opposite.

By not factoring in human behaviour, models based on the Rational Choice Theory often reflect what people would do if they stopped behaving the way they behave. This may sound absurd but this is what is “assumed” to be rational.

-Ketav Rastogi & Naman Gambhir
Amidst the never-seen-before surge in online transactions, the FM’s budget speech unveiled the plans to launch the Digital Rupee in the next financial year. While this move is likely to push digital payments to a new level, boost financial inclusion and enable cheaper currency management, we are yet unaware of the ramifications of this new realm.

When we talk about currency, we usually picture paper notes, however, the form of currency is not its defining characteristic. Instead, what defines it is the sovereign backing and the fact that it is a fiat, legal tender. The digital rupee will be backed and issued by the RBI and will be exchangeable for cash as has been emphasised by the ruling party abundantly.

Before we talk about what follows the launch of the digital rupee, we must talk about why are central banks around the world considering it. According to RBI, a BIS survey had found that 86% of the central banks all over the world were actively researching on CBDCs, 60% were experimenting and 14% were deploying pilot projects. There have been three major reasons that have been identified. Countries like Sweden, have developed CBDCs to cover the dwindling usage of paper currency by popularising its electronic form as an alternative. In other countries like Denmark, Germany, Japan and even the US, CBDCs are being developed to reduce the significant usage of physical cash and to make the issuance of currency more cost-effective. And lastly in countries like India, just as Mr Subhash Garg talked in his recent interview with us, to partake in the cryptocurrency verse and avoid damages that private cryptos can ensue by providing a safe alternative.

Talking about the positive implications, the digital rupee is set to award us multiple advantages. As a final payment mechanism, it is bound to reduce the settlement risks associated with online transactions. According to a paper by the RBI, if one were to imagine a UPI system where CBDC (Central Bank Digital Currency) is transacted instead of bank balances, as if cash is handed over, the need for interbank settlements is bound to disappear. It will ease the real-time cost-effective globalisation of payment systems. It will lower the costs of transactions and allow easy cross border transactions, for example, importers will be able to pay their counterparts without any intermediaries in real-time. Since the transactions will be final, the time zones will be no bar, thus encouraging more and more international transactions. This will also change significantly the state of cross border remittances. Presently, wiring money takes up around 7% of the transaction amount, the World Bank has stated that cutting the same down to 2% will give a USD 16 billion boosts to world economies as a whole.

The digital rupee can be utilised for payments
for subsidies and other schemes by the governments and to facilitate faster lending by Financial Institutions, paving way for greater financial inclusion. It can help even those without access to bank accounts and smartphones as the digital rupee can help users to make payments in not just the traditional digital sender to digital receiver way but also in digital sender to offline receiver manner. While smartphones users may use QR codes, it might enable those without a smartphone to make payments through SMS string-based e-vouchers.

To curb instances of bank frauds, which have risen by 159% in 2019-20, involving a setback of over Rs 1.85 trillion, the digital rupee will bring transparency to the table as money would be available on a digital ledger making it unforgeable. It will help trace even circular transactions from their point of origin, making money laundering difficult.

Encouraging fintech this move will bring in new applications for payment mechanisms, open a new dimension for public-private partnerships in India, strengthen our digital payment infrastructure and lead to the adoption of blockchain. It would also reduce financial and physical efforts for money management.

The ramifications however are to be taken into consideration as well. It is to be taken into account that initially only a small share of the currency will be in circulation digitally and big transactions will have to wait. In the case of transparency of transactions, nothing prevents a person to transfer money in an electronic format and converting it into cash at the last minute. In such a case the money would again be untraceable. The RBI will also have to figure out how to manage the cross-border flows vis-à-vis the digital currency and the attendant volatility because it will ultimately impact the inflation rates and economic growth. The RBI will also need to consider the potential adverse impact on the bank deposits and eventually the growth of bank credit if the CBDCs turn out to be as efficient disintermediation vehicles for retail savers as promised.

Another one of the major issues concerning CBDCs is the ability of central banks to trace individual transactions. While this certainly to an extent looks at the prevention of money laundering and tax evasion, it might lead to dystopian state surveillance. This might lead to roadblocks to its acceptance. To counter this, however, the research by the Bank of Canada has shown that the privacy choices in CBDCs can break the conventional dichotomy between anonymity and full disclosure. System designers thus can decide which types of data must remain private, and the people or organisations that can access this information. RBI will have to strike the right balance between the two for it is likely to impact the adoption of the CBDC.

Talking about the form that the Indian digital rupee can take, there are two models of CBDC that can be adopted in India. The first is an account-based model, where transactions will be approved by the originator and the beneficiary based on the verification through the user’s identity. Then the central bank will carry out the settlement. The second is a token-based model wherein transactions will be approved by the originator and the beneficiary via a private-public key pair and digital signatures. This system will not require access to users’ identities and thus accounting for greater privacy levels for the parties involved.

Even though this decision is meant to put India in the front seat of innovation and digitisation, there are a lot of clouds of doubt concerning its implementation which will only clear once RBI launches some clear plans. While China has included E-Yuan among the only three payment methods in the Winter Olympics after two years of trials, we wonder when the digital rupee will finally come into the picture for use.

-Vipriya Anjum
THE JANUARY EFFECT: REAL OR ILLUSION?

The January Effect is a calendar hypothesis claiming that stock values rise more in January than in any other month. While the January Effect appears to have held some truth in the past, many people today question its validity. Is this 80-year-old theory a thing of the past – or something you should be aware of?

This theory has been around for more than 50 years in the financial markets. Sidney Wachtel, an investment banker, first identified the January Effect in 1942. He discovered that stocks tended to rise more in January than in other months during his research of market returns, which he began in 1925. This idea was later supported by a number of researchers, and it was applied to studies of other asset classes. As time went on, several people suggested that smaller equities outperformed larger companies at the start of the year, resulting in the January Effect.

The January Effect does not always occur, and no one is certain why it does, though various theories have been proposed. Analysts have proposed various theories for it for several years, with varied degrees of credibility. However, the January Effect is most likely caused by the following factors:

1. Taxes
   The January Effect was the logical conclusion of year-end tax-loss harvesting, according to one theory. Downward pressure decreases market prices as investors sell losing positions for tax benefits in November and December. Then, in January, investors repurchase their stakes, causing prices to rise again.

2. The psychology of investors and holiday bonuses
   Another possible explanation is that investors utilise
year-end cash incentives to buy investments in January to square this circle. According to several observers, January is the best month for investors to stick to their New Year’s financial resolutions, resulting in higher trading activity. Individual investors’ influence on the market, however, are frequently eclipsed by the actions of institutional and high-frequency traders. As a result, these explanations — at least on their own — appear improbable.

3. Institutional marketing
A third theory emerged when the January Effect peaked in the 1970s and 1980s: window dressing. Portfolio managers sell riskier positions in December to keep them off a fund’s annual report, and this is what happens. Then, in January, institutional investors re-enter the market. Several research have revealed that risky small-cap stocks produce the best results in January, supporting this idea.

A closer examination reveals that, at least for stocks, the opposite has been true for the past 20 years. If you acquired U.S. or international equities at the beginning of the month and sold at the conclusion, you would have lost a significant amount of money since January 2000. For example, the stock market had a poor start to 2022, with the S&P 500 having its worst start to a year since 2016.

The January effect, however, continues to hold true for fixed-income assets, which is surprising. Since 2000, the average return on bonds purchased in January has been 0.20 percentage points more than the average return on bonds purchased in any other month of the year. This may not appear to be a large sum, but in the bond market, where every inch counts, it is a big sum.

Investors considering the January Effect should proceed with caution. The January Effect and the Santa Claus Rally, for example, are just that - hypotheses. Nobody knows why they happen when they do, and no one can anticipate when they will. They don’t predict market behaviour, and the market can and frequently does reject these theories' wisdom. They could also be expensive to take advantage of, given the transaction costs of purchasing and selling your positions, as well as the time spent researching small-cap stocks that are ideally positioned to benefit from the January Effect.

-Aarushi Agarwal
Fantasy Sports Industry: A Fast Hare?

It was the autumn of 2020 when a home-grown online fantasy sports platform, Dream 11 dethroned Vivo, a Chinese phone maker as the title sponsor of the Indian Cricket League, which will now be referred to as "Dream 11 IPL". Dream 11 may have been replaced by Tata but this family tree of the IPL title sponsors tells one that the fantasy sports industry has taken the world by a storm. The technological revolution is here for real and digitalization has transformed the landscape of diverse industries, enabling them to earn billions of dollars every day. Fantasy sports is one such industry that has leveraged technology and has gained the limelight in recent years.

Imagine getting an opportunity to pick your own team comprising real-life players from upcoming games. You are then rewarded depending on the actual statistical performance of players during real-life matches which earns points for your virtual team. Every sports fan considers himself/herself as an expert and has an opinion and the fantasy sports apps get these fans closer to real-time action.

Market Overview
According to a Ficci-EY report, the Indian fantasy sports industry is set to reach $2.5 billion in 2022. Another report says that the gross revenue of the operators stood at Rs. ~2,400 crores for FY20 compared with Rs. ~920 crore in FY19- a 3x YoY increase. With a CAGR of 32%, the industry is slated to touch $3.7 billion by 2024 with enough room for new entrants. This market has seen an over 700% spike in the last decade in the number of fantasy sports apps and a 2,500% boom in the number of users. A user base of 90 million in 2019 itself testifies the massive opportunity this industry beholds. The industry is still at a nascent stage and the massive influx of start-ups to cater to 800 million sports viewers in India seems inevitable.

Over the past few years, India has witnessed USD 112 million investment into sports fantasy
platforms. Dream 11 had seen an exceptional spike in investment value in 2018 following its Series D funding round led by Chinese multinational investment holding conglomerate Tencent where it raised US$ 100 million.

**Growth factors**
The fantasy sports market has grown due to a multitude of reasons. When the likes of MS Dhoni and Sourav Ganguly have advertised for the platform, you know this thing is no joke. The apps go all out on marketing and this is a key reason for the massive popularity of such operators. The increasing and diverse collaborations coupled with a rising count of sports events have contributed to the monumental growth.

The millennials of the country are more tech-savvy than ever before. This along with better digital infrastructure, increased usage of smartphones, better internet penetration, rising disposable income, and an intense sports following has ensured the upward trajectory of the industry. Moreover, recent case laws have established fantasy sport as a game of skill in opposition to online betting and the state-of-art features in such platforms have very well complemented the favorable setting.

**Revenue**

The revenue model of this industry is no rocket science. A good chunk is earned through participating fees that the platforms charge for taking part in a competition. The companies charge a commission of 10-20% from the entry fee and the rest goes into the funding of the prizes. If it's a SaaS (Software as a service) business, advertisements come into the picture sooner or later and it's no different for this industry. As the apps gain traction, brands leverage this and advertise on such platforms to promote brand awareness and visibility helping the fantasy sports companies earn ad revenue.

Getting the users to register is a hurdle and the free leagues enable the platforms to cross it with ease. Once there’s a registered user base, the apps offer diverse services and lure them into paying for it eventually. Dream11 had a 2.6 times increase in its revenue from ₹775.5 crores in FY19 to ₹2,070.4 crores in FY20. It earned a profit of ₹180.80 crores for the first time in FY20. Most of the apps are running at a loss which is common in the initial years due to huge customer acquisition costs.

**Tax Implication**
Earnings from such competitions are taxable at a flat rate of 31.2%.
added by surcharge if applicable under Section 115BB of the Income Tax Act. Any loss from winnings cannot be carried forward or set off against any other income and the entry fee cannot be claimed as a deduction. Even the benefit of the basic exemption of ₹2.5 lakh is not applicable. Moreover, if the income of the user exceeds ₹10,000 then the apps should deduct tax at the source and deposit it with the central government directly. The user can claim credit for this TDS (Tax Deducted at Source).

The government received ₹93 crores in TDS in FY19 which increased to ₹250 crores in FY20. Had users earning less than ₹10,000 also deposited tax, the amount could have been higher. In the case of GST, collections from these platforms saw a 2.6x increase from ₹166 crores in FY19 to ₹445 crores in FY20. Moreover, the apps have indirectly generated revenue to the tune of ₹2,600 crores for ancillary industries such as technology providers, payment gateways, etc.

**Conclusion**
Sports consumption has been revolutionized in its truest sense. What was only restricted to passive entertainment from the comfort of a couch is now seeing active participants at the edge of their seats as the fans have a stake in the match. In a cricket-dominant country like India, fantasy apps have enabled other sports like Kabaddi, basketball, hockey, and football to maximize their viewership. People are now watching matches or parts of the matches they wouldn’t otherwise and this has led to the better commercial growth of the sports industry as a whole.

However, it’s important to be wary of the vices associated with fantasy sports that include addiction and financial risks. Moreover, states like Andhra Pradesh, Sikkim, Odisha, Telangana, Assam, Nagaland, and Karnataka have banned such apps. On the flip side, in Dec 2020, Niti Aayog declared India as a perfect candidate to be the global hub for this industry. This industry has been haring off and if the predicted numbers actually materialize, fantasy sports can become one of the largest contributors to the economy in terms of viewership, engagement, and commercialization. It’s critical for the users to act prudent and play such fantasy games only after doing a cost-benefit analysis and reviewing the legal status in their state. As childhood teaches us, the hare doesn’t always win the race.

-Mayank Kedia
So far, Finance Minister Nirmala Sitharaman has presented two of the three Union Budgets with a distinctive backdrop. The first occurred with a resounding electoral mandate that provided an opportunity for change, while the third occurred during a raging pandemic that limited the variety of possibilities. The pandemic has thrown a wrench in our plans to build a $5 trillion economy by 2024-25, which were laid out in the pre-COVID budget in 2019. The two budgets since then, in 2020 and 2021, endeavoured to address the health emergency, while limiting the impact on the economy.

In light of this, fiscal management in the pre-pandemic years must be examined. While interpreting the figures presented in budget documents, certain facts about fiscal management over these years should be kept in mind, and these numbers should be adjusted for accurate interpretation. The shrinking economy and the implementation of the Goods and Services Tax (GST) had made revenue collection challenging. Gross tax receipts for the Union government declined from 11.2 per cent of GDP in 2016-17 to 10.1 per cent in 2019-20. This decrease was due to a reduction in indirect taxes, whereas direct taxes soared at the same time. To make matters more difficult, non-tax revenues (mostly dividends and earnings from telecom spectrum auctions) were low in 2017-18 and 2018-19, while disinvestment receipts failed to reach budget estimates in 2019-20. Because the economy was weakening, there was a demand for more spending. As 2019 was a general election year, spending cuts were not on the table, and the government consequently chose to support the economy through fiscal measures. In the years leading up to the crisis, the Union government had enormous fiscal and primary deficits. The losses were substantial even after cyclical adjustments. The administration, on the other hand, did not believe this was sufficient. When confronted with such circumstances, governments often resort to ‘creative’ solutions. Thus, off-budget or ‘below-the-line’ securities were also used to recapitalize public sector banks. The government also increased cesses and charges, particularly on petroleum items, because the proceeds aren’t shared with the states. Moreover, in order to obtain funds, the government sold some public sector firms to other public sector enterprises. These are only a few of the ad hoc actions done to alleviate fiscal pressures.

The years between 2016-17 and 2019-20 were difficult for budget management. Then came the Coronavirus.
outbreak. The room for discretionary fiscal action was limited as a result of the previous years’ budgetary policy. Despite this, the administration increased the fiscal deficit to 9.2% of GDP in 2020-21 (provisional actuals), while the primary deficit was maintained at 5.8% of GDP. While interpreting these facts, one adjustment that must be made is for the expenditure as a result of some previous years’ off-budget borrowing being brought onto the budget. The government used the pandemic as an opportunity to clean up its books by taking on a major portion of the debt in its own budget. The government’s response to the 2008 crisis was more modest and while that crisis was nothing like the current one, the government’s fiscal approach to that crisis is now widely regarded as excessive, resulting in years of macroeconomic troubles for India.

Even while the economy is expected to recover from the third wave this quarter, the consumption outlook may deteriorate over time, putting the economy at risk of a non-durable recovery. After all, demand visibility is a necessary condition for the private sector to invest in, but supply-side reforms and corporate balance sheet deleveraging are only sufficient. The pandemic is far from ending, and targeted assistance to hard-hit areas is still required such as the MSME sector’s support program, ECLGS, and the funding of the demand-driven scheme, MNREGA.

This economic backdrop plays a significant role in contouring the Union budget 2022-23. Budget management is always intriguing and demanding in a
democratic developing country. There are numerous important decisions to be taken. The stakes are great, but adopting the ideal choice is not easy. Even when the proper decisions are made, institutional capacity restrictions cause gaps between expectations and implementation. These obstacles are always present. However, the pandemic has made them much more threatening. Many more demands are now being placed on fiscal policy. One can only hope that fiscal restraint does not shatter under the weight of these expectations, as it did during the previous crisis. The fourth Union Budget is a challenge to see how best the government could enable the next step on the path back to normalcy and if successful can serve as a ladder in the economic game.

Policy Changes
There have been numerous policy transitions, such as crypto being brought under the purview of taxation shaking its investors, which led to its price correction, and a variety of other indirect effects.

The deferment of filing of income tax returns (ITR) taking into consideration the ‘ease of doing businesses’ and assessment part is being welcomed by many but another implication might lead to probable losses due to deferment embedded with unprecedented high inflation deteriorating the value to be received in next 24 months which is the contemporary threshold for filing, relative to 12 months earlier.

Much of the emphasis is being laid over the Capex with spurge of 35.4% and almost doubling in relation to 2-3 years back. National highways and roads have been accentuated with the initiation of projects like PM Gati Shakti which has been in much of the limelight in the budget for the succeeding fiscals. Speaking in a superficial manner, the emphasis of FinMin has rather been on Capex from preceding budgets too.

As predicted, the budget has something for the EV sector too. A contemporary battery swap policy implies reduced upfront ownership cost of EVs and invigorates for Research & Development (R&D) to
This must be put in context, India, along with the world is moving towards climate action at breakneck speed, due credit for which must be given to the recent rise in cognizance amongst the masses about climate change’s ill effects, and how the tragedy of the commons itself is at a tipping point. The resultant policy shifts mirror the same sentiment.

The sovereign green bonds are designed to be issued by the governments with the condition that its proceeds will only go towards financing green infrastructure, while not a novel idea, a great initiative. It shows a lot of things, firstly, that the energy sector is changing its rhythm, and establishes the perception that green energy is viable for the corporate elite. Moreover, it shows that the government is willing to make tangible efforts on its long journey towards net-zero, and this just marks the beginning. Most importantly perhaps, it provides nigh-superlative institutional credibility to the concept of ESG Investing and may result in this method of investing being bolstered into the vogue for times to come.

Even if one were to be a glass half empty person, the move is wonderful. Assuming the worst-case scenario, that the government were to pursue this as an appeasement measure, it still shows that those in power believe that the masses care about environmental sustainability, And given how this is an issue that doesn’t affect anybody directly and still becoming a critical point in the appeasement of the masses, is incredible in itself.

Another spotlight was the grandeur of the Defence allocation which has been skyscraping of all the budgets the nation has witnessed. Defence domain has recorded a 10% spurge with the allocation of Rs. 5.25 trillion. Talking on the health lines, no policy amendment has been there for private players but the government is there with its Ayushman Bharat Digital Mission. The health model has been diversified to inculcate the elements of mental health, with twitch of National Tele Mental Health program, avowed as a welcome move by many taking into consideration the counselling denizens are in need of after two years of despondence and affliction. Setting up of 23 tele-mental health centres and the national digital health ecosystem implies the gradual shifts of the budget perspective to the mental being as well.

Though the past two years haven’t been in favour of education with remote-learning becoming...
the need of the hour, constraining its shade to the privileged only has been lime lighted in the budget 2022 with the establishment of ‘Digital university’ taking into purview initiation of over 200 TV channels to provide supplementary assistance across the society in a holistic and comprehensive manner based on networked hub model.

Agri-budget was embedded with some unprecedented surprises and most prominent of them being the ‘kisan drones’ to assess the crops, digitisation of land records to remove ambiguity. But the drone move hasn’t been warmly welcomed by many with a significant amount being farmers only. Farm unions are critical of the Agri-policy changes citing ‘bigger problems exist’ which have been more or less ignored. ‘Doubling the farm income by 2022’, an earlier target, which has turned out to be a frantic debacle has also received much criticism.

Taxation Changes
In terms of tax-related policy shifts, as a quick overview, it would perhaps be fair to say that the impact was negligible, or at least minuscule as compared to other policies. Despite the large That is to say, there seems no motivation from the government to ramp up its collections, which seems fair, considering what the FM revealed in the budget speed itself, January 2022 had the highest ever tax collections amongst all months post the inception of GST. This, of course, stands in stark contrast with what one might interpret the recent digital asset gains tax move to mean, yet this needs to be put in the context of the litany of other initiatives to discourage investors from entering the crypto space and other associated verticals. Moreover, a quick glance at the Laffer Curve would reveal the same, that the tax rate is too high to generate sizable tax collections, and far above the optimal tax slab to maximise said collections. At the same time, these record-breaking collections don’t translate into institutional magnanimity or tax breaks either. This is also, a justifiable move, the covid crisis, exacerbated of course in India by the already dismal and crumbling medical infrastructure, and finally stretched to perhaps more than it could handle with its prolonged nature, persisting wave after wave.

That doesn’t, of course, negate the shifts that have been made. The shifts can largely be divided into two aspects, the ones provided for
individuals, and those provided for business entities.

For individuals, the shifts have been straight from the ethos of India, a blend of welfare policy and compassion towards citizens. An extension in the Income Tax return filing period, exemption on Covid related medical expenditure, employer or acquaintance generosity, the cap on Long Term Capital Gains, to ensure citizens keep their money in a financial investment vehicle for longer, withdrawal of concessional tax regime for foreign-sourced dividends, are all characteristic of the same.

On the business entity front, the Government sentiment also seems to slide more towards the development of a domestic capital goods sector, as evidenced by the announcement of phasing out of concessional custom duties on capital goods and project imports. There is also a clear push towards larger-to-India capital flows, with SEZ act replacement in toe in order to increase its efficiency, and extended tax holidays for both startups and for new manufacturing companies.

What we see in this case, is that the government is utilising its most powerful tool, taxes, to promote both the welfare of its citizens in these trying times, and ramp up domestic production value and scope, in line with its objectives of Atmanirbhar Bharat.

Expected Affect
In many ways, the budget was more about what wasn’t covered, than what was. Yet, first things first. Starting with perhaps the most conspicuous part, the Government is interfering in the digital space, and they come with guns blazing. From (yet another) change on the crypto stance with setting up of a litany of nearly punitive measures with regards to loss offset, gains tax, and transfer, it may not be a reach to say that these measures are less about further tax collection, but understandably, discouraging the Indian small and vulnerable investors from playing with fire. From a regulatory standpoint, this is very much in line with how India treats risky investments, and in the author’s opinion, a sufficiently fair stance, Should one compare India’s demographics and financial literacy rates with its peers around the world. Yet, it is not immaterial that this...
represents a rather softening stance on crypto by those in power, and a far cry from the initial push to simply de-platform the currency (or maybe not a currency?) and claim it to be akin to a Ponzi scheme.

Apart from protection, vast efforts are being made to bridge the digital divide, the Central Bank Digital Currency (CBDC), a new digital university, setting up of numerous Digital Banking Units, and connecting the Post offices to the core banking system are examples of the same. All in all, the Government has gained cognizance of how digitization can be a powerful tool in accessing conventionally marginalised sections of society, credit for which can perhaps be given to the covid crisis and is all set to lay the groundwork to build models which are more expansive in nature than brick-and-mortar models can ever be. This move is consistent across all major fields which are perhaps the government’s primary responsibility to its citizens, Education, Health, and Financial Well Being.

Furthermore, hidden in the fine print is another push of the government which isn’t really being talked about a lot. The government set its eyes on replacing the Special Economic Zones policy with one which allows States to become partners in “Development of Enterprise and Service Hubs”, EODB 2.0 (Ease of Doing Business 2.0) is another mammoth in itself, which promises reduced compliance overlap, state-centre system integration via IT bridges and much more, the effort to scale up investments from PE VC. What we see, as a common link among all these pushes, is a nudge towards free flow of capital, and efficiency of decisions as well as bureaucratic mechanisms. The government is wishing to streamline its structure, fight the good war against red-tapism, and allow for further capital investment from sophisticated sources.

All in all, it was an eventful budget. What comes out of it, will only be known as time progresses, yet what is known, are where the government’s sentiments lie, from drones to e-commerce, from funds to education, from healthcare to insolvency. That, in itself, is monumental information.

Larger Picture
Yet, one must look at the budget beyond the nitty gritties. Beyond the numbers, percentage increase and incremental policy shifts, all in alignment with previously known, rather explicit sympathies of those at the helm, it’s important to extract away all unimportant bits and focus on the big picture.

Let’s start with the biggest. The global theatre of Economies is, colloquially speaking, injured. Broken supply chains, spikes in cases, fragmented structures, all blessed with a generous amount of distrust among all realpolitik realities. We
see a world far from the levels it could have possibly reached in a paradigm without covid, and that realisation is creeping into the minds of many. From the top economic advisors and chief economists of institutions as well as countries, as well as the masses. What happens as a retaliation, as a reflex then, is a massive, unending bid for reconstruction. Around the world, we see ramping up of capital expenditure, as the world reels from the loss of growth, and bids to reconcile the setbacks caused by covid with the elusive and hypothetical prosperity the world would have supposedly been in, should this pandemic have never transpired.

What this leads to, is a necessity. One, is to deal with the unintentional effects of these reconstruction efforts, such as inflation, the updated infrastructure of competitor countries, which allow them to provide a higher value proposition, and much more. The second, perhaps something which goes hand in hand with the first, is that of engaging in the same narrative of the reconstruction as done by a country’s global peers, regardless of will, feasibility, or a litany of other factors, which perhaps may be more important in easier circumstances.

The capital expenditure, focus on infrastructure as well as a significant pivot towards digital means of banking, education, healthcare among other verticals are indicative of the same. The government has predicted a growth rate lower than that of this year, but still sizable. We see a focus on the multiplier effect, evidenced by where the money is being spent that the government admittedly takes on an increasing fiscal deficit to procure. So where is this money being spent? It’s being spent on fundamental requirements of a robust economy, from the development of people, via education, skill training and everything in between, to their safety, in the forms of accessible healthcare, to also a pinpoint focus on the development of physical goods. This is the multiplier effect the government is running after, to invest in its resources, in its people, as a bid to reach its long term targets, be it of emissions, by focussing on the development of resources in such a manner that they align to sustainability ambitions, or it’s gargantuan goals on how large the economy should be.

The conventional notions, of how the fiscal deficit leads to massive inflationary pressures, also requires its due attention. Combine this with the high inflation overall in
this time, caused by the banks of many powerful countries across the world, as well as the volatility of the Rupee, whose source can perhaps primarily be tracked down to the US Federal Reserve’s tapering of asset purchases. What we see in this case, is that the NDA government’s focus on Atmanirbharta shines through, and fits into this jigsaw as perhaps a pivotal, and arguably fitting piece.

Yes, insulation of the world economy is hard in the late-stage capitalist structure India exists in, as well as embodies. Yes, the goal seems intuitively paradoxical, with both a charge to be a valuable contributor to the global supply chain and divorce itself from the final proceeds by coming up with local alternatives. Yet, the pandemic serves to only prove the point that the government was trying to make, that with enhanced productivity also comes prolonged vulnerability. Regardless of whether one buys these arguments or not, one thing remains for sure, the new era, marked by uncertainty, volatility, and a heavy cost of exposed vulnerability, upends the orthodox notions of the cost-benefit analysis of self-reliance. Updated analysis is necessary from its critics to reevaluate whether the government’s push makes sense in new age context, and while only time can tell which punditry was right and which was merely an example of a broken clock telling the right time; the current economic indicators do create favourable circumstances for the support of current government policy.

So, why does this matter? This matters because it shows motivations beyond those of the banal political ones we’re all accustomed to. It showcases a vision, a dream and an ambition for India, divorced from the daily proceedings of partaisian inane politically motivated humdrums. It shows as a glimmer of hope that somewhere in the drafting of the budget, considerations were kept for the well being of the nation, as well as of its people, not only beyond what is politically needed but rather at the cost of expenditure that could have perhaps been politically motivated. This is not to say the budget wasn’t in the slightest a reflection of the biases of the government, it’s just an epiphany, that there is hope for the countries wellwishers to manifest their will into the course of the Nation, and the current budget is an influential, impactful relic of the same.

- Aagya, Naman, Ketav & Vardan
Introduction
Since the historic Paris Agreement was signed in 2015, a rising number of investors have begun to rethink traditional investing’s profit-first ideology.

Many of them are now abandoning that strategy in favour of sustainable, responsible, and impact (SRI) investing, which focuses on social welfare while also generating financial rewards. This process of making investment decisions in the finance sector while taking into consideration the environmental, social, and governance (ESG) objectives of the business activity is known as sustainable finance. The global surge in issuances of green bonds — used to support environment-friendly initiatives — demonstrates that investors are becoming more concerned about climate change. Its need is highlighted using a quote by James Gorman, CEO of Morgan Stanley: “If we don’t have a planet, we’re not going to have a very good financial system.”

Role of Big Data in advancing Sustainable Finance
By leveraging Big Data, companies and policymakers are able to further ESG or sustainability initiatives in the finance sector and the wider economy. Big data allows companies to analyse environmental hazards and optimise resource allocation. Furthermore, the use of advanced analytics and big data will result in extreme transparency of company activities and performance.

For example, Pirelli is employing HANA, SAP’s big data information management system to speed up data collection, computing, and transmission, as well as making decision-support data available in almost real-time to the enterprise. Tire sensors produce data that helps Pirelli organise its inventory effectively, resulting in fewer damaged tyres ending up in landfills. Pirelli can meet its triple bottom line — profit, people, and the environment — by reducing waste and increasing earnings, thanks to big data.

Typical trade financing processes take a long time and need a lot of effort. As a result, they are well-suited to technological disruption. By digitising documents and sending analysed and extracted data into banking systems as a whole data set, ING has increased efficiency and reduced errors.

Another useful tool is Robotic Process Automation (RPA).
BNY Mellon has used RPA to implement over 300 bots all across the company, which have completed over five million tasks. Clearing US Treasury bonds and sorting client enquiries are two common use examples. By allowing individuals to focus on the most fascinating aspects of their professions, automating tedious chores optimises resources and boosts employee engagement. Employees’ focus is shifted to providing value to customers and developing creative environmental initiatives. “Computers collaborating with people,” as Regelman puts it.

**Data Challenges**

If the future growth of ESG investment is inextricably linked to data, why aren’t we seeing big data practices being applied across the board? According to the EIU 2019 study, the following are the general obstacles to further developing ESG integration in Asia with regards to data challenges:

- Inadequacy of ESG data;
- Lack ESG data to make consistent decisions;
- Lack of clarity around ESG standards, terminology and metrics
- Inconsistency in ESG ratings and data applications
- Low transparency with regard to ESG-data sources.

In contrast, the only two non-data related barriers raised were lack of awareness and understanding of ESG and lack of client demand.

The most glaring obstacle remains the lack of standardisation. There is no standardised measurement of E, S, and G factors. According to the 2019 EIU study, S factors are particularly difficult to measure and quantify as they rely on unstructured data, for example, a comment on social media. Yet they are currently thought to have the most capacity to drive negative returns in Asia. On the other hand, G factors are subject to a greater degree of mandatory disclosure, resulting in greater availability of usable data. Therefore, there is a mismatch between data availability by factor vis-a-vis which factors are weighted highest.

Additionally, individual ESG metrics vary not only between industries and markets but also between companies in the same industry, resulting in a lack of comparability between projects, companies and industries. It also leads to market distortions and skewed investment decisions.
The 2020 EIU report notes that reliance on third-party data from vendors can be problematic, especially reliance on a single data source as it often results in volatile indicators over time. Another source of error lies with vendors using different methodologies for even the same metric. There is limited clarity on the implications of ESG ratings amongst the investors and what they are trying to monitor. Greenwashing can occur when inaccurate data from ESG rating firms are used by asset managers to make “green” investment decisions.

Another fundamental issue is with regards to forward vs backwards-looking perspectives. Current data is backwards-looking (e.g., existing or past environmental impact), thus coming with limitations when using historical data to predict future factors. However, according to the 2019 report by EIU, more predictive and forward-looking data is becoming available, such as supply-chain factors and other lead indicators.

**Conclusion**

As the world becomes more socially conscious and investors become committed to climate action, the relevance of ESG performance increases manifold. In this scenario, it becomes critical to identify and address challenges surrounding the transparency and reliability of ESG data and improve access to liquidity which in turn will help accelerate sustainable growth. Innovative mechanisms, digitisation and technology are key for the scaling of sustainable finance. Without financial leaders who are willing to go outside the box, the sector will be unable to deal with the fast-shifting difficulties that climate change brings.

-Aaliya Gambhir & Siddhika Didel
India is a country filled with a young population and a middle-class that continues to aspire to bring about a change. However, these ambitions require funding for their fulfillment. Therefore, the expansion of various loan segments in India has come to the notice of lenders and almost every bank and NBFC in India is engaged in providing loans. But not everyone gets these loans offered by an Indian bank or NBFC, especially self-employed people as their income may vary over different periods of time or might be affected by various market changes happening in the market.

Moreover, banks and NBFCs conduct credit report checks as part of their loan application process. Those with low credit scores, insufficient previous credit history, and others who do not fit into a standardized category can also find it hard to get a loan. This is where peer-to-peer lending steps into the picture.

Peer to Peer Lending: An Overview
Peer-to-peer lending, commonly referred to as P2P lending, allows individuals to borrow money from others without relying on standard banking channels. P2P lending is certainly a kind of crowdfunding that meets the needs of lenders and borrowers. Most P2P platforms are organized as NBFC FinTech companies. This is the latest lending model to meet your current business needs. P2P lending uses a network of borrowers and lenders registered on the online platform. Due diligence is performed before the parties are allowed to lend or borrow. Interest rates on the P2P lending platform are primarily determined by the credit rating and the debt-to-revenue ratio.

Who is P2P for?
P2P lending is an unconventional investment opportunity for lenders seeking higher interest rates and borrowers seeking unsecured personal loans at better interest rates. This is a great investment option for anyone who wants to take a small risk and expand their investment portfolio.

The Process of P2P Lending
For the lender:
For a lender, the P2P process
begins when they sign up and invest the amount they want to lend.

After the first step, the lenders make lending offers for loans, specifying the time period for the prospective borrowers.

Once matched with the borrower, the loan gets disbursed and the lender begins earning interest.

For the borrowers:
For the borrower, the P2P process begins when he/she/they apply for a loan on a P2P lending platform. This process requires a quote request, proof of identity, and a thorough credit check.

Borrowers also get subjected to more detailed credit checks sometimes. It basically depends upon the rules of the platform. Once approved, the borrower is matched with the lender, and if agreed upon, the loan contract is made.

Regulations:
P2P lending platforms are considered NBFCs and are regulated by the RBI.

The minimum amount lent can be 500 to 750 rupees, while the maximum amount that can be lent has been capped at 50 lakh rupees. The maximum tenure for the loan has been fixed at 3 years.

The Benefits of Peer-to-Peer Lending
The main advantage of P2P lending is that this platform can provide lending to people who do not meet the lending standards set by traditional lenders. Lenders can also benefit from the higher returns offered by the money they lend to P2P borrowers. It is also an ideal trading platform for borrowers and lenders who prefer to negotiate rates themselves rather than have them negotiated by an intermediary on their behalf. The P2P lending process can be significantly streamlined by reducing lending processing time. Most P2P lenders do not charge a prepayment penalty, further increasing the flexibility of these loans.

Risks:
The P2P Lending Network is exposed to excessive credit score risks. Most debtors within the P2P platform have low credit score rankings and don’t get traditional loans. Hence, they choose P2P financing, making them unreliable borrowers. The government no longer offers any safety or coverage to creditors in case of a borrower’s default either. Moreover, a few jurisdictions do not permit P2P lending, and for this reason, it won’t be available to everyone.

Industry snapshot
The industry has been providing a 15–25% range of returns while about a 12–36% interest rate is being paid by the borrowers on their reducing balances. 2% is the maximum default rate. In a typical rural-centric P2P model, the industry’s growth rate has been about 10 times since the last few years.
The Reserve Bank of India and the Future of Indian P2P Lending

The Reserve Bank of India has published a paper proposing to regulate this emerging financial segment and classify P2P lenders as a new class of Non-Banking Financial Institution (NBFC). Currently, all P2P platforms are within RBI regulations, and you must register for an NBFC P2P license to provide P2P lending services. If this measure is implemented, the P2P lending segment will gain the much-desired legitimacy. Some P2P players have even expressed their intention to introduce a node agency so that they can track the amount of money flowing through the system at any time. In addition, India’s NBFCs are also gaining attention due to the growing popularity of this type of financing, and some NBFCs have already begun the process of attracting new customers in collaboration with P2P lenders.

In the future, we can expect further changes in the peer-to-peer lending space to further streamline the lending application process. Some of the proposed improvements include transferring loans directly from the lender account to the borrower account to prevent money laundering and implementing an ECS-based direct debit system for timely loan repayments.

-Samay Jain
With an increase in the average life expectancy rate, retirement planning has become the need of the hour. One thing which we all have learnt from the pandemic is that life is unpredictable. Such uncertainties can take place in any form in our lives and if we don’t have a proper plan we might succumb to the adversities.

Retirement planning is the most important aspect of personal finance. It’s essential to plan the allocation of your funds for unforeseen emergencies, liquid funds for day-to-day use and extra funds for other expenses. Through an effective plan, people in their old age don’t have to be dependent on anyone for their needs. There are many ways to create a strong retirement plan, namely, fixed income securities, investment in liquid deposits, compounding and so on. However, people face many problems while planning for their retirement. A few of them include deciding the investment strategy, managing appropriate allocation and investment of assets, drawing a margin between the amount of spending and investment from the corpus and so on.

Despite all these complications, it is essential to prepare a well-structured retirement plan.

Analytical retirement planning can solve all future-oriented problems. To answer all your questions regarding retirement planning, a simple yet detailed step by step guide for effective retirement planning is explained ahead.

First, decide the time and age when you plan to retire. There is a common misconception among people that retirement planning should be started in the late 30s, instead, it should begin in the late 20s itself. If you start retirement planning at an early age, then you should focus on riskier investments like shares. If your anticipated retirement age is close, then you should incline towards safer investments.

Second, choose appropriate retirement investment plans and schemes. The investment plans that you choose should be in alignment with your retirement needs and goals. While choosing a plan you must keep in mind the ROI, tenure, liquidity etc. Given below is an arena of retirement schemes, plans and approaches-

- Senior Citizen’s Saving Scheme (SCSS) - This is a government-backed scheme, provided by a bank or post office to senior citizens, for a
tenure of 5 years with an average interest rate of 8.6% per annum.

- Employee Provident Fund (EPF)- This is a retirement option for salaried employees which is created by a mandatory contribution of both employers and employees under the EPFO.

- National Pension Scheme (NPS)- This is a pension scheme sponsored by the government under which a person can regularly contribute to a pension account over the time frame of his/her working life. This corpus can be partly used for lump sum withdrawal and the rest for purchasing an annuity for regular income.

- Mutual funds- Investors can use several plans like systematic investment plans (SIP) through mutual funds. It is a financial tool that pools investments from the public and further invests the money in shares and bonds.

- Fixed deposits- This is the safest option for retirement planning as it offers long-term investment with a fixed rate of return, provided by banks as well as NBFCs.

- Compounding- This ensures accelerating growth on investments of the investor as they can earn interest on their interest. It helps to avert the risk of inflation and multiplies money saved through cumulative interest.

- Investment oriented insurance schemes- Besides health and life insurance, banks also provide annuities and Unit-Linked Insurance Plans (ULIP), offering dual coverage.

Third, prepare a balanced retirement portfolio. While preparing a retirement portfolio, you must ensure that there is a correct balance of different types of investment plans and schemes. This includes planning for a liquid flow of income as well as funds for emergencies.

Last, analyze and review the retirement plan regularly. This is the most crucial step of retirement planning because, with the increasing uncertainties, adaptability has become essential. Risk of inflation, changes in the market, technological advancements etc are significant examples of unpredictability that demands regular analysis and renewal of plans.

Therefore, by following this step-by-step guide, anyone can plan his/her retirement. However, the approaches are different for different individuals. So, here are some recommendations that may prove fruitful. The first tip is to track your investments in the pre-retirement phase. Further, you should plan for inflation as a fact of life. Besides, one of the most prominent factors is the consideration of high medical expenses with increasing age. Health costs are often overseen by retirees. One of the best ways to plan retirement is to monitor your expenses.

In conclusion, retirement planning is the best way to secure the golden period of your life. It is one of the most important aspects of personal finance which everyone should include in their daily life. Efficient retirement planning would result in an enjoyable, safe and secured journey ahead because “Retirement is not the end of the road”.

-Tanvi Bhanot & Dhriti Khurana
Imagine you are in the market for a second-hand car and you find a seller who’s willing to offer you their car at a price at which you would be willing to purchase it. Do you buy the car? Or do you start to wonder whether the car has some hidden defects which only the seller knows about, making you doubt if it’s worth the investment?

Professor George Arthur Akerlof, an American Economist, described the very same phenomenon in his paper titled, “The Market for ‘Lemons’: Quality Uncertainty and the Market Mechanism”, for which he along with A. Michael Spence and Joseph E. Stiglitz, was awarded the Nobel prize for Economics in 2001.

In his paper, Akerlof explains how asymmetrical information in markets, i.e., a situation where the sellers have more information about the product than the buyers leads to “market failure”. The presence of asymmetrical information discourages the buyer from going ahead and purchasing the product, thus, a deal that could benefit both participants is not struck and efficiency is lost. Akerlof uses the same example of the second-hand car market to substantiate his reasoning further.

In the second-hand car market, there exist cars of high quality - the ‘cherries’, and cars of low or average quality - ones with a myriad of defects or problems in them. Professor Akerlof names these low-quality cars as “lemons”, the existence of which induces the buyer to have second thoughts about whether he/she should purchase the car.

There’s no way for the buyers to be able to differentiate the ‘lemons’ from the ‘cherries’,
i.e., the high-quality second-hand cars. If the buyers were able to distinguish between them, there would be two separate markets: a market for ‘lemons’ and a market for ‘cherries’. However, due to the presence of asymmetrical information, the buyers aren’t able to separate the ‘lemons’ from the pool of second-hand cars available for sale, but of course, the sellers know.

Therefore, the buyer has to factor in the probability that the car he purchases might be a ‘lemon’ while calculating his bid price despite any assurance given by the seller. This decreases the price he is willing to pay to purchase the car. Due to this, no high-quality car seller agrees to the average price, and anytime a seller agrees to the price, the opportunity reflects the risk that the buyer might end up with a ‘lemon’.

The problem of ‘lemons’ is not limited to the second-hand car market only. It finds its place in the insurance and the credit sector where the problem of adverse selection prevails. In common parlance, it is seen that elderly people have a hard time getting insurance because the risk factor in insuring a senior citizen undoubtedly exceeds that of youngsters. Since the insurer does not have perfect knowledge about the person’s health, the premium amount has to be adjusted accordingly. In this scenario, generally, those individuals continue with their policies who are certain of their need to be insured. The phenomena of adverse selection where buyers bear more information than sellers draws out the ‘cherry players’ from the market and as a consequence of an increased proportion of ‘lemon players’, the claims cross the anticipated mark.

Similarly in the finance sector, the credit sanctioner can’t be certain about the creditworthiness of the borrower, the threat of issuing a loan to a potential defaulter leads to a situation of picking out a “lemon”. Thus, exorbitant rates are charged to compensate for the risk which is starker in rural areas where the borrowers aren’t able to post sufficient collateral and fail to convince the issuer of their ability to repay the debt.

In the modern world where the minutest of details are available just a click away on the internet, the problem of picking a lemon rarely arises. Anything the buyer is unsure of, he can always surf through the web and make up for the asymmetrical information that lays the foundation for such a market to exist. Moreover, with stricter regulations being implemented now, and the quality-oriented behaviour exhibited by the buyers, the sellers are required to give warranties and assurances about the product they are trying to sell. Thus, all in all, the market of ‘lemons’ is a sour situation that doesn’t abide by the proverb - “when life gives you lemons, make lemonade”.

-Neeraj Agarwal & Aashma
LET'S SKIP TO THE FUN PART

FinFun
Down
1. A calculation that determines whether a firm has enough short-term assets to cover its current liabilities without selling inventory.

2. A qualified expense that the Internal Revenue Service (Revenue service for the United States) allows one to subtract from their adjusted gross income, which further reduces their taxable income.

3. An informal term that describes what happens when a security reaches a low, then gradually starts to go up again.

4. This mortgage type has a final payment that is considerably larger than the preceding payments.

Across
5. The term used to denote a surge in the price and trading volume of a certain sector due to a high-profile takeover in that industry.

6. The tech company which bought the video game publisher Activision Blizzard for $69 billion, making it the biggest deal in the tech industry.

7. The Indian tech company whose founder chairman was dropped from 2nd position to 17th position in the Forbes India rich list, 2019 after giving away a huge amount to charity.


9. Term referring to an accounting practice wherein a company stores up funds during good times to dip into during bad times.
The premier behind one of the globe’s largest banks by capitalisation is none other than this fellow!

The highest paid personage in the banking domain. Well, he got a spurge of 10% recently in his compensation.

Such a staunch advocate for in-person work throughout the COVID-19 pandemic, that he recently threatened to dismiss employees who are not vaccinated.

A Harvard alumnus, he spent a summer during his teens working at then-rival Goldman Sachs, another premier in the banking wing.

Gave his wife a stock certificate on their 15th wedding anniversary, officially handing over one-third of his net worth.

In his office, there is a sign that reads “No Whiners.”
Jamie Dimon is an American business executive who serves as the chairman of JP Morgan Chase & Co—the largest bank in the US in terms of assets. Initially, the president of the American Express, Dimon made his way to the CEO position at JP Morgan Chase in 2006, after spending a year as the company president. Under his supervision, the decision to unload subprime mortgages worth $12 billion in 2006 reflected JP Morgan’s resiliency against the deadly 2008 crash. He is known to be among the best CEOs and also featured in the Institutional Investor’s Best CEO’s list from 2008 to 2011.

A Baker Scholar from the Harvard Business School, Jamie Dimon serves on the boards of directors of multiple non-profit institutions including the Business Roundtable, Bank Policy Institute, and the Harvard Business School itself. Under the Trump government, Dimon was even hired to structure strategies and policies for resolving significant economic issues. Fired from Citigroup or discovered with cancer, no adversity has ever halted Dimon from his contribution to the field of US
Written after the worst war this world had ever seen, the Economic Consequence of Peace is perhaps one of the most influential books of the past century. The World War had ended with the Central Powers of Germany, Austria, Hungary, and Turkey losing, all of whom owed massive debts to Britain and the US. The real question was whether these nations would be made to pay for the destruction caused and the debts they had incurred. The Economic Consequence of Peace talks about this fact; Should the central powers be given aid and what would be the consequences if they were made to pay?

So what does the book essentially say? At its heart, the text is a criticism of the Treaty of Versailles (1919). Keynes masterfully explains how he views all of Europe to be born of the same foundation, as evident by him dubbing the first world war the “European Civil War”. He further deep dives into how this economic entity stood fragmented by the heightened tensions post-war and how the punitive measures or “Carthaginian Peace”, as it’s commonly known, could incite Germany, Austria-Hungary and other unfortunate economic structures to walk down the path of violence.
and demagoguery brought on by an acute scarcity of resources and an unimaginable reparation burden.

Instead, in his vastly successful polemic, Keynes argued for a rather lenient peace. He both constructs a case for why this would be vastly beneficial, by positing a counterfactual world where the European economy as a whole is allowed to rebuild and globalisation thrives, while also listing out the various motivations for why the treaty turned out the way it did, which includes many fun characterizations such as those of Wilson as an idealist, Clemenceau as the rigid realist, and Lloyd George, somewhere in the middle.

The effect of this book was instantaneous and orders of magnitude beyond what Keynes perhaps anticipated while writing it in his fury of frustration. The book had varying effects on different demographics, subject to their underlying pre-defined sympathies. In the United Kingdom, for example, it became a popular stance. This led to ill-informed judgements in the political sphere, such as the infamous policy of appeasement of Chamberlain. In Germany, the book stood to only reaffirm and bring further academic credibility to what the masses already believed, and it is the opinion of a large segment of historians that it played an important role in evaporating the already little standing German trust in the efficacy of democracy. This was also further substantiated by how one of the biggest banners raised by Hitler early on was of doing away with the burdens imposed by the “oppressive treaty”.

All in all, while the book was well-intentioned, and certainly had lasting positive long term effects, some of which have been discussed below, one certainly has to concede that it did inadvertently arouse sympathies for undemocratic elements in Germany, and cooked up a storm of animosity between the European empires. Alas, had the message of Keates reached the political treaty, it could have avoided the second world war which spread even further and reigned even more destruction, mainly because of the feeling of bitterness that a lot of the central powers felt after signing the treaty responsible for pushing them into years of a financial crisis.

Even after the conclusion of the second world war, there were years of political rivalries between the USA and the Soviet Union. However, there was one bright aspect after the war which was the Marshall plan. It was an initiative by the
American government to provide aid to the western governments. Sound familiar? The Marshall plan was based on what Keynes proposed in his book. The USA contributed US$ 17 billion to help in the economic recovery of European nations, supplied food grains to Europe and Japan which fed almost 300 million people for 1 year, all of which could be attributed to what Keynes had proposed almost 30 years ago.

The impact of the Economic Consequences of Peace doesn’t stop here though and impacts us to this day too. We have all heard of the World Bank and the International Monetary Fund, both of which are integral in maintaining the world economy, and Keynes had an integral role to play in their formation. The lessons Keynes learned in the aftermath of the treaty of Versaille being signed remained with him throughout his life. Thus, in the 1940s, Keynes was one of the chief contributors to the Bretton Woods Agreement, which allowed the facilitation of world trade and maintained economic stability in times of Crisis too, based on which the World Bank and the IMF were formed.

Unlike other books published more than a hundred years ago, this one is still worth reading in the modern age. The iconic character descriptions are enjoyable even for millennials and GenZ readers, and the book still provides insights into how the flaws in the treaty after the first world war sowed the seeds for the second. Set against the backdrop of one of the worst wars in human history, the book has established itself as one of the most evergreen and crucially impactful pieces of literature, imparting important lessons for how the aftermath of wars should be resolved.
What do you call it when a bunch of stock markers suddenly show up in the same place? An investigation.

People leave their 9 to 5 job to Start-up only to realise that it's actually 24x7!

My parents in their 30s

This would make a lovely second home for our family to worship in. Hopefully the garage can fit both our cars, some exercise equipment.

Me in my 30s

Should I buy a pet NFT rock for $40,000?

Cryptocurrencies
BharatPe Founder on Shark Tank
India: Mujhe aapka business model samaj nahi aaya

BharatPe spent Rs 229 Cr to generate revenue of Rs 6 Cr in FY20

Gaurav Tyagi & Jai Vardhan  September 16, 2021
Fintrackr
WANNA BE A PART OF THE TEAM BEHIND SUCH AN AMAZING GAZETTE? WE CORDIALLY INVITE OUR READERS TO MAKE THE JUMP FROM BEING A READER TO BECOMING A WRITER BY OFFERING THEM AN OPPORTUNITY TO WRITE FOR THE HANSRAJ FINANCE GAZETTE. SEND IN YOUR ENTRY VIA EMAIL.

THE DECISION OF THE FIC HANSRAJ REGARDING THE PUBLICATION AND PORTRAYAL OF THE SUBMITTED PIECES OF WORK IS FINAL AND BINDING. DUE CREDIT WILL BE GIVEN TO THE RESPECTIVE AUTHOR.