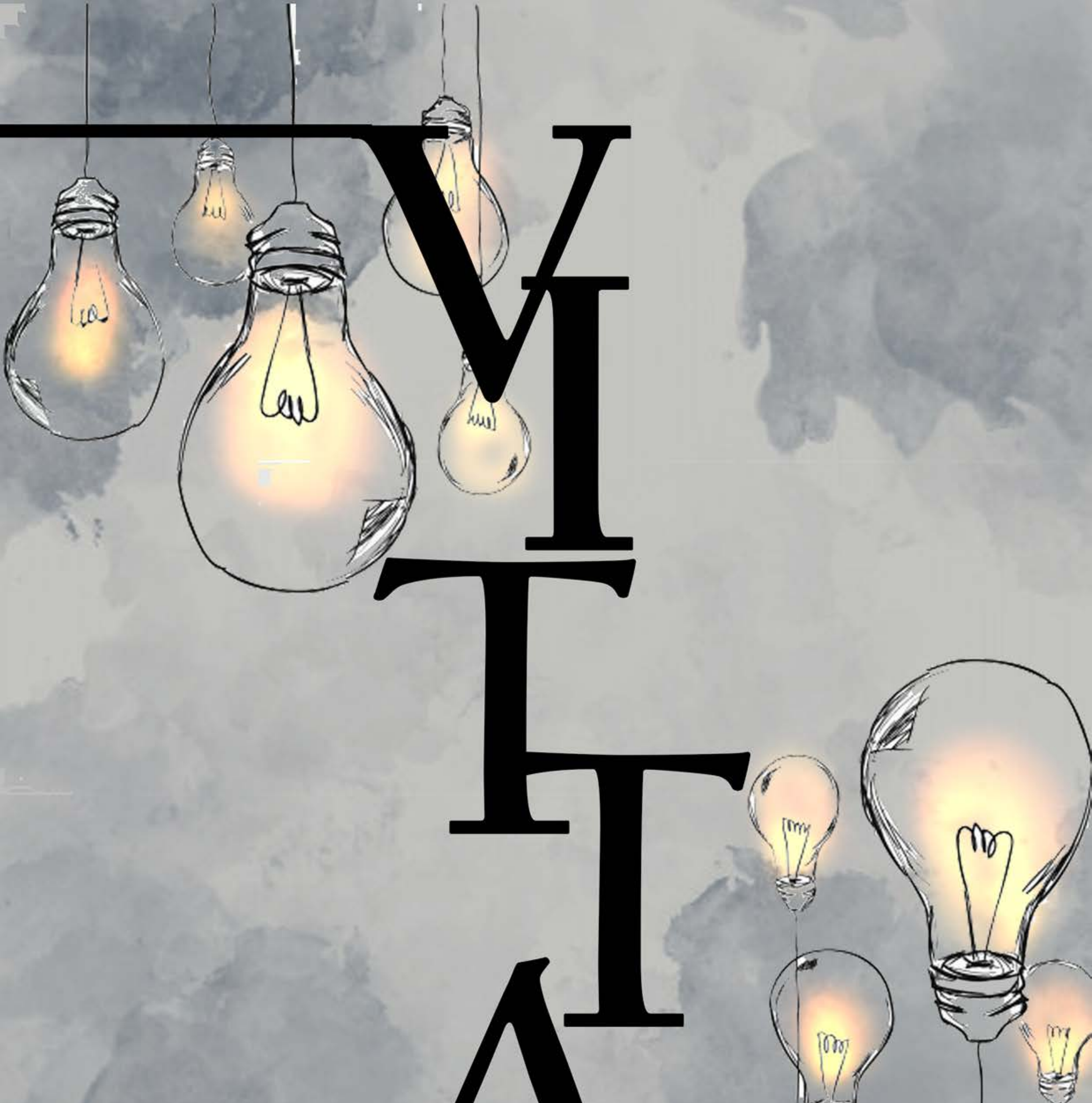

VITTA

2019-20

ANNUAL FINANCE JOURNAL

FINANCE AND INVESTMENT CELL

SHRI RAM COLLEGE OF COMMERCE

VITTA

2019-20

LAUNCHED BY:

MR. NARAYANA MURTHY

FOUNDER OF INFOSYS

PADMA VIBHUSHAN AWARDEE

Principal

PROF. SIMRIT KAUR

The Finance and Investment Cell (FIC), SRCC is celebrating a wonderful decade of in-depth economic analysis and financial research. I congratulate the Cell on ten years of accomplishments and hard-work. I am happy to note that each year the Cell has been leading the initiative for good and well-informed discourse along with carefully developed publications such as the annual journal VITTA, newsletters, and its website blog. FIC has helped its members cultivate a wide knowledge base that complements academics. There is an enduring legacy that the Cell carries of a closely-knit group of students who are driven, motivated, hardworking, and of course, tech-savvy. FIC, SRCC also has its very own smartphone app called FIC Connect, an initiative which is indeed commendable!

Each year, the Finance and Investment Cell publishes its annual journal, VITTA, which is composed of articles and other research presented by the members of FIC. VITTA consists of various editorial pieces, theoretical explanations, and also chronicles the journey of FIC for that particular year. I am delighted to see the Tenth edition of VITTA published. A well researched journal of excellent quality, VITTA exemplifies FIC's student-oriented approach.

Once again, many congratulations to FIC, SRCC on having turned Ten, and on the publication of the Tenth edition of VITTA.

It is great to see that the spirit of FIC has grown stronger over the extremely successful decade of the Cell's existence.

All the very best for the decades to come!

Faculty Advisor

MS. SAROJ JOSHI

Finance and Investment Cell, SRCC has a demonstrated history of excellence in research. For the last ten years, FIC has been widening its reach – with thoughtful discourse in its sessions, well-developed newsletters and articles, opinion pieces, and with the publication of VITTA, the annual journal. FIC has helped revolutionise the learning of both financial theory and practice over these years.

With the publication of this year's edition of VITTA, FIC has once again left no stone unturned in its commitment to ingenuity and fact-based, in-depth analysis. This year's VITTA condenses complex financial theory, explores several industrial disruptions in great detail, diagnoses problems in financial markets, and offers a multifaceted view of global events. Einstein once said that the best people often do not have any special talent, and all they are is passionately curious. That sentiment is reflected in the following pages of VITTA, and it is a view that defines FIC.

I congratulate FIC for the publication of this year's annual journal and wish the cell great success in all future endeavours.

Cabinet

"With every passing year, VITTA is characterised by a balanced mix of the new and the old – each year there is some element of novelty, some new, innovative writing, and at the same time there is the traditional approach: the focus on providing lucid, thoroughly well-researched conversation, and presenting a varied mix of different ideas.

While this year's VITTA is built on these lines, it is both special and different in many unexpected ways. For years now VITTA's design and editorial teams have been meeting in classrooms and staying on in campus long after college hours. In the month of March, every year from 2010, blackboards have been blackened and whitened as FIC members have sat and cracked their heads on what to include in our annual magazine – because it is truly difficult to squeeze in a year's worth of research into a hundred odd pages!

This year, that good-old FIC tradition of VITTA meetings and discourse has been carried on in a different manner. Instead of lively discussions and debates on campus, VITTA has been designed and produced through the medium of video-conferencing and is, to add a pinch of humour – FIC's first work-from-home produced journal. But the spirit of FIC, and our resolve to produce genuine, well-developed work is unaffected regardless of whether our members are scattered across the country or huddled together happily on SRCC's green lawns.

VITTA for 2019-20 is also different in another way because it has one section entirely dedicated to the COVID-19 pandemic – an attempt has been made to explore multiple facets of the biggest global problem that we are dealing with today. This year's VITTA is divided into five other sections: Financial Conceptions consists of editorial pieces on largely unexplored aspects of financial theory and systems, Theory and Hypothesis seeks to explain several interesting paradoxes, and Global Ripples deals with several important geopolitical and economic developments of the last one year. Indian Industry and Policy is a diverse collection of growth stories, policy-takes, and some insights into Indian businesses, while Economic History and New Growth Models is a juxtaposition of history lessons with predictions about the future.

FIC Times celebrates ten years of FIC, with messages and testimonials, and several memories from a considerably long and rather wonderful journey for a college society. VITTA is the conclusion to a year's hard work, and it is a carefully cultivated attempt to curate the best of what FIC has to offer.

It is with great joy and pride that we present to you Finance and Investment Cell, SRCC's VITTA for 2019-20.

Cabinet of FIC, SRCC, 2019-20

MESSAGES FROM THE CABINET

RIA AGGARWAL

PRESIDENT

Each year in college begins with an enthusiastic yet nervous note among students, and it was similar for me as a new admit. It was when I joined FIC that everything finally clicked. It did not just deliver on the intellectual spirit of its members but catered to the curiosity within me. In my second year, as the explorer within me refused to let go, FIC brought it all to me again in a beautiful and unconventional parcel while creating several emotional milestones. I see FIC as a manifestation of its members, our opinions and zeal to initiate and grow together, realising our potential to contribute in limitless avenues. My journey with this society began in 2018, and it won't end anytime soon. This is the legacy it has carved for itself and me.

ANVESH AGRAWAL

VICE-PRESIDENT

FIC has taught me things that I would have not learned from any other college resource in my first two years, the amount of learning you generate by the progressive attitude of people around you in FIC is unmatchable. Vitta is one of the many opportunities that FIC has given its members to spell out their ideas and enrich their minds. I would like to wish luck to all the juniors and have faith that they will go on to set even higher standards.

PRAGUN AGGARWAL

SECRETARY

"2 years in FIC! Time has flown by and I shall cherish all the memories of the people and relationships I have forged during this time. I have learnt and grown professionally and personally and would like to express my sincerest gratitude to everyone who has contributed to my journey."

PRATIK SARAF

SECRETARY

Two years with FIC seem like a film roll to me. A film that had all elements that one could ask for. Looking back at it, I see how I have been shaped into what I am in this 2 year journey. Even my juniors played a quintessential role in making me realise that I can guide and learn from people on all fronts. My memories with FIC are something I could cherish for a long long time.

AAYUSH AGARWAL

JOINT SECRETARY

FIC is a unique blend of knowledge and fun. The society has played a major role in shaping who I am today. The so-called "work" in the society never seemed like work to me. I am grateful that I was a part of the society for two years. One of the things that will always remain with me about my college life is how FIC helped me, not only to grow as a person but also to find some of my closest friends in college. The bond that FIC helped me create with my seniors, peers and juniors is everlasting. The society has already achieved great heights and I wish it reaches "higher highs" in the future!

ADARSH RAJ

CHIEF COORDINATOR

In a college such as ours it is easy to get lost in the dizzying clutter of academics, societies, socialising and deciding where you could make productive use of your very limited time. FIC for me was where all these intersected. When I look back at the last two years spent at college, being a part of FIC, was something that stood out. FIC provided me with everything that I could possibly ask for from college: amazing memories, lifetime friendships, knowledge that no classroom lecture could have provided and was given every possible platform to grow, learn and stretch my limits. I hope that my little contribution has been able to bring about some positive change and I wish all the members working for the year 2020-21 all the luck and hope that all their efforts render fruitful results.

NIHARIKA GARG

CHIEF COORDINATOR

The ultimate source of knowledge with a perfect balance between amusement and responsibility is how I will describe my experience in FIC. The Cell not only gave me an opportunity to work with the brightest of the minds but also helped me discover an inner voice that I never knew I had. The memories made during the 2 years journey are certainly irreplaceable. There is a personal sense of commitment and service that I feel towards the Cell and I believe there are many more stories of success waiting to be told.
Kudos to FIC !

TATSUM KHARBANDA

CHIEF COORDINATOR

My best memories of college rest in just three alphabets- FIC!! What you want in life doesn't matter as much as what life wants from you. And there I get into FIC unknown of what a rollercoaster ride it was going to be. I am going to miss those seminar room pictures and classroom meetings and those team dinners and after-party even ten years down the lane. There is always something for everyone in the cell. From research to technical fun, from loving seniors to best juniors, from organizing fests and pulling chairs to mapping streets of Chandni Chowk for sponsorships, I got everything in just one platter. To all the future teams I would say" Things may not work-out well with someone or the other but you will always fit in the team frame. Always look forward to contributing towards society and you will gain much more without even realizing." In the end, all I can say is that the love and respect from the most beautiful minds and hearts that I got in college are from my friends in FIC.

SHRUTIKA RUIA

DEPUTY COORDINATOR

The last 2 years in this college has been filled with happiness, despair, emotions, and regrets. But one thing that I will never regret is to be a part of FIC. Initially I lacked the confidence to speak in front of everybody, and share my thoughts, but the encouragement, the warmth and the affection the team radiated is what has taken me through. Whether it were the seniors, my peers or the juniors, the interaction, the arguments and the concensus with all of them had helped me grow as a person and made me more rational and capable in whatever I do. I'd like to wish the new team luck in everything they do and are able to take FIC to greater heights.

PRATHYUSSHA CHANDAR

EDITOR-IN-CHIEF

Words pour life into ideas, the seed to all thoughts and beliefs.
FIC gives its members a place to hone skills, think without boundaries and to share knowledge. From numerous research sessions to innumerable debates and discussions and more, members of the Cell have poured everything into making FIC what it is today. VITTA is a representation of all of this, an effort to pen down the unexplored, and to give space to budding minds. From talking about financial and geopolitical to core economic concepts, VITTA is a culmination of all our opinions, from people who strive to share and discuss events that made history or have shaped structures in this world. We hope to give our readers a holistic view of the world we live in and to provide an intellectual insight into all such matters.

SAKSHI AGRAWAL

RESEARCH HEAD

FIC has indeed been a major part of the college journey so far. When I look back and reflect, it can be well established that FIC has played an irreplaceable role in expanding the parentheses of my thoughts, by helping me form a concrete outlook and perceptions towards the fantastic world of finance and economics. Right from sitting with my peers to attend research sessions and colloquy to coming forward and getting the opportunity to take some myself, the journey has been an immensely enriching one. Be it the research sessions or ideation and organising of events, FIC has always been a perfect blend of learning, fun and bonding. My best wishes to the team for the coming year!

RIYA KAUL

RESEARCH HEAD

To say that FIC has concretely developed my outlook and has shaped my perception towards the financial realm and its relevance, would perhaps be an understatement. Going from being the audience of enthralling research sessions to getting the prestigious opportunity to take some of them has perhaps been the steepest upturn my growth trajectory has ever taken. For a cell that manages to organise pan-India level competitions and knowledge sessions, perhaps one wouldn't be able to imagine the degree of enjoyment and depth of personal bonds that tag along the prestige of being a member. The journey has been a perfect combination of intellectual and emotional growth. And Vitta stands witness to the Cell's commitment towards the growth of its members

KANAK KUMAR

CREATIVE AND TECHNICAL HEAD

I still remember FIC's Induction in my first year. From that day onwards, learning never stopped. Being a part of FIC gives you exposure to a lot of knowledge and opportunities, it helps you to grow as an individual. My college experience would have been extremely dull had it not been for this driven, fun-loving, diligent set of people. Having invested my two years of college and working closely with my Creative and Tech team, FIC has given me beautiful memories that I will cherish forever. With great milestones achieved in over 10 years, may the cell never stop investing in the best!

MEHAK RAINA

PUBLIC RELATIONS AND MARKETING HEAD

FIC has helped me grow as an individual and has constantly motivated me to improve myself. Along with making me realize my strengths and potential, it has introduced me to a bunch of industrious and enthusiastic individuals who are now my best friends. From wandering around doing promotions or buying supplies to being the first society in North Campus, Delhi University to make their app to the research sessions, organizing events, handling last-minute altercations to the after-parties, FIC has provided me with a bucketload of memories. As I leave FIC in the capable hands of my juniors, I don't know what lies ahead of me, but what I do know is that I am going to cherish these memories forever. Lastly, if I had to make one last bet or debt question it would be -"Are you going to miss FIC when you leave?", absolutely.

KUSHAGRA AGRAWAL

SENIOR EXECUTIVE MEMBER

VITTA- The Annual Financial Journal of Shri Ram College Of Commerce is a testament to the sheer fact that the process of learning can lead to a lot of fun as well as growth at the same time. As the FIC Cabinet 2020-21 takes on the reigns, I am nothing but extremely delighted and faithful that the team will take the organisation to unprecedented heights beginning with the publication of VITTA. All the hours and days of hardwork put in clearly shine off VITTA and I feel the readers will echo the same once they get their hands on the much-awaited publication

TEJAS R. SINGH

SENIOR EXECUTIVE MEMBER

During my tenure of 2 years at FIC, it wasn't just the financial acumen or investment strategies that made me cherish the period, but it's the personal progress and life lessons that I never expected I'll learn that I'm most grateful for. I met some people who validated my baseless sarcasm at weirdest moments; I met people who inspired me to dream bigger; I met people who taught me there's a "correct" way to write a resumé; I met people who dreamed to change the world; I met people who were the change, itself; and I also met people who - consequentially or otherwise - gifted me the wisest knowledge, which made me the person I am today - the person that isn't as naive as the high school graduate who joined this institution 2 years ago. This is the person that I'm most thankful for and this is the person that'll help me make all my dreams come true. Mic drop - Tejas out.

NIKUNJ SARDA

SENIOR EXECUTIVE MEMBER

The two years at FIC have been quite eventful with memories belonging to the extreme ends of the emotional spectrum. The society provides great exposure in terms of knowledge sharing, developing and participating in competitions and research tasks and creating our own journal, VITTA. FIC provides a free hand to do things the way we want to and take responsibility for the same, developing leaders. It also provides a chance to interact and learn from the best and helps build some invaluable relationships. The fact that the journey is more about self-development is what I love about it!

MESSAGES FROM THE MEMBERS

DEVASHISH MIGLANI

FIC, SRCC is the society where I've learnt, and learnt well. For the one year I've been at college, being a part of FIC is what I'm most proud of. This was a year of great learning, hard work, tenuous work hours, insightful initiatives and breathtaking events. Through effort and through excellence, Vitta seeks to capture the eccentricities of finance and become a part of this enigma greater than itself. Ours is a legacy that has been brought down through generations of prodigies, and I hope it continues for years to come!

TARINI GOYAL

'Rich Dad' always mentioned how looking at the story the numbers told was much more important than the numbers themselves. That's what being a member of FIC was like, it wasn't the name and the reputation it holds as an academic society, it was the process by which it moulded me into a better human being. The journey is worth living again.

RISHABH KHETAWAT

Being in FIC has been the highlight of my 1st year. Not only did it provide opportunities for me to increase my knowledge but there were many chances for personal growth as well. I'm very excited to work with the society in the coming year as well.

ABHIJAY PANDITA

I have been on the lookout for a hub that fosters economic thought, financial knowledge and geopolitical awareness within members, and I found that abode with FIC. It has been a sublime year, with streams of information that come from every single member to contribute to one's ocean of knowledge. If you want to be a better global citizen, aware and active, FIC is the place to be!

PARTH KULKARNI

At FIC, you get to learn loads and have amazing fun. It's been a great year, with hundreds of memories and awesome experiences. FIC has played a crucial role in helping many of us first years understand the world of finance, and has opened up new avenues to explore. FIC rocks!

ARAVINDAAN NATARAJAN

My journey at FIC has been nothing short of a roller coaster ride. Be it WhatsApp discussions or research sessions or event ideations, every event organised at FIC had a positive marginal utility with respect to my knowledge curve. It wouldn't be an exaggeration to define FIC as the convergence of fun and finance.

RAGHAV LADDHA

If I had to look back at my first year in SRCC, the majority of what i see is FIC. Besides learning about finance, geopolitics, designing softwares through various research sessions, workshops and organising fests like Finergy and Episteme, FIC gave me friends and memories which I would cherish forever. Looking forward to grasping more knowledge and making enriching moments this year.

RISHAB DIDWANIA

FIC has been a major part of my first year in college and I'll forever be grateful to it in transforming me every moment to adapt to new skills or gaining knowledge. The cell has so much to offer and one can surely learn a lot over the multiple research sessions, discussion and bond over teamwork.

VIDHYA SRIRAM

If coming to SRCC was a dream come true, then being a part of FIC was the icing on the cake. What a year of amazing opportunities, upskilling, able mentorship and learning it was with FIC, and all of this with a dollop of fun and frolic which makes knowledge transfer all the more retainable. My journey into the world finance,its nuances, and its unquestionable significance has been guided and accentuated only because of FIC.

GOKULA KRISHNAN C

It wouldn't be an exaggeration if I said FIC was one of the best things that happened to me in college. Apart from the knowledge and exposure I gained, it was about the memories I got during my journey as a member in the team. Right from working for sponsorships, to a wooohooo-photo-capture at the end of Episteme, yes, FIC made my first year wonderful.

VISHAL AGARWAL

One milestone that I'll always remember is getting into FIC amidst tough competition. The cell has been a wonderful place to gain knowledge, share experiences, work in a team and bond with peers and seniors. The cell focuses on the holistic approach of a student. FIC is an indispensable part of my college life.

GAURAV AGRAWAL

Getting into FIC Family has been one of the luckiest parts of my life. Learning never stops. It is the platform that let me fully explore the high tides of financial knowledge enriched with fun. The best part of FIC to mention still remains not having something to quote as bad! Hoping to learn much more in the second year.

SOMYA YADAV

My journey in FIC has been astounding since the beginning. Every now and then FIC came up with new surprises. From the intimidating interviews to illuminating research sessions, from writing articles to organising the best events in DU, FIC offered it all. The growth I witnessed in myself from the start of the college till date is mainly because of these exciting opportunities FIC had to offer. It made me more aware, more responsible and broadened my horizons.

VATSAL SHARMA

My journey with FIC has been one of learning, implementing and making things happen. The value it has added in me and my personality is insurmountable. Apart from that, it introduced me to many outstanding people. Couldn't have asked for more.

SAI LAKSHMI SURESH

FIC is one of the best things that has happened to me in the first year of college. FIC opened up my boundaries and enabled me to learn the amazing aspects and applications of finance in the real world. Not only was it a place of learning but also of bonding , caring and creating ties of true friendship. Working late night for Episteme or having healthy financial and political debates are memories I would cherish forever. I am grateful for having a reliable team of senior cabinet members and enthusiastic mates on my financial quest. They made me realise the essence of team building cooperation and the insatiable hunger to learn more. I am truly honoured to be a part of this family!

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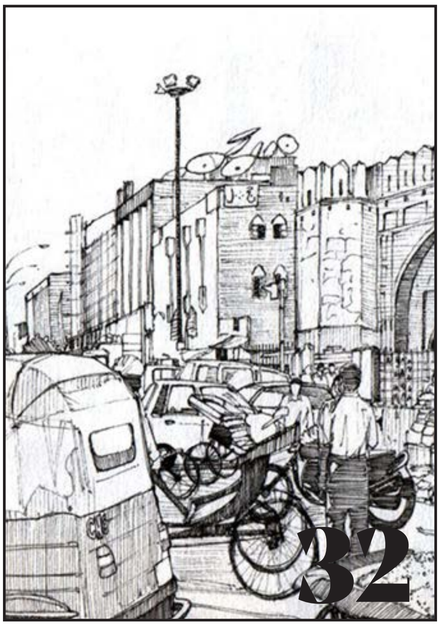
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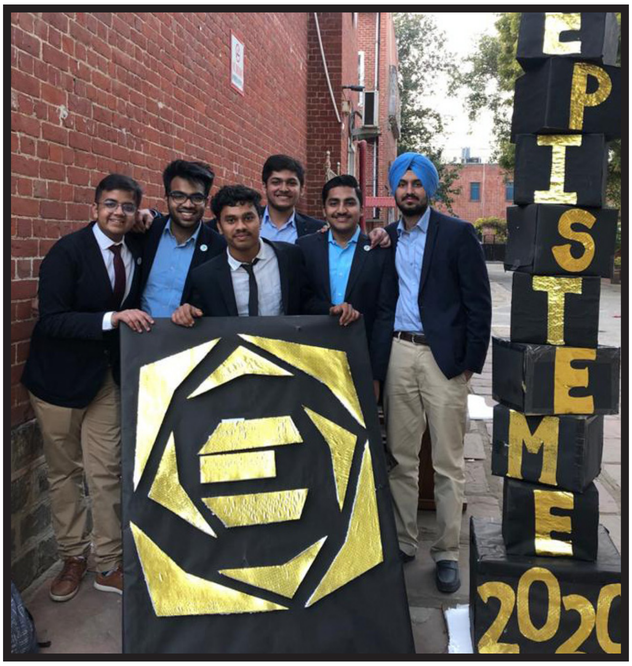
EPISTEME
2020


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INDIAN INDUSTRY AND POLICY

Testing the Investor's Patience

Pre-emptive regulation of the stock markets creates negative sentiment for investors

AARADHYA DAGA & PARTH KULKARNI

A significant part of the noise arising from pre-budget speculation this year could be attributed to the future of the 'Long Term Capital Gains' tax or LTCG as it is popularly called. As the 1st of February drew closer, there seemed to be both renewed demand and hope that the government would roll back the tax, or at least increase the holding period for equity investments. But belying these expectations, the Finance Minister, in her historically long speech made no mention of the LTCG at all, and instead the Budget produced another imposition on the investor – the Dividend Distribution Tax.

The Long Term Capital Gains Tax (LTCG)

The tax on Long Term Capital Gains is applicable on immovable and movable properties along with securities. As per accounting norms, it is computed on the capital gain earned after selling an asset held for longer than 36 months. In practice, the current version of the LTCG on securities applies on all sales of assets held for greater than one year.

In 2005, the Indian government under Prime Minister Manmohan Singh abolished the LTCG on equity and debt securities in a bid to attract investment in stock markets. This made investments in equity completely tax free save for a nominal Transaction Tax. The aim was to promote equity as a viable investment avenue for traditional Indian investors, who were usually far more comfortable with gold, real estate, and fixed deposits. A 'tax free' investment that provided significant returns helped bolster the image of equity and brought a manifold increase in investor participation. The removal of LTCG was a primary factor that helped foster much needed growth in stock markets by channeling the capital of previously reluctant retail investors into the financial system.

In 2018, the LTCG was reimposed on equities, but care was taken not to renege on the earlier promise of a tax free investment by allowing the 'Grandfathering' of gains up to the 31st of January 2018. This meant that while long term capital gains earned on equity would be taxed from the financial year 2018-19, the capital gains accrued from 2005 till 2018 would remain tax free. The present version of the LTCG is a tax of 10% (effective 15.6%) on capital gains earned on equity and related securities held for a period greater than one year.

The resurrection of the LTCG was widely criticized because it created an unfavorable environment for retail investors, who are primarily invested in mutual funds and a select few shares of reputed companies. The move took away the 'tax free' branding of equities; the most important investment factor for several small and traditional investors.

In the long run the LTCG may result in increased tax revenues due to a large number of retail investors who stay invested for long periods in equity. But the purpose of such taxation is essentially to tap into the capital gains earned by companies, large institutional investors, and High Net Worth Investors (HNIs) invested in equities.

The LTCG is labelled by some as a much needed correction in India's stock markets for this reason. 70% of India's wealth is owned by 2% of its population. Direct taxation (like LTCG and Income tax) accounts for just 54% of India's total tax revenue. If India is to reach a higher growth trajectory, then direct taxation needs to rise up to levels greater than 75% of total tax revenues. The LTCG's reimposition was a move aligned with this general vision and objective, is what the then Finance Minister Arun Jaitley and several others defending the tax said. The fact that the LTCG is a step to improve tax spread or parity cannot be ignored. After all, the tax to GDP ratio in India is around 12%; and despite that the Bombay Stock Exchange is the 7th largest stock market in the world, with a market capitalization of over $2.5 trillion.

Further, there is also the added angle of equity earning excellent returns, and inviting investment from firms and companies engaged in other lines of business. This curtails the creation of employment as corporate profits are being used to earn returns in financial markets instead of being reinvested in manufacturing or processing itself. Hence, at the outset, there seem to be both significant amounts of revenue to be collected by the government and a correction to be made in terms of capital allocation - and the LTCG is a means to these ends.

However, the LTCG does have negative implications for the retail investor. Serious investors are heavily invested in equities, through a combination of SIPs, index funds, direct holdings etc. and have differing long term spans of investment anywhere between 7 to 30 years. These investors plan to remain invested for a significantly large time period, and they will cling to the hope that when the time comes for them to liquidate in the future, there will be a better or more favorable tax mechanism in place. It is also fitting to note that some investors may just not sell, and choose to reap their appreciation by keeping their investment untouched. But this confidence in equity markets is felt among a relatively small number of retail investors. At large, the Indian retail investor still does not treat equity as a lifetime investment, and considerably smaller amounts are invested in equity markets by such investors for shorter time periods. LTCG may cause such investors to exit the market, which is discouraging for the growth of Indian equity markets.

The LTCG itself may be required in the long run to boost tax revenues. It is established that equity still remains the best safeguard there is for an investor combating inflation. Hence, there is a genuine necessity to increase investor participation in stock markets with significant proportions of savings invested for the long term. A better course of action would have been to wait a few years, undertake an equity education campaign, and reintroduce the tax once a substantial increase in the number of retail investors has been registered. This would have helped establish a better and more compliant capital gains tax regime because the tax would be at a later stage when the markets are considerably more well developed than they are today.

This sentiment is reflected in the various demands to roll back the tax, or at least increase the holding period from 1 to 3 years; made by industry delegations before each successive budget after 2018. It is not at all surprising that these demands have not been acknowledged, because the government has no real figures to assess collections. Gains were grandfathered upto 2018, which meant barely any collection for that financial year. The next year was an election year with two budgets, which again cannot be used for objective assessment. Revenue to be raised from LTCG collection was estimated at Rs 40000 crore per fiscal year when it was brought back in 2018. It will be safe to conclude that the tax collections for 2019-20 will not come close to that figure.

The LTCG is a good move to improve tax parity and to tap a much needed source of government revenue once the equity markets have grown large enough to sustain it. A pre-emptive imposition of this tax can do very well in intimidating small investors away.

As unlikely as it sounds, the collective market demand that

LTCG be rolled back may be right. While the industry is at the forefront of demanding that this be done, it is perhaps the retail investor who is the most miffed.

But if the tax is going to be normalised at this early stage, then it would not be wrong to predict that soon there will be more than one way to circumvent it.

The Dividend Distribution Tax (DDT)

Dividend Distribution Tax, or DDT, as it is popularly known; was introduced in 1997 to ensure fair and accurate taxation of dividends declared by companies. The tax reform of 1997 made dividend taxable in the hands of the company or the corporates themselves, with the motive of bringing in a more transparent system of charging DDT. Before this was done, the dividend was taxable in the hands of shareholders, but tax revenues collected were inconsistent with the declared dividends - due to both unreported income and shareholders reporting lower incomes than what the taxable limit was. As a result, the system of charging DDT on corporates was made functional so that the tax was deductible at source.

DDT led to double taxation and had a cascading effect on corporate earnings. This is because companies first pay corporate tax on profits and then DDT before dividend is declared and paid. At the same time, revenues from the collection of DDT went up significantly, although a part of that can be attributed to the increased rate at 20.56% itself. The system of tax collection was made far more efficient and collections became easy and trackable.

In 2016, the government introduced a further tax of 10 % on dividends in the hands of shareholders who receive more than Rs 10 lakh per year as dividends. While the move was another step in the direction of improved tax parity, there were now three layers of DDT being charged. Hence, it was widely expected that DDT on corporations would be reduced or rolled back as the tax on shareholders would make up for any shortfalls in dividend tax revenues.

The 2020 Budget fulfilled the the industry demand of getting rid of DDT. There is no longer any dividend distribution tax levied on corporates. Instead, dividends are taxable in the hands of shareholders under a new scheme of taxation dependent on income. While many lauded the move, the fact of the matter is that the actual deadweight loss created by the tax has not been reduced, and the tax has simply been shifted from companies to shareholders.

As per the 2016 reform mentioned above, shareholders earning greater than Rs 10 lakh per year by way of dividend paid 10% of their dividends as tax. This has also been changed, and now all investors receiving dividend must pay tax.

In the new system of taxation introduced this year, the recipient of the dividend is liable to pay income tax on dividends at the applicable rate of income tax - the income tax bracket or slab that they fall in. Further, dividends paid by mutual funds are also taxable now. This was not the case previously.

The removal of company DDT and the imposition of DDT instead on shareholders and mutual fund investors do not align themselves with the tax parity objectives of the government. Companies will now no longer have to pay any DDT, and the entire burden is shifted to the shareholders. In the case of mutual fund investors, it is an entirely new imposition. It is undeniable that certain relief measures had to be taken in the current economic scenario when growth has slowed down considerably. But the removal of DDT came after the corporate tax cut of late 2019, thus providing corporates a double exemption. Corporations now pay lower taxes while the individual is left with a lower dividend income.

But this move is looked at favourably by the industry and by foreign investors. The new DDT regime is in great favour among foreign investors who do not receive tax credit in their nations. Now, since dividend income is taxable in the hands of these investors, they can avail tax credit in their home countries - the UK and France, for instance, with whom India has ratified special treaties to that effect.

However, the new DDT regime's largest drawback is that it discourages smaller investors on the same lines as the LTCG - causing a deadweight loss that reduces the size of the market.

Small retail investors in shares and mutual funds with dividend income lower than Rs 10 lakh will now be taxed at the rate specified by their income tax slab. This will result in a higher tax burden on such investors. For instance, if a particular investor pays income tax at 33%, they will now pay 33% tax on their dividend income as well. This is higher than the 20.56% DDT paid by the company, and means lower income for investors.

At the same time, there will be a few investors who will receive the benefit of lower payouts due to lower tax rates. Finance Minister Nirmala Sitharaman recently allayed fears about higher payouts due to the new DDT regime by saying that on the whole, the aim was to reduce the tax paid by investors. The on ground realities of the tax regime do not bear much semblance with her reassurance.

For High Net Worth Investors (HNIs), the DDT changes poses quite a challenge. For an investor with an income tax rate of 40%, an imposition of 40% tax on dividends as well is quite an unviable proposition. While the rich are meant to be taxed higher, many see this as an unnecessary penalty. Yet again, as in the case of LTCG, the retail investor is left miffed with these recent changes in the Dividend Distribution Tax.

A Final Note

How exactly the combination of LTCG and DDT affect the individual investor will be seen in the coming financial year. Taxing capital gains and reducing dividend income both may mean significantly lower incomes than what the aspirations of investors are. To say that retail investors are disappointed is not an exaggeration. Expectations were certainly higher. India is home to nearly a sixth of the world, and to say that our retail investors are robust by pointing out that we house the seventh largest stock market in the world is logically fallacious. Retail investing in India has a long way to go before any regime can declare that its investors are informed and disciplined and fully capable of giving up whatever returns they earn. There is a necessity for policymakers to exercise restraint in order to make markets more investor-friendly.

Amazonian E-commerce in India

Amazon's success story highlights the immense potential of Indian e-commerce

RISHAB DIDWANIA

The term 'E-Commerce' dates back to 1991 when the internet was made available for commercial use. Twenty nine years later it has grown tremendously and thousands of businesses have come up and have expanded their reach through this very medium. The advancements in the World Wide Web and the emerging technologies such as Electronic Data Interchange (EDI) and Electronic Funds Transfer (EFT) have further boosted the scope of E-commerce and have allowed it to attain new heights. E-commerce has transformed our lives with much simpler means as it allows us to transact at any time and place. You could be relaxing on the couch and ordering your favorite meal backed up by the door service with easier payment methods, not to ignore the different coupons and promo codes!

In India, Flipkart and Amazon Inc. are two major E-Commerce behemoths with the largest market share. Attractive deals, festival sales and an enormous variety of goods are competitive advantages of which they both boast, along with great consumer satisfaction levels through fast delivery speeds as quick as 2 hours. This kind of business requires a high level of inventory at different venues to cater to the demand from various areas. Though on the face of it, these companies often make enormous amounts of revenue, they are constantly found under big heaps of losses.

That's when the concept of market share comes into frame. Each company tries to capture more market share whenever they can, regardless of whether this leads to incurring losses in the initial years. They try their level best to improve their game and strategize to capture more and more market share and expand their reach. A high market share builds up a company's reputation among suppliers and they are able to procure products cheaply and in larger quantities.

What an e-commerce company does to attract more and more consumers today is quite complex. When thinking of Amazon, we only think about its online retail division. In reality, the company is actually competing in a wide variety of sectors. While the E-Commerce division faces the most competition from Flipkart and eBay, its streaming services segment Amazon Prime Video faces constant competition from Hotstar and Netflix. It also owns IMDB as well as Amazon Prime Music services which mainly compete with Rotten Tomatoes (a film and television review- aggregation website similar to IMDB) and Spotify respectively. Amazon launched its own assistant- Alexa which competes with Google Assistant as well as Apple's Siri and its usage in smart speakers means it is at war with Google home. It even has its own logistics segment (Amazon Logistics) and an E-wallet that is Amazon Pay. If only movie streaming wasn't enough it also owns the famous live streaming service Twitch which directly competes with Youtube. Who can possibly ignore Amazon Kindle which is the clear leader in the e-books industry. All of this clearly proves that Amazon is at a war with literally everyone. It is penetrating into a large section of the market. By unifying all services under one Amazon account for customers, it has cemented itself as the most preferred retail platform with a huge set of augmented services. By acquiring so much market share, the losses in retail units can be balanced out from the revenues of its so many subsidiaries in the coming years.

Its revenue-making strategies do not end here itself. Amazon also runs the Amazon Web Services (AWS), which basically offers cloud computing services ranging from analytics to data management.

All e-commerce companies are also aware that they must sell their products cheaper than what the traditional market offers to survive. This competitive pricing is growing more and more complex. Companies are required to study the demand from different types of consumers and then apply suitable marketing techniques for each product segment. This data is the key to maximising traction and market power. Data is also crucial for them as it also helps in developing the product as per the consumer's requirements. This process takes the form of the Snowball Effect wherein a process starts with an initially small significance but ultimately builds up to a larger state.

The e-commerce sector of the nation was doing quite well until the lockdowns were imposed in tranches after the coronavirus pandemic. Easing of restrictions is required as the economy opens up. Stifled growth will be the case for nearly a year, but then e-commerce firms can pick up speed again.

The fact that these E-commerce giants achieved the highest sales during the economic slowdown can't be ignored either. Selling goods worth Rs.19000 crores was no small achievement in those times. We cannot simply ignore the number of job opportunities that are generated and are beneficial to a country like our own. This sector has benefitted from the pro-business policy environment in the last few years, and the same attitude must continue in the next few years.

David v/s Goliath

The OnePlus story is a successful exception in a world of smartphone failures

RISHABH KHETAWAT

It is both rare and interesting to witness a relatively new entrant establish itself as a player in today's economy after so many old and powerful companies already exist.

Smartphones have become the nexus of our lives and it is imperative for everyone to have a good phone. However, until just 6-8 years ago, the only decent options available to the general public were high priced Apple or Samsung products. Most consumers had to settle for lower quality phones which would fit into their budgets. Pete Lau, an employee at OPPO, decided to change this because he wanted people to never settle for subpar products. This is how in 2013 OnePlus was founded, and has since then become the face of the Mid-Size smartphone market. Often dubbed as 'flagship killer', OnePlus brings high end specs in its phones at a much more affordable price giving big tech giants such as Apple and Samsung fresh competition.

When launching the OnePlus One in India, the company started with invite only orders. This created a lot of user generated buzz as people became curious and this gave the brand a big marketing push. Through the invite only mode, OnePlus made sure it only sold phones to the people who actually wanted them, instead of spending huge amounts on sponsorship and promotions. It targeted mobile based marketing rather than mainstream. By doing this, OnePlus was able to reach its target audience effectively without spending a lot on marketing. Such an approach was only possible because the product was effective and did not require a huge PR backing. OnePlus's main focus had been on creating a product which would be the best of both software and hardware.

OnePlus focused on developing the Oxygen Operating System (OS). The Oxygen OS is known for quick updates, newer technology, and premium spec . It tried to make up for the shortcomings of both Apple iOS and Samsung OS features. With not much competition in the mid-segment it became an obvious choice as OnePlus introduced flagship phones. These offered more or less an all in one experience. OnePlus wanted its products to be better than the previous versions. It focused more on quality rather than quantity.

In addition to the product it also focused a lot on customer satisfaction as well. By providing excellent after sales service and creating a community of its users where they could share their feedback and suggestions also helped build customer loyalty. They also organised community meet ups and interactions where a high ranking executive would meet the users in OnePlus stores.

ith its two flagship phones a year formula, OnePlus keeps building on the success of its previous editions. Sandwiched in between the two flagship releases, OnePlus also releases limited edition smartphones. For instance, it was the ‘OnePlus Red’ in 2017 and ‘OnePlus Silky White’ in 2018. Alongside, there is the limited OnePlus Avengers edition, a one-up from the Stars War edition of 2017. Recently, the company has partnered up with McLaren as well.

Credit must be given to the fact that OnePlus created a phone which feels like a premium product at a competitive cost that gives flagship phones of other brands tough competition. Judging by sales volumes and growth statistics, OnePlus has the potential to even unseat the smartphone giants we have known for long. A redefinition of the smartphone industry in India is overdue as it is.

A More Uniform System of Government

Exploring the possibility of conducting simultaneous elections in India

VATSAL SHARMA

'Election Season' is a time characterized by debates among people ranging from top politicians in rallies to spokespersons in news channels to any common gathering. You see banners on every nook and corner, advertisements on every channel and politically affiliated memes on every digital platform. The whole world around us is filled with talk only and only about politics.

But in the current scenario, this 'season' never ends! We have a Lok Sabha election, Presidential Election, 28-29 State Elections, innumerable municipal elections and Panchayat elections. Barring aside the third tier elections, the General and State Assembly elections involve huge costs. Just the cost of 2019 general elections was around Rs 50,000 crore. 2-7 state elections can be held every year which cost around Rs 1000 crore. This continuous cycle of elections leads to a freeze in terms of development processes in the area where elections are held.

A solution to this problem is having 'Simultaneous Elections' at the National and State levels. Other than the reduced costs, this will also bring in the following changes-

- **Increased Importance**- Having elections once in five years will attach more importance to the whole process and will see higher participation from the masses, especially educated sections of the society which in recent years has unfortunately grown ignorant towards this dance of democracy.

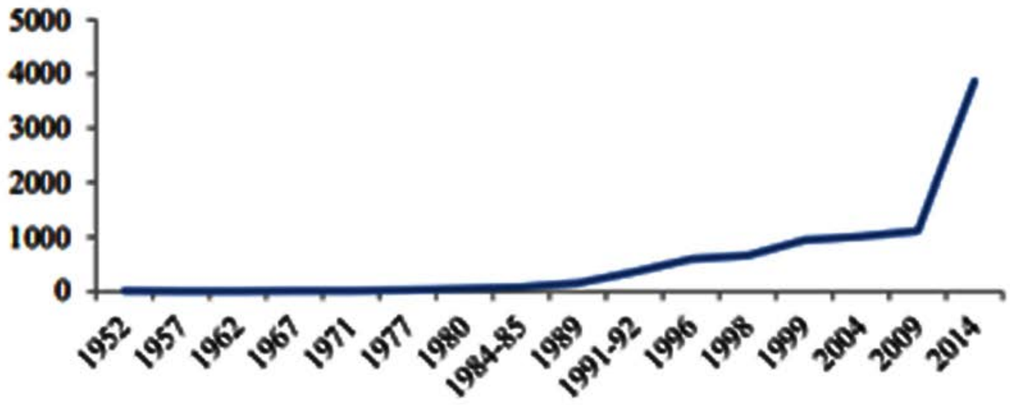
- **Better evaluation**- Several times, central governments win state elections based on central actions, which is quite irrational. For instance, the ruling BJP won many state elections just by highlighting the major steps taken by the central government in the preceding year. Having a definitive time gap gives a proper objective view for the voters to analyze the performance at central and state levels separately.

- **Coalitions**- The dynamics of partnerships among the parties change from time to time and from election to election. The public will be less confused about the coalitions the party they vote for will form.

- **Media**- Comprehensive elections will force news outlets to increase their research and become more content heavy. The standards of journalism will have to be raised.

Although simultaneous elections seem to be a very fancy and difficult affair, their implementation is the roadblock which has still not been overcome. Managing elections at such a huge scale, dissent from the regional parties, negative impacts on voter behavior etc. are many problems which are holding them back. Although the very first elections of the Republic of India were simultaneous, for now it is just a topic for debate with no scopes whatsoever. It is a sincere hope that progress towards them will be made in the near future.

Figure: Election expenditure (Provisional) by Government of India towards Lok Sabha Elections (Figures along Y-axis are in INR Crores)



Source: Figure 8.1, ECI Pocket book 2015-16

One Nation & Truly One Tax

A single slab may be impossible, but GST must be made simpler and easy

DEVASHISH MIGLANI

Goods and Service Tax was introduced in India on July 1, 2017 with a hope to replace the existing cumbersome and outdated taxation system. It aimed to replace all indirect taxes levied on goods and services by the Indian Central and State governments and bring them all under a single umbrella, eliminating the cascading effect of taxes on production and distribution. Through the tax the government has improved the efficiency of logistics and has provided a simpler and online procedure. The unorganised sector has been brought under regulation and there has been a push for a higher threshold for registrations. The tax promises lesser compliances and defined procedures for E-Commerce operators. Composition scheme has brought down the tax and compliance burden on many small businesses. In totality GST introduced by the BJP government under the leadership of then Finance Minister, Lt. Shri Arun Jaitley tries to overcome the deep and stagnant issues in India's indirect taxation policies.

However, GST brought with it various rules and regulations which boggled the minds of the best accountants. Increased costs due to software requirements, need to employ tax professionals to be GST-compliant thus increasing operational costs and greater tax burden on SMEs were some of the many pinpricks in easy acceptance of the new system. However, the multiple slab rates of the new system were criticised heavily on the grounds of being compex and lacking initiative for the taxpayers.

It is believed that a single rate regime under the single tax system can prove favourable. An uniform justifiable rate will allow domestic industries to emerge as more competitive in the global environment. A simpler mechanism will allow the administration to improve their effectiveness and efficiency. A simpler policy
will eventually reduce tax evasion and thus increase the

government's revenue in the long run. By having no tax for some goods and services and a specific tax rate for others, the tax situation will improve because complications of the system will be significantly reduced. "The country should eventually have a GST which will have only slabs of zero, 5% and standard rate with luxury and sin goods as an exception," Jaitley wrote, indicating that this implementation will "take some reasonable time when the tax will rise significantly".

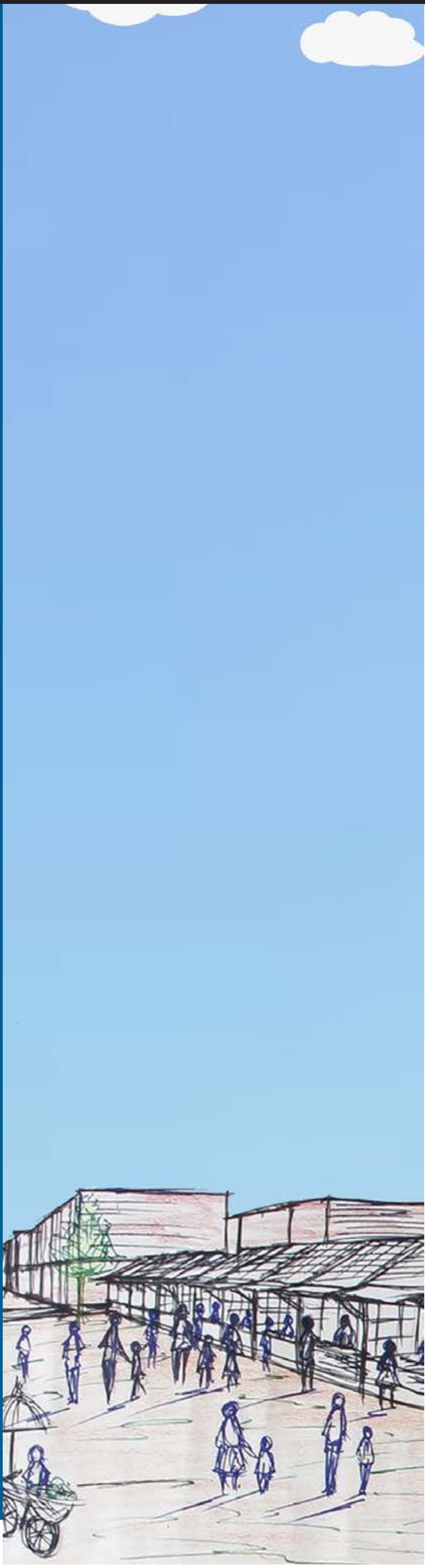
Such a system will allow the government to fund all public expenses and source its revenue in a better manner, thus reducing public burden. With a single rate which suits all items, simplification of procedures on returns, audits and input tax credits will take place. Also at such a decided rational rate there wouldn't be a case of any exclusions like that of petroleum and real estate.
For example, a single 10% rate applied on 70% of the economy yields 7% of GDP as tax revenue.

However, the single tax rate will not come without major setbacks. Since our country has a mixed income population, a single tax would be unjust and irrational.

Arvind Subramanian suggested that GST is a regressive tax and it won't be "fair" to have a single rate structure unless there are instruments to protect the poor who get hurt by rising costs. By clubbing the rates into a simply single slab, the tax revenue would actually fall because of reduction in consumption. Around 1,200+ goods are taxed at 18 percent rate, while nearly 15 percent of taxed items fall within the 12 percent bracket. In such a case the proposed rate change will lead to a higher rate on fewer products and a lower rate on more items, leading to a revenue loss. For example, taxes on petrol and diesel raised more than 5.5 Trillion for Centre and State governments, thus bringing a lower tax rate would reduce the earnings from them, thus hurting the economy by affecting the overall fiscal deficit. "Multiple slabs were fixed transiently in order to ensure the tax of no commodity goes up radically," Mr. Jaitley said. "This contained the inflation impact."

Rather than aiming for removal of complexities through a single rate system, a more evolved method of tax collection and implementation should be introduced. The number of tax slabs can surely be reduced if not cut to one and must be coupled with an increase in the GST exemption limit. The plan of action should be the improvement of software and cheap GST services for one and all. A single tax rate would prove unfeasible until a uniform income class is present in the country.

A single rate system under the current GST regime does seem lucrative however it brings with itself various burdens for the economy. With the ongoing pandemic and the fall in income levels of the public, the government must understand the need for a gentle and accommodative tax policy, which transfers the burden from the people to the government. On one hand the taxation system becomes effective and right on the other it proves unfair for some. The tradeoffs are indeed extreme. Middle ground must be found to improve tax compliance and make filing easier. India cannot progress without a more effective indirect tax mechanism.



The Bazaars of Delhi

India's unorganised markets are more resilient than we think

VISHAL AGARWAL

Pick up any newspaper and you shall see advertisements from BIG BAZAAR, Flipkart or Amazon saying- "20% off on all purchases made via application". In the world of technology, we have forgotten the thrill and enjoyment of bargaining with the vendors amidst commotion. Everything is now available on the tips of fingers- from groceries to garments to electronics to even jewelry. Today's generation cannot even imagine what "bazaar" in the true sense means.

Months ago, when I came to Delhi to pursue my majors, I was quite perplexed at the idea of weekly bazaars. The only question that came into my mind was- Do such bazaars even exist I went to one such bazaar in Keshav Puram and ever since, that has been the best place to walk in. I was constantly reminded of Sarojini Naidu's "In the Bazaars of Hyderabad", the spices, the flowers and what not.

Local weekly markets or as we say it, saaptahik bazaar, is a traditional style of retailing whereby vendors put their items on display in a makeshift arrangement in local places, with the authorization of the municipal corporation to sell the items in exchange for a fixed charge. These markets cater to the daily needs of the people- ranging from soaps to spices to articles like containers or roller boards and pins, fashion items like garments, shoes, hair bands, sunglasses, utensils and countless other things. While these items cannot match the quality (and price) of branded items, these serve the short-term needs of the people who feel satisfied at the end of the week after bargaining.

People only visit these markets, trade commodities in exchange of money and return home. They do not care about the formal and informal processes that these markets go through and how they contribute to the growth of Indian industries and why they should be the future of markets in India.

The history of these markets can be traced back to the time when the Mughals used to rule over the country. Such markets were organized by the local tradesmen who were middlemen between villagers and locals. This age-old practice carrying out business is still prevalent in the capital of the country. Post the partition in 1947, most Sikhs and Muslims who migrated to India had lost their shops in the riots and had to start from scratch. They started carrying their wares on their shoulders and travelling to villages. But with time, they realized that a market where buyers and sellers will be in contact with each other and will have 'perfect knowledge' about the markets is desirable and thus got together to form local markets.

The Local Weekly Markets are a part of the 'informal' economy. The traders in these local markets do not possess any assets that can be mortgaged to get items on credit, the amount for which could be paid later in cash. The sources of credit are usually closed to them. There is no formal accounting for the transactions that take place in these local markets and for the flow of commodities. The quantity demanded and supplied are difficult to estimate, hence Adam Smith's Invisible Hand is not only invisible but also absent. One more reason for these markets to be categorized under the informal sector is the lack of management. These markets are organized on footpaths or on both sides of the road which at the end of the day leads to a bit of commotion with cars honking their way, people bargaining for a penny here and there and children shouting for cotton candy. These markets do not have any barriers to entry of sellers. The new seller has to either accommodate the existing sellers or either look for a new locality and a new day to sell his wares.

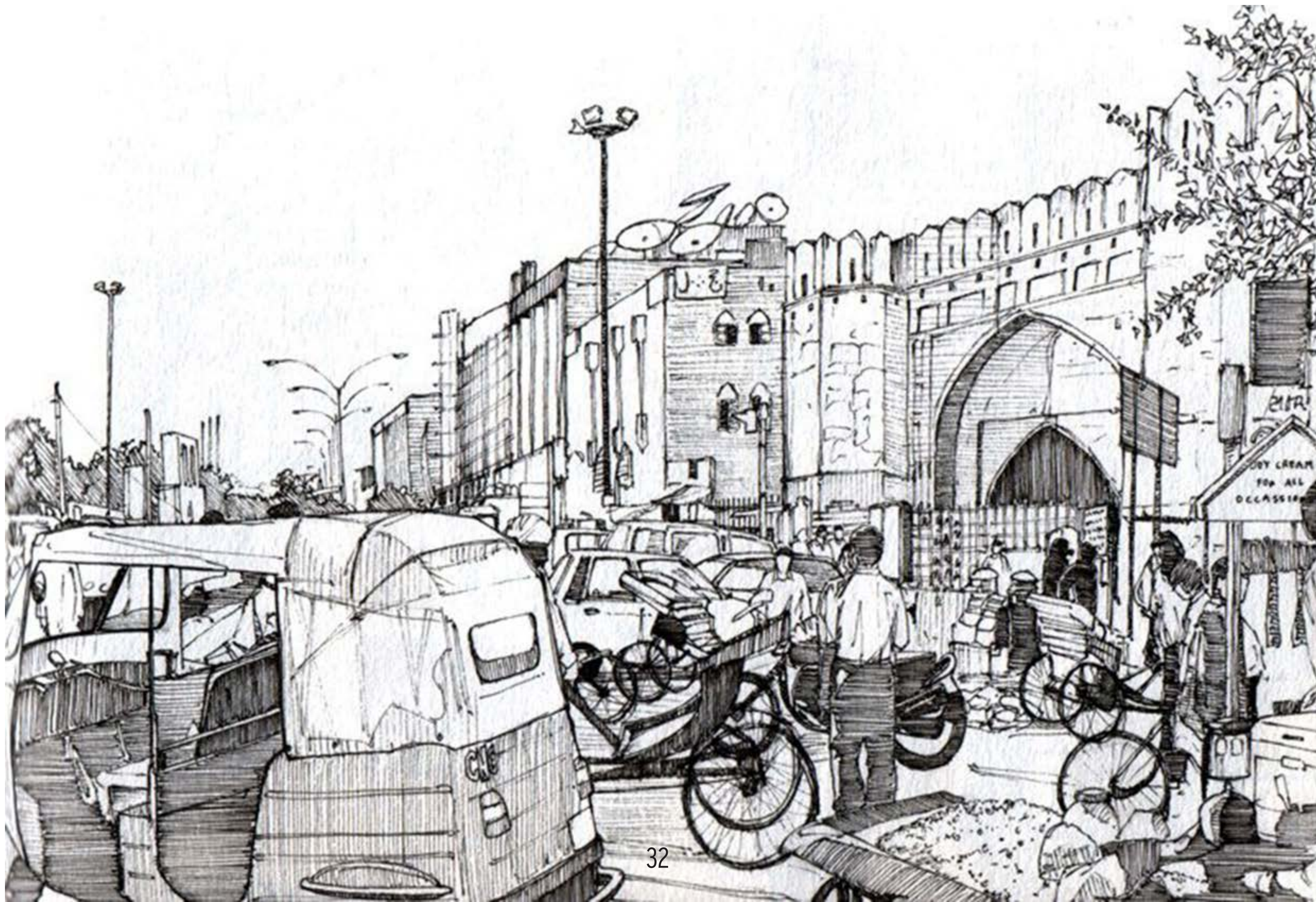
However, the vendors have the legal right to sell the goods with a permission from the Municipal Corporation of the district. The Street Vendors Act of 2014 recognizes the LWMs as legal and protects them. The nature of the commodities traded in local weekly markets differentiates it from chorbazaar which is associated with the notion of illegality.

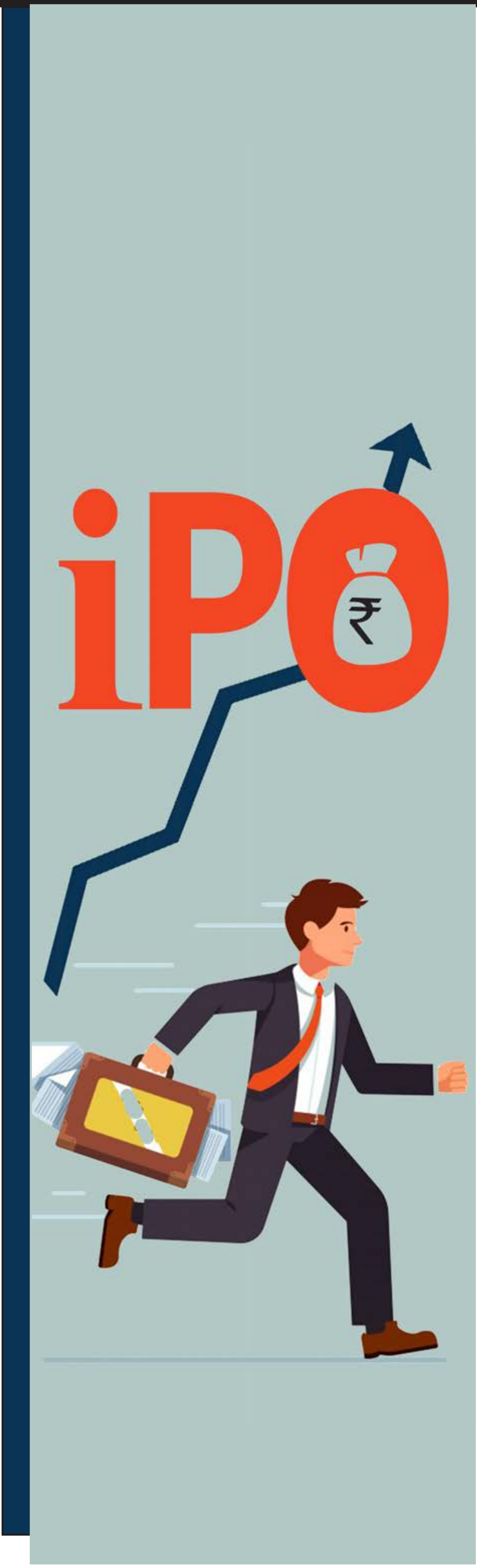
But do LWMs have any economic significance? Yes.

The LWMs do not bring any increase in the GDP because no new production takes place. But they serve as a ready market for agricultural and village products to be sold in urban cities. These LWMs provide self-employment opportunities to hundreds of sellers. The products on sale in these markets are priced cheaper than branded products to enable the people from lower middle class to reap the advantages of the products. These markets are considered 'safe places' for women and this has resulted in the rise of female vendors in the past couple of years. The LWMs improve the dependency of people on Indian goods and decrease imports to a large extent. These thus help in improving the balance of payments of the economy.

These markets also have socio-economic importance as well. The camaraderie that is lacking in shopping malls can be clearly witnessed in these local weekly markets, and is their primary driving force. These LWMs become the gupshup centres or a spot of social gathering with people from different walks of life. There is a relationship that ultimately develops between the seller and buyer with mutual understanding of place, quantity (and often, price). The slogans and the products enhance interpersonal communication among the buyers and sellers. These LWMs sometimes become the centre of debate and conversations; this creates a pleasant Indian environment.

But the truth cannot be hidden. These local markets are being suppressed in this world of ever-growing malls. These LWMs have always been an inorganic space that is vibrant even though some label them as difficult and unhygienic. These local markets do not differentiate among people and represent that India stands for masses and not just for a selected few. It is this characteristic which makes the belief firm that these local markets shall never be replaced by malls. In conclusion, it is not because of cheap rates or serving marginalised consumers that the local markets have survived and will continue to survive. They exist because they are intrinsically Indian, and Indianness means survival.





Would You Like Some Fresh Stock?

Looking back at the most prominent IPOs in the last two years

BY RISHAB DIDWANIA

The term 'Initial Public Offering' (IPO) is generally defined as the process undertaken to list a company on a recognized stock exchange for the first time. IPOs are usually made with the objective of expansion, for generating enough funds for new projects. While this is the norm, it is often observed that many unprofitable companies go for IPOs as they are in need of quick money. While there are a few successes, such a practice has had catastrophic results in the past. It is important to understand that an investor will always verify certain parameters before investing in an IPO. These factors can be regarding the lock-in period, brokers of the company (people look for companies with strong brokerage companies) and the other risks associated with it.

2018 and 2019 witnessed many such IPO failures and successes.

WeWork

Founded in 2010, WeWork is an American real estate company that provides ultra-modern sharing workspaces to technology startups and services to other enterprises. The company rents office spaces on a cheap long-term lease and re-rents them to other companies for higher prices under a flexible system. It planned to go public in October 2019. Things did not go according to the plan, as there were major flaws in the business model. WeWork had been spending rather excessively, almost like a tech company - that led to a cash crunch. Revenue is tied up in too much space dedicated to communal areas that are not profitable. WeWork was forced to withdraw its IPO after a poor response. It was valued at $47 Billion before proceeding for IPO. After the listing failure, its corporate bonds took a major hit and were classified as junk bonds, further narrowing the scope for an IPO in the near future. It is now valued at around $10 billion, with Softbank owning around a third of its shares and delaying the IPOs indefinitely. One of the prime reasons for WeWork's failure is the "Loss Leader" strategy that the company uses in which it sells its services at a loss in order to capture a larger market share. It functions with a focus to eliminate competition and monopolize its market. Once it becomes the leader of that segment in a region, it gradually increases the price of services and covers its losses. While this strategy worked initially, it spelled disastrous consequences for the company in the longer run.

IRCTC

Indian Railways Catering and Tourism Corporation is a subsidiary of the Indian Railways which held an IPO on the National Stock Exchange. IRCTC's IPO was oversubscribed upto 112 times. This was all done as part of the disinvestment strategy of the Government of India to raise additional funds. After the IPO, the government's position in the Indian railways has been reduced to 87.5% of the total shares. A fresh lot of 2 crore shares were issued at a price bracket ranging from Rs315-320. When the listings went live, it opened at around Rs 625 and rose tremendously since then. It is an example of one of the most successful IPOs in 2019. IRCTC has 4 revenue streams: Online Ticket booking service, Catering services in trains, Packaged drinking water in trains and Travel and Tourism in which it enjoys a monopoly on 3 of the above-listed revenue sources(except travel and tourism). This simple equation was more than enough to spur overwhelming demand.

Uber

Uber is an American multinational app-based taxi giant. It decided to go for an IPO, but the whole exercise turned into an embarrassing event for the company. Both the price at which the company went public at each share and its initial valuation was well below the expectations. It went public for $45 a share and was valued at $75.5 billion. Its shares opened at the New York stock exchange at $41.57 which was around 8% less than the proposed price. The company managed to raise around $8.6 billion and for a company that has been losing money for so many years, the funds acquired can prove to be critical. Uber lost more money in 9 months that Amazon lost in its initial 7 years. The company is dangerously unprofitable due to these reasons. An embarrassingly bittersweet IPO only underscores investors' uncertainty regarding its future.

IndiaMart

IndiaMart is an e-commerce website company that was started in 1996, and it mainly provides B2B and B2C services through its portal. The platform is majorly meant for business buyers to contact other manufacturers for goods and services. A significant part of its client base is composed of SMEs and thus a growth in SMEs will significantly benefit it. IndiaMart decided to roll out an IPO in June 2019 by offering shares worth Rs475 crore. They fixed a price band of Rs 970-973 for this. This was subscribed by over 36 times and proved to be the second most successful IPO of the year.

The digital classified market has observed a CAGR of 29.5% between FY2017-22, with B2B being the main player. 51 million MSMEs were active as of November 2019, out of which around 10 million were digital-ready; which means that IndiaMart is likely to expand its consumer base by registering them. IndiaMart's mobile-website and app accounts for around 70% of the user base and IndiaMart is constantly trying to improve its app by including voice search and GPS capabilities. The company also tries to optimize the experience by data analytics and artificial intelligence, by reading the user pattern to make the app more user-friendly. There is great scope for growth.

A final note

Investors always look for a business with a sound business plan and growth scope. It's also quite clear that a rational investor would not invest in an over-valuated public offering like in the case of WeWork. These IPOs are meant to test the investor's appetite and it has quite evidently proved that an investor chooses a company in which they see the potential for sustained growth. This observation is pertinent as it means that regardless of industrial developments in the last twenty years; investors still stick to old habits of prudence. It will be interesting to note how IPO trends change in the years to come.

GLOBAL RIPPLES

A True Champion of Development

There are great lessons to be learnt from Finland's excellent indicators

SAI LAKSHMI SURESH

Kofi Annan once said "There is no tool for development more effective than the empowerment of women."

The small nation of Finland recently anointed Sanna Marin as the world's youngest serving Prime Minister. The current government consists of a coalition of five political parties all led by women, four of whom are in their thirties. This holds testimony to the strength and innovation of the youth. This five- party, social- democrat led coalition has agreed to increase expenditure on welfare and infrastructure, and has promised to make the country carbon neutral by 2035.

Finland is one of the most gender- neutral countries in the world. Women have played important roles in politics for decades. The Finnish education system is the best in the world. Their schools have consistently stayed at the top of worldwide education rankings. They have the K12 education system which starts from kindergarten to class 12th grade level. All of this education is provided free of cost to Finnish students. It's not just that but higher education is free of cost for its citizens. When it comes to the Program for International Student Assessment (PISA) which is in conjunction with the Organization for Economic Cooperation and Development (OECD), Finnish scores are even higher than American scores. In traditionally well-performing countries like Singapore and Japan, the norms are rigorous studies, hard work, cut-throat competition and rote learning. Finland's unique education system has none of these issues, but its 15-year-old kids are smarter than the rest of the world (just 3rd in place in the subject of science).

Finland is the happiest country in the world. It is the 2nd most gender- neutral country in the world and has the highest life expectancy at birth. Finland has the best governance, the safest banks, and the most reliable police structure. It is the safest country in the world with the most independent judicial system across the globe. Corruption in politics is unheard of. The nation also has the lowest maternal mortality rate. Two factors are responsible for this - education and healthcare. Education can change drastically the way we live and think. Free access to education means students can enjoy learning not for the sake of their careers but for the sake of learning. They can enter the workforce without carrying the burden of debt.

Students in Finland can take elective classes from politics to pop culture to understand the world. The Finnish education system is structured in such a way that students do not start formal education until they reach the age of 7 years. What they learn first and foremost during the impressionable years of their life are social manners and habits . This is the reason why almost half of Finns love donating regularly to charity. They are taught to be generous right from their childhood. Transforming a child into a 'good person' is of utmost importance. Many adults in Finland also continue education through evening classes. Finland has a higher rate of library usage than any other country. It allows its citizens to access the libraries freely. This kindles the imagination of children.
The idea of classism is not prominent in Finland at all. Nearly a century ago, before Finland's independence, education was seen as a privilege only of the upper classes. But now it is truly made available to all. People possess the power to change their lives, with dreams within their hands. It is also because of this that the crime rate is extremely low in Finland. Such a good education exists because of the quality of teachers in Finland. Only postgraduates are allowed to become teachers in Finland. Teaching programmes are rigorous and only the best teachers are selected. The bar for teachers in Finland is set really high. After all, a student takes after his/her teacher. Ivan Welton Fitzwater once said "The future of the world is in my classroom today. " The teachers in Finland strongly believe this.

The concepts of coaching classes, tuitions, and private classes do not really exist in Finland. Every child is given individual attention. People with learning disabilities study with normal kids. There are hardly any exams that students have to take until they reach the age of 15 where they have the choice to appear in a public exam. The test scores and questions are customized by the teacher for every kid according to his/her ability. To put it in a nutshell - No child is left behind.
Taxes or a "tax-wedge" incentivize the participants of an economy to work less, produce deadweight loss and thereby reduce the overall efficiency of the economy. Finland is an interesting exception to this generally accepted rule. Finns pay nearly a 31% tax on personal income exceeding 78,000 euros, a VAT of between 14-24% on goods. 79% of Finns are pleased to pay taxes and 96% consider paying taxes as important.

Of course, these taxes are used by the government to fund their free education and healthcare facilities. When a baby is born something called a 'baby box' (containing clothes, diapers, bedding, toys, medicines etc.) is given by the government to the family. Paid family leave is given, cost of daycare is subsidized to a maximum monthly payment of $322. The government enhances the family budget with a stipend of $110 for the first child, which also increases as the number of children in the family increase. Schools provide meals to all the students. Every school falls under the public education sector or is linked to it (in case of private schools). Upon retirement people receive 55% of their average earnings along with $560 of monthly housing allowance. All healthcare costs are nearly covered. The government pays a major proportion of healthcare expenditure. If a citizen is to be hospitalized and operated upon, the expenditure usually does not surpass $150 including the cost of purchasing medicine. Companies in Finland are among the most tax-compliant in the world. They consider taxes as a way of outsourcing to the government the well-being of their employees. Healthier the employees, greater is the efficiency of work.
Finns are the front runners in change management and rely on evidence-based decisions even in political matters. Right from the rise and fall of Nokia to the successful performance of gaming companies like "Angry Birds" and "Clash of Clans", the Finns are performing extremely well. They are one of the most developed countries in the world. Having a progressive tax system is not as bad as it sounds to be. Studies have shown that Finland's capital growth and dynamism have helped the nation's commitment to provide good public welfare services to the upliftment of the economy. Finland has proven that any country can uplift itself from the ruins of war to transform itself into the world of happiness. Finland is punching way above its heights and touching the clouds of its dreams. The world has lots to learn.

France's Tryst with Fashion

A glance at one of the world's oldest and most developed fashion markets

DEVASHISH MIGLANI

With the romantic cities, alpine villages, Mediterranean beaches, classical art museums, sophisticated cuisine and majestic monuments, France is no less than a heavenly destination. Millions of tourists visit France every year to experience the true paradise that it is and to relish the aesthetic value it holds. So it is obviously a rather fashionable nation. Over the years, a term which has become synonymous to France is 'Fashion'.

Fashion is a deep-rooted aspect of France's culture and its international profile. The country has long been a dream location for designers, models, and fashionistas from all over the world. It is not only a significant colour in the spectrum of culture and social life but also in the French economy.

Brands establish their imagination, deploy creative enthusiasm, and transmit an emotion that connects with consumers to stand the ravages of time. Fashion has been able to boost employment, tourism and most important exports of the economy. Brands such as Chanel, LV, Hermes and many more such fashion houses have been able to generate a global buzz for their products and establish themselves as favourites of the elite class. The fashion economy in its strictest sense relates to the economic sectors of our personal environments: the activities of the creation, production and distribution of clothing, fashion accessories (shoes, leather goods, etc.), perfumes and cosmetics. Fashion acts as a flag bearer in the French economy by contributing €150 Billion in sales directly, compared with 102 billion for aerospace and 39 billion euros for cars.

The industry employs a total of one million people every year and generates 2.7% of the GDP. This industry has also been able to invite huge amounts of Foreign Direct Investment and attract foreign currency inflows from the world consumers. French fashion brands and foreign brands with French shareholders are minting 70 billion euros in annual sales which includes revenues from overseas. The 50 largest French companies in fashion have an export rate of 80% on average. Over the years the government has pushed investment in fashion. In 2010, then President Sarkozy after consulting with Vogue editor Anna Wintour pushed banks to provide more loans to fashion-based startups with the state as a guarantor. With this move, small fashion businesses have seen new heights and this industry has boosted the 'Made in France' tag.

With increasing consumerism, companies are adapting according to the needs of the people in order to survive in the market. Various companies are relying on mergers and acquisitions to increase their reach among masses and provide a greater range of products. For instance, LVMH, a French company which owns various brands including Louis Vuitton, Loewe and Celine, bought iconic US jeweller Tiffany in November for €14.7bn (£12.6bn, $16.2 billion). The deal was made with a focus on executing their key strategic priorities to drive sustainable long-term growth and strengthen their position in the market.

The 'French Fashion Week' is among the most coveted of all gala events organised in the world. The fashion shows themselves manage to pump around €440 Million and the trade fairs generate an additional €725 Million in the fashion weeks. It is estimated that around €10.3 Billion is brought in through direct sales and over 14,000 exhibitors present their craft in 27 professional trade fairs.

Paris fashion weeks also bring in 1.2 billion euros in revenues from visitors staying at its hotels, eating at its restaurants, spending money on cabs and other services, as well as spending on fashion shows themselves. All these factors coupled with increasing disposable incomes have allowed the fashion week to expand in all leaps and bounds. With over 300 fashion shows spread out in a year coupled with 75% foreign brands showcased in exhibitions, France sits on the throne of the global fashion industry.

With digitalisation taking place, there has been an impact on all industries including fashion. It has increased product and service individualism, promotion of uniqueness and most importantly - developing expertise. 3D printing, virtual merchandising and robot designing have been incorporated by a number of French designers. Dior, a French fashion house, introduced its own virtual reality headset to enhance the experience of the consumers in 2015. It is believed that the use of technology has reduced costs by 14-15% and increased production by 20-25%.
There has been a push for sustainability in the industry with the aim to reduce the use of water and control the emissions from factories. Chanel bought a minority share in a green chemistry firm to replace chemicals by silk thread in the production process.

Fashion as an industry has a great contribution to the economy. Holding a robust position in the cultural and societal environment, the French Fashion Industry is irreplaceable today, as it has always been.

Who is the Real Crony Capitalist?

Comparing the cases of Huawei and Qualcomm shows that the US does more to hinder trade than encourage it

SAI LAKSHMI SURESH

5G or 5th Generation is likely to change the way we live. Imagine if you could download a movie in a couple of seconds. That's lightning speed! 100 times better than 4G. A two-hour film usually takes around 6 minutes at peak 4G speed to get downloaded. The situation would change from minutes to seconds if 5G speed is utilized. Response times will also be much faster. They would be answered in a millisecond i.e. 400 times faster than the blink of an eye. After all, time is money.

But it is not just about speed but it is also about accuracy, safety, privacy, and efficiency. Self-driving cars require hundreds of sensors to generate a huge amount of data making them faster, better and safer. The information needs to be transmitted between such sensors and the main computer of the car in two milliseconds as that is the minimum time a human would take to make a decision while driving a car. Now if this data is quickly and correctly transmitted within the system, the chances of getting into an accident drastically reduce. 5G would not just be useful for running self-driving cars but also in uplifting our current gaming technology to the realm of Virtual Reality (VR). Who would not love a better AR gaming technology?

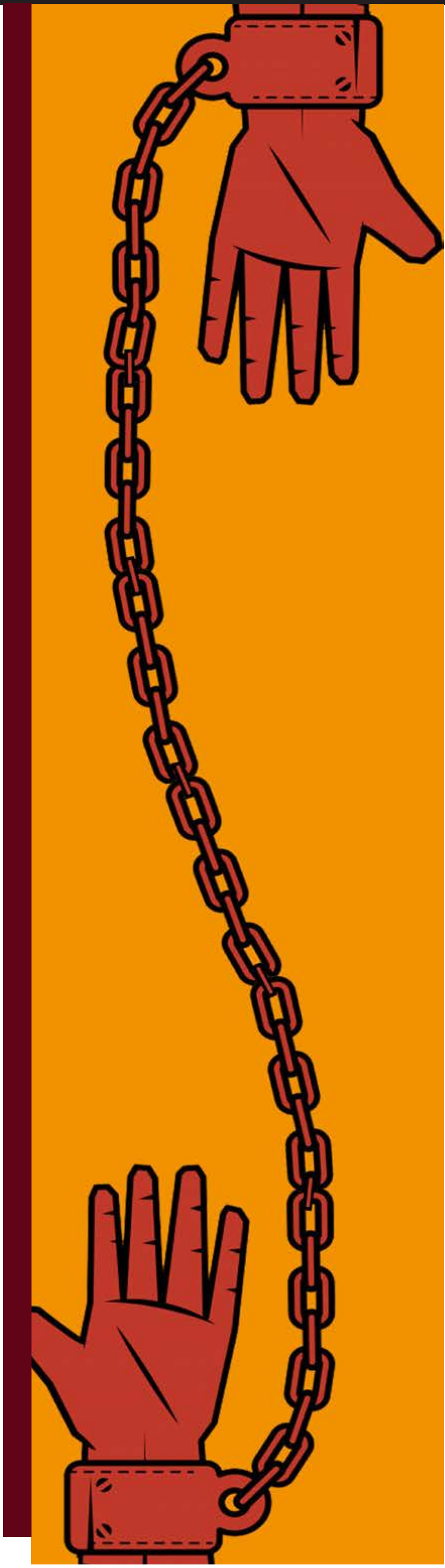
Despite all of these advantages, why is the US not allowing Huawei to enter into the domain of 5G technology in the 'New World' country? Why does the US not promote international trade? Before this restriction, Huawei had also been involved in a global tussle between the US and China. The US administration had put Huawei on the "Entity List", restricting its possible collaborations and trade deals with US companies. Google was forced to block Huawei's future access to android updates. This simply meant Huawei and Honor phones and tablets would not have play store, security updates etc. Why is the US being so overprotective? After all, trade makes everyone better off? Well, the Trump-ian answer is all about national security. 5G requires a huge amount of investment in infrastructure to support its cloud-based system. Although the Peoples' Republic of China is communist, it has outperformed several capitalist nations in economic parameters. It has always joined all of its forces - the academia, technology, private sector, and public sector into improving products. 5G is one such innovation in which China and specifically Huawei have done well. Donald Trump fears that if Huawei enters the American market, it will easily have access to information that is solely used for law enforcement. Another thing that catches Trump's attention is the fact that 5G could be a game-changer in every business from cars to fridges where data seamlessly transmits. If Huawei gets a good share in the market, there is a chance that it can monopolize and provide all of its data to America's arch-enemy 'China'.

This upcoming security threat is what instigates 'Crony Capitalism' in the economy. One of the biggest and long-standing tech companies in the US, 'Qualcomm' has been getting substantial support from the US government - from the Department of Justice backed by the pentagon and the department of Energy. Although Qualcomm has entered into the field of 5G, it has not been as successful as Huawei. The last resort which Trump's administration has is to gather all resources and increase the controlling stake in such domestic companies as well as a few European countries like Ericsson and Nokia.

Huawei has already crossed the finishing line recently Huawei established good connections in the UK and France. It is going to spend 200 million euros on a new 5G infrastructure in France. Huawei has entered the UK, but only in restricted areas for security reasons. The company is to be banned from supplying equipments to the sensitive part of the network called the "Core". Huawei cannot carry out its operations near nuclear bases and military sights.

Qualcomm, a well-known and established company has been under the watch of the US trust-busting agents, the FTC for a long time: since Obama's presidency. Qualcomm usually makes a huge amount of revenue from its licensing technology. If you are using an android, it mostly has a Qualcomm processor. Now to get that processor and chips, your phone company pays millions in patent royalties to Qualcomm. This policy "No license, no chip" seems to be monopolizing the market. Even Apple has a history of conflicts with Qualcomm. There have been lawsuits between Apple and Qualcomm all across the globe. The legal battle came to an end finally in the year 2019, when Apple promised to pay an undisclosed amount to Qualcomm and enter into a six-year global licensing agreement. In China, Qualcomm paid a fine of 975 million US dollars in a complicated antitrust dispute. In South Korea, it was fined with 200 million US dollars for abusing its market position. Despite this, Qualcomm continues to be supported, with official sanction from US Attorney General William J Barr.

The most ironic part is the fact the US always supports the free flow of ideas and thoughts 'the wild spirits' but today it seems to support "Crony Capitalism", indirectly hampering the growth of small local industries under the title of Protectionism. The lack of competition could be a bigger threat to innovation. It would be wise if the US begins to think from the perspective of small companies rather than thinking for the nation as a whole against the foreign competitors.



A Free World?

Slavery still exists in the modern economy, and in concerningly heinous forms

RISHABH KHETAWAT

Aesop, Spartacus, Moses, Booker T. Washington and Saint Patrick; each during their lives have had an unprecedented influence in shaping the world as we know it. However, what we may not know about them is that all of these people were slaves at one point in time. Slave trade has been one of the most discussed topics in history, a practice that is regarded as one of the most disgusting human traditions. But even though slavery has been abolished by all over the world, it still exists in our society in forms of Human Trafficking, Prostitution and a multitude of other illegal activities.

Historians have determined that the Trans-Atlantic slave trade route was the preferred route for traders as the Mediterranean Sea was located in the middle of three continents. This made trading easier and more effective. The port of Venice became a major hub for trading slaves from Asia to Europe, and even further into the Americas - during the 15th century. By this time, the commercialised system of slave trade was robust, and it is estimated that more than 10 million slaves were bought and sold. The trade was extremely dehumanising. Slaves were mere commodities in the hands of their owners.

The major criteria which determined the "value" of a slave were their age and sex. Males between the age of 25-35 were the highest in demand and used to fetch the highest average price. A premium was paid if the slave was an artisan - a blacksmith, a carpenter, a cook, or if they possessed other domestic skills In today's money, the cost of an average slave would range from anywhere between $12,500 to $205,000.

In 1833, the British passed the Slavery Abolition Act which would abolish slavery in all the British Colonies and this lead to a slow and steady phasing out of slavery all over the world. The Emancipation Proclamation was signed in the United States in 1865, which made slavery illegal as well.

However, it has never been easy to eradicate such social evils from the society. Although the slave trade has been criminalised, it still exists in various forms of human trafficking. Slavery today occurs as a result of poverty among the masses. Enslaved people usually hail from underdeveloped or developing nations where the level of education, economic freedom and infrastructure is poor. Tens of thousands toil in slave-like conditions in industries such as mining, farming, etc. and in factories producing goods for domestic consumption (such as the meatpacking, clothing or brick manufacturing industries), industrial use or export to foreign nations. Innocent people are duped with promises of a stable future with countless opportunities. They are then entrapped in the vicious cycle of enslavement from which there is no apparent escape. Slavery in the 21st century includes debt traps where debtors who are unable to pay off their dues are forced to work in a manner selected by the creditor. Forced marriages, child slavery or domestic servitude are some of the most common examples of modern slavery and most of these cases entail the use of violence and intimidation upon the victims. Industries where slavery is prevalent include:

1. The Seafood Industry: Over the years the seafood industry has become infamous for being a nexus for the demand of slaves across the world. Victims are usually duped by "brokers" in hopes of factory jobs and then sent on fishing boats where they are forced to work years on end without seeing the shore. Victims who try to escape can be killed or thrown overboard. Chinese fishing boats that are responsible for making China the world's largest exporter of seafood, have been widely accused of normalising this practice.

2. Cannabis Farms: Recently the news of a Vietnamese boy being enslaved on a British cannabis farm broke out on the Internet. People are brought in huge numbers as slaves to work on such cannabis farms from Albania, Nigeria, Vietnam and Romania. The average age of a captive ranges from 14-18 years. Victims have reported having been told that their families would be attacked and injured if they tried to escape.

3. Sexual Slavery: Victims of such a crime are often females from Asian countries where they are promised job opportunities in the United States. Once trapped, they are told that they owe a debt which can be paid off in stages by giving out sexual favours. The International Labour Organisation estimates that there are 4.5 million victims of forced sexual exploitation.

4. Forced Begging: Children cross Europe, Asia, Africa, Latin America and the Middle East are forced to beg on the streets by criminals. They are not paid a single penny of what they have earned. They are kept in poor conditions and are deprived of food and sleep. In the majority of cases, people who are forced into this form of slavery belong to the strata of the population which is especially weak and vulnerable as such individuals are considered 'good earners' because their ragged looks and poor living conditions draw the sympathy, and hence the money, of many. This is why children, elderly or handicapped are subjected to such exploitation. This form of exploitation is not limited to just forced begging as the victims are often physically abused to make them look even more desolate and hence improve their 'earning capacity'.

Even after strides in fields of technology, civil and human rights, it is estimated that more people are enslaved today than during the centuries of Trans-Atlantic trade. Modern Slavery poses a serious threat to human rights all over the world. Many organisations and governments all across the world are working tirelessly to prevent and combat slavery. We do not realise the value of the freedom we enjoy. For us, Freedom is nothing more than a word mentioned in our constitution, but this is a luxury which thousands around the globe only dream of.

Once Evasive, Always Evasive

Understanding tax havens, shelters, shell companies, and the dynamics of tax crime

SAI LAKSHMI SURESH

Big companies like Google, Apple and Amazon earn billions of dollars every year in terms of sales revenue. An obvious thought that comes to mind is also the fact that these companies are bound to pay heavy corporate taxes on their profits. So, they should be good sources of tax revenue for any government. But the reality is starkly different. American Fortune 500 companies alone hold an estimated 2.6 trillion US dollars offshore. The US alone loses 500 to 600 billion dollars in corporate tax revenue each year.

Imagine if all this money could be wisely invested for the betterment of the entire world. In reality big multinationals hardly pay any tax. The Institute of Taxation and Economic Policy (ITEP) in a recent study found that the American companies including General Electric, PG & E corporation etc from the period of 2008 to 2015 avoided paying a single penny of federal income tax. The number of tax breaks applicable to these companies allowed them to earn a negative effective tax rate. This denotes that they actually earned more after-tax income than pre-tax income. In 2018, Amazon managed to have effectively zero tax expense.

How do companies manage to pull all this off without coming under the scrutiny of the tax authorities? There are several strategies that a company uses.
Tax Havens are widely used. These are places that have low rates of tax or charge zero tax on estate, property, income etc. Some of the well-known tax havens are Panama, British Virgin Islands, Cayman Islands, Switzerland etc. These nations do not reveal the identity of corporations or individuals to the tax authorities.

Another common way opted for is the use of tax shelters. Tax shelters are legal means provided by tax authorities to reduce their tax liability and increase their saving. Examples of strategies in tax shelters are insurance plans, pension plans, charitable contributions etc. They are ways to reduce the amount of tax paid, and are wholly exploited beyond belief. For instance, Company A (incorporated in the US) decides to buy or merge with a company B in a tax haven. Once this is done, this company incorporated in the US can transfer all of its profits to the foreign company. This was the situation when Burger King agreed to merge with Tim Hortons (a Canadian coffee and doughnut chain). The tax rate in Canada was comparatively lower and the US giant could simply show that these profits belonged to its Canadian partner. It is not just this, usually the firm that takes over is shown as a parent but a shell company (a duplicate company with only a name tag). It is easily managed by finding fake directors or business partners in tax havens who run the business of incorporating shell companies. All of the world's big tech companies have at least more than 5 shell companies.

'Double Irish with Dutch Sandwich', a witty way to disguise tax evasion - is a common way to avoid paying taxes by manipulating profits. A US Corporation transfers profits to an Irish shell company, which then passes them on to a Dutch company. The Dutch company then passes on the profit to an Irish company incorporated in a tax haven. Out of these four corporations, only the original one in the United States actually does business. The rest are simply vessels.

In order to crack this system down, the US tax authorities introduced a new provision which states that if companies repatriate funds, then a tax would be levied. This prevented the companies from bringing back their profits. Apple had billions of funds stashed in foreign tax havens but could not make use of them. It is in such a situation that corporations came up with another strategy. Shell companies stationed in the tax havens gave away all this profit in the form of loans to the main company. Interest payable on debt is tax deductible in nature, and US corporations can constantly borrow from shell companies and repay them. The real money in circulation belongs entirely to the original corporation anyway. The overall tax liability drastically comes down because of this scheme of intercompany borrowings.
A more sophisticated method that companies have begun to resort to is called strategic transfer pricing. Starbucks made use of this strategy.
If the company somehow shows that all of its patents and royalties (in case of Starbucks, the logo, shape of the coffee cup) is owned by the shell company, the main company will show a hiked up amount of the royalty payment that it makes to the shell company. Increased cost decreases profits and thereby decreases the tax paid. Usually it becomes difficult to analyze the fair value of such intangible assets and that is why companies make use of it.
Strategic transfer pricing is also used to price goods. For example, if Company A manufactures chocolate bars (costing 10$) and prices them at 20$ a box of bars. Let us assume the tax rate at that country to be 30% then the tax paid for each box of chocolate would be 3$, as profit is 10$. Now, suppose the company smartly sells these chocolate boxes to its subsidiary, Company B at 11$ and subsequently company B (situated at the tax haven) sells its chocolates to the third party at 20$. The overall tax liability of Company A would be just 0.3$, as its profit on paper becomes just 1$. Assuming the corporate tax percentage is 0% in the tax haven, it is a 90% reduction in tax for every chocolate box sold. Coca-cola used this method to evade paying taxes of nearly 3.3 billion dollars,
Amazon managed to reduce its tax bill to nearly 0 dollars in 2018 because it resorted to a few other strategies. In the US, the tax authorities allow companies to carry forward their previous losses in the future to be written off in the current year. Amazon invested and incurred huge losses nearly amounting to $627 million in its initial years. It brought forward all those losses and wrote them off in the financial year 2018 and thereby drastically reduced its profit. So, essentially the company did not pay tax on the year when it incurred a loss and also on the year when it made considerable profit.

Amazon also resorted to giving a large amount as employee stock option compensation to its executives, allowing firms to write off the difference between the price at which the option is exercised and the current market price. Since Amazon's Market price rose substantially, it wrote off that difference from its profits amounting to nearly 1.1 billion US dollars. It also received a large tax credit from the US government for its Research and development in Artificial Intelligence assisted logistics etc.
It is not just corporations but also high net worth individuals who evade taxes. Certain firms in tax havens create shell companies or trusts that handle all the assets of such individuals. Therefore, such assets escape capital gains taxes, estate tax, inheritance tax. Several famous people including Queen Elizabeth, sport personalities, and hollywood celebrities were found involved in offshore tax evading schemes. All of this information was known when a law firm Mossack Fonseca, by mistake - leaked documents called 'Panama Papers'.

As wisely stated by the World Economic Forum, the only resort that government authorities of all countries have is to jointly come to the conclusion to tax companies on the basis of where the revenue generating operations are conducted and not where the final product reaches. Coming down to such a consensus might be challenging but it would be at least worth giving a try rather than losing trillions of dollars of revenue. That seems to be the most probable way to gobble up the double Irish with a Dutch sandwich.

Debt Trap Diplomacy

China's Belt Road Initiative is a manipulative form of modern colonisation that threatens sovereignty

DEVASHISH MIGLANI & VIDHYA SRIRAM

From being an economically isolated, poverty-stricken, extremely populated and agriculture-based country in 1978, to having growing manufacturing facilities, strong economic position, developed infrastructure, strong export base and stable government in 2020, China has surely come a long way. It has developed itself to become a major leader in the world and has shifted the power dynamic from the West to South Asia. China has adopted an aggressive foreign policy which aims to expand the boundaries of its control and influence over different parts of the world. It has been establishing strong foreign relations not only with major economies, but also with small and underdeveloped nations in different continents. Since the Cold War, China has taken the responsibility of leading the Non-Alignment Movement and advocating the rights of Third World countries. It has always keenly developed relations with both emerging and leading countries. By being a member of BRICS (Brazil, Russia, India, China & South Africa) it partnered with other rising nations, and by becoming a permanent member of the elite UN Security Council and a part of the G20 nations it formed alliances with countries which share global power and responsibilities.

China's "go out", "go global" strategy helped expand its connections with other nations and came out as a comprehensive focal point. Over the years China has actively participated in the international community and has portrayed itself as a responsible stakeholder of global responsibility that pushes for the goal of inclusive development without challenging the contribution of existing major participants. The main official objectives of the foreign policy of China are based on contributing to international cooperation and coordination, internal stability, domestic social development, national unification, peaceful coexistence and all-round growth. China has always emphasised on mutual benefit from working closely with other nations - a peaceful coexistence of non-aggression to form relations which can support them in a crisis. However, China's actions are often perceived as an attempt to destabilise the USA as the only hegemonic centre of the 21st century and convert the world into a bipolar arena. China's ventures are seen as an attempt to access the oversea resources present in different countries at minimal costs and to counter the direct threats it faces from immediate neighbours. In every foreign relation with China, the concept of mutual non-interference becomes important in the context of China as it wishes to prevent external intervention on lines of human rights exploitation in Taiwan, Tibet and Xinjiang.

China has currently been pushing its ambitious Silk Road Initiative or the Belt Road Initiative which has been projected to be a financial mammoth that the world has been waiting for. Launched in 2013 by President Xi Jinping, BRI is a double trade corridor which includes land(the Belts) and maritime(the Roads) routes to bring the West, Central Asia, the Middle East and Europe much closer in terms of trade to China. The Chinese government has referred to the project as "a bid to enhance regional connectivity and embrace a brighter future". Through the project, China wishes to stimulate investment and attract foreign capital by embracing cultural change and integration. The initiative will have around $1 trillion investment in the coming years and will benefit more than 70 countries. Beijing has claimed to lend $8 trillion for infrastructure to kick off the ''new era of globalization". According to the global consultancy firm McKinsey, BRI will affect 65% of the world population and ⅓ of global GDP by bringing together a talent pool and technology database from every nook and corner of the international community. The project will reap enormous economic benefits for China by creating more outlets for foreign trade and creating a stronger industrial investment base. A former EU diplomat in China explained the project as a "domestic policy with geostrategic consequences, rather than a foreign policy". The country has relied on facilitation of connectivity to replace the web of existing foreign relations.

China has faced severe criticism for the project both domestically and internationally. Chinese citizens have observed the project as wasteful expenditure and a threat to their employment. Internationally China's motives have been condemned as an attempt to create geopolitical hegemony and practise debt-based diplomacy. Under BRI, China lends large amounts to small countries to meet their development needs without imposing strict conditions of human rights, corruption, government expenditure, and financial stability. Such irresponsible lending has left various nations with unsustainable debt which cannot be met in any sound condition. It is believed that some nations will have more than 40% of external debt owed to China by the end of the BRI. This will only leave the debt-ridden countries with the option to provide geographical control and military allowances to waive off their loan, thus introducing Chinese control in foreign nations.

Under this debt trap diplomacy, China can also call for diplomatic support in international forums and suppress dissent on key issues involving China. It has been using predatory policies by funding poor performing projects which come with heavy bills and no scope of progress, and only cater to its political and economic aspirations. China has also been promoting the setting up of industries which are run by its local population in other countries, thus hurting the economy of these small nations. There are serious concerns about BRI being an instrument of neo-colonialism that will eventually lead to the formation of small Chinese colonies all over the world. These small colonies will pose an immense threat over other global powers and lead to tension in the international sphere. What we need to understand here is the politics that China has been trying to play with various nations.

In Djibouti, China State Construction Engineering Corp (CSCEC) constructed a port named Doraleh, a multipurpose port, with the intention of making it one of the busiest and most strategically located ports in Africa. Djibouti enjoyed increased infrastructural growth by way of China investing heavily in the port, railways and warehouses. However, China slowly started to establish control by setting up its military base near the port, its first in a foreign land. Many countries, with the USA at the forefront, had warned African countries before entering into a deal for China's belt road initiative and said it would ultimately make them puppets of the Chinese authorities. While that sounds like an exaggeration, Djibouti now owes China an estimated 104% of their GDP. Not only that, the benefits of the BRI weren't received by the native country as 70% of the population continues to be below the poverty line and the increase in income hasn't been enough to cover the increasing cost of living. A prominent underlying reason being that most of the people who were beneficiaries of employment were Chinese expats themselves, as the startling majority of the contractors handling the projects were also Chinese.

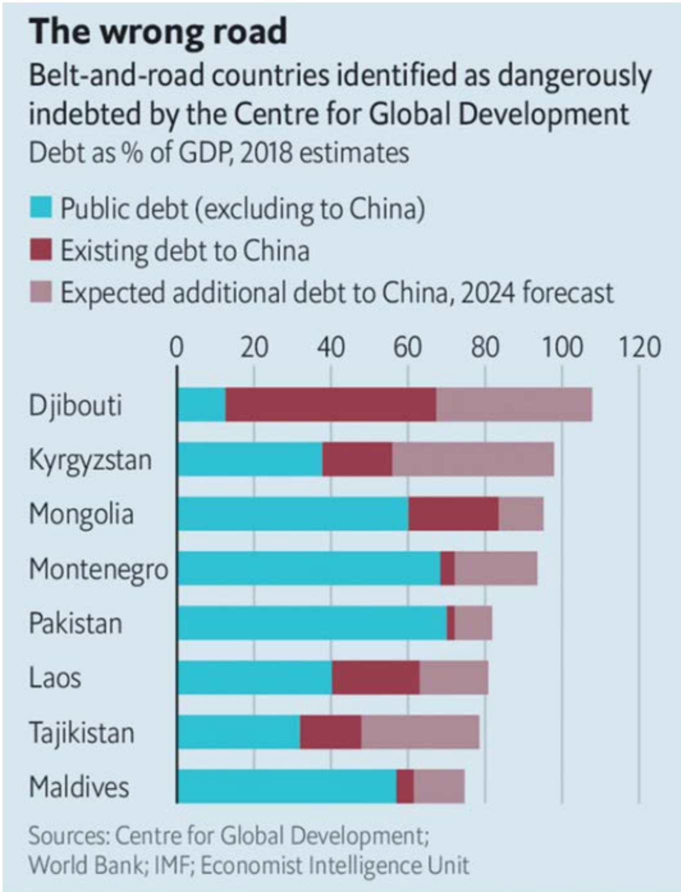
In 2018, Djibouti illegally terminated DP World's (a Dubai based multinational cargo company) concession agreement and allowed a Chinese state entity to take over the assigned port terminal along with all the assets. Though the London Court of International Arbitration passed its 6th ruling in favour of DP world who faced an estimated loss of 1 billion dollars, Djibouti turned a blind eye to all the rulings. Djibouti later expressed willingness to compensate the losses but was not ready to abide by the court rulings. If the recent ruling is not complied with by Djibouti, the court shall issue an award of damages in the future. The seizure of the port and its handing over to another operator has been deemed illegal six different times yet no concrete reaction has been given by Djibouti.

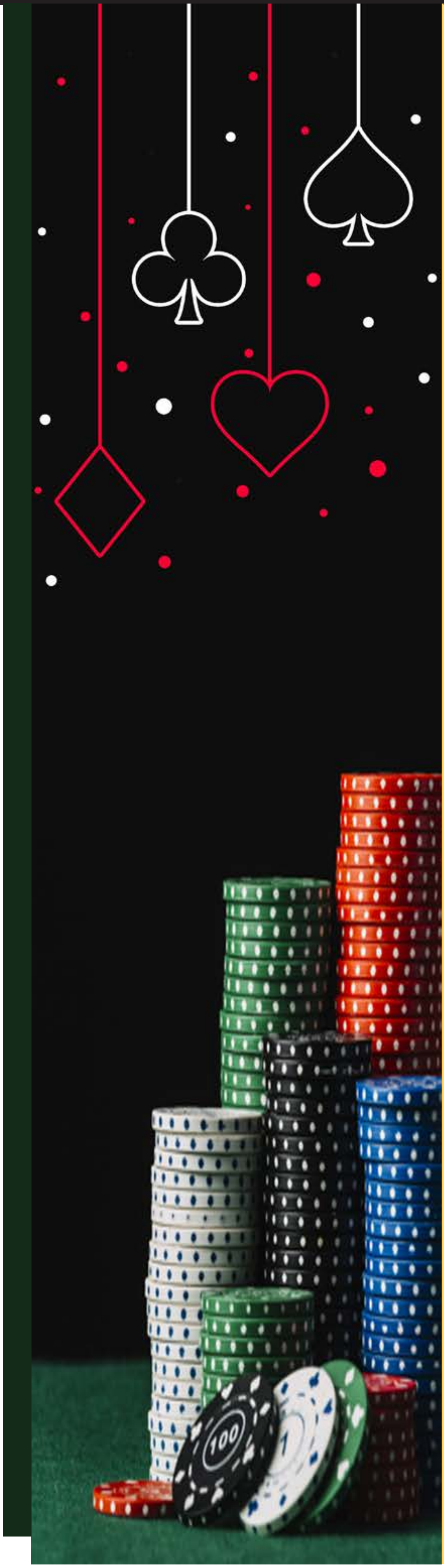
Similarly, as a part of the China Pakistan corridor plan, China launched a 62-billion-dollar initiative to boost the infrastructure in the region. One of the major projects undertaken was building of the port of Gwadar in Balochistan. The reason behind this is that if the Strait of Malacca gets blocked by India anytime, Gwadar provides China with an alternative route to dominate south Asian trade. Chinese funds come at a high cost which are sure to impose long term negative repercussions, making Pakistan one of the 8 countries who have fallen under the clutch of Chinese debt. Additionally, the project hasn't been very well received by the Pakistani public who are apprehensive of its benefits. CPEC not only puts immense pressure on Pakistan's fiscal conditions but has a possibility of making the country a victim of modern-day colonisation and diluting its sovereignty. Recent events have done nothing but prove such a possibility as with just only around one-third of the CPEC project completed, Pakistan has stretched its hands and received its 13th IMF bailout in 2019 for 6 billion dollars. Through Pakistan, China entered foul play by way of an undertaking of the CPEC that passes through parts of the Union Territories of Jammu & Kashmir and Ladakh which are part of India and which have been illegally taken hold of.

Pakistan is not the only neighbor to have fallen in the web of debt. The central bank of Sri Lanka estimates that Chinese lenders alone account for 12% of the whopping 65 billion dollars of foreign debt. In 2002, the Sri Lankan government decided to build a port in Hambantota and in order to finance the project, China loaned the government 1.1 billion dollars, but the work was to be carried by Chinese contractors. In 2017, during the inauguration of Hambantota port, hundreds of Sri Lankans came down on the streets in protest against the increasing Chinese penetration. Though Chinese investments were helping in infrastructure growth, the Sri Lankans were frustrated with non-employability, as many of the jobs created were taken over by Chinese workforce. The people were worried about Sri Lanka becoming a Chinese colony and the Chinese government taking over their lands for industrialization. Furthermore, a few years after the opening of the port, despite its strategic location, not much business has happened through the port. Due to the losses incurred, Sri Lanka was incapable of even paying the interest on time to china. Hence china came up with the solution of having the port leased out to them for 99 years, and this deal was closed in 2017. China is even allowed to use it as a naval base under this agreement. India and other subcontinental countries have furiously voiced their dissent.

The graph clearly indicates the rising debt burden and predicts the probable debt owed to China by a number of economically weaker nations.

By analysing the conditions of these countries after engaging in 'advantageous projects' with China they have failed to fulfil their aspirations of achieving material development. Not only that, they have also been handicapped by the increasing debt and their inability to service their dues. The policies of China seem to be a dark play where they are creating their control in regions all over the world. This growing reach of an extremely powerful country poses challenges to world peace and sovereignty of various nations. The consequences of projects initiated by China are very contrasting to the basic values that the foreign policy had put forward. They contradict the claims of bringing mutual understanding and peaceful coexistence, and actually perpetuate the fact of China's dominance over other nations. China calls itself an 'Ethical Stakeholder'. The truth is that it is a concerningly large stakeholder with no care for ethics.





Macau's Got a Good Hand

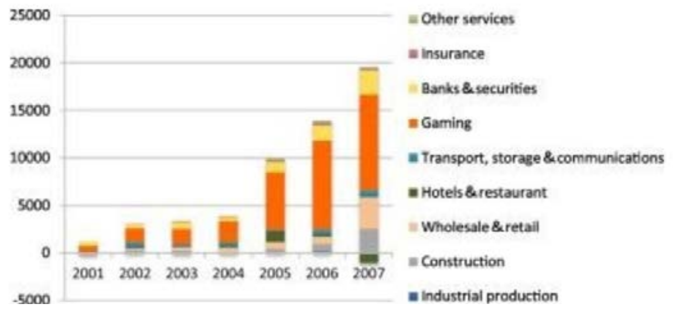
The nation is a new leader in the gambling industry and it is here to stay

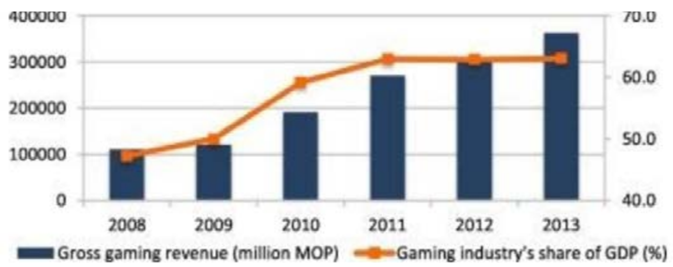
SOMYA YADAV

Imagine yourself sitting in front of a table full of coins, cards and cash, where you are willing to bet everything you have earned. Imagine the rush in your heartbeat when at any moment, any second you could lose all you have - even your house, or you could proudly go home with double. Imagine the kind of skill, luck and nerves it takes to bet big.

It all started from the beautiful city of Venice in the 16th century, and once it was legalised the virus of the gambling industry has touched almost every nook and corner of the planet. In today's world, the gambling industry generates an enormous amount of international revenue with yields hitting $435 billion. Demand side growth in gambling is chiefly determined by income level and funding by the state, but the stability and consistency of the system is not very affected by the economic condition. On the other hand, the supply side growth or reinvested profits of individual companies are realised through effective marketing and efficiency in industry operations. In changing times, the input requirement in terms of workforce and subsequent employment opportunities has been favourable for labourers.

Certain nations have put a ban on gambling while other markets in Asia and Latin America seem to be emerging. One such nation which has shown unrivalled growth is Macau, popularly known as the gambling capital of Asia.





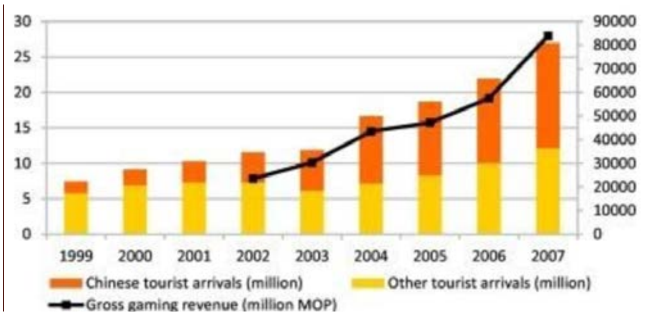
The question that arises here is: why has Macau become such a favourable destination for gambling? The bigger question is how it has gained an edge over Las Vegas in terms of revenue when the resources at the disposal of Las Vegas are almost double the size.
Research says that out of all the people who visit Las Vegas, 69% find themselves involved in casinos against the 75% in Macau. The reason may be that the casinos in Las Vegas are an addition to the overall entertainment hub. On the other hand, Macau is famous solely for gaming in its casinos, that too table games unlike Las Vegas. Additionally, its unique selling point is that it also has VIP rooms which hold high stake games. Another reason can be the convenience and preference of the mid income Chinese population who are addicted to gambling to visit Macau, whose pockets don't allow them to get the Las Vegas experience.

The economy of Macau is majorly dependent on gambling. Surprisingly, it has been working quite well. The prudent vision of its administrators has benefited the country and helped maintain financial stability and discipline. Inflation has been persistently controlled at the rate of 2.2%, mainly with hike in housing, food and energy prices. Macau generates enormous tax revenues from gambling. The government gives cash dividends to its citizens every year under its annual Wealth Partaking Scheme (WPS) to counter the effects of inflation. The total population of 650,834 enjoy the share in gains, particularly a sum of 9,000 patacas (about US$1,200) to each permanent resident and 5,400 patacas (about US$670) to each non permanent resident. Secondly, the Macau economy has no debt and has a very good Balance of Payments position. Current account surplus was 38.1% of the GDP in 2019, 2% higher than the last fiscal year. Although Macau's gambling industry entered a period of decline thereafter, its share of GDP was still as high as 45-47%. According to a report by Macau Financial Services Bureau, the main source of government revenue is the tax levied on casinos with the effective tax rate of 39%. It accounts for 86 percent of all direct taxes collected. The reason behind this high share of tax revenue is the decision to open the economy to foreign investments in the casino industry. These foreign firms also compete with each other to get licenses and pay premium prices.

At the same time, the market sentiment is not up to the mark as investors are undervaluing the worth of gambling sector. This has led to the fall in stock price of the casino operators' up to 10% from an all time high in 2018 and the biggest casinos are now ready to trade at a discount.

However, Macau's policymakers seem to have realised that it is not healthy to be majorly dependent on only one sector, as it harms the sustainability of other sectors of the economy. Dedicated efforts are being made by the government to promote the culture of universities. There are also attempts being made to subsidise manufacturing. Another major player after gaming is tourism.

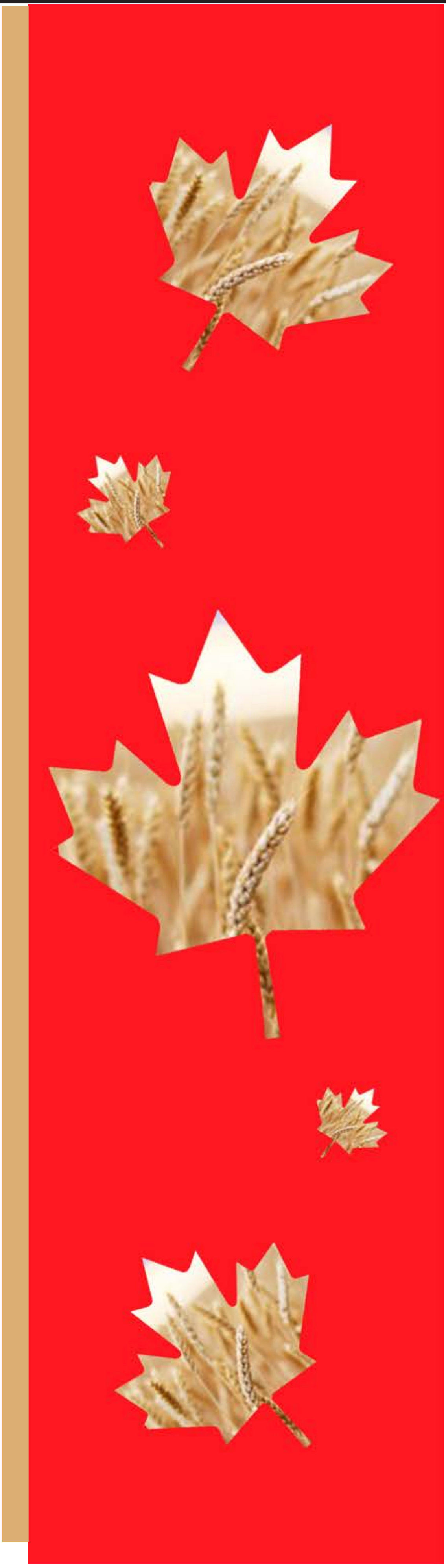
The country witnesses a total inflow of around 30 million tourists in a year, mainly for gambling. These two industries are complementary in Macau, if one prospers, the other automatically grows. Analysts say that the rise in tourism with the setting up of proper resorts will make Macau more or less like Las Vegas. The cherry on the cake is the Hong Kong-Zhuhai-Macau Bridge which will make transportation through ferries more feasible and attract more customers from Hong Kong. The concern here is the huge setback tourism will face due to the worsening COVID-19 pandemic. Statistics suggest that the industry shall take more than two years to re-emerge at full capacity. Further, the infrastructure facilities in Macau are also quite problematic in the sense that the airport in Macau has a limited capacity to accommodate big flights; hence, development of infrastructure is not in compliance with the growth in tourism.



On the brighter side, with the rise of this new industry and the subsequent advancements in the tourism industry, the employment opportunities have soared to a higher level. This nation has one of the lowest unemployment rates, as low as 2% in 2018, with 1/5th of the workforce employed in the gambling sector. After the slowdown in 2009, the Macau economy got back to track in 2012-13 with these two major sectors: gambling and tourism. Apart from this, Macau has been successful in human developments, with high life expectancy and decent HDI rankings.

The growth of this economy has been astonishing for all. The pace with which it surpassed Las Vegas and became the Asian casino hub is remarkable. New advancements are set to enter this sector in the form of online gambling. Blockchain is a major disruptor that will soon ease the way things are done in the gambling industry. Uncountable transactions are done throughout the day and with blockchain the industry operations will become smoother and more transparent. Moreover, the negative aspects of this industry such as money laundering, addiction, traffic and other crimes will get minimised with block chain. It is a sincere yet realistic hope that once the pandemic is over, the casino industry will re-emerge soon, with its new identity centered in Asia - in Macau.

ECONOMIC HISTORY & DISRUPTIONS



Canada's Wheat Successes

The story of the Canadian Wheat Board offers several learning lessons

ARANYA SHARMA

Canada ranks as one of the top wheat-producing nations in the world with the most sophisticated and technologically advanced techniques of production. It produces a variety of wheat like the winter wheat, durum wheat, and the DNS (red spring wheat). But the story was not always this pleasant. The proficiency of wheat production was weighed down by a lot of factors encompassing the insecurities of farmers, climatic conditions and varied ideologies.

During the early 90s, Canadian farmers were inclined towards farming being an independent and uncontrolled business, operating without the assumption of government intervention in case anything goes wrong. The farmers wanted the market to operate freely and have the autonomy of sales and marketing of their produce. Majorly two outlooks were prevalent back then. One wanted the farmers to control the value chain as a community by the establishment of entities like the Canadian wheat board. On the flip side, the other outlook supported the farmers to individually move up the value chain. The first outlook can be observed as an integrated group focus while the other one focused more on individual farmers.

The Canadian Wheat Board was originally established in 1919 as an agricultural board to guarantee advantageous prices to the farmers but was dissolved the year after. In the early 1930s, the price of wheat fell below the cost as a result of which the farmer incomes fell and consequently the need for re-establishment of the board arose.

On 5th July 1935, the CWB was established again as a single desk model to facilitate the purchase of wheat and barley from the Canadian wheat farmers. The board was formed out of the farmers' concerns over lack of individual power against the large and powerful grain handling and marketing companies. Farmers' marketing concerns were

resurfaced by instability and low prices post the great depression. Ironically, during the great depression, farmers received a stable revenue for their produce. The major factors affecting the farm profitability are the price of the grain, marketing costs of it and the risk involved. The moving and transportation costs of grain usually led to an outflow of $600-$750 Billion dollars annually. The major role of CWB was to minimize risks and costs.
Under the single desk model of the Canadian wheat board, the farmers were entitled to all annual sales, all revenues less operating costs. As a single desk operator, it held more power than anybody in the market, due to which it had the supremacy to market grain as a premium product in global markets. Through the single desk model, the CWB derived premiums on agricultural exports which would have not been possible for a single farmer in the market.

Consequently, in 1943 under the Canadian Wheat Board act it became mandatory for the farmers to route their supply and sales through the Canadian Wheat Board. It was declared illegal to sell the produce through elsewhere i.e. other channels within the jurisdiction of the Canadian Wheat Board.

The Canadian Wheat Board functioned on the lines of the pooling system. Under this regime, the revenue was generated by pooling grain of different categories, and farmers were paid according to the average price received of each category. The board also negotiated rail rates on behalf of the farmers and provided a service through which they could reserve rail cars for shipments. The organization used various companies as intermediaries and agents to facilitate the sale of grain on its behalf. Although experts and economists argued that the pooling system was inequitable and leaving it at the discretion of the farmers to sell their grain independently, the board was able to minimize marketing and grain handling costs through monopoly and quality control.

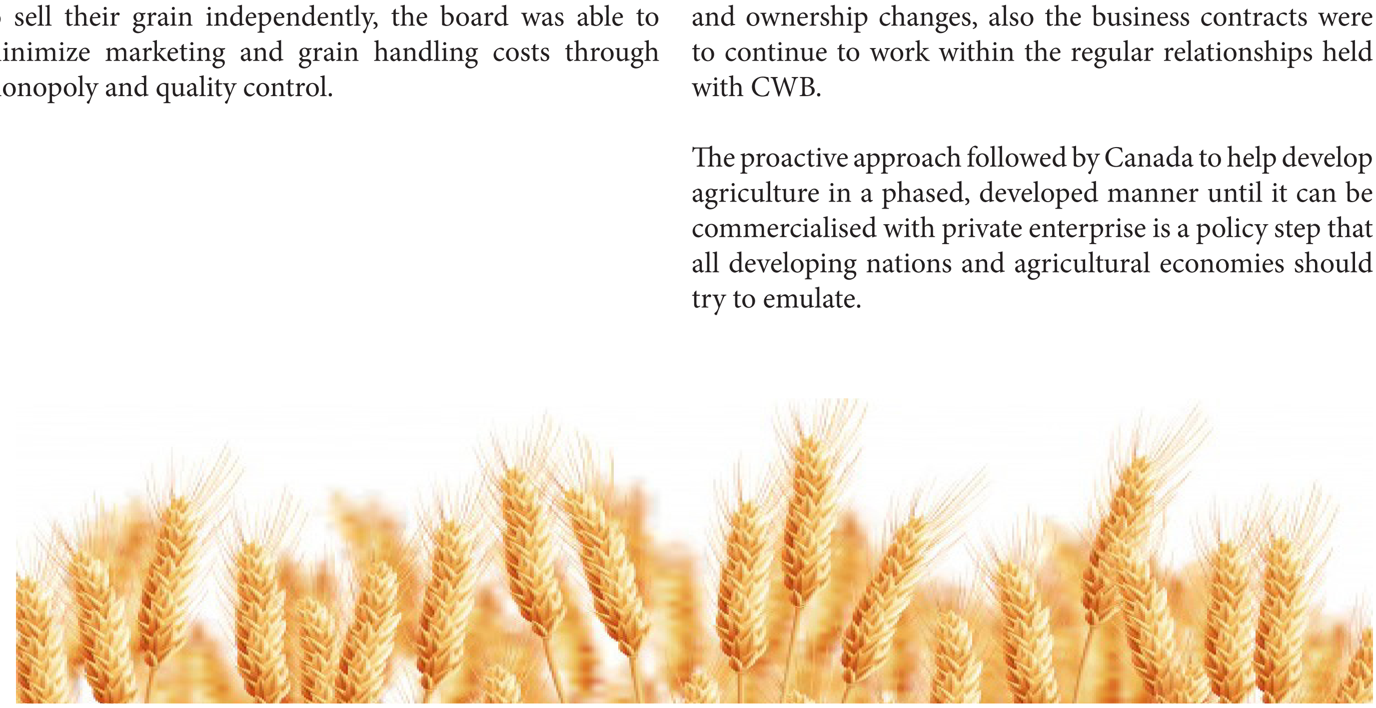
In November 2011, the Canadian government voted to remove the single desk powers of the CWB by the way of Marketing Freedom for Grain Farmers Act 2011. The board took the shape of a voluntary marketing organization. The act established a competitive environment for marketing and procuring of grains directly from the farmers rather than the CWB.

Finally, in 2015, 50.1% of the stake in the Canadian Wheat Board was purchased by the global grain group thus privatizing the former and the new conglomerate was known as the G3 Canada Ltd.

G3 was a partnership between Bungee Canada, a subsidiary of Bunge Limited, an agribusiness and food company operating in 40 countries worldwide and SALIC Canada Limited, a subsidiary of Riyadh Based Saudi Agricultural and Livestock investment company. The creation of G3 Canada Limited extends a program whereby producers can participate in a trust. G3 as an organization aims to leverage the knowledge, expertise, and resources of these two global organizations to provide more choice to Canadian producers by expanding international trade from the region. It provides a Farmer's Equity Plan which is the only opportunity of its kind in Western Canada in which eligible farmers are provided with a long-term ownership interest in the supply chain. It acted as a significant new competitor for and marketer for Canadian grain. Expanded grain origination and export capabilities can be stated as the immediate benefits to the buyers.

The G3 executives were to engage in a process of reviewing structural assets, liaising with employees, harmonizing operational practices and conducting outreach to inform the key audience and market groups about the new name and ownership changes, also the business contracts were to continue to work within the regular relationships held with CWB.

The proactive approach followed by Canada to help develop agriculture in a phased, developed manner until it can be commercialised with private enterprise is a policy step that all developing nations and agricultural economies should try to emulate.



The Future of Agriculture

Though expensive, vertical farming practices can redefine food production

AKSHAT DAGA

Bowery, an indoor agriculture start-up, recently managed to raise $90 million in Series B funding led by GV(Google Venture). The firm promises to grow 100 times more food per square foot than traditional farming methods by using hydroponics, aquaponics and aeroponics.These are modern techniques of farming which were essentially restricted to space but they have found their way back to earth. They have become part of the high-tech reality helping us grow food like never before. Since these methods were invented to grow more from less, they use 95 percent less water and can be set up practically anywhere.The technique endeavours to not only answer the problem of poverty but can also fuel the growing wave of veganism that the world is experiencing. This method of farming is called Vertical farming and it has potential to revolutionize the agriculture sector.

Vertical farming is the practice of producing food on vertically inclined surfaces. Instead of farming vegetables and other foods on a single level, such as in a field or a greenhouse, this method produces foods in vertically stacked layers. In layman terms, we can call vertical farming 'Farm Factories'. The primary goal of vertical farming is producing more food per square meter. To accomplish this goal, crops are cultivated in stacked layers in a tower life structure. Secondly, a perfect combination of natural and artificial lights is used to maintain the perfect light level in the room. Technologies such as rotating beds are used to improve lighting efficiency. Thirdly, instead of soil - aeroponic, aquaponic or hydroponic growing mediums like Peat moss or coconut husks, or similar non-soil mediums are used. Finally, vertical farms employ various sustainability features to offset the energy cost of farming and to make them commercially viable.

These techniques, however, can only be used to cultivate a limited variety of crops like tomatoes, lettuce, strawberries to name a few. As there is no soil used to produce crops, roots which need soil to grow cannot be grown in these structures. Further because the technique feeds on high-end technology, it requires humongous primary investment. Just to put in perspective, the cost of building two acres of the vertical farm would cost an estimated $39 million in contrast than conventional farmland which would cost less than $16000 for the same. A research paper by Carly Sills and Isaac Serbin talks about the sustainability of vertical farming on a commercial level and provides a deeper insight in the technicalities of this field, its implementation and positive results we might reap. It delves into the pros and cons of different techniques and methods that are used in vertical farming.

The cost – revenue model of vertical farming favours economies of scale i.e. the bigger the better and although it remains a heavy investment field, that does not stop a small entity to try vertical farming for themselves.

It would just require a few LEDs, trays and plant nutrients (easily available in farm markets) and regular upkeep to make one's very own vertical farm happen. This was indeed the motivation behind a Mumbai based start-up, Eco India. Eco India is one of the first hyperlocal farms set up in India. The owners started out to try and grow themselves fresh nutrient veggies and ended up doing it full time.

India has a number of bustling urban areas where vertical farming can be implemented. Hydroponics in places like Mumbai, Chennai, Bangalore, and Gurgaon is the solution to allowing people to grow clean, pesticide-free food from the safety and comfort of their own homes. With researchers making vertical farming commercially viable and entrepreneurs grabbing on those strings, it is a matter of time before the world feeds on the produce of vertical farms.

Rest Assured

A look at the interesting history and evolution of insurance

PARTH KULKARNI

The modern insurance industry is a burgeoning rampage of actuarial sciences, flawless underwriting, finely cut policies, reluctantly acknowledged covers, carefully calculated premiums and the daunting terms of cognitive dissonance and moral hazards. But insurance is an age old concept; one that has been in practice long before most can imagine. Insurance was birthed more than three and a half thousand years ago, long before most of what is insured today was discovered or invented.

The Origins

Risk has always been an integral part of any human activity. Insurance essentially means the pooling of resources with the purpose of using the pool in the event of a risk materialising. Historians suggest that the earliest farmers to adopt agriculture not just for subsistence but for commercial barter came together and built common storages to store crops and protect them from spoilage or pilferage. This soon resulted in public granaries being built if a village was blessed with a good harvest. There are claims that these early public granaries would offer indemnification in some part if the crops were damaged or destroyed.

But the earliest known and established source that put down insurance terms and conditions in writing is the Hammurabi Code developed sometime between 1792 and 1750 BC. The Code of Hammurabi, the 6th King of Babylon, is said to be the first written down comprehensive set of laws in the world. The Code states that since the harvest is the property of the State; if a farmer does not maintain his dam well and his crop is flooded or damaged, then the farmer shall himself be sold as a slave to make good the loss of the crop. The Code also states that a debtor is freed from their obligations if an event rendering them incapable (such as death or illness) takes place. These texts from over 3700 years ago point to a crude system of insurance that seemed to be in order.

Similarly, a few hundred years later - Kautilya (Chanakya) in his Arthashastra stated the necessity of collecting money from villagers and pooling it all into a common fund, which could be used to rebuild houses and temples after an earthquake or a flood. There is also evidence that burial houses or funeral associations in early Rome provided a service where prominent Romans such as senators or merchants could pay a sum of money to the funeral society or house in their lifetime, and their next of kin/family would receive it with interest after their death. It would seem that apparently some of it would also be spent on the funeral. Life insurance in its present version seems to have stemmed from such schemaes. At the same time in Europe, most craftsmen and skilled practitioners were usually part of something known as a local guild. For instance, a couple of blacksmiths would come together and pool some resources. If a blacksmith's apprentice left work or an employee died, or their shop was damaged - the blacksmith claimed some considerable amount from the guild.

But insurance has also been a larger and pervasive concept, even in the great Roman or Mauryan empires. Vassals to the throne or smaller chieftains who were once kings on their own paid a premium to the Emperor in return for his protection. While the Emperor himself was usually the biggest threat they faced, this was a form of insurance against invasion.

Development in Medieval Europe

Sea trade boomed across Europe after the 1300s and shipping started to become more and more sophisticated. Expeditions and trade ships were usually funded by aristocrats, rich merchants, and sometimes the Crown or the government because of the large amounts of capital involved. The import and export of spices, jewelry, gold, tobacco, and liquor turned into a roaring business, one that was fraught with several risks from pirates to storms at sea. Consequently, rich merchants began to negotiate assurance contracts with ship captains and shipping corporations. Soon enough, a common practice emerged in several prominent ports - a group of rich merchants would come together and agree to bear responsibility of cargo in return for payment. Historical records suggest that each merchant was individually responsible for a different type or category of traded goods. A similar model was followed in India and the Orient, and larger merchants would agree to indemnify grain traders if the ship carrying their grain capsized at sea or was looted by pirates. Marine insurance thus was a strategic invention that became sophisticated quite quickly, with differing schools of thought on valuation of goods as well.

Blaise Pascal is believed to have penned down the first actuarial table in the middle of the 1600s, that helped express the probabilities of various events happening and thus assess the actual risk associated with them. Around this time the concept of 'Societies of the Friendly' also emerged, wherein a group of acquaintances would come together and save up money together for a specified period. In the occurrence of a specified unfortunate event happening, a member of the society could claim compensation.

Life Insurance, however - came into the picture a bit later. A 'Table of Life' was made towards the end of the 17th century, showcasing the probabilities of an average person dying at different ages. This was among the earliest developments that helped the actuarial sciences emerge as a statistical tool. Fifty years later, by around 1750, life insurance contracts were being sold.

The advent of the industrial revolution meant that land needed to be acquired and fires often broke out in several factories and even associated industrial towns. Thus, fire and property insurance policies began to gradually seep into the picture.

Struggles in the States

Insurance premiums from the US make up about 30% of the global premiums collected today, but the United States was ironically the last to jump onto the insurance bandwagon. Around the mid 19th century, only a few corporations providing insurance had set up shop in the US, and the civil war did not exactly create an encouraging environment for industry. A series of disasters such as the Chicago Fires and a couple of earthquakes resulted in a wave of bankruptcies and insurance scandals. But towards the start of the 1900s, the industrial revolution helped create a booming non life insurance industry.

The need to market and sell life insurance was emphasized upon first in the United States. Large corporations in New York began to employ well known and prominent faces from communities as endorsers, and hired well trained, highly paid salesmen. This helped launch life insurance and is considered to be a successful experiment in psychological framing.

It was felt by many of the Christian faith that investing in an insurance policy was morally wrong - that it was blasphemous to challenge destiny and thus bring upon yourself a quicker death by questioning God. But this problem was overcome by linking life insurance with savings, and instead marketing it by saying that it was a breadwinner's duty to protect his family, even from the grave.

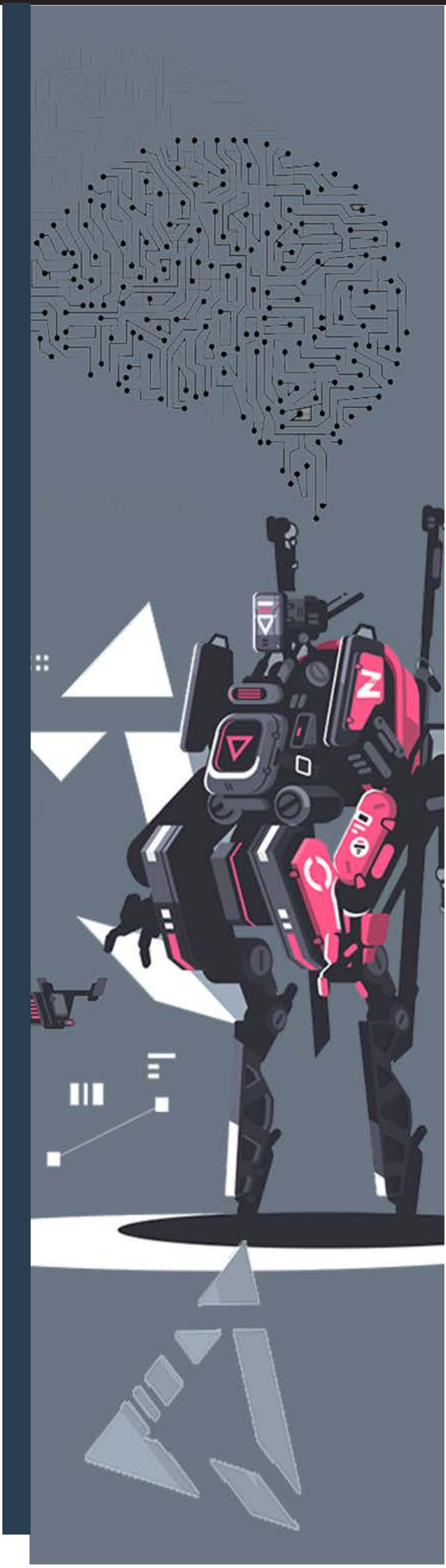
A similar model was emulated in the United Kingdom and it gained traction much faster - resulting in Social Security acts being passed by both the UK and the US in 1920 and 1935 respectively.

After the Second World war, health insurance emerged as an effective means of employee retention, especially for workers in chemical and weapons factories. This relatively simple and obvious development in insurance, through which the employer promised to make good any harm that would come to the worker while working, helped enhance worker productivity at a very large scale.

The Current Picture

The Insurance industry today is a complex web, with all kinds of things covered from fake noses and limbs to gems and pet dogs. Non life insurance is significantly more complex, but life insurance policies are also of several different kinds. The world today pays around $5.5 trillion as insurance premiums - around 7% of world GDP. While growth of insurance is saturated in the developed economies, Indian and Chinese insurance industries have been growing at almost 9% annually. Last year alone, close to 30 million insurance policies were sold in India. Every capita of world GDP dishes out around $700 by way of insurance premium payouts.

What Hammurabi and Kautilya conceived over three thousand years ago is now one of the primary pillars of the contemporary financial world.



Is It Time to Let The Computer Speculate?

Looking at the scope and possibilities for the use of Artificial Intelligence and Machine Learning Algorithms in financial markets

TARINI GOYAL

Machine Learning, a subset of Artificial Intelligence has always fuelled the fantasies of Wall Street. If it has been able to detect faces, drive cars, beat the World Champions at games like chess and go, its application to investment and speculation in the financial world seems natural, doesn't it?

Even though Machine Learning is helping the financial industry streamline and optimize processes ranging from credit decisions to quantitative trading and financial risk management, it has not been able to eliminate the requirement of the human mind in areas of investment and speculation. The reason behind this is that prices are unpredictable as the key players in any market are human beings, whose decisions are ever-changing and driven by emotions and not just facts.

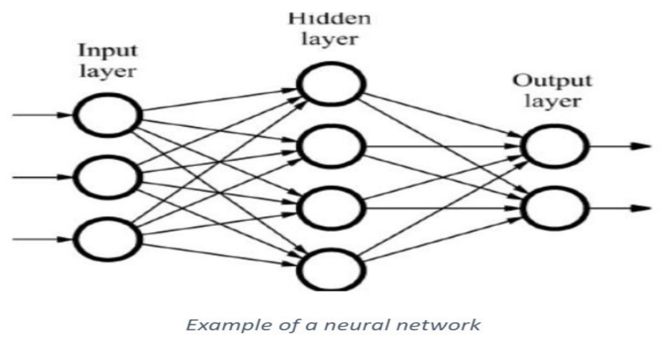
Artificial Intelligence (AI) is an attribute of machines that embody a form of intelligence, rather than simply carrying out computations that are input by human users. An approach to AI in which an algorithm learns to make predictions from data that is fed into the system is called Machine Learning (ML).

High-frequency trading firms use Artificial Intelligence extensively to analyze real-time exchange feeds, in search of footprints left by informed traders. They can utilize this information to make short-term price predictions, or to make decisions on the aggressiveness or passiveness in order execution.

Machine Learning refers to the set of algorithms that learn complex patterns in a high-dimensional space without being specifically directed, as solutions often involve a large number of variables and interactions between them.

Thus, ML is able to learn without a particular direction as its algorithm derives structure from the given data, which may or may not be representable as a finite set of equations.

A machine learning approach in which algorithms process signals via interconnected nodes called artificial neurons is called a Neural Network. By definition, a neural network is a series of algorithms that attempts to recognize underlying relationships in a set of data through a process that mimics the way the human brain operates.



Example of a neural network

The hidden layer, which lies between the input and output layers, is where artificial neurons take in a set of weighted inputs and produce an output through an activation function. The artificial neuron works like a biological neuron which takes probabilistic inputs, works on them and further converts them into an output corresponding to the biological neuron's axon.

The neural network provides the base for creating a suitable AI-based framework that enables us to build investment and speculation models. The major decision that requires application of the human mind is to choose variables for the input layer, and calibrate the hidden layers.

In the past, people have already used programming languages like R and Python to make an algorithm to predict the market and beat it, and they were able to do this successfully beating the record of living legends by achieving YoY returns of more than 60 percent without any significant risks. Following are some basic reasons as to why AI is the best option for aiding investments in financial markets:

Customizing Investment Models based on investor profiles:
This approach is similar to Amazon's product recommendation engine or Spotify's song recommendation system.

Analyzing a person's preferences through tools like Natural Language Processing (NLP) and Collaborative Filtering (CF), AI and ML can be used to provide personalized advice to different types of investors.

Improving Access to market information:
As technology takes over, information is no longer restricted to the privileged lot. AI enables investors to analyze a large number of news related to the evolution of the business of a certain company or its perception on the part of the market, something that it's actions can finally reflect.

Optimizing investment processes and decision making:
Having an Artificial Intelligence tool that can independently perform the analysis of a financial instrument and its impact by incorporating it into an investment portfolio allows analysts to focus on the most sophisticated aspects of the process. If until now investors were limited by time when carrying out the analysis processes of companies, they can now significantly expand their horizon of opportunities.

Investment based on models other than intuition or rigid programmes:
Often, it is difficult to avoid making decisions based on euphoria or fear. At the same time, investors may not agree with the results shown by programmes based on brute force algorithms. AI provides the best solution in situations of such a dilemma, as its working is based on both intelligence and technology.

Finding a middle ground between the mind of man and machine is one of the most significant advancements that can take place in a particular field. However, lurking below the advantages that attract us towards the latest technologies, are the downsides which more often than not, are conveniently ignored. Some of the issues are discussed below:

ML's propensity to overfit:
One of the major problems with strategies based on AI is that they can yield models that are worse than random. ML has the computational capacity and functional flexibility to find a pattern in the given data even when it is not clearly evident. This feature backfires when that pattern is a fluke rather than the result of a persistent phenomenon.

Ineffective usage due to lack of experience:
Another issue is that most MBA graduates try to incorporate traditional technical analysis with new technology as well, since business schools usually do not

provide exposure to the use of advanced technology in trading and investment. However, it is an unprofitable method of trading because strategies based on chart patterns and indicators draw their returns from a distribution with zero mean before any transaction costs.

Constantly evolving market and data-mining bias:
In the process of creating a "perfect" algorithm, one might forget that markets are constantly evolving and straitjacket solutions do not work. Also, data-mining bias can result in strategies that are over-fitted to past data but immediately fail on new data, or strategies that are too simple and do not capture important signals in the data that are likely to have economic value.

"Oracle" approach is likely to yield false discoveries:
Some people believe that the value lies in the ML algorithms used. Whereas in reality, the true value is in the predictors used, also known as features or factors. This irony can be overlooked by experts as it is hard to come to terms with the fact that ML algorithms might not produce effective forecasts. Using algorithms to make black box predictions, without knowing the true reason behind every occurrence will only lead to failure of the entire process.

Success depends not only on using AI and ML with the best processors, but also on "feature engineering", which is both a science and an art. It is imperative to combine knowledge and experience with imagination in order to come up with features that have economic value and only a small percentage of professionals can do that.
Marcos López de Prado, author of "Advances in Financial Machine Learning" precisely explains the correct use of ML, "The best use of ML in finance is not for price prediction, but rather the discovery of new theories derived from the sophisticated analysis of complex datasets. It is important for investors to recognize that ML is not a substitute for economic theory, but rather a powerful tool for building modern economic theories. We need ML to develop better financial theories, grounded on actual empirical evidence, not axiomatic views of the world."

In simpler terms, humans need to strike a balance between the neural network of AI and values that hold true in the real world, and consciously avoid falling into the "apophenia" trap!

Better Lives with Worse Ends

We need to change the narrative from consumerism to frugal pragmatism

RISHAB DIDWANIA

We live in a generation in which we as consumers are provided with a plethora of options to maximize our satisfaction. But do we really stop after possessing a particular item? Bound by human greed, the hunger for more drives us into our never-ending thirst to own a new commodity one after the other. The list just goes on. This hunger to consume more and more leads to constant consumption of goods with very little attention to whether a product is useful or actually needed, its durability or its impacts on the environment. The first case of mass consumerism has its roots going back to the late 1600s in Europe, which got intensified in the 1700s and 1800s, in the Industrial Revolution. The gradual infusion of many capitalist economic policies into the European economy led to the setting up of many factories to cater to the demand side of the goods.

Europe saw a gradual shift from "cottage" industries to large scale factories. This mass production led to an increase in demand as now the goods available were cheaper and no longer unique to any specific marketplace. Thus, it attracted more buyers as it included many such buyers who were once not in a position to buy such goods.

And then came the marketing campaigns

Consumerism further intensified in the 20th century and many believe that 1950-1960s were the golden age of consumerism as the markets were flourishing. Goods were further made cheaper for the public and strategies to penetrate the market were put into action. Effective marketing plans were being carried out and the era saw the rise of advertisements in making a product widely known among the consumer classes. These aggressive strategies led to transforming the mindset of the people as they started associating social standing with quality of goods. There was a shift in psychological settings that turned wants into needs quickly. Since then effective advertisement has observed an upward trend and has incorporated modern techniques to attract as many customers as it can. Furthermore, companies started outsourcing their production to keep their costs low and profit high.

The dark side of Consumerism

Economies prosper with rise in production levels, but at what cost? If we lift up the veil of economic prosperity, we often find heaps of waste that are generated annually by the industries. By 2025, waste generated is expected to grow to 2.2 Billion tonnes from the present 1.5 Billion tonnes (approx.). Higher-income levels and an increase in urbanization have led to more industrial waste. Being lightweight and cheap, plastic has become an integral part of the market. Plastic and other closely related non-biodegradable substances are never disposed of correctly and as a result, instances of marine pollution and reports of animals choking on plastics have become so common. A WEF report states that there will be more plastic in the ocean than fishes by 2050 if the persistent increase in industrial waste continues.

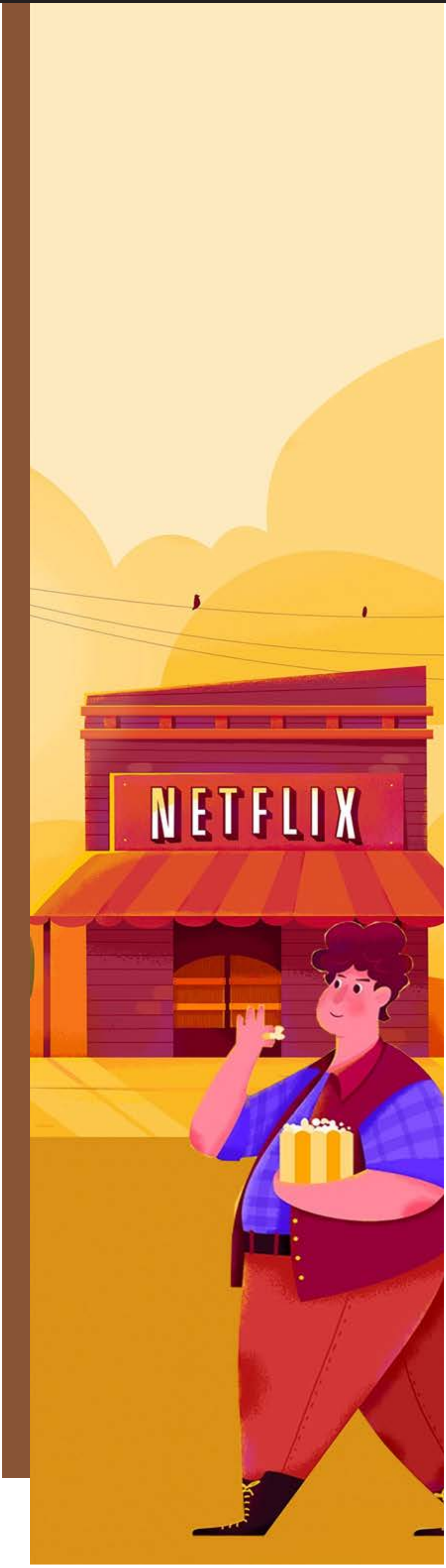
The 'Snob effect' has also had negative impacts. Owning luxuries to improve one's position in society is a trend that cannot be fought. These goods are different from normal goods. With an increase in price, their demand increases These goods include expensive watches, handbags, some clothing items, etc. Most of the so-called luxurious bags and belts are made of animal leather, which has its own dark area. Crocodiles and snakes are poached for their skin. Regardless of the many restrictions that these companies are bound by, they are still not eco-friendly.

The world has seen a major fashion phase in the current era where fashion seems to be changing ever so often. It happens so rapidly that the stocks in the shops are being flipped every week. This has been given the term 'fast fashion'. The production of clothes has increased immensely just to suit the taste of the people. In this growth model, the fashion currently being followed by society changes at such a fast pace that no one wants to buy old apparel. Producing more comes at a high cost as the industry requires raw material and petrochemicals in the process. One more effect of fast fashion is that the clothes wardrobe-life is reduced as people tend to follow new trends. Once a new trend is followed the old trend finds its place in the dump.

Who can possibly ignore the technology world? This sector is responsible for so much e-waste production as almost each day a new piece of tech is announced with a feature that enables it to act as a consumer magnet. With electronics getting cheaper due to competition, not all products are accountable for. Some of them are not even durable for a week and thus add up more to the e-waste. It all adds up to a single conclusion - where there is demand, there will be supply.

The Way Ahead

One solution is always to limit usage of a harmful product or to try out other options to replace it. One more obvious solution is to recycle the goods or re-use them. A majority of the goods used are recyclable or reusable, if given proper attention to and thus can prove to be a big turning point. Before making a purchase decision, one needs to analyze whether it is really required or not. There is certainly more to life than materialistic happiness.



The Chronicles of Instant Gratification

A brief overview of the streaming industry and its recent disruptions

PARTH KULKARNI AND GOKULA KRISHNAN C

Instant gratification refers to the immediate satisfaction of a want. It is the pleasure a consumer feels when a demand is fulfilled almost instantaneously. Developments in the media and communications industry over the past decade have been characterised by a special emphasis on such instant gratification - from making the box office available at home to convincing consumers that what was previously regarded as frivolous and unnecessary is now essential. The rise and dominance of streaming services, as demonstrated by "Netflix and Chill" culture, has revolutionised traditional entertainment and brought it to the very fingertips of viewers.

The Scenario

The Subscriber Video On Demand (SVOD) industry has more than 200 million subscribers today. Providing serious cut throat competition to box offices and regular cable TV, streaming platforms like Netflix, Amazon Prime Video, and Hulu have shifted consumer preferences and made a wide range of content available at home and at one's convenience. Netflix alone has around 166 million subscribers. Last year alone, the market leader spent over $8 billion dollars in the creation of new content, producing 95 films and several series. These numbers cannot be matched by traditional production houses. Disney has entered the streaming services sector with its popular new platform Disney+, which has already managed to attract 30 million subscribers in less than four months. While Amazon Prime Video and Hulu remain docile in terms of market share, they are actively producing more and more original content.

The music streaming industry is led by Spotify and Apple Music, with 100 million and 60 million subscribers each. Music Streaming, a concept that was nearly non-existent a decade ago, today accounts for over 50% of music revenues globally, and more than 80% of revenues in the United States.

Video on Demand streaming is expected to grow at a CAGR (Compounded Annual Growth Rate) of 18% and earn $100 billion in revenues annually, by 2023, up from the current annual revenue of $30 billion. The manner in which streaming services have impacted consumers of content underscores the effective marketing technique of video on demand as an addictive product. Binge watching previously reserved for select occasions is now a common phenomenon.

War Cries and Prospects

The SVOD (Subscriber Video On Demand) sector is currently housing intense competition. Disney has now surpassed Netflix as the most powerful content creator in the world, by acquiring a controlling share of 60% (financed by a $70 billion deal) in Fox studios. Disney and Netflix have parted ways, and all Disney - produced content from cartoons to the immensely popular Marvel movies will now be streamed exclusively on Disney+. Similarly, Warner Bros. (WB) is also developing its own platform and it is expected that Netflix and WarnerMedia may soon split as well. This general consolidation of resources has caused higher volatility in the industry and is a source of anxiety for investors. But for viewers, the streaming war means better content, with more variety. All platforms are placing greater emphasis on producing original star-studded content to attract more subscribers. The streaming industry provides employment to all actors - from the likes of legendary veterans like Amitabh Bacchan and Al Pacino to relatively new YouTube sensations.

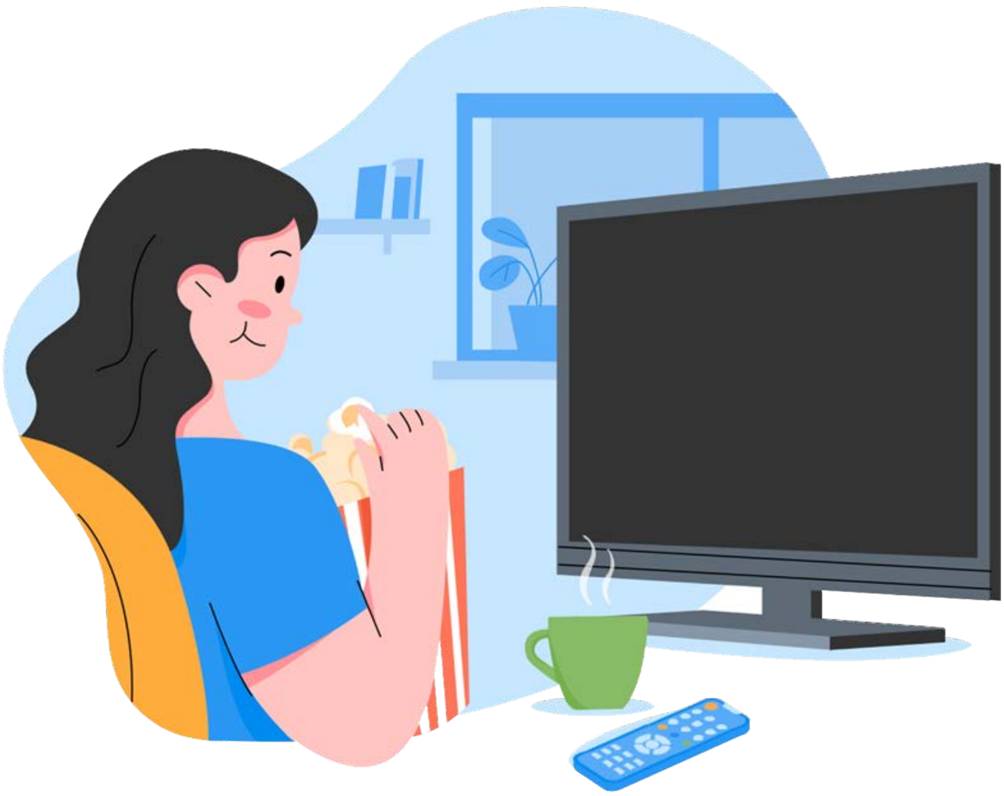
Every platform is constantly trying to outdo the other in providing a more personalised or customised experience to the viewer. From Hotstar to Hulu, all services collect and analyse user data to provide recommendations as per the tastes of users. While it was originally Netflix's innovation to target users by using their Watchlist and Watch History, the same complex algorithm for suggesting favoured content has been emulated across all streaming platforms. Consequently, the viewer spends longer watching content, and is also left with greater satisfaction. There is no question of hunting or scourging for good shows or films anymore; most users are able to rely upon AI generated suggestions for what they want to watch next.

The music streaming industry, built on the backs of Generation Z consumers , is all set to bury the radio in the next two decades. The number of radio listeners has been declining and the proportion of millennials that listen to the radio is laughably small.

The personalised experience that platforms such as Spotify provide is a very significant part of their competitive advantage. Spotify makes custom playlists for users, and by employing AI and machine learning; helps generate thumbnails for tracks that (given their music history and preference) users are likely to touch and listen to songs. This has been copied by both Netflix and Amazon Prime Video, and both of them use neural networks to project different scenes from a movie on its thumbnail to increase the probability of a user clicking on that particular thumbnail and watching more hours of content. For instance, if a viewer who has spent several hours watching House of Cards (starring Kevin Spacey) on Netflix happens to have Kevin Spacey playing a role in a movie on their watchlist, the movie thumbnail will display a scene with Kevin Spacey in it instead of the movie poster or original thumbnail, even if Spacey's role is minor. The familiar face makes it far more likely that the viewer will end up watching the movie. Some would call it wonderful, others would prefer to label it dangerous. While consumers are left feeling satisfied and their viewing desires are fulfilled, it must be noted that an algorithm is consciously moulding preferences and tastes.

But this sort of instant gratification is what all platforms are working on perfecting. In Amazon Prime Video, when a particular scene is paused, the paused screen displays the details of the actors only in that scene and the movies they have starred in along with a regular picture. The days of "Hey, who is that actress?" are long gone, replaced by another dose of instantly generated information.

As the streaming industry becomes more and more sophisticated and efficient, the viewer enjoys the benefits of a wider and personalised variety of content. The streaming war will most probably get even more intense in the course of the next two years, as Disney+ focuses on obtaining a greater share of the market. In conclusion, a quote from the good old Lord of the Rings trilogy, that was recently uploaded on Netflix, will suffice - The Board is set, and the pieces are moving.



FINANCIAL CONCEPTIONS

Maximising Minimalism

Understanding the new lifestyle trend that can change the retail world

TARINI GOYAL

Imagine a world where you didn't have to come home to a cluttered house, wake up early on a Sunday morning for something you didn't want to do in the first place, and reach office every day for a job that made you feel like your soul was dying. That is what the minimalist lifestyle is about. Focusing less on material possessions gives you time to focus on the more important things in life: health, mental peace, and relationships.

Minimalism gives us the freedom to do what we want and enjoy experiences instead of materialism. Staying in a smaller home with fewer appliances and items reduces living costs significantly and can also be beneficial for the development of the mind. Larger real incomes can be spent on personal development that includes mental and spiritual well-being. It is a step forward towards living life with purpose.

Successfully adopting a minimalist lifestyle provides a sense of accomplishment and instills a feeling of self-empowerment in a person. It helps one cultivate the required mindset to take bold decisions and implement them with self-control. A minimalist avoids financial drain by not indulging in what he doesn't need and thus, is able to gain more confidence and feel satisfied in a world where true happiness lies in belongingness and not belongings.

But paradoxically, minimalism can sometimes lead to stress instead of relieving it. It is normal to feel good to own things, be it clothes, electronics or any other equipment. There is a 'high' associated with having the latest gadgets or a bigger house. Instant gratification is appealing as it gets dopamine and serotonin pumping.

Maintaining proper discipline and overcoming the 'Fear of Missing Out' (FOMO) can make minimalism a daunting task. It is not easy to cope with societal pressure and one's own urge to hoard. It is equally hard to find engaging activity on which to spend the extra time freed up by a minimalist lifestyle. While practicing this way of life, it is possible to get caught up in the numbers and start comparing oneself with others without realizing that it is not a race in which you will get eliminated for owning a greater number of things. Obsession and fixation can take away the very essence of minimalism, which is freedom.

Minimalism ironically might also be for those with abundant resources. A person who is living from paycheck to paycheck may not be able to afford the 'better quality' goods minimalists use. Their income does not allow them to get rid of old belongings and start using new, good quality products whenever they wish to. Experiences sometimes cost much more than goods that can be bought. For example, a person can make his ten-year-old son very happy by buying him a toy for $10, but might not be able to afford a $100 amusement park ticket. Thus, it is in his best interest that he buys two or three toys for his child, which would not cost more than $50.

Hence it is important to understand that the definition of minimalism cannot be universal for all. According to their circumstances, people should always try to use what they need and discard what they don't without getting attached to materialistic possessions.

While getting rid of everything is a very difficult task, one can start with selling items they truly know they don't need. The 90/90 rule, devised by the minimalists Joshua Fields Millburn and Ryan Nicodemus, suggests that one should discard anything that hasn't been used in the last 90 days and isn't likely to be used in the next 90 days.

"Hold on, I might need it in the next 90 days, who knows!" That would be a likely thought process while trying to follow this regime. It is difficult but it is possible.

To restrict oneself from hoarding more stuff, one can follow the 7-day rule. According to this rule, a person should wait for one week before they buy something they found amazing at the store. In most likelihood, they would not want to make the purchase seven days later. It is important to remind oneself that as one product leaves, another enters the market. Even if we miss out on a particular item, there's always going to be a substitute for it which might turn out to be better than the previous one.

The Kon Mari method, created by the organizing consultant, Marie Kondo, is yet another way of organizing one's life by getting rid of physical items that do not bring joy in one's life. However, it is possible that one does not wish to de clutter all the unnecessary belongings in one go. Therefore, they can make use of the 21-day rule. It takes 21 days to form a habit, and one can start with the very basic resolutions before moving on to the various routines adopted by minimalists. It is important to remember that all these rules and challenges are just a means to live a peaceful life, not the end. Giving a balanced level of importance to the process is the key to enjoying every moment of it!

Lastly, who we are is more important than what we call ourselves. Let the focus be on how we treat people and how we live our lives, instead of how much stuff we have or don't have. It is important not to get tied up in the business of labelling people. But minimalism is here to stay and has the power to shape the new world.

Aurum & Argentum

Is silver a better investment than gold?

VISHAL AGARWAL

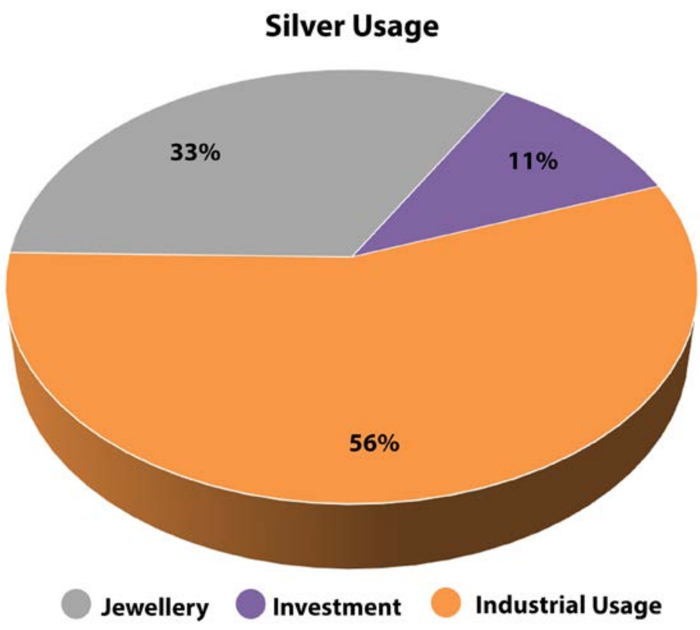
Gold has always been an investment option for people when there is excess cash- whether it is idle cash or whether demonetization has been announced! But there is now debate regarding whether gold remains the best investment or if it has been replaced by silver.

Before we analyse this debate, it is important for us to understand the reason behind the lofty prices of these metals. Adam Smith, through his 'paradox of value' theory, has deftly explained the reasons responsible. Also known as the water-diamond paradox, this paradox contradicts the idea that goods with higher demand command higher prices. The price of a good is determined by its marginal utility. When we compare silver or gold with water, it is obvious that water has higher demand than silver or gold. But silver and gold have a higher price because their marginal utility (the additional utility derived on the consumption of one more unit of the good) is higher than water.

Gold has always been the choice of people to convert their liquid cash into assets. But with silver usage being increased manifold in industries, people have also started to consider silver as an investment option. It is true that gold has always given outstanding returns and continues to do the same, but silver is also not far behind. As a matter of fact, gold gave a return of 25% in the financial year 2010 whereas silver gave returns of 85%. This was because the photovoltaic industry was growing at a rapid pace during that time and witnessed steep growth. Solar panel production starts with silver paste and that requires a finer grade of silver than those sold in the wholesale markets. The purer 0.9999 silver bars were in deficit in the market. As a result the demand for the purer silver rose which in turn resulted in the substantial rise in the prices. Since then, silver is being demanded in millions of ounces by the photographic industry in preparing photo films each year.

In 2017, the solar manufacturing industry utilized 16% of all silver used in the industrial processes, resulting in a 19% increase in silver consumption as compared to the previous year. This consumption has been marginally increasing, and is expected to rise in the upcoming years because the demand for solar energy is going to increase with a subsequent decrease in the use of non-renewable sources of energy to combat global warming.

Gold might be suitable for small or medium-term returns. But when we take into account the uses and applications of silver, it is the safer bet to play in terms of long-term investment. There is a demand supply imbalance of silver in the market. The supply is restricted whereas the demand comes from a lot of industries because of its cheaper price than gold (gold is more than 80 times expensive than silver!) and this gap is expected to increase in the future. The bulk of silver production comes as a by-product of other metal mines like zinc, copper and gold. Since it is not a primary metal emerging from some of these mines, its supply cannot adjust rapidly to changes in demand. A dramatic explosion in price will be needed to attain demand and supply equilibrium which is expected only by the end of the next decade.



When we talk about the volatility of the stocks, it is to be taken into account that the beta value of silver is 1.3 times that of gold. This means that if gold shows price fluctuations by 1% then silver will show 30% more volatility, which can be both a bad and a good thing. The main reason behind this volatility is the lesser price that it commands in comparison to gold. When we look at the history of the stock prices of silver, it rises exponentially in good times and falls abysmally in bad times. For example, silver's price rose manifold during 2008-2010 but has been considerably falling since then. Also, the market for silver is small- which means that a little amount of money moving into or out of the market can impact the price of silver to a much greater degree.

	Rise from 2008 to 2011	Rise from 2011 to 2018
Gold	166%	33%
Silver	448%	50%

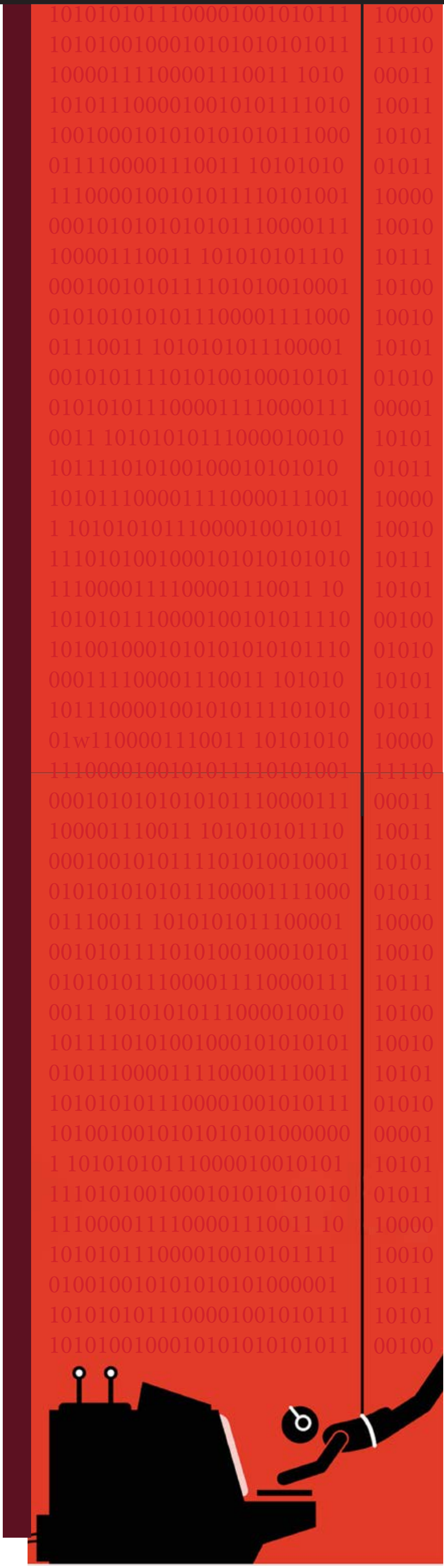
One more reason for the price of silver to go up in the future is that the number of investors for silver will be higher than that for gold because the investors can buy much more silver for the same amount. Thus, it seems logical to invest in a lot of silver rather than in a small amount of gold.

With the Fed's less aggressive monetary policy, which includes a softer approach to interest rate hikes, the US Dollar may become weaker. This reduces the opportunity cost for holding non-income producing precious metals like silver. It also makes it lucrative among investors who seek to mitigate risk from economic uncertainty. Silver is priced in US dollars; thus, investors from other countries will find it cheaper to purchase silver.

But while talking about the 'better investment', we cannot neglect the importance of gold. Gold provides a ready market and thus any piece of gold can be easily converted into liquid cash. Gold doesn't show many fluctuations in prices.

The storage costs of gold are less than that for an equivalent amount of silver. The future prices of gold are likely to remain in the same range because of the demand-supply equilibrium in its stock. Most importantly, gold enjoys the trust of a million people who buy it to get rid of the liquid cash.

But when we look at market conditions which we are expected to experience in the upcoming decade, silver proves to be a better investment option. But if price volatility is something you shy away from, gold is obviously better than silver. An optimum combination would be to hold some amount of gold and some amount of silver in proportion to one's needs. But it is for sure, that holding gold or silver is much more comfortable than holding fiat money.



A World Wide Web of Criminals

Cybercrime threatens to destabilise our financial systems and we are not ready

SOMYA YADAV & TARINI GOYAL

Financial institutions deliver a large number of services to consumers and businesses. With trillions of dollars exchanging hands daily, they are the most important pillar on which the global economy is built. Which is why they are juicy targets for cybercriminals. These institutions rely completely on information technology systems and any form of interference to these critical systems can severely subvert confidence and result in the loss of business and reputation.

The banking sector is under constant threat of cyber-attacks in the form of manipulation of user data, cloning and data theft for nefarious purposes. This threat is ever increasing as the user base goes on expanding and new technology is introduced. The use of online banking is becoming popular these days with the introduction of more applications and web portals, and it offers convenience and better experience at a huge cost.

A 2018 study by Accenture reviewed 30 major banking applications and found that all 30 had vulnerabilities ranging from insecure data storage to insecure authentication and code tampering. What's more, a similar study revealed that 85% of the tested web apps had flaws that would permit cyber-attacks against users. From lack of secure data storage to ineffective cryptography, there are a number of reasons why portals and banking apps pose a special threat.

Manipulation of data can cost millions as it is difficult to detect any alteration in the original data. The bankers are faced by the challenge of differentiating between the altered and unaltered data. It is estimated that a serious such cyber attack could result in potential losses as high as half of the banks' net income.

Recently, hackers have found a way to copy the impressions of the bank's website to form a clone which looks and functions in the same way. This is called spoofing. The hackers get the login details of users as and when they log in. The trap has become even stronger as the hackers are now able to generate exactly the same URL. This means that even those customers who regularly engage in online banking activities and are used to the website URL are still at risk.

Successful attacks have already resulted in data breaches in which thieves gained access to confidential information, and fraud, such as the theft of $500 million from the Coincheck cryptocurrency exchange.

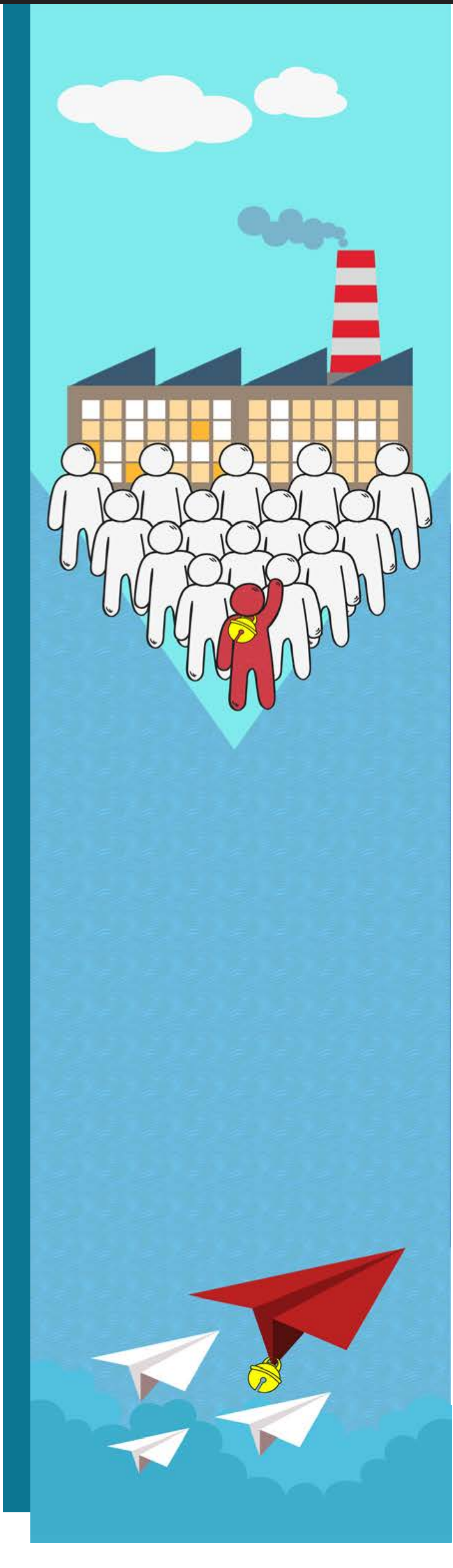
Countries had taken several measures in the past to improve security. The Gramm-Leach-Bliley Act passed in 1999 by the United States Congress, allows the users to restrict the financial information they want to be transferred between parties and gives them an option to decide if they want to have their personal information shared on the contact list. In this system, the financial service providers are required to publish accurate and understandable privacy notices about how they use and share personal information. If a consumer fails to direct in this regard, then it is left to the discretion of financial institutions as to how the information will be used.

One of the biggest mistakes companies make with respect to cybersecurity management is that they leave the entire responsibility of security on the chief information security officer. The department may seek help from the Chief Risk Officer (CRO) and the Chief Information Officer (CIO), but without any well analysed strategy framework, the origins of these risks cannot be specified. The main cause behind this is the technical nature of cyber security.
Even though the potential losses can be huge, the cyber insurance market hasn't developed at the required level. The cyber insurance market collected as small as $3billion worth premiums globally in 2019. All the more, most institutions do not provide the provision of cyber insurance. Additionally, the risk is difficult to evaluate because of uncertainty in exposure and lack of availability of data.
It is of utmost importance to have a cyber-security framework customised according to the needs of every financial institution rather than the standard set of security measures already in place. Adopting one of the most common frameworks such as PCI DSS, ISO 27001, or CIS alone is not enough. The reason for this is that, in most likelihood, cyber criminals have already worked their way around these frameworks.

While sitting in a favela in Brazil, a hacker could penetrate into a bank situated in India, leaving evidence in some third country. To trace unorganised hacks is a difficult task and even if the Indian authorities managed to do that, it would not be possible to persecute the criminal without cooperation from the government of Brazil.
This enforcement gap has made cybercriminals almost immune to prosecution as compared to their real-world counterparts. According to the United Nations Office on Drugs and Crime (UNODC), "Cybercrime is an evolving form of transnational crime". Fighting such crimes using conventional government-to-government methods is proving to be ineffective in the light of the fourth industrial revolution.

Countries and organisations across the globe need to form a strong alliance to curb the burgeoning cybercrime wave before any major losses occur. Global cooperation is not easy to maintain due to differences in the way Law Enforcement Agencies (LEAs) operate in various countries. This obstacle can be overcome by integrating the private sector along with the governments of all countries. Private sector companies are not bound by geographical borders and hence provide the necessary link between otherwise separate countries.

A framework, where responsibilities and roles of both groups are clearly stated, needs to be constructed for a smooth public-private partnership to be operational across the globe. The alliance would include the banks, LEAs of all countries, organisations like INTERPOL, and cyber security firms owned by the private sector. The World Economic Forum (WEF) has taken the initiative to create a neutral and trustworthy platform for global cooperation. Trust is the most fundamental element through which this global union can effectively fight cybercrime.
Apart from the efforts made at the macro level, financial institutions themselves need to act promptly as well. Each employee, irrespective of their level, should be made aware of the cyber risk and the cyber-readiness the institution faces. Leaders need to create a culture of cyber security from the entry level to the top leadership of the institution. Apart from the measures we can currently use at our disposal, it is imperative that major investments be made in technological innovation to combat cyber risk. Malicious attackers already use the likes of Artificial Intelligence (AI) and quantum computing for hacks. Thus, it is important to delve deeper into these and explore new technologies at the same time, to create stronger security systems.



Bells a' Ringing

Is the bellwether concept relevant for real use or is it just a statistical anomaly?

BY HARSH SINGH

When was the last time you heard a bell ringing? For all the freshmen, it has barely been a year. For others, it may have been longer. Why do we invent? The purpose of an invention is not just to embody someone's curiosity; its purpose is to cater to a far wider audience facing some common problem.

The term 'bellwether' refers to the leading sheep of a flock with a bell on its neck - A trendsetter, a leader. Wherever the leader goes with the bell around its neck, the herd follows. For the purpose of clarity this analogy will be revisited through various sections of this article. For general understanding though, consider the simple logic that in order to predict where the herd goes, one just has to spot where the sheep with the bell goes.

There are various areas where this concept has gained significance. The most common examples are industries in an economy and constituencies in an election. In the first case, certain industries are used to conduct a predictive analysis to see in which direction the economy is heading. In the second case, there are certain constituencies whose results are tracked by electoral experts to predict the result of an entire state. Looking back at the sheep analogy, choosing a sheep may not seem like a difficult task, however picking an industry or constituency is not exactly a random decision. Mathematical concepts, like correlation are very much in play here. Data from many years has to be analysed and correlations, means, variances, and other statistical relations are to be drawn out to choose the "sheep with the bell". Years of data is collected and processed in order to arrive at these signals.

Let's look at some of the examples of bellwether constituencies and industries. In the Indian general Elections 2019, BJP won 16 out of the total 20 identified bellwether seats. Some examples of these are New Delhi, Chandni Chowk, etc. While psephologists do not believe the concept of a bellwether, they recognize this as a unique statistical anomaly. Some of these constituencies have historical significance and a point may be raised that the opinion of the demography in that constituency represents the opinion of the heartland. Quite obviously such an argument has no mathematical relevance. That being said, the political parties make it a point to select more experienced and popular candidates for these constituencies. This can again be explained by the constituencies being important even without the bellwether tag.

Now let's have a look at some bellwether industries. The first name which 'rings a bell' is the automobile industry, but before that, we must keep a few things in mind. Not every herd would have similar leaders. A single industry need not be a bellwether industry for all the nations of the world. For example, the petrochemical and oil industry may be crucial for middle eastern countries but not so for the Scandinavian countries. There might be some industries such as infrastructure and automobile which might be important for all the economies of the world. Looking at India's context, automobile, infrastructure and fast-moving consumer goods are industries which could be classified as bellwether industries. Anyone who has followed the economic condition of India over the past year knows that the automobile industry was very much at the heart of the consumption slowdown. With the sales of automobile companies hitting rock bottom in Q3 2019, the shift from Bharat Standard IV to Bharat Standard VI and the massive wave of unemployment generated by the industry; there is no doubt that this industry caused many ripples. The infrastructure sector wasn't much better with industries like cement and steel underperforming. The liquidity crunch causing operational problems, the plummeting public demand, and the NBFC crisis deserve a special mention as they plagued both non-banking financial institutions and the infrastructure industry. FMCG industry's growth rate dropped to single digits for the first time; the major slowdown being witnessed in the rural consumption of these products. So, the question arises as to why these industries act as indicators for the economy. Let's look at some examples of bellwether industries and then try to find out why these industries are important from the perspective of the economy.

Looking at the markets of these industries, we realize that their products are the ones which are consumed or used by most, if not all the households. For instance, take the infrastructure industry. There are two kinds of demand, one which is retail in nature and comes from individuals looking for houses, and the other largely originating from government and public institutions for the construction of public infrastructure like roads, fly-overs, etc. Another such industry would be the automobile industry where the goods produced by them have become, if not a necessity, then at least something common which most people would have purchased regardless of their taste or preference. Thus, we can say that the importance of these industries doesn't arise by the virtue of the being bellwether industries. It is rather their importance which leads to these industries being classified as bellwether industries. Surely enough, there will be innovations and disruptions.

We see people preferring to use Uber or Ola to book a cab to work instead of purchasing their own vehicle or maybe using public transport. However, public transport also comes under the automobile industry and the prerequisite for renting a cab would be someone else purchasing one. Thus, bellwether industries are generally producing something which, at least in the foreseeable future, seems to be an essentiality for the common man.

What would happen if some of these industries were to start facing problems? Let's go back to our analogy. Consider that the automobile sector has the bell around its neck, and once this sheep starts to jump ship, would the other sheep follow?

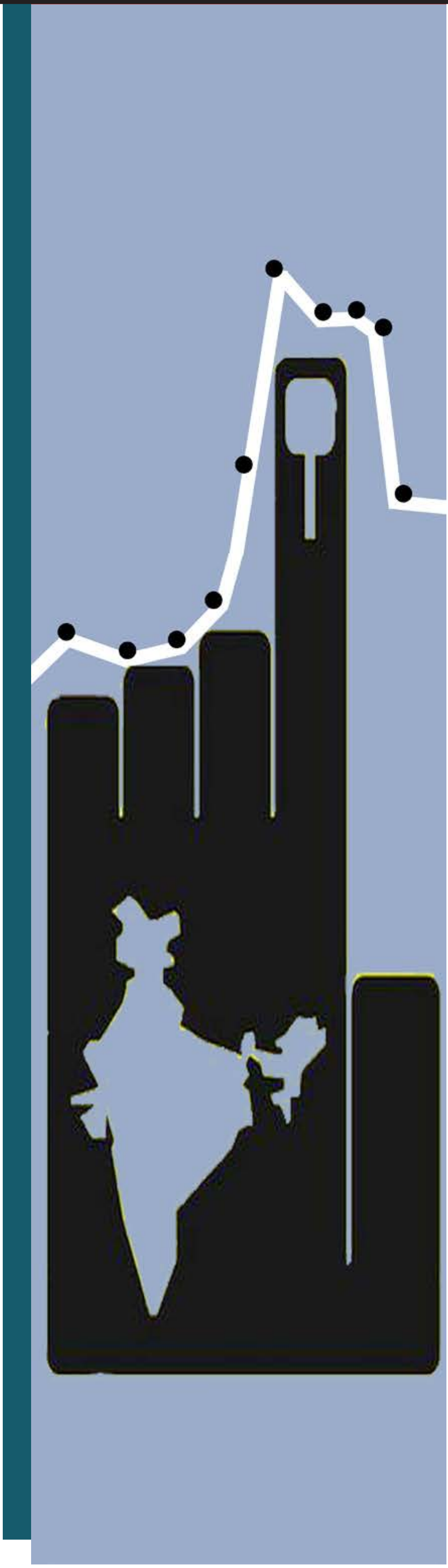
The automobile industry can act as a lynchpin and when it fails there is a domino effect. In effect this would end up being a bellwether industry by the virtue of being a lynchpin. Another example of such a type of a bellwether-lynchpin industry might be the banking or the infrastructure sector. However, an industry does not necessarily need to be a lynchpin to be a bellwether industry. The two concepts are not mutually exclusive, nor are they completely overlapping. The other scenario is where the given industry acts as a bellwether industry because whatever problem affects that industry ends up affecting other industries too. This may depend on the sensitivity of a given industry or even the sheer number of consumers an industry caters to.

Let us look at one last example before we move on to a conclusion. We move onto a field which is already quite familiar with the concept of a herd mentality as seen in our sheep analogy - stock markets. The sole purpose of the concept of bellwether is to identify trends and to conduct predictive analysis. Investors always have their tails up for trends. Knowing the direction in which the market is going to move directly translates into profits. Generally, stocks of well established, profitable companies are considered to be bellwether stocks. Thus, in the case of stock markets, it's possible for stocks to gain or lose the tag 'bellwether'. Such stocks which are stable and profitable are categorized as blue-chip stocks. While bellwether stocks are safe options to invest in, they usually do not show any significant growth potential. So, for people with a smaller appetite, they are great investment options, but for others, they are just used as a tool to get an idea of where the market of that segment is headed towards. So, while the investors may not invest in the bellwether stocks directly, they use it as an indicator to pick other promising stocks in the same industry which are expected to prosper. A stock like Infosys in the IT industry is a perfect example of bellwether stock. While the stock may in itself not grow quickly, it's a relatively safe bet and also acts as a litmus for the industry as a whole.

In theory, this concept seems to be a simple correlation. For research purposes, correlation in isolation could be misleading; thus, we take correlation with causation. However, as we saw in the examples, bellwether industries (in the case of the automobile and the infrastructure industry) the correlations drawn from this concept are not void of causation. It is because of the nature and importance of these industries that their failure is not just a signal but also has far-reaching consequences arising from their own failure.

This isn't a guaranteed test or solution. For example, just a bellwether stock doing well is not enough to say whether the industry would do well. There are various other factors such as costs of the industry, external factors, etc. which need to be considered. Similarly, just because a few bellwether industries are not doing well, it doesn't necessarily mean that there is a recession coming. There are various other macroeconomic indicators like the GDP Growth Rate, Unemployment level, etc. which need to be a part of our analysis before commenting about an impending or current recession.

But such a mechanism of monitoring bellwether sectors could be used as a tool to act as an early warning based on which one can take precautionary measures to ensure that one is able to plan for the expected outcome. Best to look for where the bells are ringing the next time!



Of Indices And Elections

Decoding the connection between waves in politics and consequent ripples in the markets

AASTHA GAUR & PARTH KULKARNI

Dream Run was the title coined for the SENSEX's seemingly unstoppable rally in May 2014, when the markets soared after exit polls established that a stable government led by the BJP would be elected. While this was a particularly significant bull run, the fact is that general elections have always had a very strong short term impact on the markets. During these exciting democratic exercises, the stock markets turn into inaccurate indicators of economic performance. Instead, they are more of a reflection of people's sentiments.

The Indian Narrative

An ideal assumption is that the markets would obviously prefer an establishment that leans to the economic right wing. While this is true, the preference for right wing economics is often undermined in favour of continuity and more recently, emphasis on actual deliverance.
In India, the market does not give much importance to whether the establishment goes right or left of centre, which is also because the Indian economic axis is inherently just a slab of the left of centre. No party has ever advocated free markets, and all manifestoes talk about mixed economies with different degrees of regulation.

In the general elections of 1999, the SENSEX crossed the 5000 mark for the first time, after the Vajpayee-led NDA coalition won a relatively stable plurality of seats. This was the third general election in three years, and the markets rallied for continuity in government. When it became clear that this government would last five years, the markets reacted very favourably.

In the elections of 2004, the NDA lost narrowly to the Congress-led UPA coalition. Faced with a possible discontinued process of financial governance, the markets had been very volatile during the election months. But it soon became clear that the NDA had lost and the UPA had solicited the support of communist parties, or the Left, to prove its majority in parliament. This sudden change in regime and the prospect of being governed by a socialist establishment led to the largest single day drop in the markets (upto then), on the day of election results.

But as mentioned earlier, the prime element is continuity. By 2009, the markets were back on track yet again, and the UPA regime was looked on as favourable. Further, the Manmohan Singh -led administration had belied expectations by introducing several pro-market measures. When the UPA won a comfortable majority in 2009, the markets boomed and registered nearly a 60% increase in that one election year itself.

2014 was an atypical year, because the circumstances were such that virtually no investor preferred the continuity of the UPA regime. In fact, markets were insistent on a far stronger alternative to the scandal-riddled UPA. When it became clear that the Modi-led BJP was winning a thumping majority in the general elections, the markets skyrocketed. In the week between exit polls and actual election results, the SENSEX surged up by 5000 points, crossing the 25K mark for the first time.

2019 was a close sequel of the previous election, but the markets reacted more out of relief than out of a more vagrant display of support. Hence, gains were lower, and while the SENSEX crept past 40,000 for the first time, it was with a prolonged sigh of relief that the administration had not changed and had come back stronger.

The fundamental point underscored here is that the Indian stock market values continuity and stability of government over anything else. Radical changes have always been few, and instead sustained, charged growth at a moderate rate is what drives these markets forward in this age. This kind of growth can only be effected by a stable government at the reins. Or at least, that is the general perception, and hence, trades are affected based on that perception as elections come closer.

Analysing Election Movements

Most of the volatility experienced by stock markets during elections is a result of investors reacting to political news and falling prey to the closely knit herd mentality. As long as election results are in alignment with the expectations of most investors, the markets rally and do well. There is little emphasis on the actual economic policies of the winner (unless they are a huge election talking point) during this period, regardless of whether they are good or bad for the economy.

Shocks or market plunges occur not on account of an economic decision in these times, but instead because of political factors, for instance - an anti-incumbency wave, a slimmer majority than expected, or a coalition that is formed out of changed ideologies; basically any result or consequence that is contrary to the general political expectations of the market.

Elections determine the economic future of a nation by putting in place a new establishment or by depositing confidence in an existing one, and are the means by which people choose how their services, trade, and industry are going to be regulated or governed. If there is a general expectation that a party or coalition is going to win, then the market will react sharply, but only temporarily, based on the election outcome.

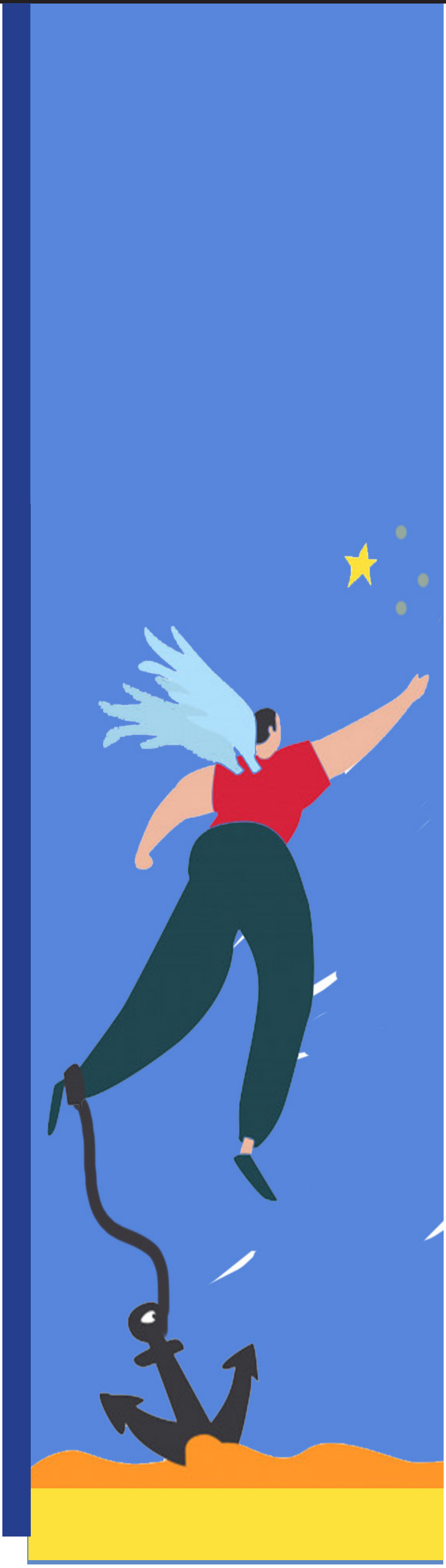
But it is imperative to understand that political outcomes simply do not define market outcomes. The market reacts strongly in either direction during the election period, and returns to its regular business cycles.

The general theory of 'Election Cycles of Markets' put forward by Nordhaus is relevant here. During an election year, ruling establishments usually try to initiate policies that help them re-win the upcoming elections. Hence, they try to boost economic performance during the latter part of their tenures through strong fiscal stimulus. This creates a rally in the Stock Markets during the months leading up to the election. However, once a new (or the incumbent party) wins office, measures need to be taken to curb rising inflation, which creates bearish trends in the stock markets after the elections. Moreover, the first few quarters after an election might not witness bullish trends because the economy and the investors might still be adjusting to the new policies of the ruling party.

In conclusion, while elections do have an impact on market returns in the short run, the performance of markets tends to average out over the long-run.

For investors in these election times of heightened volatility, what can help is a strict adherence to a long-term strategy. Investors must focus on corporate earnings and company financials to not indulge in panic selling or buying with the rest of the herd. They must understand that prevalent factors driving market prices do not hold significance in the long run. Maintaining a well-diversified portfolio can also help insulate investors from such short-term fluctuations. Traders usually keep a close watch on a party's propagated ideology and analyse which sectors could be impacted if they were to win the elections.

While political news is the most interesting, it is always the true economic scenario- labour productivity, interest rates, overall financial soundness, and competence of company management, that determine long-term returns. This is an important truth of markets that must not be forgotten.



The Flight and The Fall

The curious case of short-lived corporate invincibility

AARADHYA DAGA

Remember Icarus? The Greek boy who recklessly flew too close to the sun, excited by the thrill and happiness of escaping the Labyrinth, singed his wings off, and then fell to his death in the Aegean.

Remember Lehman Brothers? The fourth largest investment bank in America before filing for bankruptcy in September 2008, succumbing to its own complacency.

The common factor? Both were so blinded by their successes that they failed to see the flip side of their apparent success, ignored all cautions, and gave into the short-term thrills of winning. Eventually, of course, both of them fell to their own deaths, brought about by nothing bar hubris.

But - can you be so good at something that it leads to your fall? Danny Miller, a Canadian economist, agrees. This phenomenon, aptly named the Icarus Paradox, is something which can be seen around in day-to-day life.

“You rise, only to fall” brings to mind Joss Whedon’s 2015 disaster, Age of Ultron. Talking about disasters, one cannot forget Atari, Daewoo, Xerox, Tupperware, and the likes. All simple victims of their own success.
There is not just one aspect of it, however. It is a process, encompassing tremendous changes in the organization, individuals and processes which allowed them to rise are so focused on - to the level of unhealthy obsession - that it ultimately leads to lopsided growth and the inevitable demise.
Miller classifies the descent with four trajectories:

- Focusing: Craftsmen.
- Venturing: Builders.
- Inventing: Pioneers.
- Decoupling: Salesmen.

Craftsmen become tinkerers:
It refers to companies which rely on quality and efficiency by trying to find a good manufacturing process for themselves. The problem begins when they stop after finding one good enough. The problem persists when they think just being efficient by using one process and nothing else will work out. When these processes become second nature, the company stops thinking about it as a whole. Now, when a major shift occurs, the inability to think of, or move to a new process leaves them clutching at straws.

A good case in point is Compaq; it saw a gargantuan increase in sales initially, producing high quality products only. On a priority list, quality was first. The commitment to it was so steadfast that cost was fifth on the same list. The new products came out only once in a blue moon, but these products were always fine-tuned to perfection. That was the good part. Once PCs and laptops moved from being a luxury to a necessity and consumers started preferring lower costs to perfection, Compaq found itself in troubled waters, as companies like Dell and HP chipped at its market share.

Builders become imperialists:

This archetype alludes to initially successful entrepreneurs, who build the company from scratch. They try to find new pathways and breakthroughs, bring together complementary businesses, and strive to grow within their own capacity and limit. Once the company makes a break-even and/or performs well consistently, megalomania sets in. The entrepreneurs who seemed to understand perfectly the capabilities of the companies want to flout them for gains in hindsight. A controlled rise, per se, becomes a case of a blindfolded rush to excel, giving way to an uncontrolled descent. This rush doesn't allow leaders to think about the constraints, and only one goal occupies their mind - expansion. When the resources dry up, and the entrepreneurs have no tangible expansion or growth to show for, the reality check sets in.

To state one example, consider National Westminster Bank. While the situation in UK was on a decline, it focused only on expanding into US and Europe, paying little heed to domestic affairs. Once UK's banks got deregulated in the Big Bang, domestic competition heightened to a great extent. Although losing business, NatWest was still focused on product diversification and expansion. The stock market crash almost threatened to clear NatWest's name from the world, leading to divestment of its overseas subsidiaries and to it (finally) focusing on operations in the UK. A lot of losses and controversies later, the bank found itself battling hostile takeovers, and eventually a takeover by the Royal Bank of Scotland came to be. As a result, the once most profitable bank in the UK was delisted from the London Stock Exchange.

Pioneers become escapists:

Let's explain this using one of the most acclaimed innovators of this generation, Steve Jobs. Jobs was always looking to be the pioneer of something new to the world of technology through Apple. He had many revolutionary products to his name and has, one can say, raised Apple to where they are today. At one point he definitely faced criticism for being a "mad genius" and delving too much into innovation without caring about the market for it, or Apple's resources. Although it's up for debate whether this was true or not, this is what escapism is about. Imagine a Steve Jobs who only cares about the innovations he brings, not about Apple. Innovators who moved the market with their genius, find it taking over themselves to the extent where they stop caring about anything except innovation. It is good to note that these pioneers rise among the ranks pretty quickly and hence by the time they are engulfed in nothing but better development, they are at a significant position in the organizational framework - their decisions actually materialize. When these decisions are not backed by market requirements and economic reasonableness, a big problem ensues.

Once again, Apple has displayed this tendency many times throughout its history because the company is essentially based on innovation. From engineers becoming lackadaisical on grounds of 'creative freedom' to pricing a regular computer at $10,000; Apple has done it all. Why hasn't it failed yet? It always has a big money backing to fund its seemingly unusual innovations and a horde of brand loyal customers willing to pay anything for everything Apple produces. All earlier years of crazy innovations did pay off, eh? But it is only one Apple that has ripened and seen good days, from a tree of thousands of failed apples.

Salesmen become drifters:

What would you do if you could sell anything? That's right, you'd try to sell everything, notwithstanding what the market wants or how it wants it. This belief, once set in a company known for its incomparable marketing skills, takes it to its own deathbed. Companies which have consistently produced amazing marketing campaigns fall into the illusion that the consumer will buy the same gimmick every time. They stop focusing on addressing problems with the product line but try to hide them using their marketing mechanisms. After a while the products start becoming stale, repetitive offerings backed by good advertisements. Soon enough, the market also starts seeing through this mirage and hence begins the fall of the company.

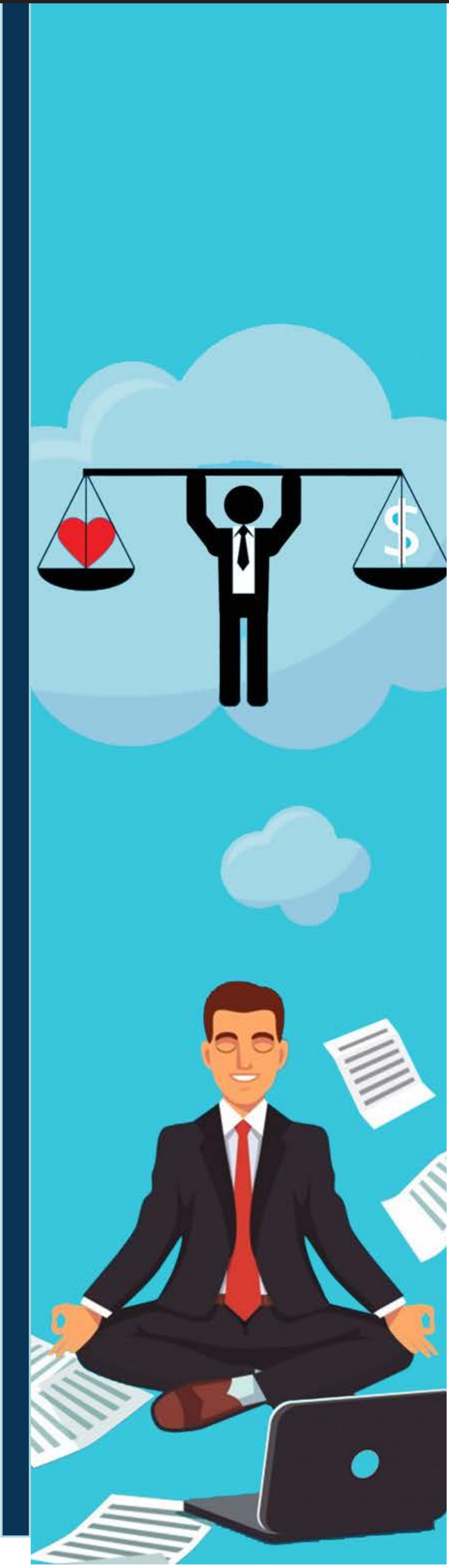
A lot many companies have fallen victim to this, famously Procter and Gamble, IBM and Chrysler. All companies with tremendous markets and great brands, started stagnating their product lines and had to eventually bear the brunt of backlash.

This is not just it, however. There's a lot more to it which can be encapsulated. Take for example the problem of Delusional Optimism, also called the Machiavelli Factor. Under this, executives take decisions not accounting for prudent risk practices in the hopes that their decisions will amount to great returns. When the failure eventually comes (cue 2008 financial crisis), they are vindicated by saying that the risk assumed was (somehow) rational.

These decisions are successful in hindsight which causes the decision-makers to forego all rational foundations of prudence and continue pursuing these short-term gains, forgetting long-term repercussions. This also ties in with the Illusion of Control wherein the executives feel risk is something controlled by their own expertise and skill. Living under this rock of apparent control, they fail to account for occurrences outside their environment.

It is noticeable among all the trajectories that the main inhibition to detecting problems is the fact that these 'problems' arise solely because of success. This temporary success puts a blindfold on the company, exaggerates baseless preconceptions and leads its management away from self-assessment. They think they're invincible, and this pride becomes their biggest fall.

THEORY AND HYPOTHESIS



The Economics Behind Happiness

It is imperative now to measure happiness and well-being as these are important for real development

IMAN BHATTI

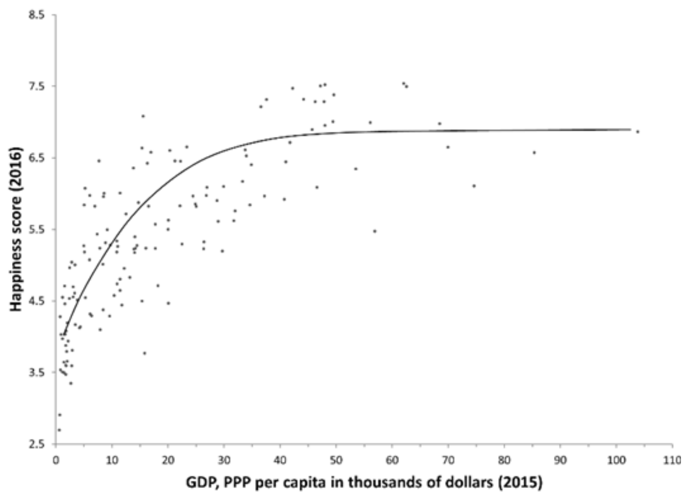
The Gross National Product does not allow for the health of our children, the quality of their education or the joy of their play. It measures neither our wit nor our courage, neither our wisdom nor our learning, neither our compassion nor our devotion to our country, it measures everything in short, except that which makes life worthwhile."- Robert Kennedy

Since the 1940s, economic policy and thought has been fixated on economic growth based on GDP figures. GDP or Gross Domestic Product measures the monetary value of all the final goods and services produced within the territory of a country, but fails to reflect simple realities. For long, nations reporting the highest GDP figures have been conferred with venerable titles of being the most ideal nations, with GDP growth being considered as the only barometer of progress. However, by focussing so much on GDP, we have erroneously judged it to be an end in itself rather than a means to an end. Even though an increase in GDP helps in eliminating material poverty, it forgets to tackle the poverty of satisfaction, purpose and dignity that continues to afflict us.

In this context, it becomes important to look at other ways of measuring growth that focus not just on material well-being, but also on the well-being of the spirit because that is what is being ignored in so many of our policy discussions. This explains why happiness remains so elusive even when we have witnessed unprecedented growth in the past decades. The United States of America, for example, reports the highest number of mental health issues despite having a $19 trillion dollar economy. It is important to find different measures of happiness and find out the most appropriate way to maximise it. When we try to quantify happiness, we convert it into a commodity and subject it to the laws of the marketplace. Happiness no longer remains an abstract concept but is treated like a measurable index. This is exactly what the field of 'happiness economics' is trying to do.

Money can't buy happiness, or can it?
Happiness economists have found out certain determinants that influence our well-being, the most important of which is income. There is a positive correlation between greater income and greater happiness that goes beyond countries and cuts through cultural barriers. Richer countries are happier than poorer ones and individuals with greater increase in income show greater increase in welfare over the same time period. This is not just because higher income allows a person to purchase better quality goods for themselves but also because it elevates them to a higher social status.

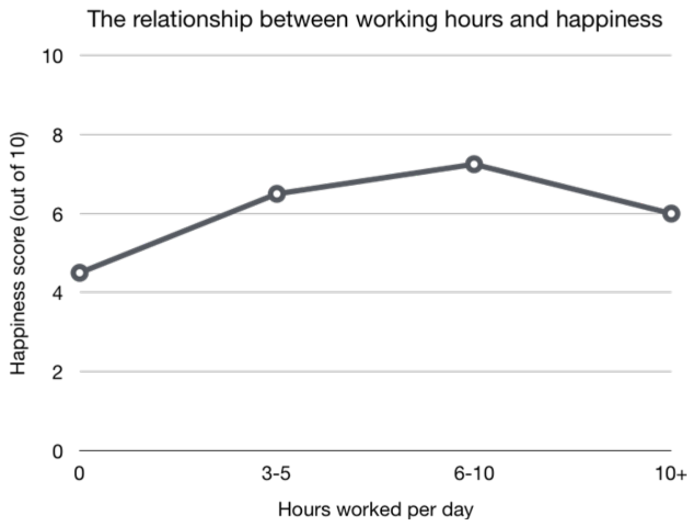
However, an increase in income also shows diminishing marginal utility of happiness, meaning every additional rupee added to our income adds lesser returns to happiness. Thus, an increase in the wealth of poor countries will add more happiness than in rich countries, where basic needs are already met. Beyond a certain level of income (estimated to be $25,000 per year), happiness levels do not change significantly and stop being affected by income.



This is what has come to be known as the Easterlin Paradox, which states that happiness varies directly with income but after some time, it suddenly becomes constant even when income rises. The developed world today faces this problem with rising incomes having little impact on happiness. The Easterlin paradox, thus, has significant implications for these nations; if economic progress does little to improve societal well-being, then should it be pursued as a primary goal or should the government switch to more inclusive methods of measuring progress, such as GNH or Gross National Happiness?

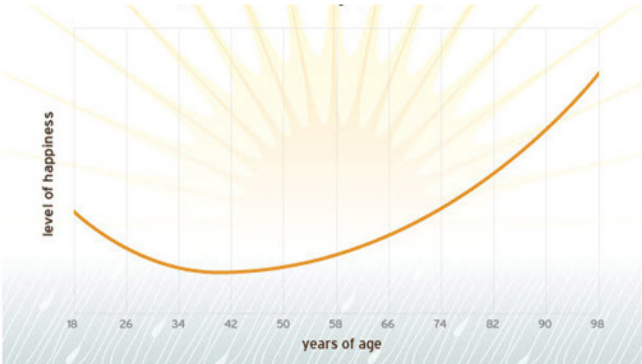
Moreover, it is not just simply the changes in income that affect one's happiness, it is also what 'neighbors' can afford. The satisfaction that we get from our income and consumption level depends on how we are doing compared to everyone else around us. So, if an upper middle class person lives with more elite sections of society, they might be less happy than if they were to live in a middle class neighborhood. Higher earnings of neighbors are associated with lower levels of self-reported happiness. The concept of measuring happiness through relative income rather than absolute income is known as the 'ranked income hypothesis' and it helps highlight the importance of status in determining happiness levels.

Another important determinant is how we distribute our time between work and leisure. Economists have found that the graph depicting the relationship between work and happiness level is inverse u-shaped. Unemployment or no work leads to very low levels of happiness. In fact, no other factor adversely affects happiness more than unemployment. This is because apart from its financial costs, it is also associated with other social costs such as loss of self-esteem, anxiety, depression and social stigma. On the other hand, moving from a part-time job to full-time job increases happiness and maximum happiness from work is derived when the job lasts around 6-10 hours. However, after that happiness levels start falling, completing the inverse-u.



Furthermore, our consumption patterns also affect our happiness levels. Many people erroneously equate consumption levels, and not patterns with determinants of happiness. People with pro-social consumption patterns are found to have greater levels of satisfaction than people with introverted consumption. Pro-social consumption here does not mean just donations or charitable endeavours. It also includes any expenditure on friends and family; consumption that goes beyond the self. Moreover, people who spend a greater amount on 'experiences' rather than goods were found to be happier. Thus, it would be very easy to conclude that if money is not able to buy you happiness, chances are that you are not spending it right.

Apart from simple economic variables, there are numerous socio-demographic factors affecting happiness as well. The age-life satisfaction graph is u-shaped, with people reaching peak happiness during their late teens and early 20s, and being unhappiest during their 40s. The happiness levels start rebounding though once people cross the 50 mark. Apart from age, the other social factors such as health, marital status, family life and wellbeing are extremely relevant from an economic standpoint when calculating overall happiness. Moreover, their importance cannot be underestimated as changes in any of these factors have a greater impact on happiness levels, more than changes in economic factors.



Source: Brookings Institution

Criticisms

All of these factors lead to the most logical and natural conclusion, that if you want to promote happiness, it can be achieved by simple, straightforward policies that focus on jobs, health, economic stability and growth. While there are stable factors that help improve happiness, there is a remarkable tendency of humans to adapt to both prosperity and adversity. This is where the criticisms in this whole approach set in.

The first prominent criticism claims that one cannot use macro indicators to judge something that is completely subjective and personal. Happiness comes from within and using external sources to measure it is completely faulty. Recent research has pointed out that as little as 10% of our happiness comes from outside and most of it is derived from our personality and internal locus of control.

Some critics have also pointed out that each person has a specific level of happiness, some people have a natural predisposition to be happy or unhappy and that humans will quickly revert back to that stable set point despite major changes in their lifestyle, both positive and negative. Also known as the 'Hedonic Treadmill', it uses one of the most basic assumptions of economics that we have unlimited, inexhaustible desires and as income rises, these desires also rise proportionately leading to no permanent gain in happiness. Thus, it is argued that a long term change in our happiness levels is impossible and all the above mentioned determinants simply impact happiness in the short-run.

Another important criticism is that the measure of happiness is inconsistent and therefore, unreliable. People in a war stricken country like Afghanistan with extreme levels of poverty are as happy as people in Latin America which has relatively good social and economic indicators and Kenyans are just as satisfied with their health care as Americans. So if people can be cheerful in extreme adversity and be miserable when they have virtually everything, then these measures may fail as indicators.

The road ahead

Nonetheless, these imperfect standards of measuring happiness are able to predict the length of our lives, our chances of quitting a job, our level of absenteeism and even our chances of having coronary heart disease. It is quite a miracle that such a relatively new school of thought has started to accurately predict our actual life choices in ways unheard by classical and neo-classical economists. Happiness Indices should thus start being integrated into the GDP as a measure of well-being. With a change in what we measure and perceive as a barometer of development, the guiding factors behind policy formulation are also bound to change. In an economy with well-being at its heart, economic growth will simply be another tool to guide it in a direction that the society chooses. In such an economy, the percentage growth of GDP, which is rarely connected with the lives of average citizens, will cease to take the center stage. The pursuit of happiness would not just remain an individualistic goal, but one which society actively pursues by shifting focus towards more accurate determinants of welfare.

What If India Removed Income Tax ?

Even though the proposition sounds dangerous, there is a realistic process through which income tax may be phased out

AASTHA GAUR & YASH VARDHAN SARAF

Manan had toiled for 3 hours in his neighbour's garden shortening the grass to earn Rs.200 for his services. As he returned home with his hard-earned money, his mother took Rs.50 from his earnings and gave it to his younger brother who didn't earn anything. This is essentially how an income tax system works. It takes away money from the hands of income-earners and that money is used for the betterment of the poor and public as a whole. Adding further to such a seemingly inhumane practice, the people who earn the highest, that is, the people who put in maximum effort and are prone to maximum risks are subject to the highest tax slabs in the country. Such a tax system inherently discourages people putting in greater effort and improving earning capabilities. The system of income tax is not restricted to individuals as even corporates are subject to high taxes on their profits, thereby inhibiting their growth. Not until long ago, the Dividend Distribution Tax, a major deterrent towards the distribution of profits among shareholders, had plagued the industry.

Taking away a part of the value earned by individuals through their skill and hard work not only discourages them from undertaking more productive activities contributing to the growth of the economy but also leads to them coming up with ways to hide their true incomes and escape paying taxes. The progressive nature of the income tax regime, though appreciated by those at the lower rungs of the income ladder, is looked at with contempt by the rich since it treats their increased efforts with an increased rate of tax and takes away a greater portion of their earnings. Many critics of a tax on income point out how income taxes seem to breach the individual's liberty and create a complicated mechanism of maintaining and filing proper documents that are, in turn, subject to scrutiny by government officials. A tax on income excludes a lot of citizens in the country from contributing to the government coffers. For instance, in India, only 2.5% of the total number of citizens are reported to pay income taxes. Moreover, 60% of the total revenue received by the government from a tax levy on income is paid by just 4% of those who pay.

Considering the various shortcomings in the Income Tax system, there is contention among many government officials to remove this system and shift to an entirely new regime. However, this process cannot be undertaken as a knee jerk response to the disadvantages of the Income Tax. The population of India has been used to the current tax regime since independence and a sudden shift may result in mayhem. Moreover, a major disruption such as this shall serve as an impediment to India's growth trajectory delaying the fulfilment of its dream of becoming a developed economy. Instead, a slow transitionary approach will have to be adopted by the government where it shall start reducing the tax rates on income, giving the people time to adjust to the change. A pertinent question with such a reduction in tax rates is that of the loss of revenue for the government, given that roughly 50% of the government revenue is raised through direct taxes. The most plausible answer to this question would be a gradual shift to a consumption tax- only regime.

A consumption tax is one which taxes individuals at the point of using their income rather than the point at which it is earned. In our example, if Manan's mother had taken 50 from him when he had used the 200 to purchase something, then that would have been an example of a consumption tax. Such a tax by nature incentivises people to earn more as they will only be taxed when they use their income. This type of tax makes consumption less desirable and promotes savings. As such, this results in higher savings and hence, higher investments. The corporates also find it easier to raise risk capital as people are willing to invest more since their income from dividends will not be taxed. A consumption tax eliminates the concepts of Corporate Tax, Dividend Distribution Tax, Long Term Capital Gains Tax and Short Term Capital Gains tax. As a result, a consumption tax has the potential to boost business activity in the economy.

The removal of the Income Tax shall not be an easy task with widespread implications for various stakeholders. Now, if we assume that the government has been able to successfully abolish the income tax, there shall be humongous changes in the tax regime. Perhaps, the most significant change shall be in the size of the tax base. Under the new consumption tax, all will have to pay taxes regardless of their income level. While the income tax was levied on the residents of India, the consumption tax would have to be paid by all, both residents as well as foreigners, who conduct purchases within the domestic territory of the country. Moreover, while agricultural income is exempted under the income tax regime, a tax on consumption might add to the hardships of Indian farmers.

While analysing the implications of the removal of income tax on the Indian economy, we need to consider its effects on three major stakeholders: the Corporations, the Government and the individuals.

Removal of tax on corporate earnings is bound to make business houses rejoice about the increased money left in their coffers. Corporate tax indirectly incentivises businesses to retain or plough back their profits back into the business to escape paying taxes and later on, leaves them with the only feasible option of capitalising on their accumulated profits by issuing bonus shares. Removal of corporate tax would hence, encourage more frequent and higher rates of dividend payouts. Increased payouts of a dividend would, in turn, lead to an increase in both savings and consumption in absolute terms. However, in relative terms, savings and income may or may not increase simultaneously.

As far as individuals are concerned, a majority of Indians might not be affected by the removal of income tax since according to government records, only a small fraction of the Indian workforce pays income tax. The middle-class and the rich would be incentivised to undertake more productive activities with an assurance that a major part of their increased income would not be taken away as a result of their increased burden of tax payments.

The government would be left grappling for funds if the abolition of the income tax is not carried out systematically since presently, a major part of the government revenue comes from direct taxes rather than indirect taxes. A gradual shift towards the consumption tax regime shall enable the government to increase its tax base manifold. The government will have to increase the number of items it taxes as well as the tax rates on some goods. This would ideally result in higher tax collections for the government which it can use for developmental purposes. The removal of Income Tax shall also result in the reduction of physical facilities required for running the tax regime. For Instance, the Central Board of Direct Tax shall become a thing of the past and a major chunk of officials from the Finance Ministry will lose their jobs. However, on the upside, by removing all personal taxes, the government would have practically eliminated all black money. With no income tax, people will have no incentive to hide their income and bank deposits will skyrocket. Interest rates will plummet and the financial markets shall expand to great lengths.

An analysis of the implications of implementation of Consumption tax on these three major economic entities along similar lines becomes imperative to fairly compare the advantages and disadvantages of substituting Consumption tax for Income tax.

The regressive nature of a consumption tax regime would arouse discontent among the poor. This change might also go against the canon of equity since the poor might find themselves in a worse off situation than the rich. While the rich would appreciate this move, the poor would be worst affected. Despite an increase in the price the rich would have to pay for goods and services, removal of income tax would increase their disposable incomes.

While there would be no significant change in the disposable incomes of the poor (since their incomes were not taxed even during the income tax regime), they would have to pay higher prices for the goods and services they purchase. This would drastically increase their expenditure with no change in their disposable incomes, thereby reducing the amount they can save.

The corporate sector would not be much affected by this change in parameter for tax levies since an increase in the cost of raw materials and other services would be offset by an increase in the income left at their disposal. However, due to an increase in the market price of their goods, certain changes might be observed in their demand, depending upon on the nature of the goods as well as the elasticities of their demand.

The government would see a significant increase in the number of people contributing to its revenue than during the income-tax regime. Moreover, an implementation of this tax would help reduce administrative costs for the government since this system shall be mostly administered via digital means (such as the current GST system) and no expenditure shall be incurred on hiring scores of Chartered Accountants, Company Secretaries and Cost Accountants. This significant drop in the cost of collecting taxes shall lead to higher government revenues, despite the new schemes which the government might need to undertake to uplift the poor to compensate for having introduced a regressive consumption tax system.

In the context of the Indian economy, removal of income tax and implementation of a consumption tax would come with its own set of problems. When the time is finally ripe, it's better to phase out income tax and introduce consumption tax gradually, allowing people to adjust to this change. Categories of goods, keeping in mind their nature and elasticity of demand, should be made and assigned suitable rates of taxation.

The government will have to appease the public backlash arising from a rise in market prices of goods and services and prevent this major reform from serving as an impediment to India's growth. Given that a significant part of Indian markets comes under the ambit of the informal sector where purchase and sale transactions are seldom recorded, establishing accountability and transparency as well as regulating and maintaining proper transaction histories for calculation of tax liabilities would prove a herculean task for the Indian government. For instance, making road-side vegetable vendors maintain proper purchase and sale records and deposit the due taxes in government accounts requires these vendors to be well-apprised of the intricacies of this mechanism. Such a system might also lead to the rise of black markets and the underground economy where the trade of commodities takes place, hidden from government authorities.

To conclude, a system that solely levies a tax on consumption to serve as the main source of funds for the government has its own merits and demerits. Implementation of such a system becomes easy in a developed country where almost all transactions take place in the formal sector and are thus, properly regulated and recorded. However, the introduction of a consumption tax in a developing country like India brings forward a unique set of challenges. Even if we are able to devise a system to record all transactions in the unorganised sector, the consumption tax shall lead to a rise in prices of all goods, which will lead to a more than proportionate reduction in demand as most of the people in India belong to the low earning group and spend most of their income on current consumption.

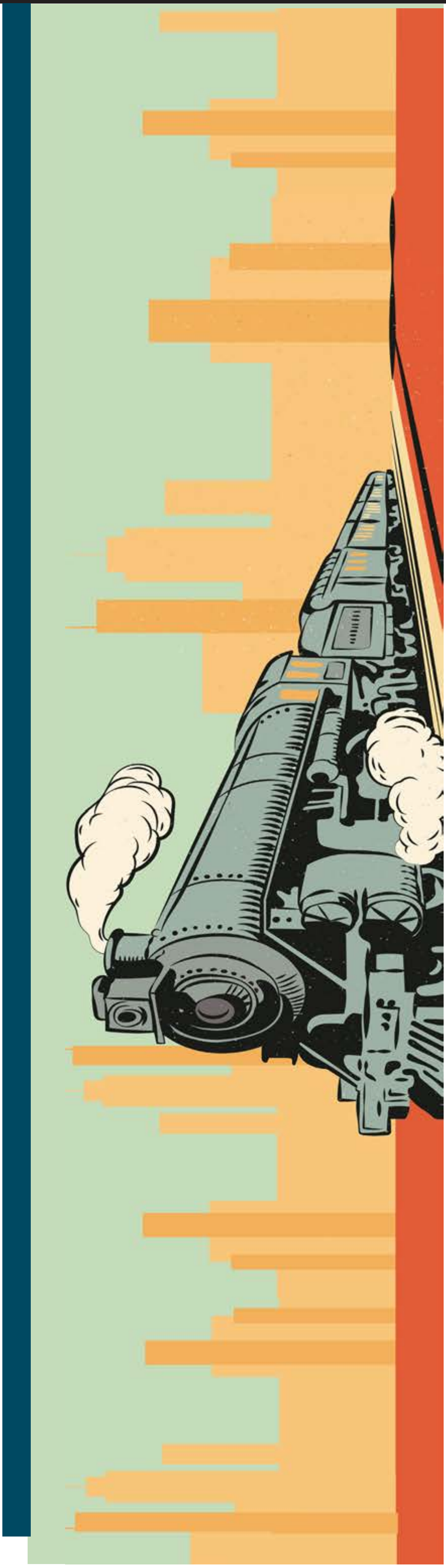
Moreover, these people wouldn't be much affected by the removal of tax on income. The cycle will continue ultimately resulting in a fall of production (and thus national income). However, if viewed from a different perspective, the consumption tax essentially removes tax from investment and promotes business activity as well as increases savings. This increase in business activity and savings would lead to an expansion in the economy and result in an increased national income, which shall, in turn, stimulate demand and set a cycle of income, demand and production into motion.

Since the former is more likely to be experienced in a developing country like India, the government will have to provide various public welfare schemes in the short-run so as to allow for a smooth transition and reap the benefits (more like to be experienced by developed countries) in the long run.

The government may introduce the concept of universal basic income, raising the minimum guaranteed amount for all individuals. This would require the government to make direct money transfers to the poor to ensure that they can afford at least the necessities of life at the increased prices. On the other hand, the government can utilise the existing rationing system to provide the poor with essential goods at subsidised prices.

Contrarily, another argument in favour of Consumption tax is that even though the poor would be required to pay more for goods and services, the increased government revenue would be utilised in public welfare and developmental activities such as the provision of free necessities or improving the countries' institutions and infrastructure. Development of public infrastructure shall attract foreign investment and lead to the generation of employment in the country. All this would, in turn, help improve the living standards of the poor.

Whether substitution of Consumption Tax for Income Tax proves beneficial to the Indian economy or not solely depends on how this change is implemented. But before that is done, debates need to be focussed more on ways to reduce huge income inequalities and establishing formal markets where it becomes feasible and desirable to bring about such a change.



What If The Indian Railways Get Privatized?

Exploring the possibility of railway privatisation presents a unique situation: Too Big to Be Privatised

SOMYA YADAV

The Indian Railways is what in economics is known as a natural monopoly. The initial setup and infrastructure cost are so high with the added cost of operation; no firm other than the government can cover it. This means that no single firm can stand against the government in this sector. Let us look into this more deeply and analyze a scenario where we consider 100% privatization of the Indian Railways.

The biggest shortcoming here would be that no single firm can operate a network as large as Indian railways. With a total customer base of 23 million commuting daily on this network and maintenance of more than 12,000 trains across 115,000 km and some 7,000 stations, the resources required to run this network is not within the bounds of one single private entity.

Secondly, Indian Railways stands to be the country's biggest employer with generating more than 1 million jobs, according to Mr. Piyush Goyal, Union Minister for Railways and Coal. Indian Railways is not like any other public sector undertaking, it is a system, an entire sector. As soon as this system is privatized many people will go jobless.

Recently, plans have been put into the line to boost freight traffic from 1.1 billion tonnes in 2017, to 3.3 billion tonnes by 2030. Even the largest private firms are rendered incapable of entering this ever-expanding sector and become the only player leading the game.

The sheer magnitude at which the railways operate is unbelievable, with millions of passengers traveling across different cities. There are still not enough locomotives or engines to match the number of passengers. The only plus point of privatizing railways would be the minimized overloading by people of existing passenger trains as then many people won't be able to afford the high prices charged by the private firm. Sadly, this benefit comes at the cost of reduced facilities to the poor population. In a country like India where almost 16% of the population is below the poverty line, it is difficult to imagine the situation when a privatized rail corporation increases the fares of passenger trains. Out of the 23 million passengers using the rail daily, most are poor. And private trains would do nothing but widen the class divide already prevalent in the country. Even now when you book a train through the online counterpart, IRCTC, a PSU functioning directly under the Ministry of Railways, you have to pay an additional dynamic fare which is not levied when you buy a ticket on the counter.

Another argument can be the loss-making behavior of the Indian Railways. In FY2018, the efficiency of the Indian railways dropped to its lowest in a decade, according to a recent report by the Comptroller and Auditor General of India. In FY18, railways spent Rs 98.44 for every Rs 100 it earned: an operating ratio (OR) of 98.44%, the lowest in 10 years. Its surplus revenue dropped to Rs 1,665.6 crore, a six-year low. It is a big risk for any private firm to take over this loss-making system. The obvious result will be that the private sector will end up running only freight trains as those are the only revenue streams in the system.

The private sector has already stepped foot in the India Railways in terms of investments. In 2019, Indian Railways introduced the first private train 'Tejas Express' and plans on introducing more such trains in the future.
To cover a distance of 480 Kms, the train charged double the fare, nearly equal to an air ticket costing Rs1, 800.

Although the train offers numerous facilities like providing meals, air conditioned coaches and additional compensatory incentives with every hour of delay, these trains will only target the upper-middle class and increase the divide between the rich and poor.

The move is acceptable as long as normal trains are run by the Indian Railways on these tracks. It is beneficial in the sense it channelizes the population in two types of rail. But, there cannot be any room for outsourcing all the trains to the private sector. It can only be a premium product.

All in all, the private sector can only complement the government as far as railways are concerned. They can act as a subsidiary body in providing services and improve customer experience. This can be in the form of start-ups working towards providing ticket confirmation services, checking PNR status, providing discounts and quotas as Confirmtkt does. According to some industry estimates, more than 50,000 tickets are booked on the Paytm app. Google has been providing free wireless internet access across stations and has covered 400 stations under its G station project. The company claims this boost to public WiFi usage would have added 40 million incremental users and a $20 billion impact on GDP. "The public WiFi project is a shining example of how public and private partnership can deliver a world-class service to the citizens," says K Suri, who heads partnerships for Google's Next Billion Users initiative in India. We can also see other small start-ups making the use of technology to climb the ladder in the railways' sector. For instance, Lab to Market [a Bengaluru-based startup], has developed a technology composed of sensors and AI which helps in detecting any safety concerns with the train. This is a step forward towards improving safety and preventing rail accidents.

All these are examples of what we can call partial control by the private sector or public-private partnership. Something on these lines is the best possible relationship the public sector and private sector can have in the arena of Indian Railways.

How Nirvana Misleads: Real Problems, Unreal Solutions

Opposing privatisation without any conception of a more efficient alternative is a simple example of the Nirvana fallacy at work .

VATSAL SHARMA

Have you ever rejected all given options in search of the 'best' based on a standard or quality set in your mind? Then it is likely that you ended up with nothing and regretted why you let go of the remaining opportunities as well.

This is the Nirvana Fallacy, a situation in which one compares realistic solutions with the ideal 'Perfect World' solution, and thus ends up dismissing the ones at hand.

The most classic example of this fallacy is the case of vaccines. People who oppose vaccines proclaim that they are not 100% effective. However, they ignore the fact that partial effectiveness is better than none, and although vaccines do not guarantee complete protection, they are life-saving and reduce instances of fatal disease.

Nirvana fallacies can also be found in the methods of teaching economics where almost all models are based on assumptions that lead to perfect results under ideal conditions. As a result, people tend to obsess over achieving results that are not feasible in the real world. The concepts of perfect competition, optimum utilization of resources, utility and profit maximization are like a mirage, misleading people towards the achievement of flawless results. This is not possible in the real world.

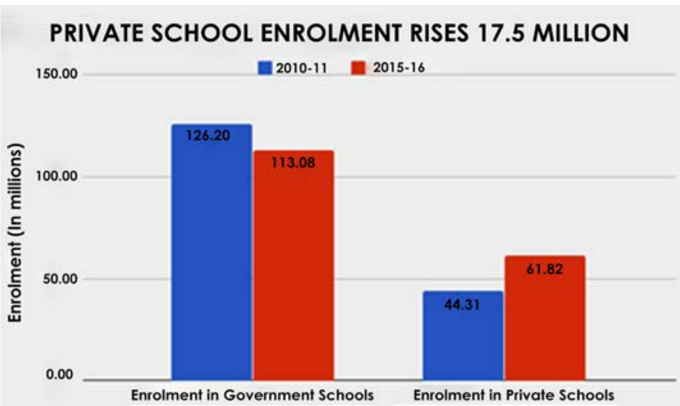
The Nirvana fallacy gives rise to the problem of false dichotomy - the perception that there are only two alternatives having an 'either/or' relation whereas in reality there is at least one more option which lies between the two and is usually ignored.

In India, the biggest instance of this fallacy is seen in privatization, especially in education and public health. People oppose the privatization of government institutions (one of the most recent cases is the idea of privatizing some ownership of the University of Delhi) arguing that it is basically 'selling' institutions to profit-interested businessmen who have no regard for the general public. However, they do not realise that such models have proved to be very successful in many western countries.

On the other hand, concerns of the citizens are not completely irrational. For example, the claim of the teaching staff in case of Delhi University, that their jobs would no longer be as secure and they would lose a permanent source of income is a genuine problem. However, efficient and sustainable models and guidelines can be used to tackle all the issues. Tools such as social security for employees and having merit and need-based scholarships can be used to tackle the roadblocks highlighted in the protests by the Delhi University Teachers' Association (DUTA). One should also note that these systems do not rule out the entire idea of government intervention but assign the organization work to the private sector with the government applying control methods.

Privatization may prove to be better than the prevalent socialist system and yield better results. It is important to highlight the case of such privatisation in schools.

Beginning at the primary level, how many people prefer Government Schools over Private Schools? Barring a few Kendriya Vidhyalayas, it is hard to compare government schools with private schools. One need not be very keen-eyed to see the difference in the quality of education and infrastructure. The latest available data shows the trend of change in preference of people driven by these factors.



Source- Business Standard

However there is a preconceived notion that privatization of education is unfair and unequal as fees charged by private schools are much higher This presumption can be easily proved wrong by comparing the average fees of a private school with the per-pupil expense in government-funded schools.

One must note that the high end/luxurious private schools which are in the news for charging a very high fee form only a small fraction of the whole private educational set-up. This means that the cost of educating a student is almost the same in both types of schools. The only difference lies in the bearer of the cost. Public schools seem to be favorable because the student has to pay a bare minimum fee and the rest is burdened on the government. However, even after paying huge amounts, the government is unable to provide comparable amenities due to deep-rooted corruption and red-tapism.

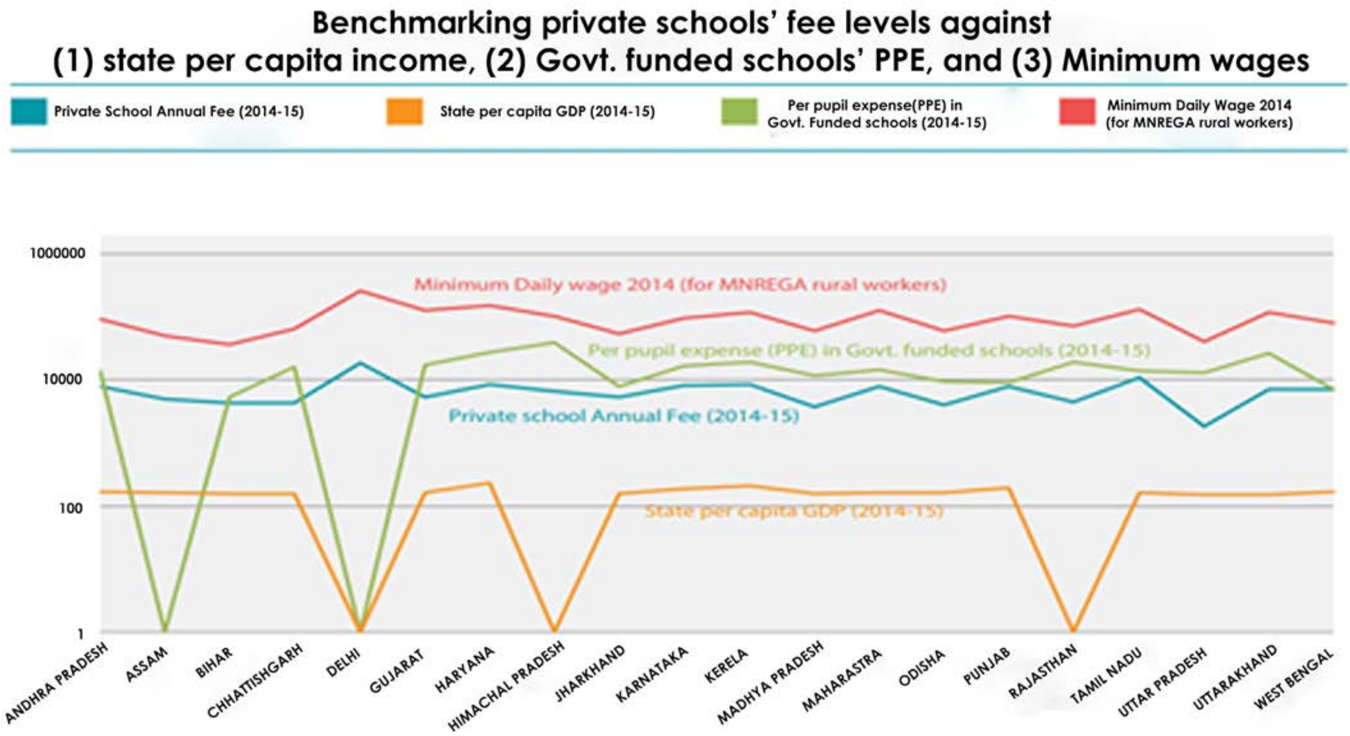
Moreover, government schools need not market themselves as a good institution and they do not pay much attention to the output they achieve in terms of development of a student. Since the quality of education provided is in no way the determinant of the administration's or the staff's remuneration, they do not have any incentive to push for better results in academics or extracurricular activities. The education provided here is more quantity driven (number of admissions) than quality-driven.

A model may be developed wherein:

- All poor students are registered under the government's aid scheme
- These students are enrolled in private schools
- Private schools charge lower fees from these students while the rest is received directly from the government.
- The schools ensure an inclusive environment for these students.

Each party benefits from this model in the following manner-

- Students get to study and grow in a better environment with more opportunities. They learn under more responsive teachers who are accountable for their work.
- Schools get a more regular and continuous supply of students and payment of their fees will be secured due to the government coming into the mix



- The government may or may not benefit in monetary terms but the cost of maintenance of schools will be eliminated. It may lease or sell the school buildings or land to the private sector and earn revenue out of it.

- The country will benefit in two ways, better and skilled human capital will be formed and there will be a rise in employment as a result of setting up of more private schools around the country.

Again, considering this idea to be the best solution without implementing it and looking into other paths that may be taken will again put us in the trap of the Nirvana Fallacy. It is impossible to get out of this beehive if one is frigid in their opinions. People with a highly radical mindset often show tendencies of not valuing others' opinions. This is the very beginning of the problem. It is important to have a broad perspective so that one is able to analyse all viable alternatives that are available before taking a stand.

Market Mind Games

Game Theory is a concept that has several business lessons

ARAVINDAAN NATARAJAN

"Humans, especially the so-called intellectuals derive enormous pleasure in making simple stuff complicated and complex stuff almost incomprehensible"

This quote by Confucius explains the uncanny affinity we humans have towards seemingly complex issues. During the mid-20th century, human thinkers found themselves in a crisis: they found themselves short of complicated ideas. They had reached a saturation point as they had almost exhausted the powers of their pandora's box of thought. Einstein had already made time complicated with his theory of relativity, Heisenberg had made the whole of matter complicated withhis uncertainty principle and string theory. There was nothing else left that could be made complex. This seemingly never-ending problem was solved by two brilliant mathematicians, John von Neumann and Oskar Morgenstern, when they started to delve deeper into the mathematics behind games - and thus was born Game theory.

Before moving on to the practical applications of game theory, it is almost quintessential to gain a deep insight into "Prisoner's dilemma," a hypothetical problem that laid the foundation of this much-celebrated theory.

PRISONER'S DILEMMA: Two persons X and Y have been caught red-handed by Scotland Yard (cops) for selling illegal drugs. Since they had been caught in the act, it is almost certain that if they are produced before the court, each of them would get a prison term of 3 years. However, the inspector has a gutfeeling that the 2 criminals were also the masterminds behind a bank robbery last week. But he has no evidence to support his suspicion. So, he decides to play a game with the 2 criminals. He calls each of them separately and tells them about his suspicion. He also adds that if they both confess that they had committed the bank robbery, each of them would get a cumulative jail term of 5 years for both the crimes i.e drug peddling and bank robbery. However, if one of them confesses and the other denies having committed the bank robbery, then the person confessing shall be awarded a prison term of only 1 year and theother person shall be awarded a prison term of 10 years. This situation can be diagrammatically represented using the following payoff matrix

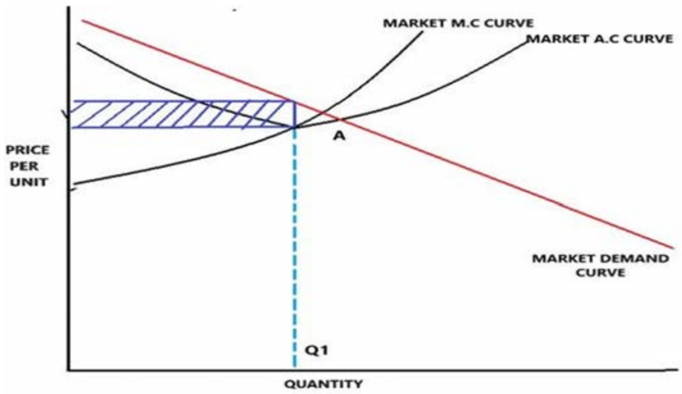
Y / X	Confess	Deny
Confess	5 5.	10 1
Deny	1 10	3 3

From the matrix, it is clear that the best-case scenario for both of them will be to deny having committed the bank robbery and get a jail term of 3 years apiece. This scenario is called a globally optimal state (or) Pareto optimal state as it is the situation that minimizes the cumulative jail term of both prisoners. But assuming that the prisoners are rational and have no unflinching loyalty towards each other, they will be in equilibrium and therefore choose that particular state wherein they both confess having committed the second crime as well. This state is called "Nash Equilibrium". John Nash, after whom the concept is named, defines Nash Equilibrium as "a stable state of a system that involves several interacting participants in which no participant can gain by a change of strategy as long as the strategies of all the other participants remain unchanged."

Now, let us try to examine as to why the first quadrant of the matrix represents Nash Equilibrium. Let us assume X confesses having committed the second crime. In this case Y can either confess or deny and get a jail term of 5 years or 10 years correspondingly. Hence, it is clear that Y too is better off confessing. Alternatively, let us assume X denies having committed the bank robbery. In this case too Y can either confess or deny and get a jail term of 1 year or 3 years correspondingly. Again, Y is better off confessing. Thus, irrespective of what X chooses to do, Y gets to minimize his individual prison term by confessing. Similarly, it can be shown that irrespective of what Y chooses to do, X gets to minimize his individual prison term by confessing as well. Thus, the scenario wherein both of them confess turns out to be the state of Nash Equilibrium.

Having understood the concept of Nash Equilibrium, let us try to analyze as to how such a seemingly subjective and abstract topic can be used by a firm in a cartel to maximize its individual profits.

Imagine a cartel consisting of two identical firms. The market demand curve and the market cost curves are represented in the following diagram:



Let the market demand curve be given by
$Q = a - b (P)$
P: Price per unit
Q: Quantity demanded at a given price
a, b: Positive constants
From the general shape of a total cost curve, it is evident that it is a cubic function ofquantity. Therefore, let us assume the total cost curve of the market is given by
$T.C = cQ^3 + dQ^2 + eQ + f$

Therefore,
$A.C = cQ^2 + dQ + e + f/Q$

From the diagram, it is clear that the per-unit profit of a product sold can be obtained as the difference between the market price and average cost per unit.

Therefore, per unit profit is given by
$P - A.C = [((a - Q)/b) - (cQ^2 + dQ + e + f/Q)]$

Therefore, the cumulative profit of the entire cartel when it produces "Q" quantity of the product is given by
$C.Pr = [((a-Q)/b) - (cQ^2 + dQ + e + f/Q)] Q$

Where C.Pr stands for Cumulative profit. The maximum possible cumulative profit that the cartel can earn can be obtained by using the following steps (The actual calculations have been avoided for simplicity purposes):

1. Find d [C·Pr]/dQ

2. Find those values of Q at which d[C·Pr]/dQ= 0

3. Now substitute the values of Q obtained in the a forementioned step in $d^2[C·Pr]/dQ^2$

4. The value of Q at which $d^2[C·Pr]/dQ^2$ is less than 0 is the point of local maxima.

5. Therefore, the cumulative profit will be maximized at that particular value of Q obtained above.

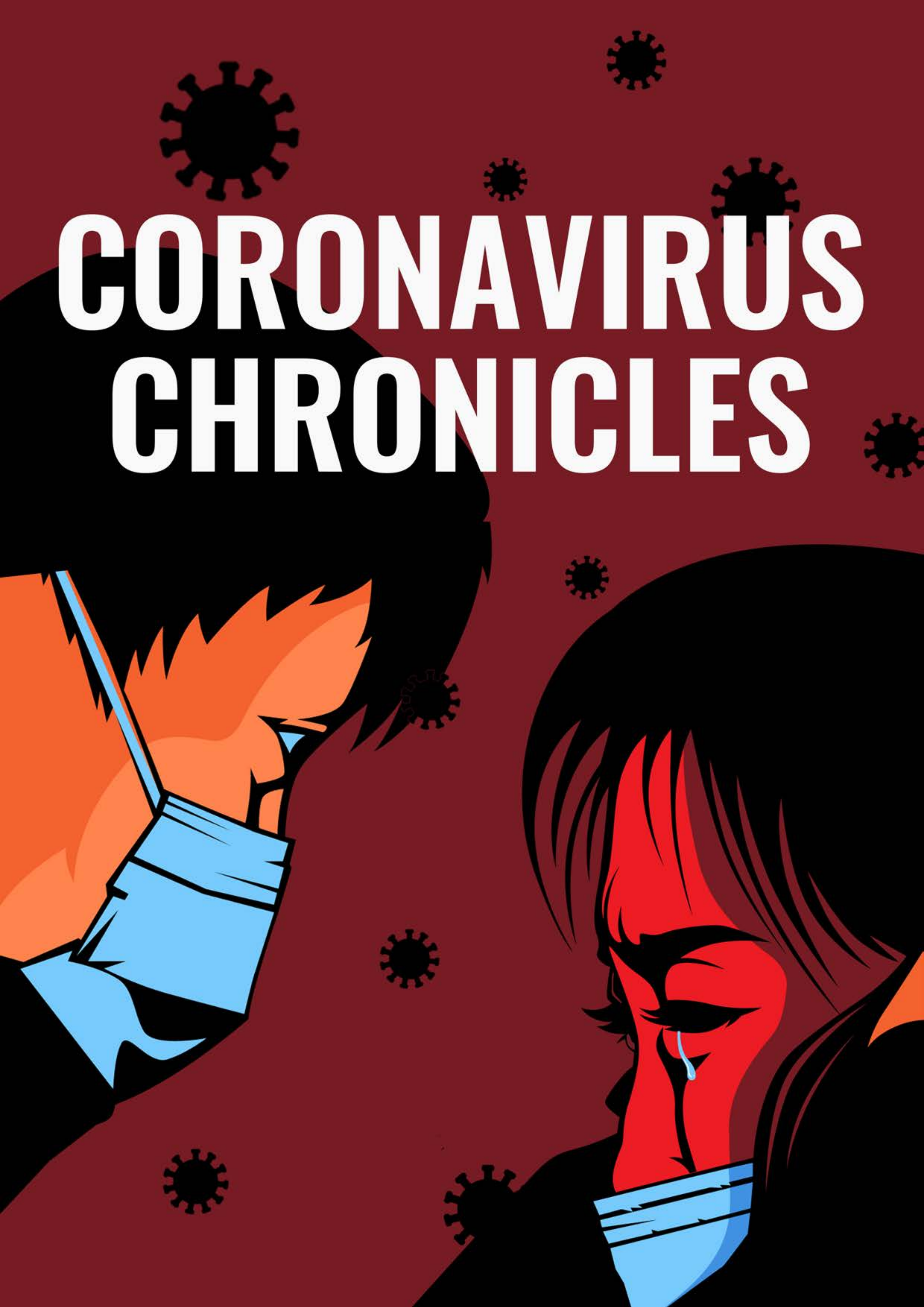
Let Q1 be the level of output that maximizes the joint profit of the cartel. At Q_1 level of output, the cumulative profit earned by the cartel is represented by the shaded region. Assuming that the two firms each produce exactly half of the total output of the cartel, they would each produce $Q_1/2$ quantity of the product respectively.

Having established a clear mathematical premise to the situation, let us come back to the most important question: We have touched upon almost all the branches of mathematics starting from geometry to calculus in just describing the cartel. But where does game theory come into picture? From the mathematical derivations presented above, it is clear that if the cartel is formed by two rational firms, then they would fix their output quota at Q1 (as that is the level of output that maximizes their joint profits).

Further, since the firms are identical, each of them will produce $Q_1/2$ quantity of the product respectively.

Now, if one of the firms decides to violate the cartel agreement and produce more than the agreed level of output (i.e. $Q_1/2$), then the total quantity of the product produced by the cartel will increase to a level greater than Q1 (say Q2). Since Q1 is the joint profit-maximizing level of output of the cartel as mathematically proved above, producing Q2 level of output will reduce the profit of the cartel. However, the firm that had violated the cartel agreement could have increased its individual profit by producing a greater output than its counterpart, and hence obtaining a larger share in the reduced profits of the cartel. Thus, each of the firms in a cartel faces a dilemma akin to that faced by the prisoners in the first example. While the prisoners had to choose between confession or denial of their crime, each of the firms has to choose whether to cheat on their counterparts by producing a greater level of output than agreed upon or abide by the cartel agreement. While the firms will be able to maximize their joint profits by honoring their part of the deal, they will be able to maximize their individual profits by violating it. Now, if we draw a payoff matrix similar to the one drawn in the Prisoners' Dilemma, it is obvious that the state wherein all the firms stick to their words is the Pareto optimal state, while the scenario wherein all the firms cheat corresponds to Nash Equilibrium. But there is a limit to which the firms can increase their output as well. The firms can keep on increasing their individual output until their joint output reaches the quantity corresponding to point A (i.e. the point of intersection of the market demand curve and the market A.C curve). Producing beyond this point will result in losses to the cartel as well as each of the firms constituting it, as at any level of output beyond this, the Average cost exceeds the market price per unit.

The scenario of a cartel explained above illustrates how a theory as complex as game theory can be quantified and applied to real-world situations. While the real world of businesses is built on pragmatism and the ability to think on one's feet, there is a priceless value attached to theoretical knowledge as well. The person who possesses it and makes use of it thrives, while the ignorant perish. This is true for almost all games, but is the most apt for market mind games!


CORONAVIRUS
CHRONICLES

CANADA

Projected Growth Rate: 1.5%
Economic Stimulus: The Bank of Canada (BOC), has cut its benchmark interest rate three times since early March 2020 bringing the rate from 1.75% to 0.25%. On March 12, 2020, the BOC added 6-month and 12-month repo operations, in addition to its existing 1-month and 3-month repo agreements.

UNITED KINGDOM

Projected Growth Rate: 1.8%
Economic Stimulus: The UK government committed £30 billion ($37 billion, 33 billion euros) to saving jobs and helping the young find work.

USA

Projected Growth Rate: -6%
Economic Stimulus: The Federal Reserve cut its benchmark interest rate, the fed funds rate, twice during March 2020, once by 0.50% and a second time by 1.00% This lowered the fed funds rate, which is expressed as a range, from 1.50%-1.75% to 0.00%-0.25%.The Fed expanded its repo operations by $1.5 trillion dollars.

BRAZIL

Projected Growth Rate: -4.7%
Economic Stimulus: The Brazilian central bank lowered the benchmark interest rate by 0.5% to 3.75%. It was lowered again to 3%, a record low number. Further, the Brazilian central bank announced a series of measures that would add $227 billion in liquidity to credit markets.

FRANCE

Projected Growth Rate: 1.5%
Economic Stimulus: On March 17, French Finance Minister, Bruno Le Maire announced a $49 billion aid package, that was expanded to $119 billion on April 15. In June, the French government increased the size of its stimulus package further to $154.6 billion.

CHINA

Economic Stimulus: The People's Bank of China cut its benchmark one- and five-year prime rates twice, once in February and then again in April. This brought the one-year rate down from 4.15% to 3.85% and the five-year rate down from from 4.80% to 4.65%. The PBOC injected approximately $650 billion of liquidity into the economy.

RUSSIA

Projected Growth Rate: 0.7%
Economic Stimulus: On March 27, the Bank of Russia allocated $2 billion from its SME lending facility to specifically help banks make loans to small- to medium-sized enterprises so that those SME's can pay their employees wages during the crisis.

GERMANY

Projected Growth Rate: 1.4%
Economic Stimulus: Economic Stabilization Fund has been announced, offering $432 billion in loan guarantees, $108 billion to buy equity stakes in struggling companies, and $108 billion to the German Development Bank to refinance loans to businesses.

JAPAN

Projected Growth Rate: 0.6%
Economic Stimulus: The Bank of Japan announced a new program of zero-interest loans to increase lending to businesses hurt by the virus. Between corporate bond purchases, commercial paper purchases, and its special lending programs, the Bank of Japan says it will provide just over $1 trillion in liquidity.

SOUTH KOREA

Projected Growth Rate: -1.2%
Economic Stimulus: The Bank of Korea (BOK), the South Korean Central Bank, cut interest rates by 0.5% on March 17, 2020, down to 0.75%.On March 26, 2020, the Bank of Korea adopted a weekly repurchase facility with no limit to how much liquidity it will supply.

INDONESIA

Economic Stimulus: On 31 March 2020, Indonesia President signed the Government Regulation in Lieu of Law (Perppu) no 1 year 2020 on State Finance Policy and Financial System Stability in the Handling of COVID-19 Pandemic & announced the largest economic stimulus package of Rp405.1 trillion (USD 24.5 billion) in handling COVID-19 outbreak.

SAUDI ARABIA

Projected Growth Rate: 1%
Economic Stimulus: The Saudi Government has announced a set of support packages targeting the private sector, totaling almost $61 billion. There are also numerous tax related-measures, including extending deadlines for filing tax returns and paying those taxes. SAMA has further announced injecting $13.3 billion into the banking

Eerie Silences at Beaches & Monuments

The tourism industry has been adversely affected by the pandemic all over the globe, and will find it hard to recover

VATSAL SHARMA

Sitting in the scorching heat in front of the magnificent palaces of Jaipur, the 'Tonga-drivers' and the peddlers wait for the rare sight of visitors at a time of year which usually sees huge influx of tourists and high earnings. This year, the only passersby are the local citizens who usually have no need of any such ancillary services. This is the condition in all the tourist spots in the country. The pandemic has completely stopped inter-region travel for leisure. This has brought one of the biggest sectors of the economy to a stand-still.

According to the United Nations World Tourism Organization (UNWTO), international tourism is expected to fall between 60 to 80 percent in the year 2020. Countries are still in process of opening up domestic flights, and international travel is expected to resume only later this year. This situation makes tourist attractions all over the country and people associated with them very vulnerable to loss of livelihood. In 2019, around 1 crore people visited India, spending an amount of over Rs 1,88,364 crores - an increase of 24% from 2018, in an industry which was already growing at a good pace.

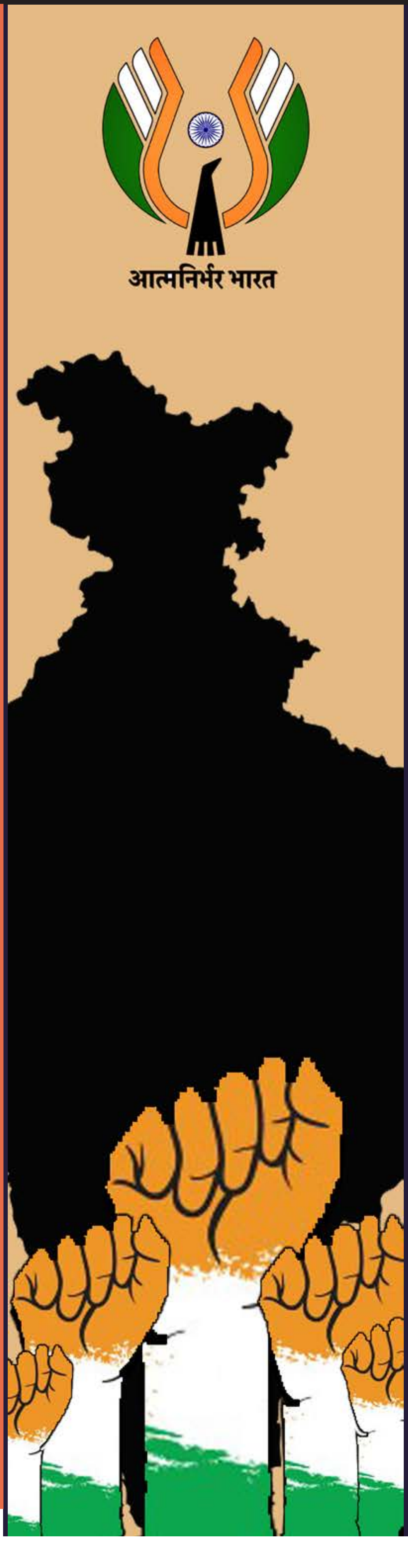
The pandemic and lockdown may lead to a job loss of around 38 million people The situation worsens owing to the fact that most of the tourism sector is unorganized and has many other industries inter-connected. A high proportion of people involved are unskilled and the impact on them would be the highest. The fall of tourism is not accompanied by an equivalent boom in any other sector, making no space of employment for the people who get laid off.

Around 40% of the travel firms may shut shop before the end of this year. Most of them have pleaded the Government to lower GST rates by 5%. More than 81% of these firms have lost revenue of up to 100%. The Hotel Industry is likely to lose 90K crores in this year alone, a fall of 57 percent compared to last year.

The whole sector faced another blow when there was no relief announced for it by the Government in the Rs 20 lakh crore package announced to boost the economy and save the decaying industries.
India has also been a very important attraction for 'medical tourism' as people from all around the globe visit India for getting medical treatment. For the western countries, India is a much cheaper place for getting treated while neighboring countries are interested in the relatively better technologies used in India. However, the scope for this has become very narrow as the hospitals are already flooded and international travel has become rather difficult.

There are many ancillary industries related to tourism - one of the biggest is the handicraft or the handloom industry. It is among the biggest employers in the country after agriculture, especially in the rural areas. An important feature of the such produce is that each form or type of handicraft material is limited to a particular area, and often only made by a particular group of people. Their revenue comes from visitor-customers from within the country or abroad, who buy their goods as souvenirs. The penetration of E-commerce is low among their products and difficult for the poor craftsmen to access.
More expensive travel-related industries like cabs and car-rental industry have come to a full freeze during the lockdown. They have gradually begun to pick up speed but in the current situation there is very little scope for good business.

Tourism is a sector which will not be able to revive itself unless the whole pandemic is averted and the major parts of the world are declared corona-free. It is only when the countries will open their borders for people to visit. That sounds like a very distant dream as it probably cannot be achieved unless a vaccine is developed and widely distributed. Till then, people will avoid travel as much as they can. A new concept of 'Virtual tours' has gained much traction. This is a new development - one can visit foreign countries from the vicinity of one's home using virtual reality technology. Tourism companies from all over the world have started making such stay-at-home packages for customers. However, this technology, even though it is very innovative – is very far from the real deal.
It is important to remember that the tourism industry is completely demand driven and unless the visitors become confident to step out of their homes, their town or even their country, the status quo shall remain. It will be a few months, if not a couple of years, till tourist demand picks up and recovers. Most of the already burdened, customer-less tourism industry will have a hard time staying afloat at this rate.



Atmanirbhar Bharat: The Biggest Post-COVID Work in Progress

An analysis of the 20-lakh crore fiscal stimulus produces one result: it is necessary and welcome, but we need to be cautious and do more

DEVASHISH MIGLANI

The whole nation sat together on the 25th of March 2020 to witness the first-ever countrywide lockdown of the 21st century. Prime Minister Narendra Modi announced a 21-day lockdown (which was later extended) to overcome the spread of COVID-19. People came together and clapped in unison for the front line workers and lit candles to represent the hope that we all have. But in these symbolic acts of unity, some of us may have forgotten to understand the problems the pandemic poses for industries, job seekers, farmers and the vulnerable sections of society.

For the poorest and most adversely affected sections, the government announced the Pradhanmantri Garib Kalyan Yojana (PMGKY) to provide extra ration and financial support to the public without introducing a full proof plan to migrate the citizens from one state to another. The middle class and the affluent sat in their homes, talking about the much-needed break they needed and taking up hobbies they always wanted to pursue, while the poor filled the roads and clustered in trucks, where social distancing was nowhere to be seen. While special Shramik trains and other forms of travel helped ease the migrant crisis, thousands were displaced and left helpless.

The brutal ironies of economic growth were made visible in these last few months - India is one of the biggest producers of wheat and rice in the world, yet for days many went to bed without food, we are a $2.8 Trillion Economy yet our people don't have enough money to support their families, and we boast of one of the strongest public transportation systems in the world yet people are forced to walk hundreds of miles.

In May, the Government of India announced various measures in association with the economic push provided by the Reserve Bank of India. Prime Minister Narendra Modi announced the goals of 'Atmanirbhar Bharat' - a goal to create a self-sufficient country and 'Vocal for Local' - a commitment to promote locally produced goods and services. Under the ambit of these initiatives, the government introduced a fiscal stimulus package. This 20 Lakh Crore package is believed to be one of the biggest stimuli provided in the country and is seen by some as a magic wand to wave off the misery of Indian economy. PM Modi stated that the package was designed keeping in mind four factors - land, labour, liquidity and laws.

The package, which stood at Rs 20,97,053 crore, included the Rs 1.92 lakh crore stimulus introduced by the government such as the Pradhan Mantri Garib Kalyan Package worth Rs 1.7 lakh crore. It also included Rs. 8.01 Lakh Crore of the monetary measures introduced by the RBI. The package was divided into five tranches, with each section dealing with a different set of problems.

The first tranche of Rs 5,94,550 crore was focused on the MSMEs of the country. Micro, Small and Medium Enterprises play a crucial role in bridging the rural-urban divide by setting up industries all over the country. They contribute extensively to industrial production and exports. There were concerns of stagnation in industries, weakening of supply chains and mass unemployment due to the long stretch of the lockdown and lack of liquidity in the market. Rs 50,000 crore equity infusion and Rs 3 Lakh crore collateral-free loans for MSMEs through Fund of Funds were introduced. Rs 30,000 crore were announced for NBFCs, HFCs etc. and Rs 90,000 crore for power distribution companies in the form of liquidity channels. About 45 lakh MSMEs are expected to benefit from this proposal. The demand from industry to hike the investment limits has finally been fulfilled and the loans will promise easy flow of seed money to sail through these difficult times. However, some have said that the relief measures for MSMEs are 'problematic' as they enhance the chances of willful default on loans by the borrowers and do not solve the deep rooted structural problems. For MSMEs, the package does little to provide relief in terms of future credit availability. It is a set of largely temporary reliefs that neglects the need of tax waivers and cash handouts for employee wages.

The Rs 3,10,000 crore second tranche of the package aimed at easing the hardships for street vendors and migrant labourers. Finance Minister, Nirmala Sitharaman announced 'One Nation, One Ration Card' to provide food grains at affordable prices to migrant labourers all around the country. Refinance schemes of Rs 30,000 crores through National Bank for Agriculture & Rural Development were introduced for medium and marginal farmers. The Affordable Housing Scheme has been extended till March 2021 and is expected to benefit more than 2,50,000 families. Cheap loans for small businesses at 2% interest rates upto Rs 50,000 and working capital loans upto Rs 10,000 for street vendors have been introduced. Affordable rented accommodation for urban migrant workers through public-private partnership programmes can revolutionise the accommodation programmes of India. Further, aid to farmers in form of cheap credit will ensure continuous aid to the agriculture sector. Provision of ration without the restrictions of the region will help in tackling the hunger problems during such turbulent times. The government, however, received criticism for not doing enough to boost direct demand and for only focusing on the supply side. Certain thinktanks suggested that the figures given by the government were rather skewed and most of the steps only create a mirage of success and welfare, undercut by a stinging reality. However, Finance Minister Nirmala Sitharaman provided updates on how PMGKY expenditure was structured before – hence it is likely that this tranche's implementation will be made more transparent in the coming months.

The third tranche worth Rs1,50,000 Crore was directed at solving the issues in agriculture and allied sectors including dairy, animal husbandry and fisheries caused by lockdown and lapses in supply channels. The government has pledged to support infrastructure and has proposed building capacities in agriculture and allied activities. Rs 10,000 Crores have been earmarked to formalise micro sized companies and Rs 20,000

Crores for ensuring sustained development of inland fisheries. This segment of the package also focuses on creating better living standards by aiming to double the earnings of farmers by the year 2022. Under PM Fasal Bima Yojana, Rs 6,400 crores have been made available and 50% subsidy on transportation from surplus to deficient markets will provide a helping hand to the farmers. The measures are believed to reform the agriculture sector and allied services by giving rise to better and streamlined services. These steps can be instrumental in strengthening the export of these products, thus reducing the trade deficit, and improving long term facilities in the agricultural sector. On the other hand, various political leaders economists called the third wave of packages “mega repackaging” and regarded the steps to be more of a series of post-COVID provisions than the need of the hour.

The fourth tranche of the package introduced structural reforms in order to improve employment conditions and enhance growth, with main emphasis on coal, minerals, defence production, civil aviation sector, power distribution companies in Union Territories, space sector and atomic energy sector. 3,376 industrial parts/SEZs in 5 lakh hectares have been mapped on the Industrial Information System and the ranking of industrial parks shall take place in 2020-21. Privatization of six more airports with infusion of Rs 1,000 crore per year in aviation sector will allow India to become a global hub for aircraft maintenance, repair and overhaul. Setting up of PPP(Private-Public partnership) models for production of medical isotopes to help make available affordable treatment for various diseases and allowance to use ISRO facilities has been given to private players in the space sector.

The fifth and final installment of the stimulus was channeled towards MGNREGS, healthcare and education, businesses, ease of doing business, public sector undertakings, and resources related to State government. An extra Rs 4.28 lakh crore has been made available to the States by raising borrowing limits for states from 3% to 5% of State GDP. Under the Insolvency and Bankruptcy Code, no fresh insolvency trials shall take place as a relief to companies during the tough conditions and allowance shall be provided to list their securities in foreign jurisdiction. FM Nirmala Sitharaman also promised to increase the investment in the public healthcare sector by setting up public health labs in every block, and infectious diseases blocks in hospitals. Rs 4,113 crore has been made available to the State governments, Rs 550 crore for testing labs and kits, Rs 3750 crore has been allocated for essential items, and Rs 50 lakh per person insurance cover had been provided for health workers. The steps taken under the fourth and fifth tranche of the package by the government have been hailed as ‘momentus reforms in key areas’ by various public policy observers. It is believed that these measures shall ease the financial capacity of state governments to take required actions and establish growth platforms for private players in the economy. However, certain opinions regarding lack of concrete efforts and lopsided ambitions have surfaced in the society. There are concerns that the final tranche does not ensure enough financial freedom to states, and may only be a set of 'temporary symbolic gestures'.

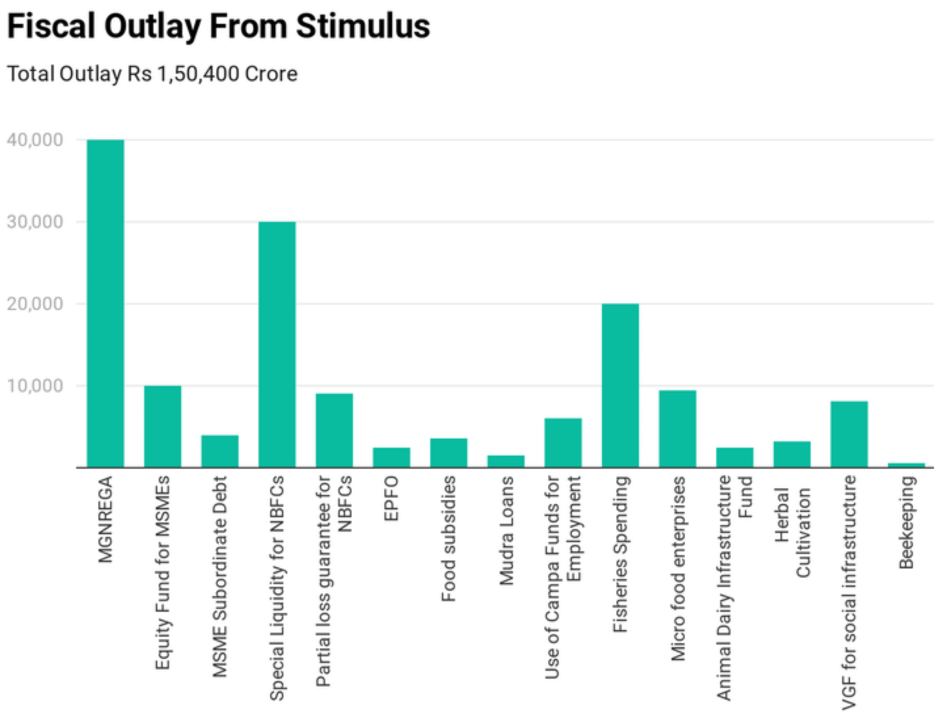
Overall Stimulus provided by Atmanirbhar Bharat Package

SN	ITEM		(Rs. Cr.)
1	Part 1		5,94,550
2	Part 2		3,10,000
3	Part 3		1,50,000
4	Parts 4 and 5		48,100
		Sub-Total	11,02,650
5	Earlier Measures incl PMGKP	(earlier slide)	1,92,800
6	RBI Measures (Actual)		8,01,603
		Sub Total	9,94,403
		GRAND TOTAL	20,97,053

Source: Atmanirbhar Bharat — Part 5 – Government Reforms and Enablers

The 20 Lakh Crore package is equivalent to 10% of Indian GDP and caters to various aspects of the economy by touching upon some of the most important issues. The package has tried to tackle the problems of low growth, lack of liquidity, unemployment, poor public facilities, hunger, and unpreparedness of the healthcare sector. On the contrary, the government seems to create castles in the air through the stimulus. It fails to encourage the market and provide the required push to consumer sentiment. The pandemic has brought the entire nation to a halt. It has exposed the weakness of our society with haves and have nots; our inability to support the most vulnerable sections of our society and the failure to uplift them.

What we need right now is to create such a dynamic environment through this financial package for our citizens which can pull them out of their perils and put them in better conditions than before. The government must invite opinions of experts and public representatives to voice their concerns and problems related to financial support, thus ensuring collective effort towards a common problem. We must try to make quantum jumps in our economy, build reliable infrastructure that act as temples of modern India, exploit the hidden talents of our huge population, develop well coordinated supply-demand chains and move into the post pandemic phase with improved technology driven channels and processes. These times require us to finally establish a classless society based on Nehruvian Ideals, which encourage cooperation and selfless service - and the government must ensure to fulfil them. The next few months and quarters shall be turbulent, but driven by our Indian zeal and the hard-working spirit of the Indian worker, we must make use of every opportunity to overcome. What is needed right now is a series of well-thought out, democratic decisions that will help implement the fiscal package in a focussed, successful manner.



The Downfall of Black Gold

Analysing both the sensational oil price drop in April and the bigger picture

VIDHYA SRIRAM

The month of April in 2020 went down in history as the bleakest month for oil, witnessing one of the largest oil price collapses. West Texas Intermediate (WTI) Futures for the month of May closed at a staggering 20 year low of -\$37.63 after touching a rock bottom of -\$40.32, accompanied by Brent dropping to \$30. This plummet in oil futures can be attributed to two reasons, the COVID-19 Pandemic and the then ongoing price war between Saudi Arabia and Russia. These two factors rattled the demand and supply side in the oil markets respectively.

Global demand hit a significant low and shrunk immensely due to the COVID-19 pandemic, as governments across the globe started initiating lockdowns in their respective countries to curb the virus from spreading. The lockdown caused businesses to shut down, brought a shift in investment priorities, mandated bans on international and domestic travel - all of which eventually reduced consumption of goods and services and significantly reduced transport requirements. The International Energy Agency predicts a global demand of 91.1 mb/d in the year 2020, which reflects a fall of 8.1 mb/d year-on-year.

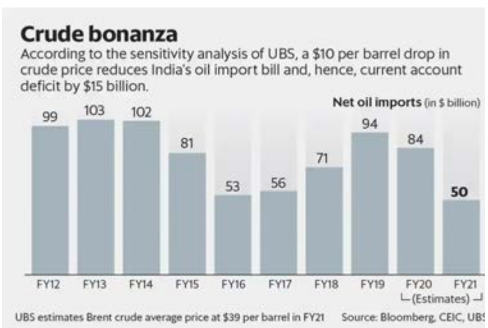
The Supply side faced many setbacks which unfolded in multiple ways - on 5th March, 2020, OPEC proposed a 1.5mb/d production cut for the second quarter of 2020 to keep oil prices from sinking further. However, the next day, Russia rejected the proposal, possibly due to the growing frustration with respect to shale reserves in the US. The underlying modality implies that the US would be one of the major countries to take a hard blow from the dropping prices, which would cause huge economic instabilities in its oil producing regions. Whereas Russia's oil production won't be as affected by geopolitical fluctuations, as it has sufficient foreign reserves to support this gamble. Soon after Russia balked out, Saudi Arabia announced unexpected price discounts of \$6 to \$8 per barrel in key

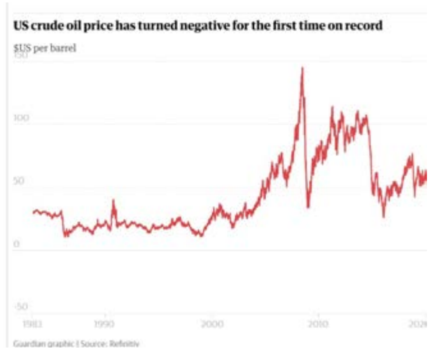
markets, and also an increase in production to 12.3 mb/d which is its full capacity, leading to a price war between the two countries. This stunt resulted in an immediate drop of oil prices by 30%. On 2nd April, U.S. President Donald Trump threatened Saudi Arabia with withdrawal of military support if production cuts were not introduced. Soon after, Russian President Putin proposed that global production could be cut by 10 million barrels, which was agreed upon by the OPEC nations. However, these cuts were too little and too late as the impact of the supply glut and the pandemic had already sent tremors across the globe. Firstly, more than 70% of the world's oil storage capacity was full due to the excess availability of oil in the market. Secondly, more than 160 million tonnes of oil were being stored in tankers at sea, which also spiked the cost of renting tankers by over 10 times.
In light of all these disruptions, WTI contracts had an added disadvantage as they are settled with physical barrels and not cash. Insufficient storage at Cushing, Oklahoma - which is the major trading hub for WTI crude oil, led to paper positions being liquidated due to increasing insecurities amongst investors on a large scale basis. This drove down the contract settlement price like never before.

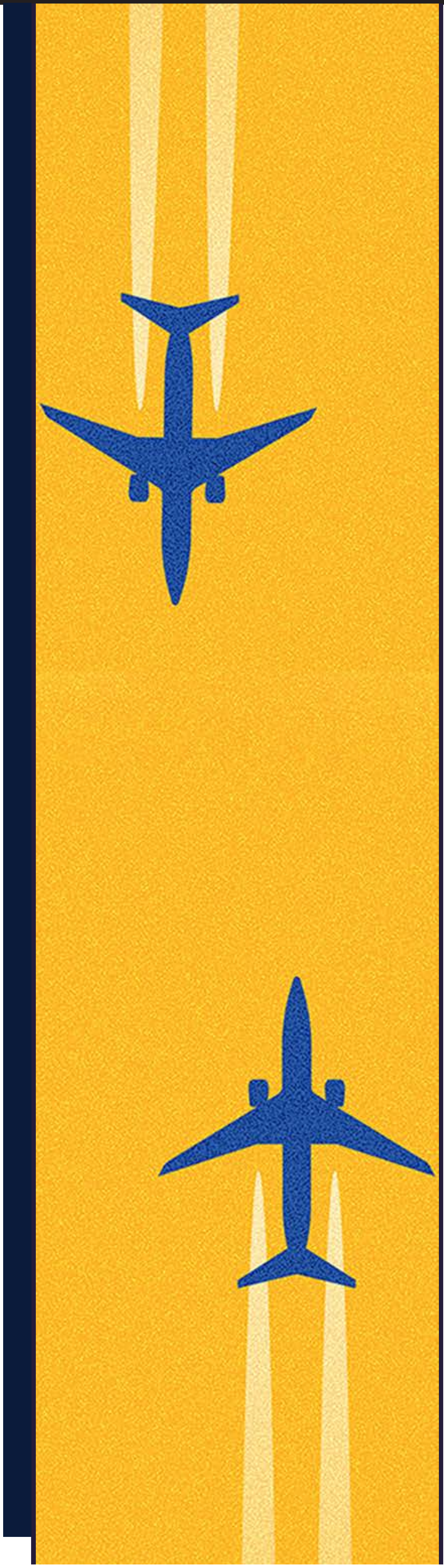
The impact on Oil supplying nations has been devastating. US Shale companies had to reduce production to avoid reaching a point of no return. That being said, the production is also expected to scale up gradually as and when the favourable price positions turn up. Most of the Middle Eastern and North African (MENA) countries are facing massive fiscal gaps and huge sovereign risk premiums. Saudi Arabia has increased its debt ceiling as a percentage of its GDP. Additionally, though it can produce oil at the lowest cost in the world, with a break-even of around $20 per barrel, this price is not sufficient for the country to maintain its budget that is currently falling apart. Russia faces a similar turmoil as oil revenues constitute a huge share of its GDP, exports and budget; even though its economy is more diversified than its counterparts in OPEC+. Moreover, developing nations which relied on oil production for their hand to mouth existence are now reliant on international support through these rough times.

India, being an importer of oil has been affected in both positive and negative ways. It imports over 80% of its crude oil requirements, which make up one third of its total imports. Since India mainly bases its imports on Brent crude benchmark prices and not on WTI, the effect was not large but still significant. The positive effects of a prolonged price drop are reduced current account deficit, increased government revenue and drop in inflation. Firstly, the current account deficit will reduce as lower oil prices mean lower value of imports. A low deficit also strengthens the rupee but since dollar and oil have an inverse relationship this benefit gets set off. A fall in oil prices by $10 per barrel helps reduce the current account deficit by $9.2 billion, according to Bloomberg business. Also, the country capitalised off the low prices by filling up its strategic reserves and saving 5000 crores in the process. However, consumers are unlikely to benefit a lot from the fallen oil price as the current scenario (pandemic and lockdown) drastically reduced the demand for transportation. Hence, instead of transferring the benefit to consumers, the government increased excise duties to raise their tax revenue and maintain retail prices of oil. Lastly, inflation would be positively affected as every $10 per barrel fall in crude oil price helps reduce retail inflation by 0.2% and wholesale price inflation by 0.5%, according to a Moneycontrol report. The negative effects would be felt majorly among the oil producers like Oil and Natural Gas Corp. Ltd (ONGC) and Oil India Ltd (OIL) who cannot compete with falling prices in the global oil market - which is hampering the demand of their produce. Further, due to a strict lockdown being imposed in the country, demand of oil has slumped by 70%. To summarise, the country will not be able to leverage from the falling oil price as much as it would like to.

The Dual impact of the pandemic and oil price drop has sent shockwaves throughout the world, a health crisis and an economic crisis has taken a toll on the global economy. Oil prices are likely to gather momentum over the latter part of the year when lockdowns are eased and travel restrictions are removed, leading to increase in demand for crude oil while the supply remains under check due to the landmark agreement over limiting global oil production. It will be interesting to observe how oil prices move, but it is expected that they will remain volatile and low for the next few quarters.







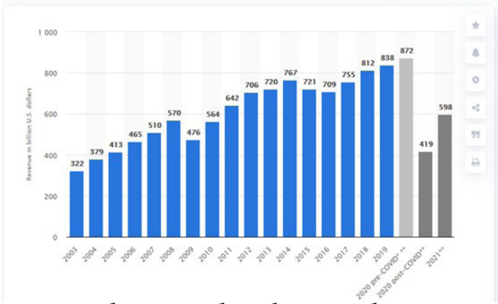
Airline Sector: Up in the Air

The current and future scenario of the Aviation Industry

RISHAB DIDWANIA & SOMYA YADAV

Before the advent of the coronavirus crisis, the aviation industry had a different appearance altogether. Coupled with the evolution of ancillary revenue streams and automated ticketing technologies, many restrictions on the civil aviation market were waived off. These advancements paved the path for low-cost airlines while private disposable incomes were on the rise in many parts of the world. With trendsetters introducing new travel ideas more frequently than ever, there was a detectable increase in demand due to both price and non-price factors, that served as a catalyst in driving the aviation industry. With many players replacing their ageing aircraft, the airline market witnessed significant growth in the last decade. Just in 2017, about 60 percent of the total population (amounting to 4.1 billion people) travelled by air worldwide, as per the ICAO report. Today, these statistics have become mere numbers for the industry with 95 percent of commercial aeroplanes remaining grounded since the pandemic began.

Revenue of commercial airlines worldwide from 2003 to 2021



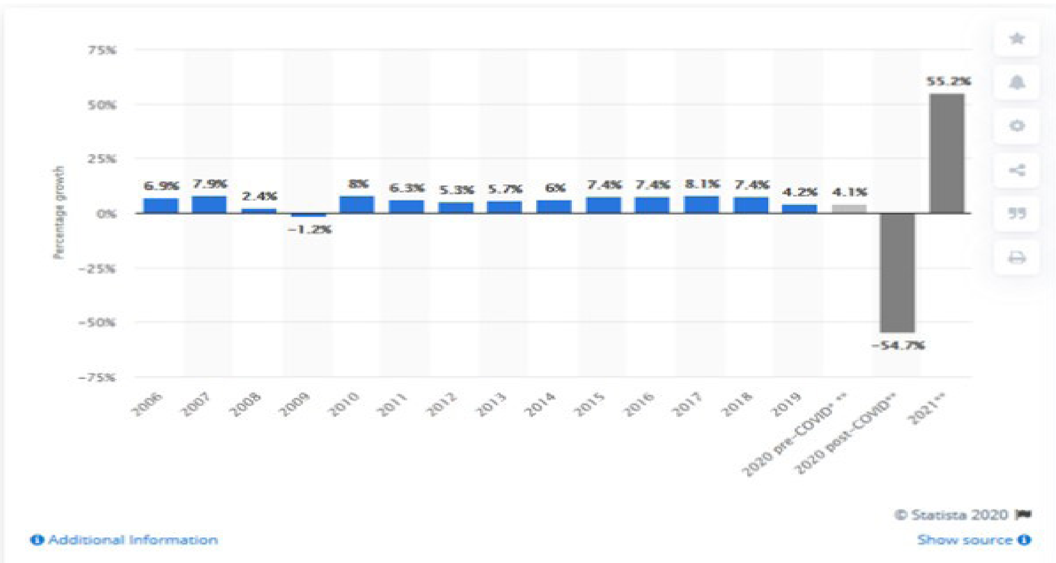
As shown in the graph above, the revenue of commercial airlines worldwide was at its peak in 2019-20 before coronavirus set foot on the face of the earth. With the world becoming more interdependent and connected, the number of air cargo flights and passenger flights were rising, leading to higher financials of the industry. In the last decade, the compound annual growth rate (CAGR) of revenue in the global aviation industry was 5.3 percent, totalling out to be 838 billion U.S. dollars in 2019 alone.

Without a doubt, the transportation sector is hit badly due to the current scenario. Layoffs are on the rise, the top management is facing salary cuts and its almost impossible to ascertain the new normal. According to an analysis conducted by Bloomberg, about 400,000 employees have either lost their jobs or have been given the indication that they might be out of work soon.

Ticket sales are at an all-time low since foreign travel is restricted barring certain exceptions. Along with that, the general public is avoiding travel as much as possible due to the coherent fear that they might have to spend a long time in quarantine centres if they travelled to another city.
Job losses in related industries including aircraft manufacturers, engine makers, airports and travel agencies could reach 25 million, according to the International Air Transport Association. It has also stated that the industry might face losses up to $84 billion this year, which would persist till 2021 at $16 billion. Owing to severe crises in the past, such as the global financial crisis of 2008 and the price spike of oil in 2009, the losses for airlines had already topped $31 billion in the past. It is feared that the aviation industry might not be able to overcome this unprecedented shock, which is the third time in the last two decades.

Forecasts also suggest a sharp fall in Revenue Passenger Miles (RPM) and a sector which has already been deeply impacted in the past, must safeguard itself in each area to combat the battle against Covid-19.

When one thinks of aeroplanes, it's hard to ignore two names- Airbus and Boeing. These two are the largest leading aircraft manufacturers globally and have a wide-ranging fleet of aircraft. While Airbus is more prevalent in India, Boeings are generally used for long-distance travel, often to a foreign destination. Various models of Boeing such as the 737 is a widely known aircraft known for its comfort, the altitudes and the cruising speeds it can fly on. However, being an old entity in the market, scepticism about its safety protocols has always been inevitable. Things went south for Boeing when its Manoeuvring Characteristics Augmentation System (MCAS) failed at different times leading to two major aeroplane crashes within a span of a few months.



On closer inspection, it was discovered that the internal safety and performance was not as per standards and the company's image became questionable. The Boeing 737 Max aircraft was grounded and the company faced enormous losses, being uncapacitated to maintain its market share. The industry was deeply impacted by these unfortunate events and the company and the US economy were both suffered harsh consequences. Furthermore, the company had to slow down its production until January 2020 and had to finally take the decision of completely halting production of such aircraft until the ban would be lifted. To make circumstances worse, the global pandemic left uncertainty about whether the grounded aircraft would ever get to fly again. Boeing has suffered directly through increased costs, loss of sales and revenue, loss of reputation, victims litigation, client compensation, decreased credit rating and lowered stock value. In January 2020, the company estimated a loss of $18.4 billion for 2019, and it reported 183 cancelled 737 Max orders for the year. The pandemic worsened the situation and the company had to opt for the $60 billion bailout plan out of which it could only recover $17 billion from the COVID stimulus. By the month of May, Boeing's net orders were down by 602 planes with signs of a bleak future ahead.

To imagine post-COVID travel, one can certainly say that it's not going to be as effortless and enjoyable as it used to be. New safety measures and health checkups along with the constant fear and paranoia in one's mind is bound to be subconsciously present. Adding to the strain, many travel routes would not be available for a long time, if not terminated altogether. Hence, in times like these, the masses might actually prefer trains as, unlike aeroplanes, they stop at multiple destinations. Moreover, reports suggest that the airline sector may shrink a whopping 10 percent as expected in the years to come due to rising environmental concerns.

In distressing times like these, Indian railways is one of the few entities that truly proved itself as being the backbone of the country. Be it transporting PPE kits, sanitizers, or other goods from one point to another in a scenario where all other modes of travel were restricted, the railways operated some of its trains to help the needy at all times. The Special Shramik express trains helped labourers commute back to their homes situated in the remotest parts of the country and the trains also came into use for transferring patients from regions of bed scarcity to isolation wards in other areas. Not only did it facilitate the movement of people, the railways also created distribution channels to dispense food grains and ration to far-flung communities. It has shown remarkable resource mobilization with its extremely disciplined manpower.

Indian railways can play as an opportunist and simultaneously reform its passenger and freight segment. The aviation industry is bound to increase fares for air travel due to fewer flight operations and by also following the social distancing norms. In this case, the railways can re-model its pricing strategies for both the passenger and the freight segment to attract more customers. It may also help them streamline their activities on a timely basis which can further attract mobilization of perishable goods and may as well catch the attention of the E-commerce giants.

With the ever-deepening crisis in global aviation and major airlines filing for bankruptcy, is government assistance the only option?
For many airline companies, government assistance and bailout packages appear to be one of the best opportunities for revival. In Germany for instance, the reinvestment of stabilization funds with special loan schemes from the previous global financial crisis offers the best solution for German stock corporations like flag carrier Lufthansa. Even the Trump administration has signed an agreement with major airlines to grant a $25 billion bailout package to ensure that these companies are able to provide for their workers and stabilize the economy.

While for others, there isn't much the government can do. The little aid that companies can get from their respective governments can be in the form of a waiver of the airport landing fees, flying charges and taxes on aviation turbine fuel. This can serve as additional support to these companies in the time of crisis when there are little funds at their disposal. As regards India, airport fees that the airlines have to pay are one of the highest in the world with Delhi airport charging a 46 percent fee that directly goes to the government. Along with waiving off miscellaneous charges, the government should offer loans to companies on the basis of trust and specific terms which would give them the margin to come out of the crisis. This should not be confused with dishing out free money as the companies will have the responsibility to pay back as and when their situation improves.

As far as the operations are concerned, airlines should revamp their business process to inculcate technology in their operations wherever possible. From bookings, check-ins, frisking to boarding, everything can be digitised using ML/AI and RPA across systems. This will also help in processing passenger's information in real-time as it is an important part of travel in current times.

In order to overcome the crisis, the aviation industry needs to address the main reason behind their situation that is the demand by the people.

Regularly tracking the consumer sentiments will help companies offer discount packages and enable proactive deals on future bookings or even current travel. With such initiatives, airlines will be able to stimulate demand and increase reservations. Chinese airlines have been able to tap this opportunity very effectively by providing ultra-cheap deals to its passengers along with free up-gradation. Deals like valid for anything between a month and a year, start at 1,588 yuan ($227) and Spring Airlines' package for children travelling with their parents and China Eastern's unlimited weekend flights, might help them tackle the losses incurred in the duration when airlines were suspended.

Additionally, some market players losing out in the situation can search for prospective M&As that might put an end to the bleeding. This will not only help them meet the compensation of employees and other costs but will also bring greater revenue which is required in order to survive.

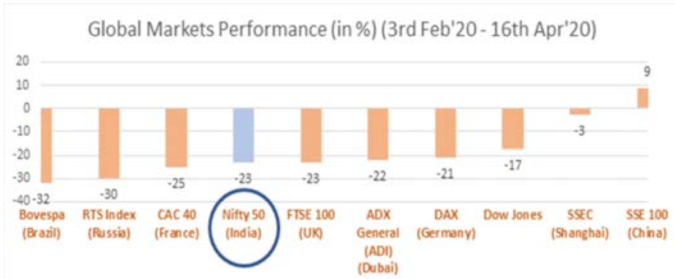
Recovery is Slow and Turbulent, but Certain

A brief breakdown of stock market movements in India during the lockdown, and some outlook for the near future

VISHAL AGARWAL

Pick up any newspaper and you shall find at least a couple of articles where reporters compile facts and figures and a few statements by company officials cringing about how the novel coronavirus has made the future prospects of the country bleak in achieving its '5 trillion dollar economy' goal. While statements from Oxford University about a COVID-19 vaccine have instilled some hopes of economic regeneration, recovery will not be possible till later next year. As such it becomes imperative to analyze the economic impact of the 2-month lockdown.

What is interesting about the lockdown is the movement of the stock markets. Let's take a look at the global markets performance in 10 weeks since the outbreak of the pandemic



(source: https://researchandranking.com/blog/coronavirus-impact-on-stock-markets-a-detailed-analysis)

When we look NIFTY 50 performance in the last 3 months (April, May and June), an upward trend indicating a quicker recovery is visible.

Many large, small and mid cap companies like Maruti Suzuki, Emami, Axis Bank experienced a steep fall in their share prices in March as compared to those in January. (While Maruti Suzuki and Emami suffered correction of 43% and 47%, Axis Bank experienced correction of 58%). The steep fall must have hurt the pockets of short-term investors. However, the fundamentals of these companies are strong and they are able to sustain such small shocks in the stock markets.

While economies are looking for positive recovery signs, comparisons are being drawn between the 'Great Lockdown 2020' and 'Great Financial Crisis 2008'. Even though both the crises were uncertain and unprecedented in nature, they differ majorly in their origin. The Great Financial Crisis rose out of majorly excessive subprime lending to Americans without Income, Job or Assets and the risk was transferred through securitized assets and financial vehicles, as a result of which, nobody outside the financial world was aware of the significance of the risk. On the other hand, the 2020 Lockdown was a result of a virus that spread among people and killed masses, forcing the governments to call for a complete shutdown that led to stoppage of all economic activities. The lockdown has caused a deep plunge in the global markets and has caused wide scale unemployment.

Another difference is the functioning of the industries. In the 2008 crisis, all industries were operating at normal capacities whereas the lockdown in 2020 has temporarily shut down many industries, barring a few running at minimal capacity.

While many sectors are trying to survive this lockdown by reducing losses, two sectors that performed outstandingly well were FMCG and Pharma. This is because both food products and medicines have inelastic demand. Demand for specific pharmaceutical products like soap, sanitisers, disinfectants, and drugs associated with treatment for the Novel Coronavirus rose through the roof. But even if that is not considered, it is important to note that FMCG and pharma stocks provide consistent and regular dividends, and they remain stable whenever there is movement in the market. That is why they are called defensive stocks. Companies supplying essential services like Dabur experienced a sharp rise in their stock prices. For pharma, India is expected to become a major producer of the developed vaccine because of its participation in production of generic drugs (about 1/4th) and infrastructure facilities. In particular, the pharma market has witnessed a 10-11% growth, emerging as an outlier, and will continue to perform well in future as per some analysts.

Performance of some of the stocks is given below: (source- moneycontrol)

STOCKS	PRICE (31st Jan)	PRICE (30th March)	PRICE (29th May)
FMCG			
Godrej Consumer	686	496	605
Dabur	480	422	445
Nestle	15598	15110	16989
HUL	2070	2141	2006
Pharma			
Cipla	462	414	635
Sun Pharma	442	329	459
Dr Reddy	3160	2900	3885

STEPS TAKEN BY THE RBI AND GOI

1.The repo rate was reduced by 75 basis points to 4.4%. This will lower the interest rates and EMIs on loans; Cash Reserve Ratio reduced to 3% from 4%

2.Companies were given additional 45 days to announce their quarterly and annual results; submission of corporate governance report was extended by a month

3.The limit of default amount was increased to 10 million rupees from 100000 rupees for beginning of insolvency proceedings.

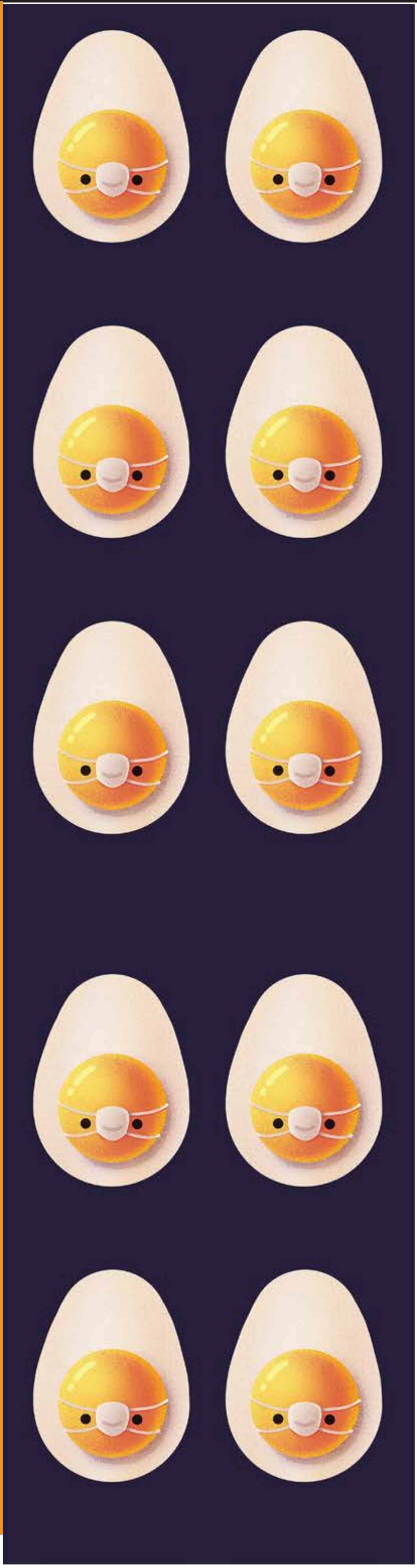
4.Eased rules to fast-track rights issues, and also extended the validity of its observations on public issues by six months from the date of expiry to help companies raise funds amid the coronavirus pandemic

5.Shareholders got an extension of one and a half month to disclose their shareholdings in companies for the year ending 31st March 2020.

Even though the Indian stock market is up by 30% as compared to March lows, it is expected that volatility in the market will persist. This is because there are many variables into play- the pent up demand, how the company valuations change, mindset of the investors, currency fluctuations, rising unemployment. It is very much certain that the volatility in the market will exist; for how long will depend on the pace of recovery and the corporate management.

Indian stock markets did experience an upward trend in the last week of May, but the sustainability is still in doubt since India has underperformed in most of the global benchmarks. Even though the 20 lakh crore package announced by the Government for the MSMEs provides some hope; it is the allocation to the different sectors and companies, the upcoming policies and the demand pattern in the coming months will significantly decide the movement of the market. The pace of recovery and government actions will determine the sustainability of the market.

In conclusion, since businesses are available at discounted rates, it would be most suitable to invest in a fundamentally sound stock, simply because such companies possess the ability to survive temporary hiccups with the capacity to bounce back. The demand pattern will surely take some time to get back to the pre-COVID situation, but it is sure to get back once the pandemic has passed. And once that sort of economic recovery takes place, a prudent investment made today will surely reap great benefits in the future.



DISINFECTING COVID'S FOOTPRINTS IN THE GLOBAL FOOD INDUSTRY

The current scenario in bars, restaurants and eateries gives rise to hope and concern in equal parts

SAI LAKSHMI SURESH

One of the most unprecedented times in the history of mankind that pulled every economy down is the COVID-19 pandemic. All the sectors of the economy are greatly affected. Lakhs and thousands of people are out of jobs, looking for other sources of income to satisfy their basic needs. When it comes to the medical sector or the pharmaceutical sector, although they might seem to flourish on the surface level, they are facing challenges related to expansion of production lines, or more working hours for doctors, our front-line warriors in the medical services sector and so on - all summing up to a strained and taxing situation. Life is not going to be the same. Several conventions and practices will have to be changed. The new normal seems to be the only way for mankind to make progress amidst the coronavirus breakout.

One of the most important changes that can be anticipated in the coming future is related to the services sector, in the global food and beverages industry, which comprises online and offline food chains, food material makers and food processors, and prepared and packaged foods. Before the COVID-19 pandemic, growth in this sector was primarily due to a rise in the number of on the go consumers, increased consumption of ready to eat food, increasing population, changing taste and preferences, more fine dining etc. But, after this pandemic we cannot expect the same seating arrangements we had before, the same crowds that used to visit offline food chains and giants etc. Every single café, restaurant, bar, food chain, dhaba and canteen has been brought down to its knees. These establishments are being forced to shut down because of the unfavourable situation prevalent in the current scenario.

Well, these food outlets could do no more indoor dining due to safety restrictions. This is when people came up with new solutions to keep their business and hands running and tied up with work. Sometimes these difficulties might not be so bad after all. They might serve to be a negative reward that nudges people to think outside of the box, do things differently and make the most out of every situation. For instance - a small community that started cooking meals in Baltimore was ordered to close due to the pandemic. They had a number of foreigners working as chefs. A difficult question that each and every entrepreneur had to face during these difficult times, not just this food making outlet was how to keep their kitchen staff with them and ensure that they get paid on time. This is when people created a platform called "Mera kitchen collective" which is a food-based community base that seeks to empower chefs, restaurant owners etc. Several restaurants made use of this platform by seeking help through the "Gofundme" page. "Mera kitchen collective" simply hired the chefs and jointly worked with each business unit. Mera kitchen links every business to its community members, food lovers and the public who wish to have good and hygienic food. This enables the restaurants, cafes and several other food outlets to earn more sales even during the pandemic. Mera kitchen and the respective food outlet get a share in the profits.

A small restaurant called "Gado Gado" wasn't even a year old when the pandemic forced it to shut its operations. They adapted by opening up a pop-up inside the restaurant called "Oma's takeaway" that made something new everyday for its customers to enjoy a hot, delicious and a healthy meal for takeaways. Not just this, but physical presence also has to be brought back once the worst is over. "Gado Gado" did this by ensuring that each table had its own landing zone where the waitstaff places the food for the guests to pick it up once they are six feet away. Provision for a bin had also been made so that guests can clean the table themselves before they leave. Touch points were constantly disinfected and every step related to social distancing had been taken to keep the restaurant afloat.

In India, although it is a deep-rooted culture to sit and eat together, people have been trying their best to avoid outside food. Organized eateries account for 35% of India's restaurants with revenue estimated at 4.2 lakh crore, employing 7 lakh people according to National Restaurant Association of India. Each of these figures is expected to fall significantly. Even though we might see a shift to more takeaways as millennials and Gen Z prefer this today, this rise is not sufficient enough to counter the wipe-out of dine ins. There has been an emergence of a new trend of chef-led delivery brands in cities like Mumbai and New Delhi. People are resorting to higher quality food cooked in cloud kitchens delivered at the comfort of one's homes. This sort of a change in the paradigm has brought about several famous restaurants to shut down permanently - like "Mirchi and Mime" one of the most unique restaurants in Mumbai, served exclusively by speech and hearing-impaired staff that had won many peoples' hearts with their warmth and uniqueness. The famous franchising brand Wow! Momos is planning to shut 25-30 outlets all across the country and open up 40 new outlets on new lease conditions. When interviewed as to why these restaurateurs are closing down, the biggest challenge cited was the inability to pay rent. Landlords were not willing to change the prices and costs incurred in following the social distancing norms and several other new conditions shot up operating expenses by huge margins. This new change of 6 feet distance can be followed only if the planning infrastructure is changed (on a long term basis).

Things are changing rapidly. Even breweries are keeping up with fests online on digital platforms through apps and other social media handles. People might get to enjoy social dining or interacting with people face to face over food or beverage. Nonetheless creativity is not being hindered at all. Several people are coming up with new channels and blogs about new food recipes, new strategies to make people get the same experience as the one eating in a restaurant etc. Dan Stevens once said" The Comfort zone is the great enemy to creativity." It will take a few years for this sector to recover completely, but creativity in such adverse times ought to be appreciated.

THE EXPERTS SPEAK

For the first time, this edition of VITTA features opinion pieces from six prominent thinkers and personalities. We collected opinions of students on several matters of public interest, and requested experts to debunk myths and reveal the real picture.

In this section of VITTA, there are comprehensive takes on different issues from the following eminent persons:

ARNAB DUTTA

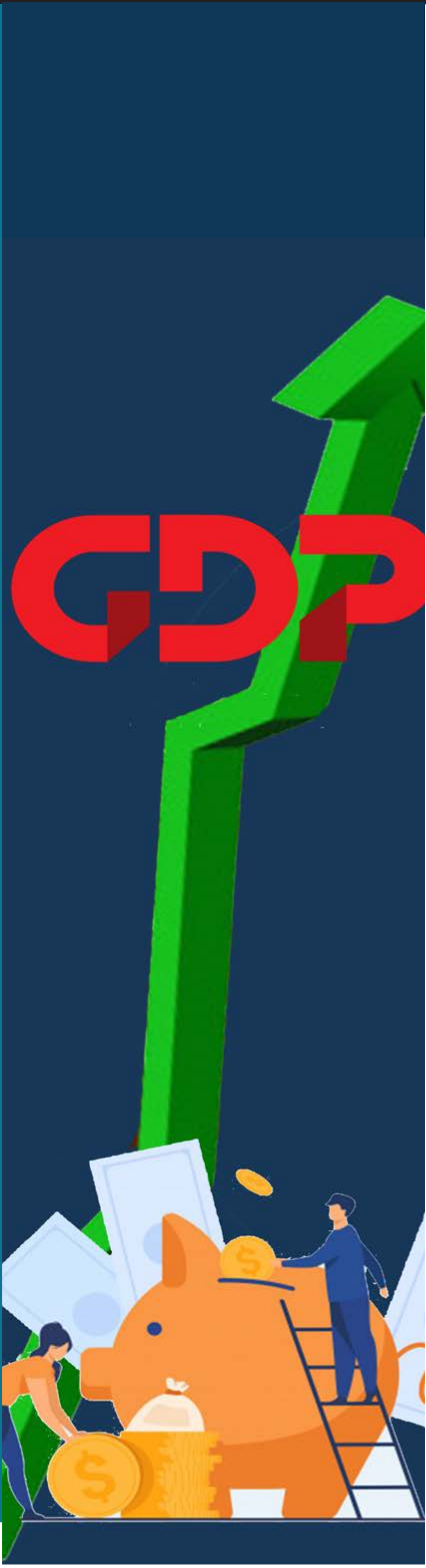
ANJAN MUKHERJEE

ANIL SWARUP

SAURABH JAIN

MITALI NIKORE

MANVENDRA GOYAL



Is boosting consumption the key to India's high growth conundrum?

STUDENT OPINIONS

#OPINION 1

"I feel that the key to improving India's growth rate is boosting the consumption expenditure. Private consumption expenditure has been down drastically with many people being unemployed. This low level of consumption has further fuelled low investment expenditure undertaken by the private sector and thereby reduced the gross domestic product of the economy. Moreover, the Covid-19 pandemic has thrown every economy into jitters and India is no exception to it. It is the worst hit country in the pandemic. India's infection curve is not flattening any time soon. For a country with a population of 1.3 billion, recovery from the weakened state will take some time."

#OPINION 2

"According to me, incentivising consumption expenditure is a must but before that is done, I would suggest firstly the government to increase its expenditure. Increasing government expenditure or investments is a way to instil confidence amongst the private players. Not only would it increase the employment but bring about a spiral effect in inducing further investments."

#OPINION 3

"The domestic consumption in India is nearly 65%. This advantage can be tapped especially considering that India has a very favourable demography presently. Ensuring consumption by introducing more self-employment schemes or making economic policy changes is the solution to India's current problem and its goal of achieving the 5 trillion-dollar economy."

THE EXPERTS SPEAK

Arnab Dutta is a well-known writer and contributor to Business Standard

Since last monsoon Shamsuddin Shaikh (46) has not been able to contribute to his household. Hailing from UP's Moradabad, he is rather surviving on occasional money transfers and small borrowings from family and friends. Shaikh, an armed security guard at one of Noida's under construction high-rise apartments, used to earn Rs 18,000 a month. But the payment stopped in September last year, when site activities came at a standstill after the flat buyers approached the National Company Law Tribunal, following non-delivery of units beyond stipulated date.

By late-February, 2020, like his two colleagues at the project site Shaikh was at the verge of bankruptcy. His family income from farming had dried up as the planted wheat crop (Rabi crop) was yet to yield any returns and recovering dues from his employer was out of sight. Shaikh was seriously contemplating going back to his native place that would further allow him cutting down on an additional expense of Rs 5,000 a month. He and his family of seven have already stopped using "non-essential" items like toothpaste and shampoo, have collectively put a blanket ban on "extravagant" expenses like on colas and packaged snacks. And usage of the sole motorbike at his family home has been restricted for emergency purposes only.

Rural economy in a mess

Shaikh and family are not exceptions. With major job creating sectors struggling for revival and no significant improvement in farm income for over a decade, thousands of rural households are forced to cut down on expenses – leaving the consumer good companies high and dry. By the time Shaikh was facing troubles in drawing his salary, the consumer market was already witnessing severe strain. Retail offtake numbers for fast moving consumer good (FMCG) products from market research firm Nielsen show, volume sales growth in the rural India hit a seven year low in July-September 2019 quarter. It fell to a meagre two percent, compared 16 percent registered in July-September, 2018.

The rural market that contributes 36 percent to the total FMCG sales in the country, contributed 60 percent towards the slowdown. Resultantly, volume uptake of FMCG firms in India came down to 3.9 percent – lowest since 2011-12. In October-December, 2019 all-India FMCG growth rate fell further to 3.5 percent, while for rural it remained constant at about 2 percent. However the slowdown was more severe in North India – the largest market as per geographical region – where sales declined by two percent.

The FMCG market in India was already the fourth largest in the world – behind the US, China and Germany – at over Rs 4.5 trillion (US$ 60 billion) and was the fastest growing major market for over a decade. However, steady fall in its growth rate – from double digit for most part of the boom period (2002-2016) to low single digit – is surely a matter of concern. It also points towards few of the tethering issues that the economy is suffering from.

Numbers for the FMCG sector reflects consumption of daily 'consumer staples' – from atta (wheat flour) and edible oil to detergents and razors. With over two-third of its population residing in rural areas and remaining vastly unattended by marketers, anything short of a double digit growth in volume sales indicates towards severe stress in the rural economy.

As per NITI Aayog, since 2008-09 rural income has recorded zero or negative growth. The periodic survey by National Sample Survey Organization (NSSO) that was never published by the government show, unemployment rate among rural males grew by 248 percent between 2011-12 and 2017-18 to 17.4 percent. Unemployment rate for female youth in rural areas stood at 13.6 percent in 2017-18 compared to 4.8 per cent in 2011-12 – 183 percent higher. The unemployment rate for urban youth was more than their peers in villages – at 18.7 per cent for males and 27.2 per cent for females. And the rate of unemployment across India had surged to 6.1 percent – highest in 45 years (since 1972-73, from when comparable data is available).

The state of the economy

The tremors were felt by all consumer facing sectors. Sale of passenger cars is falling steadily since mid-2019. Housing market is at the brink of a collapse with 5.76 lakh unsold units in top nine cities and hundreds of developers turning insolvent. Poor consumer confidence led to 45 percent drop in launch of new projects in the second half of 2019, while sales declined by 22 percent. Sale of mid-ticket items like home appliance and electronic items witnessed flat sales last year.

Together, consumer facing sectors contribute nearly half of India's gross domestic product (GDP). And their revival holds the key to India's long-term growth plans. While in the mid-term the government has set an objective of achieving the US$ 5 trillion (nominal) GDP mark, Standard Chartered projects India to become the second largest economy by 2030 with a GDP of US$ 46 trillion (at purchasing power parity), compared to US$ 9.5 trillion (at PPP) in 2017. India is estimated not only to overtake the US (US$ 31 trillion in 2030), but also to grow at the fastest pace (387 percent growth between 2017 and 2030, compared to 177 percent for China).

However, for that to happen India's consumer market that is today pegged at US$ 1.5 trillion needs to quadruplet. As per the World Economic Forum (WEF), the market is estimated to grow to US$ 6 trillion by 2030 and expand its share in the GDP to 60 percent from 50 percent now (It pegged the nominal GDP at US$ 10 trillion in 2030). To achieve this feat, the WEF noted, apart from robust growth in household and public sector consumption, critical societal challenges will need to be addressed, including skills development and employment of the future workforce, socio-economic inclusion of rural India, and creating a healthy and sustainable future for its citizens.

Frequent road bumps in recent years have considerably slowed down the pace of the economy, though. Legacy issues like accumulating non-performing assets in its lending ecosystem and faltering businesses due to lack of oversight in the past were looming threats to India's consumption economy. As job losses mounted and new job creation failed to meet the demand from incremental workforce, consumer confidence was left at bay. Poorly executed macro-level policies like demonetization and introduction of goods and services tax (GST) further added fuel into it.

Latest consumption expenditure survey by National Statistical Office (NSO), showed India's consumer spending fell for the first time in four decades in 2017-18. It reflected the falling growth numbers for consumer good products in the rural market – an 8.8 percent decline in consumer spending in villages during the year. Overall, household consumer expenditure in India (average amount of money spent by a person in a month) fell by 3.7 percent in 2017-18, compared to 13 percent rise in 2011-12.

COVID-19 crisis: a body blow

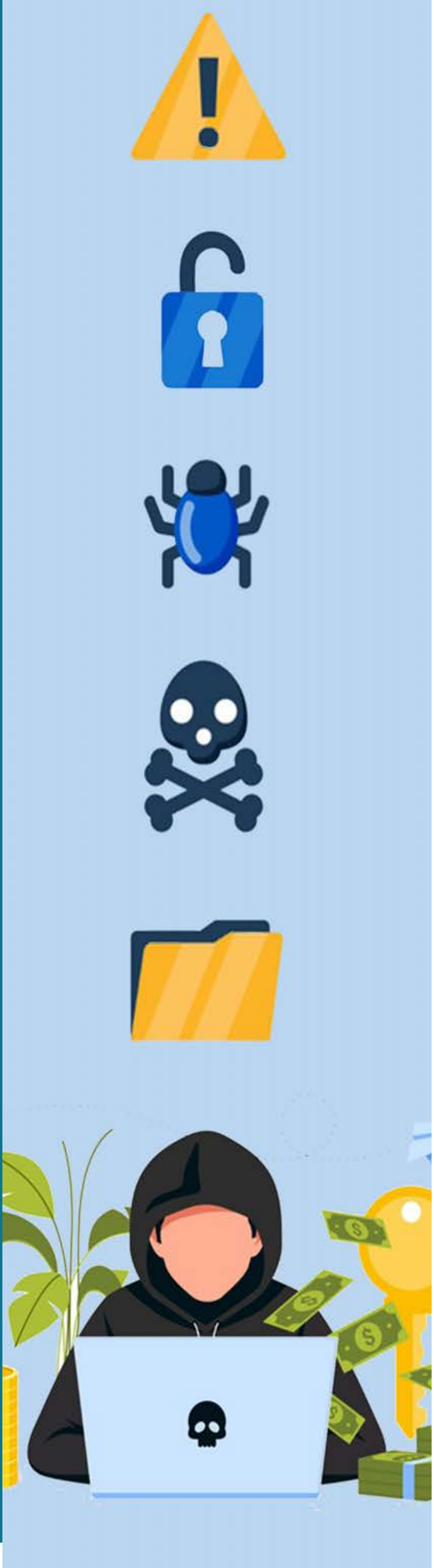
But now with rural economy in a shamble, the COVID-19 pandemic is causing havoc. Millions of daily wage-earners have turned jobless as the country-wide lockdown has halted most economic activities. Various estimates suggest over 200 million people could lose their jobs and 400 million workers may sink into poverty.

The urban economy was already showing signs of stress. Falling housing and passenger car demand reflected lack of confidence among urban consumers, who are no more ready for long-term purchase commitments. And with mass salary cuts and lay-offs by private enterprises now in the horizon, a further decline on urban consumption could prove to be the body blow the economy desperately needs to avoid.

Recent measures by the government, before the COVID-19 wave hit India's shores, may not be sufficient to revive the economic growth anymore. A reduction in corporate tax rate might not bring relief to a large pool of workers in an economy, where 85 percent are employed in unorganized sector. Further, to boost local manufacturing and cut down on imports from countries like China the GoI introduced lower tax regime for new manufacturing units and investment incentive schemes (PLI & SPECS) for the electronics sector post-budget. But at a time when manufacturers are struggling to generate any revenue, new investments is not in the horizon.

The only way forward now is massive public sector spending in job creation schemes like the MGNREGA or in construction activities. While the government has already committed US$ 267 billion (Rs 20 trillion), economists calculate, the actual addition (apart from what was planned in the general budget anyway) is only about US$ 147-177 billion (Rs 11-13.3 trillion). While the only other worst hit economy by the pandemic, the US has sanctioned US$ 2 trillion (or 10 percent of its GDP) to kick-start the economy, India's revival package (at 5-6 percent of its GDP) falls well short of what is required.

To reduce the pace of further slide into a recession, economists like Abhijit Vinayak Banerjee are now suggesting printing of new currency notes and their mass distribution, foregoing class-based approach of primarily helping the below poverty line families. While, it has the down-side of fuelling inflation that was in check for past few years – thanks to falling demand, among other factors. But the approach, they argue, will at least put a break on the economy's accelerating slide and stop the impending crisis of a collapse of the consumer market.



What is the state of the banking sector like - with so many scams, failures, and other problems?

STUDENT OPINIONS

#OPINION 1

“I think this is just sensationalism and blowing problems out of proportion by the media. We are a strong economy and like any other economy there are problems. There is no need to be so concerned, in the long run the banking sector is going to outperform all others anyway. NBFC problem was a one-time crisis that won’t happen again.”

#OPINION 2

“I think the state of affairs is deeply concerning. In the last few years there have been a large number of failures and almost every six months there is a bank that needs bailout and help. Yes Bank, PMC Bank, and even the problematic NBFC IL&FS are all shocks to the system. We need stricter laws and much better enforcement or people will keep misusing our banking and non-banking finance system.”

#OPINION 3

“The fact that such problems keep resurfacing in India ought to make us change our view. The laws and rules and norms of banking and finance may be quite sound. But maybe the real problem is with enforcement and persecution. If we had strong penalties and deterrents, then the number of such defaults and problems in banking would also go down. We need to remind scamsters that we have a very decent legal framework.”

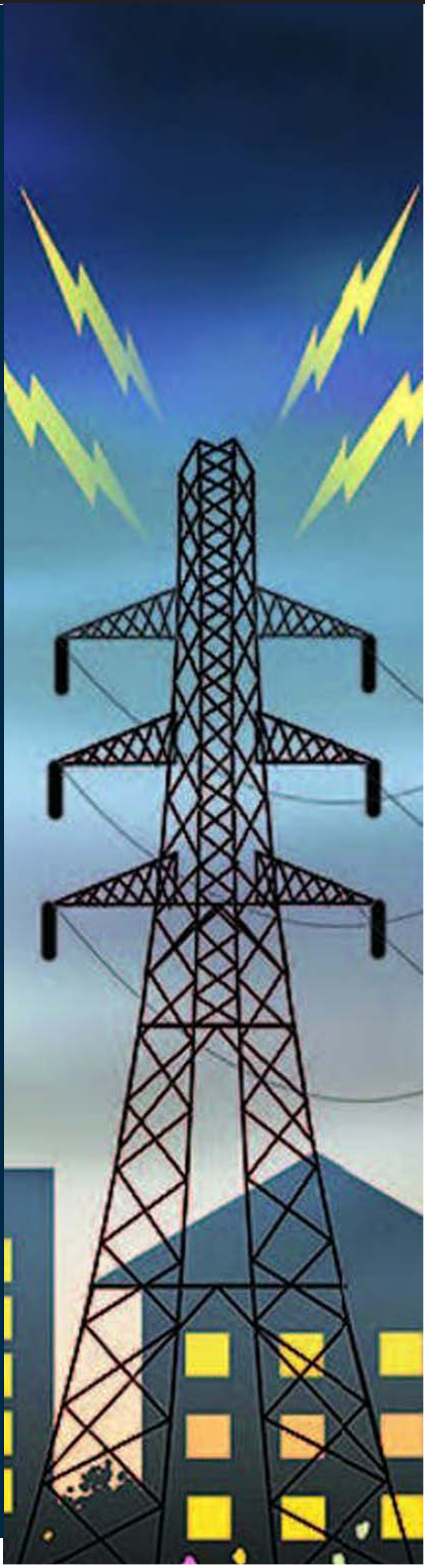
THE EXPERTS SPEAK

Anjan Mukherji is Emeritus Professor, Centre for Economic Studies and Planning, Jawaharlal Nehru University

One of the things which is of major concern today is that banks may not be safe; till the other day only one lakh of money in a bank account was insured. In the most recent budget, this sum was raised to Rs 5 lakhs. And even that did not seem to provide adequate comfort. But maybe I was talking to the wrong set of people. After all, not too many people have more than Rs 5 lakhs in their bank accounts. No matter what you have in your account, if you are suddenly denied access to it, as and when you want, it can feel quite rough. Consequently, you might think twice before keeping your hard-earned cash in banks. More worrying, such bank crises keep happening quite regularly; it is Yes Bank now but it was the Punjab and Maharashtra Cooperative Bank last September; not only banks, but airlines like Jet Airways, Kingfisher and the famous travel agency, Cox and King's folded up leaving people suddenly without jobs and literally, stranded. Investors in institutions such as DHFL and ILF&S found their investments disappearing due to, to put it politely, 'mismanagement'. Or slightly earlier, we were faced with the scams originating from the actions of the late Mr Harshad Mehta or to the collapse of Satyam Computers. The last time there was a financial crisis was in 2008 when markets in East Asia collapsed. Are we seeing something similar now? And are such collapses of the stock markets cases of market of failure? Kenneth Arrow writing about the 2008 crisis said,`` ...the failure of the markets for various kinds of derivative securities to perform properly is an essential element of the current financial crisis". People attribute the current collapse in stock markets to the corona virus. Maybe it is so. Time will tell what is happening now: how much of it is because of the world-wide melt down and/or, whether local problems have had a say.

People may be tempted to describe the apparent disconnect between what one studies in textbooks, where everything is supposed to work out nicely and cleanly, and what one notices in real life as described above, and attribute this discrepancy to the inadequacies of what we have taught our students or the theory itself. I shall argue that whatever one sees around us, is exactly as the textbooks should have led us to expect. The current economic paradigm prevalent the world over has been referred to as the SLP regime by Dani Rodrik; Stabilize (government expenditures have to be kept to low levels), Liberalize (allow trade to take place between countries without an frictions in the form of tariffs or taxes) and finally, Privatize (in the sense that government or the public sector should not get into producing goods and services). The SLP regime, is usually taken to originate from Adam Smith; however, much before him, Chanakya had advocated that markets should be allowed to function freely. But there are externalities and problems of asymmetric information which vitiate market functioning and this means that governments must intervene to tackle these. In spite of these, some may say because of them, undesirable outcomes persist. There are other more basic problems. One should realize that any economic activity, be it sale and purchase of daily necessities such as vegetables or negotiating the loan from banks to foster industrial growth, involves a contract between two parties. Often one of the parties could be the government. But someone has to oversee the maintenance of these contracts. Otherwise, what can one do, if one party fails to keep to the terms of the contract? Drag the offending party to court for a quick and fair decision, is the only legitimate answer. This would make the breaking of contracts unattractive. Clearly, we do not have such an opportunity in India today and we are forced to enter into lengthy, costly exchanges with lawyers and courts to the detriment of the affected. Thus, trades or transactions which could have taken place may not; funds, which could have come, are diverted elsewhere. Trades that did occur are twisted into yielding outcomes which illegally benefit one party and scams and market failures occur. And what should be worrying is that such occurrences are going to keep surfacing periodically.

This depressing conclusion is because we have not yet realised the centrality of the above argument. We often read about steps being advocated by various scholars from home and abroad. Yet how many times have you seen the reforms of courts and judicial system being mentioned as being of top priority? Quick identification of violators of contracts and awarding deterring and just punishment should be the number one priority. Breaking contracts may often be hugely rewarding, if one can get away with it; and in such situations, the perpetrator continues to do exactly as he or she wishes, and scams and unwelcome outcomes continue and flourish. As some one said with respect to the handling of the situation at Yes Bank, while Profits were privatized, Losses will now be nationalised and incentive for wrongdoing strengthened.Finally, both Adam Smith and Chanakya realized that freely functioning markets can lead to prosperity only on the basis of good moral behaviour. Mistakenly, people have attributed greed to be the enabling characteristic. Greed together with a belief of being able to get away scot free, has got us the various scams and failures that we have alluded to. It is this aspect that we no longer emphasize while framing policies. To counter this, the need of timely, just policing and a fair and efficient legal system are essential.



Do we have a crisis in India's power sector?

STUDENT OPINIONS

#OPINION 1

"I visited Jharkhand, the only state in India to produce coking coal, uranium, and pyrite, at the age of 13 to participate in a competition. While travelling from Ranchi to Jamshedpur I noticed many weakly built workers smuggling coal from a power plant on a cold winter morning. It wasn't their fault, neither did they have any other option nor were their wages enough for sustaining a family's livelihood. Unless corruption is cleansed at the apex level, there is little hope of improvement in the power sector."

#OPINION 2

"With huge amounts of money due to various stakeholders, an ever-lasting low demand, and most importantly, uncertainty owing to the pandemic has struck the power sector to the core. The pre-covid levels of commercial and industrial activity might not be feasible to achieve for another year or two. Hence, the power sector needs to search for new avenues of revenue generation and introduce innovative techniques to improve demand."

#OPINION 3

"While the government has recognised private sector participation to be of greater efficiency, it is imperative that it takes swift action to accomplish the desired level of disinvestment as the suffering of already tarnished Distribution Companies (DISCOMs) is increasing exponentially in the current scenario. An understanding between the central government and all state governments should be reached in order to successfully carry out the process of public-private partnerships."

THE EXPERTS SPEAK

Anil Swarup is author of the bestselling memoir 'Not Just a Civil Servant' and a retd. IAS officer who served as secretary in the Ministry of Coal

Is there a way forward?

A realistic look at the power sector reveals that the Distribution Companies (DISCOMS) are in a bad shape and new PPAs are few and far between. NPAs in power generating companies (GENCOS) are mounting. There is shortage of coal. Yet again. A number of power generating units are critical for want of coal. The DISCOMS owe more than Rs 36,000 crore to the power generating companies (GENCOS). And, the GENCOS in turn owe more than Rs 10,000 crore to Coal India Limited.

The problems of the power sector are primarily on account of poor health of the DISCOMS. "UDAY" (Ujwal DISCOM Assurance Yojana), launched in 2015, was to provide much needed relief to these DISCOMS. However, the relief that finally came through was a temporary one. UDAY was undoubtedly a brilliant idea. The approach outlined had been successful in Gujarat. The power sector was turned around in that state. It was a model to be implemented in rest of the country and "UDAY" was an instrument to deliver that. But it didn't happen in the manner it was expected to.

States were to take over 75% of DISCOM debts as on 30th September, 2015 under UDAY. This was to provide fiscal space to the DISCOMs and "improve" the balance sheets. However, certain critical aspects of "UDAY" were not pushed. These included crucial activities like reduction of AT&C losses, elimination of ACS-ACR gap, feeder metering, DT metering, price rationalisation etc. The debt transfer was supposed to provide time to DISCOMs to carry out the more critical part that was supposed to revive the DISCOMs in medium term.

The DISCOMs got a temporary reprieve and utilised the facility of transferring the debt to the State Government. This brought about an improvement in the financial health of DISCOMs with some of them even showing profits. However, this transfer of the debt burden to the States is likely to hurt them in the near future. Last year's Economic Survey revealed that "due to these bonds, the State's Gross Fiscal Deficit to GDP Ratio got increased by 0.7%". Most of the DISCOMs failed to carry out mandates relating to reduction of AT&C losses, elimination of ACS-ACR gap and the like. Ironically, out of all UDAY states, 13 states haves actually reported higher AT&C losses as compared to previous year.

Most of the DISCOMs continue to be in trouble. There has been little effort to address fundamental issues. On account of poor financial condition of DISCOMs, no new PPAs are being floated even though there is demand for power (Incidentally, per capita consumption of power in the country is one of the lowest in the world and equivalent to the consumption in late 19th and early 20th century in the US). There is demand but the DISCOMs do not have the money to buy power. The pricing of power leaves DICOMS in a peculiar dilemma. The more they sell, the more they lose. Consequently, this "lack of demand", in turn, is impacting the health of power generating companies.

Poor financial condition of the DISCOMS has resulted in mounting dues that have to be paid to GENCOS. As mentioned earlier, DISCOMS owe GENCOS more than Rs 36,000 crore and DISCOMS have failed to articulate the demand for electricity in the form of PPAs. A number of other factors are also impacting the finances of GENCOS, but these two contribute substantially. They are unable to service their debt. Around Rs 1.7 Lakh Crore could soon become NPA. This would impact both the coal and banking industry. As GENCOS are not getting their dues from DISCOMS they are unable to pay regularly to Coal India Limited. The banking industry, already under pressure, is saddled with the additional problem of potential NPAs on account of non-performing GENCOS.

There is, thus, a vicious circle that has afflicted the energy sector and if the issues are not addressed expeditiously, there could be a serious crisis at hand. This crisis can impact the entire economy. Beginning has to be made with the DISCOMS. Without improving the financial health of the DISCOMS not much can be achieved. Issues like separate feeder lines, auditing, strong action against defaulters and pricing will need to be addressed. Time and effort will be required and it may not provide material for "headlines". Other State officials will have to sit with those from Gujarat and after understanding the "how" of this success story, make out their own plan. These plans cannot be "made" or "monitored" in Delhi. Intensive discussions will have to be held with all the stake holders to get their "buy-in". This is critical for the success of any plan.

Coal production will have to be ramped up substantially. This can be done as was done during 2015 and 2016. The Coal Project Monitoring Group will need to be activated. This will help facilitate faster clearances. Interaction will have to be increased with the states because that is where the action lies. Value proposition will have to be conveyed to the states as was done in the past.

The revival of such GENCOS as are likely to become “sick” (some even before commencement of generation) is necessary. High level empowered committee should be set up to examine each stressed project and work out a rehabilitation package. Financial restructuring alone will not help. It has to be a comprehensive package. This could even entail change of ownership/ management and/or adequate sanction of funds that are required for the projects. The committee should also be empowered to settle disputes, if any. Until and unless such a central mechanism is created, the issues will not be resolved. The GENCOS should also not be saddled with burden of cross subsidizing the renewable energy sector. Promoting renewable energy is laudable. But it has a cost. This has to be borne by the society (through taxation) and not be entities that are already in trouble.

The enormity of situation needs to be recognised forthwith and correctives put in place and pursued or else we stare at a “powerless” future. It can be done because it has been done in some states. Others need to learn from them and get moving.

What role can startups play in higher education?

STUDENT OPINIONS

#OPINION 1

“The current system has failed to inculcate required wisdom and knowledge in the students and has prevented their training for leadership in the professional and public life. The education system must foster inclusive growth while bridging the gap between classroom and actual industrial workplace. It must provide the required exposure to students, thus ensuring value addition and real world exposure. For this, startups can play a very important role.”

#OPINION 2

“Startup interaction opportunities will reduce fact based rote learning and replace it with actual industry exposure and value addition. By working or starting startups, students will be able to apply their knowledge and explore the careers they wish to pursue and hence specializations in fields that suit their individual interests. This also allows a person to form an important network with company professionals that can be very beneficial for the future, and hone interpersonal skills by providing a platform to interact with people from all walks of life and career paths.”

#OPINION 3

“Higher education is one of the most important agents to revolutionise the life of an individual and the entire society. It must play a pivotal role in helping a person to step out of their niche and become a more informed individual. It should not be careerised unnecessarily. Startups require lot of skill and initiative, but that comes at a later stage in life. We should not allow education to become so business oriented. Many want to become artists and academics, we should not force everyone to become businessmen.”

THE EXPERTS SPEAK

Saurabh Jain is Vice President at PayTM

Education is like a tree. It has roots which can be equated to the pre-kindergarten education. Then after the kindergarten, for the next 10 years education follows a linear path in many if not all the schools around the world. That can be equated to the trunk of the tree. Then after 10th class in India and some other countries around the world the branches of education start to diverge. Generally in India we have education divided into Arts, Commerce and Science from class 11th.

In college there is a focus on specialisation. Similar to a tree, the branches divide and we have lots of small branches at the top. Each branch is a specialisation. We have very specific college degrees with specialisation in topics like nanotechnology or animation these days. In medical stream we have lots of specialised branches. We generally have bachelor's degrees followed by master's degree and doctorate at the end of the education tree. The more you study the more you specialise.

The specialisations help a person to focus on a particular area and gain expertise. New specialisations are constantly arising. The problem however these days is that the speed of change in the world is so great that no matter what you study something new crops up from another area and changes the best practices in your domain. Especially the changes due to technology and globalisation have made it essential to understand various areas all at once. Most colleges in countries like India are ill suited for imparting multi-disciplinary knowledge.

An example can be the creation of a mobile application. To create a mobile application you need knowledge of all 3 — art, science and commerce. You need to understand the customer. You need to understand the pain points of the customer. You need knowledge of design to create a good user experience. You need knowledge of commerce to sell it. You need technical knowledge to make it. It is difficult for any one person to have all these forms of knowledge therefore all big technology companies have a cross functional team with product managers, designers and programmers. The problem is that all 3 roles need knowledge about the domains of each other. All 3 roles need multi-disciplinary knowledge.

Universities like Stanford allow a person to create his or her personalised course. We have Americans at the forefront of digital products precisely due to this ability. Steve Jobs had attended a calligraphy course due to which he was able to put fonts into Apple's computers. This led Apple to become famous within the designer community.

In countries like India this is generally not possible. Once you choose arts you cannot learn about engineering and once you choose engineering you generally find it difficult to learn design at the same time.

I wanted to do chartered accountancy and computer engineering at the same time. Unfortunately it was not possible. My father was a chartered accountant who died in a road accident when I was in class 10th. Thus my mother wanted me to become a chartered accountant to take over his once thriving practice. I wanted to become a software engineer. The education system policies were against doing both at the same time. Generally both are considered difficult. So a person pursuing both would be unthinkable. However I used to study chartered accountancy for 2–3 months a year and for rest of the time I self studied computer science. I have trained hundreds of engineers in top corporates on Java (Micro Edition) and HTML 5 and I know multiple computer languages. I am also a qualified Chartered Accountant. I also wrote India's first book on mobile application development in 2003. Thus although the system did not allow me I was able to pursue both streams in parallel.

Another big problem with higher education is the cost of education. Generally in USA it costs more than USD 100,000 for a good college degree. Even in countries like India the cost of higher education can be in tens of thousands of dollars which is way more than what most Indians can afford. The cost of a college degree is sometimes more than the cost of opening a startup! That's very high.

A third problem in countries like India is that some universities are very slow to update their curriculum. I once heard about a famous open university in India asking about Windows 95 in 2010 exams!

All these problems can be solved to a certain extent by converting higher education degree to a startup. It costed me less to open a technology startup than it costs people to earn an engineering degree. We can have startups as the core engine of many of the higher education programs. Specially degrees in computer science, electronics and MBA are highly suited for learning while being an entrepreneur or intrapreneur. When I am talking of startup I am referring to a student opening a startup or a student working at a startup company in a role where he or she has the freedom to create a product. Many small startups including mine readily want to offer such roles to interested students.

The rate of learning is far higher when a person is running a startup than when he or she is learning for formal exams. The flexibility and relevancy is also more. We used to have education before jobs because a person could not be handed over precious resources of a company before any form of formal training. These days companies want entrepreneurial people. Some companies give special preference to failed entrepreneurs in recruitment. The cost of being a technology entrepreneur is way less than the cost of a good college degree these days. So the problem of mishandling of precious resources does not arise.

Also with the advent of YouTube, open courses from prestigious universities and online education companies like Coursera and Udacity, the need for a formal classroom lecture has diminished. The need for alumni and mentoring is still there but even here networks like The Indus Entrepreneurs (TiE) and meetup groups come to help.

Thus overall the startups provide better conditions for learning and growth while at the same time they are sometimes cheaper than university fees. Also we have role models like Bill Gates, who left prestigious universities to found startups.

In fact open universities and even established universities should start programs where the student can just start a startup and come to university only for help and guidance. That way the university can accommodate more students and reduce the fees. The universities can provide mentoring, support and alumni network while the student can remain free to learn according to the needs of the product and market of his or her choosing instead of a rigid curriculum. The degree could be awarded based on validated learning a student makes in his startup.

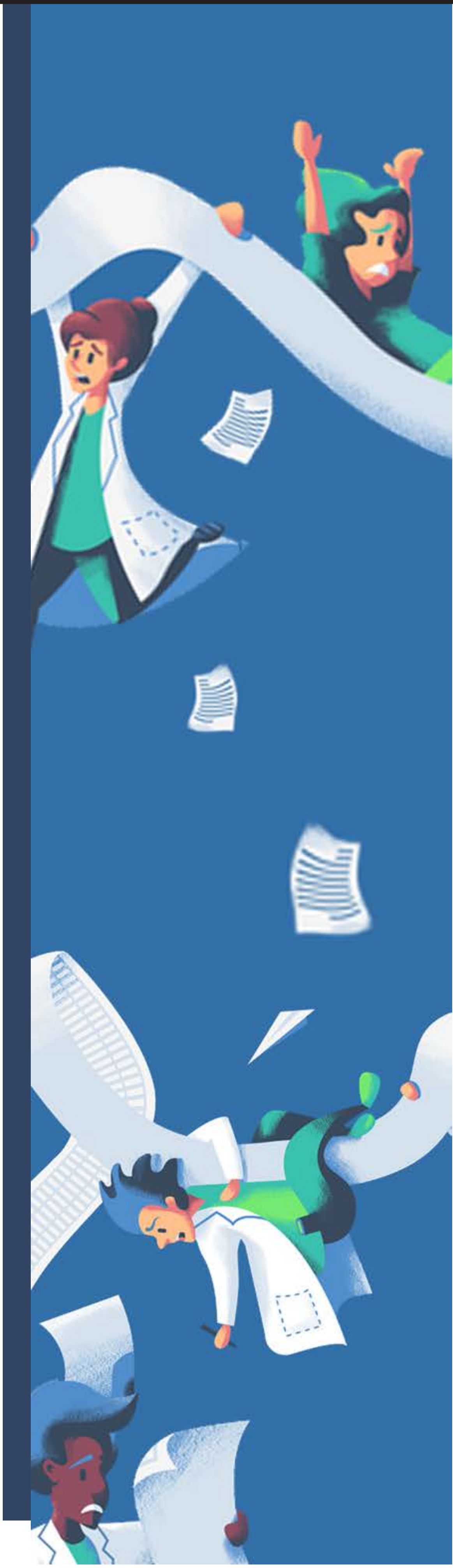
CREDIT: https://innovationenglish.sites.ku.dk/model/the-lean-startup/

Eric Ries the author of the famous book Lean Startup refers to validated learning as learning which a startup makes based on experiments to confirm a hypothesis. This way all degrees can become entrepreneurial.

My experience tells that even though these kinds of programs may not be helpful to all students the most entrepreneurial students will find such programs very valuable. The most entrepreneurial students are students which have the highest potential to rise in the future. The countries of the world need such students for creating future jobs.

Students who are low in entrepreneurial energy can continue in the expensive traditional programs offered by universities. They can go into lots of linear or static jobs we still have in the job market. Although with the advent of Artificial Intelligence and automation the need for such jobs will evaporate in the years to come.

Thus in future higher education and startups will be 2 faces of the same coin.



What are the strategies through which the shortage of nurses in India can be combated?

STUDENT OPINIONS

#OPINION 1

“I think we have a very advanced average age when it comes to the nursing profession. Very few people from the younger generations are prompted to become nurses. We need to make such education more widely available and perhaps incentivise it by making it cheaper. Times like these show us that nurses are also a national resource.”

#OPINION 2

“Maybe we need a kind of central scheme for nurses - at least in government hospitals, perhaps? Wherever there is a nurse shortage, nurses from areas where there is a surplus of such nurses can be assigned. But of course this will mean that people have to move and stay away from home, so it has to be a smooth process.”

#OPINION 3

“We really need higher pay for nurses. They are performing a very important essential healthcare activity, and they do not get paid enough. This is the case in private and government hospitals. I think the central government should pass an order, even if it is temporary, that makes some level of basic pay compulsory for nurses and healthcare staff. Then people will at least feel like the service they are rendering has value and is not just a social service for free.”

THE EXPERTS SPEAK

Mitali Nikore is a New Delhi based economist, focusing on infrastructure development and public sector governance issues

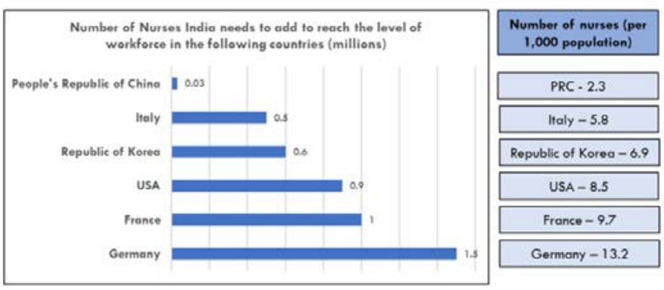
Globally, people infected with COVID-19 reached a little over a million on 3rd April 2020. In country after country, the exponential increase in people infected has led to acute shortages of healthcare workers, personal protective equipment, ventilators, masks, etc. to combat the pandemic. As number of people presently infected reached 2,232 on 3rd April 2020[1], we look at the current nursing strength in India – the true foot soldiers in this war against COVID-19 and suggest some specific short- and long-term strategies to enhance nursing capacity.

Where we are, and where we need to be

Even before the onset of the pandemic, India was suffering from a shortage of 2 million nurses (WHO, 2019). The nurse to patient ratio for India is only 1:483, i.e. 2.1 nurses per 1000 population. Countries with a much higher nurse: population ratio such as Italy (5.8) and USA (8.5) are facing dire shortages of nursing staff, especially since nurses are the most vulnerable, given their direct exposure to patients. India will, thus, need to add close to 30,000 (to match PRC) to 1.5 million (to match Germany) nursing staff in the coming weeks to even reach to the international standards (Figure 1).

Figure 1: Number of Nurses India needs to add to reach comparable level in select countries

Figure 1: Number of Nurses India needs to add to reach comparable level in select countries

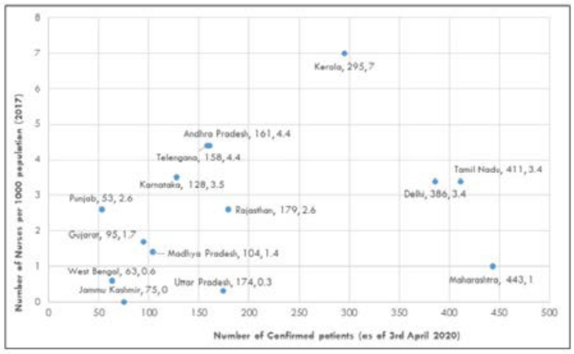


Strategy 1: Redeployment of nurses across States

During the early phase of the COVID-19 outbreak in PRC, only 436 critical-care physicians and 1,328 nurses were available in the intensive-care units in Hubei province. In response to this public health emergency, 278 medical teams, comprising nearly 32,000 personnel from 29 provinces in PRC were dispatched to Hubei province.[2] Similarly, in India, there are regional differences in the severity of the outbreak, as well as in the availability of nurses per 1,000 population (figure 2).

Figure 2: State-wise number of nurses per 1,000 population and active cases of COVID-19

Figure 2: State-wise number of nurses per 1,000 population and active cases of COVID-19



Source: Indian Nursing Council (2017 data) and MoHFW data on number of confirmed patients (as

Note: Data on nurses in J&K not available

As can be observed from figure 2, per the current data, Maharashtra stands out as a State with the highest number of COVID-19 patients, and a nurse to patient ratio that is well below the national average, i.e. 1 nurse per 1,000 population. Uttar Pradesh, Madhya Pradesh, West Bengal are also currently at greater risk, with higher number of patients and lower number of nurses. MoHFW may consider planning for redirecting personnel from the States that have fewer COVID-19 patients, and higher nurse: population ratios for combating shortages.

Strategy 2: Nursing students to assist in non-COVID-19 wards / hospitals

Final-year nursing students and nurses who are not actively in practice are being asked to volunteer to join the National Health Service (NHS) in the United Kingdom, and Italy. There are currently 15 lakh medical and nursing students in India who can be trained to assist in some capacity during the outbreak.[3] The Ministry of Health and Family Welfare (MoHFW) is presently considering providing a provisional permit to 5th year medical students in vital disciplines like anaesthesiology, pulmonology, cardiology and radiology to manage COVID-19 cases. Given the complexities and experience required to manage care in pandemic, MoHFW could consider permitting final year nursing students to attend to non-COVID-19 cases, and moving more experienced nurses and healthcare workers to COVID-19 wards and hospitals.

Strategy 3: Retired nurses to lead rapid training efforts and assist in non-COVID-19 wards/hospitals

In UK, 4,500 retired nurses and doctors have returned to offer their assistance to tackle the virus. In California, the medical association is urging members to 'enlist' themselves, including those who have retired or are no longer practising medicine. Similar appeals were also made in Italy. Government of India has already requested retired government, Armed Forces Medical Services, public sector undertaking and private doctors to offer their services, and nearly many have already signed up to extend assistance.[4],

However, it should be kept in mind that retired nurses fall in the most vulnerable age-group and are at much greater risk of developing complications if directly asked to attend to COVID-19 patients. Therefore, it is suggested that their unique skills and experience be leveraged efficiently by asking them to lead trainings of less experienced / student nurses, especially for intensive care units, and asking them to work in non-COID-19 wards. Further, they can be re-training to work in other functions such as field surveillance, lab testing, clinical management, isolation facility management, infection control management, and quarantine facility management.

Strategy 4: Improving preparedness of nurses to combat COVID-19

Several countries have been using mass online courses effectively to train their healthcare staff and improve preparedness to manage COVID-19. The Government of Australia has spent about $1 million to enable eligible registered nurses to undertake an online refresher course on acute nursing care, including guidelines on COVID-19 infection control, to enhance the skill training of nurses on the frontline. They have also launched a 30-min training module for all healthcare workers to be accessed freely by anyone all over the world.[5] In February, about 11, 000 African health workers have been trained using WHO's online courses, which are available free of charge.[6] The US Centers for Disease Control and Prevention has also issued a preparedness checklist for nursing homes and other long term care settings with steps they can take to assess and respond to an outbreak.

The MoHFW made a start by organising the "National Training of Trainers on COVID-19" program online in early March. Further, the MoHFW has also uploaded training resources on its website for ANMs, ASHAs, Angadwagi workers, AYUSH practitioners, nurses and other health care professionals. Two webinars were conducted in late March for online training of to 15,000 nurses.[7] While these steps are welcome, there is a need to appoint a single nodal agency at national level, with a wide State and regional network, so that online trainings can be delivered at high frequency, consistently across the country.

There are 633 training centres and 173 training partners affiliated with the Healthcare Sector Skill council, under the Skill India campaign of the National Skill Development Corporation of India (NSDC). Further, every State in the country has a Skill Development Mission established under the Skill India flagship scheme, already working in partnership with NSDC. Thus, MoHFW could leverage NSDC's network and experience to disseminate its online modules widely, and expedite nursing training, including for emergency response and critical care nurses.

Strategy 5: Quick procurement of PPE for health-

care professionals

Due to close proximity, healthcare workers and particularly nurses, are at a much higher risk. In Italy, the number of infected healthcare workers amount 8.3% of all patients.[8] Protecting the existing doctors, nurses and healthcare professionals with adequate PPE needs to be the top priority of hospitals and governments at Central / State level. Invest India has already established the Invest India Business Immunity platform for potential PPE suppliers to register and offer contact details publicly, so that hospitals have a ready directory of suppliers. State level Industries and MSME Departments should direct District Industries Centres to identify potential PPT suppliers and request them to register on platform on a war footing to avoid PPE shortage.

Note: While the blog focusses on nurses, a number of these points apply to healthcare workers, doctors and even medical equipment.

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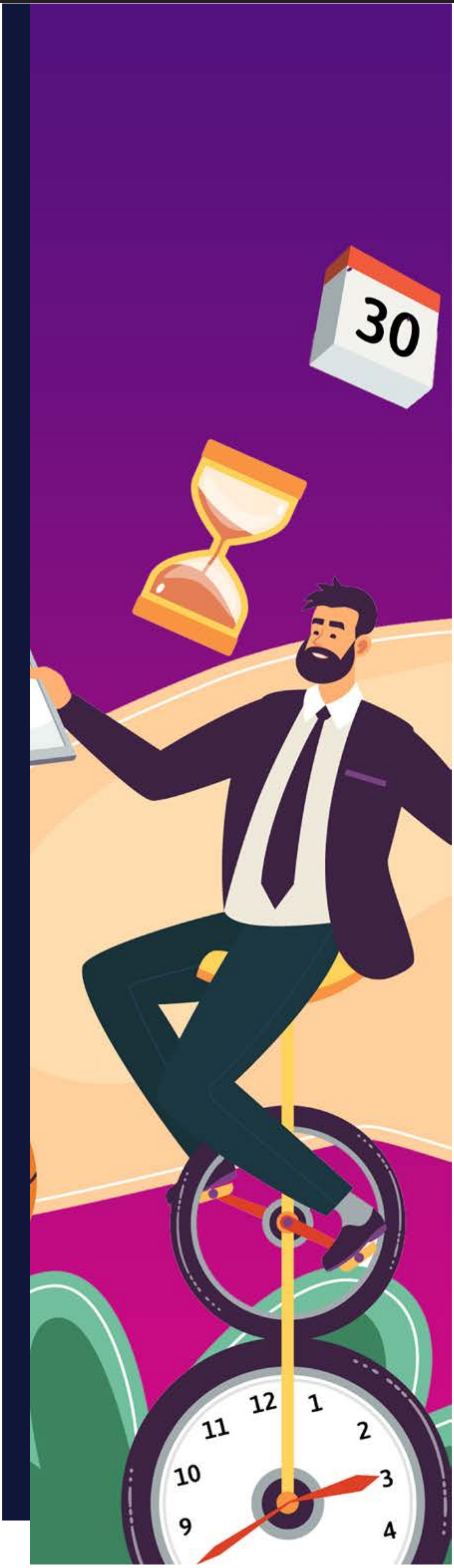


How can Peter Drucker's management lessons be applied to real life?

STUDENT OPINIONS

#OPINION 1

"Billionaire Mukesh Ambani, during one of his interviews, mentioned some skills he learned from his father Dhirubhai Ambani. He mentioned that for an entrepreneur, one must figure out what he wants to do. I think we can keep Drucker's lessons in mind but in the end it is our own innovation and initiative that matters, and what we learn from our very own gurus."

#OPINION 2

"When you read Drucker's guidelines and the experiences that complement those statements, you realise how those principles perfectly suit and fit into the management of an organisation. They are an indispensable part of effective and successful management and are extremely important in our everyday life. Drucker's work is completely timeless and will always be relevant with some adaptations."

#OPINION 3

"Drucker's principles are important but they are not showstoppers. Everyone in the managerial system, has some pre-defined rules and regulations. But effectiveness is when you go beyond your limits and challenge those tasks not in your ambit. Success is not guaranteed in the first attempt but it is if you don't get dejected at your failures, analyse the shortcomings and work on them. For the entire management of a company to triumph, the mindset of the team is more important than anything else."

THE EXPERTS SPEAK

Manvendra Goyal is a commissioner in the Indian Revenue Service

Peter Drucker was not only a great management guru but one of the foremost experts in coaching for effectiveness in life.
The key principles enunciated by drucker for lifelong personal effectiveness and success are:

1.Control over how time is spent. Not to fritter away one's time and to be able to concentrate time in big chunks to achieve the set goals. For an individual this was to find out the time wasters and to delegate work which others could do better.

2.Working mainly in area one is good at and hence to focus on strength and not on .Weakness. For drucker this was finding out how does one learn, how does one work ie whether as a decision maker or as a advisor (ie as a doer or as a thinker) and whether the organisational environment is in harmony with one's values.

3.That Organisation is a place which uses abilities and makes disabilities irrelevant ie it is a group of people where ability of each person is put to best use. For anyone who was looking for a job this would mean that would put research the management culture and the work environment in a given set up. Tahe internal harmony and ways of employee development and engagement would be much more important than upfront salary.

4.To take responsibility for the results of ones work , ie on contribution ,the output and not merely on efforts put in. That is to be effective in important things in life. Mere efficiency in many irrelevant ones will not do. As drucker famously said that any employee who takes responsibility for results is functioning as a top management. To be truly effective will be to go beyond what is asked to be done but to see what is the need of the situation and how one can contribute to bring about a proper and wholesome result.

5.Understanding the internal customer and marketing ones functional capability. Within the organisation to focus on person who would be using my output as his input. If one just does work without clear idea of who is to use ones output ,in what form , the work becomes a bare formality without any deeper purpose. While focus on my output and who will use it increases my effectiveness and quality to all that I do. . Drucker was insistent that it was the employees duty to understand who would use his output and for this to understand what output meant for the user. This would help her to tailor my work output so that it could be used most effectively. As an example we can see that an accounting executive who gives his immediate boss not only the details of sales made but also of cash collections and recoveries made along with past trends of payments made by certain specific group of customers and who on his own identifies the potential bad debts is a much more valuable employee than one who merely compiles data.

6.To have an open mind and a keen desire to learn without having pride in whatever little knowledge one may have. That intellectual arrogance leads to disabling ignorance. False pride in ones speciality and disdain for others leads to breakdown of communication between functions . Arrogance in ones knowledge will leads to blindness as to dynamics in office and changes happening in the outside world.

7.That the purpose of business is to create and keep customer. This single line is the most important line in the entire management literature. Profit is an accounting term and is subject to too many variables and normally leads to short-term-ism specially when bonuses of the top management is dependent upon the profit at the end of the year. Drucker states that focus on profit is not only false but it is irrelevant and does harm. He says that profit is not the explanation, or cause of rationale of business behaviour but rather the test of their validity. Even if angels instead of businessmen were to set in the chair of directors they would still have to be concerned with profitability, despite their total lack of personal interest in making profits. The entity which does not earn profit becomes a burden on the rest of society .

8.The purpose of business has to lie outside the business itself and in fact it does lie in the society since business enterprise is an organ of society. Markets are not created by God but by business people. The potential wants are converted into effective demand only by business people and only then there is a customer and there is a market. The business has to define its goal as satisfaction of customer needs. Business does not ask what is it that we want to sell? It rather asks what does customer want to buy, what are the satisfactions the customer values and is willing to pay for .

9.To be able to cater to customer needs business has to be innovative. As Drucker states, it is not enough for business to provide just any economic goods, it must provide better and more economic ones. It is not necessary for the business to grow bigger but it is necessary that it constantly grow better. He defines innovation as task of endowing human and material resources with new and greater wealth producing capacity.

10. As regards innovation Drucker states that social problems should be seen as business opportunities and innovation is not only technical innovation but to be able to see social change and to mould the business around it. He gives example of major industries of 19th-century which were the result of converting new social environment of upcoming industrial and urbanised city into a new business market. This resulted in the rise of electrical lighting ,of streetcars, of public transportation of telephones newspapers as a social need and a business function . He gives example of rise of ford motor company which in 1913 increase the worker wages by nearly 2.5 to 3 times and by taking this so-called 3 times wage hike ensured that there was no no labour turnover much higher productivity and continuing growth and innovation of his company. In this ford management understood the causes of labour unrest and that high labour turnover and bitter relations were a far higher cost on overall performance of the company. Even with this Drucker argues that a business enterprise has to ensure minimum profitability before getting into assumption of social responsibility.

11. One of the crucial aspects of innovation is the abandonment of any scheme which has outlived its use. Instead of focus on this (weak) area , one must get out this and hence put scarce economic resources in ones area of strength and the ability. This simply means to let go, to get out of the products and processes which are no longer viable as the customer needs have changed. Top management will have to change with them or else the market forces will make the business irrelevant. It was this concept of abandonment with which Jack Welch the erstwhile CEO of General Electric Corporation decided that he would either be number one or number two in any line of business and would get out of all other small businesses in which GE was present but was not making either profit or impact.

Conclusion:

With focus on customer on innovation on productivity on quality and above all on personal effectiveness, reading Peter Drucker enriches and enhances a person irrespective of one's area of work. Some of his prescriptions regarding need for continuing quality improvement and fundamental need for a business to keep making profit over the long term are irrefutable. I would feel the reading Peter Drucker and understanding him in the context of whatever work one is engaged in is sure to enhance personal effectiveness in life.

10 YEARS OF FIC

LEGACY OF FIC

RIA AGGARWAL

PRESIDENT 2019-20

Tasked with introducing the visionaries that our Cell has experienced in the past 10 years is challenging for one who found summarising their past year in FIC to be trying. But I shall tread on these dangerous waters and begin by asserting that even after the former Presidents graduated from SRCC, they left their mark on us and their legacy lives on within the cell. Since its inception in 2009, FIC has propagated the urge to facilitate sharing of knowledge across all platforms, starting with the members, and to bridge the gap in pedagogy and practise. We have always believed in research and team as a priority and this journal is a representation of it, and this set of leaders reflect that. The memories culminate into a composition of the resource sessions, endless meetings and all the moments in-between with certain highlights like our venture into the technological era as pioneers with the website and app launch. Through it all, the foundation did not shake and the guardians kept adding to the milestones each year. 10 Years of FIC celebrates and offers a glimpse at the decade past, but believe it when I say, it is a peek into the future.

ANURAG AGARWALA

FOUNDER & PRESIDENT 2009-10

Dear Members of FIC - SRCC,
Well, the very objective of starting FIC was to provide SRites a vision to the financial world and a platform to step out in this world with confidence and skill. It was in the year 2010 when the idea of FIC was originated and was truly supported by Mr.Saurabh Arora and Mr. Shrey Gupta. Ten years later, it gives me immense pleasure to see that FIC has truly lived up to its expectations. I feel contended when I see the logo, as this was the first logo that I had chosen for a venture. Logos speak a lot about the venture and is one of the most powerful communication tools. As the world of finance gets more complicated and tech savvy, it is highly commendable to see the way by which the present members have conducted the working of the group. From little seeds grow mighty trees. Its been rightly said. The idea of such a cell was the little seeds that we sowed, and it has now truly grown into a fruit bearing mighty tree. Wishing all the very best to the team and all fellow SRites.

Thanking You.
Anurag Agarwala Founder & CEO RS Ventures – Automotive | Real Estate

SHREY GUPTA

FOUNDER

SRCC FIC had its genesis in the realization that for India's foremost undergraduate institution in business and economics education, our learning was heavily skewed towards theory and didn't do enough to create a dialogue and discussion on the ongoings in the real world. Today, it is a matter of pride for Anurag and I and also the groups of students that have created this shared vision of a club that cultivates a love for the financial markets and strengthens our abilities to navigate career decisions in this space. Happy 10 year anniversary, FIC! I look forward to FIC being a lively part of the SRCC clubs community over the next several years and decades!

BIKASH AGARWAL

CO-FOUNDER & PRESIDENT 2011-12

Greetings to everyone reading this testimonial. I feel immense pride in seeing the way FIC has shaped itself over the years and wish success to future society members. To introduce myself, My name is Bikash Agrawal and I was the Co- founder and President of FIC for the year 2011-2012. I currently own a firm which is involved in FMCG distribution and retail in Nepal. I also sit on the board of a co-operative bank and like to invest in the equity market. I have very fond memories of being part of FIC. Given a fairly new society, we as a team worked really hard in raising money, designing and marketing the events to successfully conduct the first edition of Episteme- the finance fest of FIC. I remember how our society members were among the first in college to start attending business fests at various b-schools. My experience as the President of FIC has immensely added to my skills and I was able to implement the learnings to my workplace and everyday life. FIC focuses more on enhancing your finance knowledge and helps you to improve your analytical skills. In the course of designing events and attending seminars, I learned more about how investments work, which instilled in me a sense of curiosity about the stock market at a young age. Through this magazine, I would like to thank my society members who were very patient with me and helped me grow as an individual. I would also like to thank our teacher incharge, Ms Pooja Dhingra Ma'am who has been a pillar of strength from day 1. I wish everyone good health and success and would like to see FIC reach even greater heights.

AVANISH BEHANY

PRESIDENT 2012-13

I remember walking into a small classroom with a handful of students when I had attended the orientation of FIC as a fresher and then walking into a packed room when I witnessed my last orientation as a final year student. It feels great to see FIC continue its good work even today and expose students to foundational learning of finance and investments. Life can be seen as a two dimensional portfolio of time and money – I hope FIC equips all its members to make the best portfolio decisions for themselves.

DIVYANSH JAIN

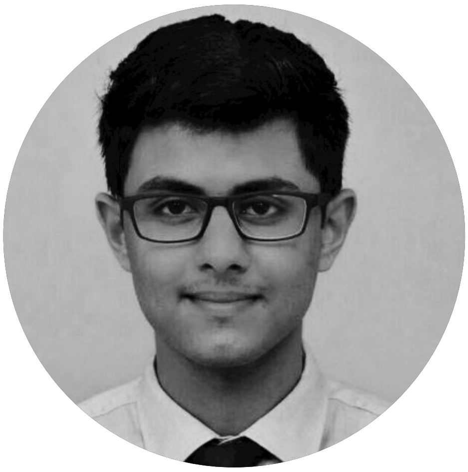
PRESIDENT 2013-14

On being asked what worked most about his business, Ray Kroc said "It is the name - McDonalds". FIC and myself had a similar attachment. When I heard that there was a Finance & Investment Cell in SRCC, I knew I had to be a part of it. I didn't know what it stood for back then and didn't really care honestly. I knew the potential of what it could be and hence I started my journey with FIC. When I was the President, my efforts were to simply scale the society from one that is inactive for most months of the year to one where we can make a presence felt throughout the year and have a full scale fest. We succeeded in having some enriching speaker sessions and inter college competitions. Vitta, our magazine was one to look forward to by most readers in our college. For members, the learning opportunities gave them an advantage that would last for a time longer than they expect. Every year has been an important transition year for this cell and only to be bigger and better and I am very impressed with how the cell has been engaging with students lately. Even during this phase of Covid, our Facebook page has been more active than ever. I hope this upward graph and momentum continues forever. FIC will always be a very important part of my college life and I am very proud to have played a small part in this timeless legacy. All the best!

PREKSHITA PATWA

PRESIDENT 2014-15

There's a lot on our minds when we start off college. For me, the world suddenly expanded and topics under commerce kept proliferating. Hundreds of students with the zeal to learn advanced finance walked through the gates of SRCC. I was lucky to find a vigorously enthusiastic and like-minded yet diverse family - FIC. The Finance and Investment Cell fostered in each one of us the financial, communicational, technical, managerial and negotiation skills required to excel. FIC has always believed in providing a research-oriented innovative environment to host one of the best student led fests in the country. The team works strenuously to put together challenging competitions, brilliant judges and seamless speaker sessions. Participants from all over the country have always praised the ingenious team behind the show. I owe so much of who I am today to this student organisation. To land in the world of Insurance, FIC has been an impeccable journey for me. I picked up all my marketing and managerial skills from my time during the inhouse events and fests. The learnings from the simplest of challenges shaped me to be resilient and fiercely creative. As President, I was trusted to induce collaboration and maintain the values of FIC. I had the privilege to work with some of the best, absolutely best juniors - we hosted our very first online fest in 2014, bonded over hours of building the creatives and content, gave classroom lectures, designed very corny t-shirts and had the best afterparties. I treasure it all in my heart (for the longest time I didn't take off the FIC logo from my bedroom wall). Congratulations and best wishes for completing 10 years. Keep soaring!



SHAHID MAJIID

PRESIDENT 2015-16

Thank you for reaching out to us for this very special edition. Seeing FIC complete 10 years has been a moment of extreme pride for us. Early in our own journeys, FIC gave us a voice, transforming us from the naive but eager and curious individuals that we were. Through our efforts, we hoped to imbibe our values and strived to make the society accessible to a larger number of incoming students, sharing with them the same platform to soak in the opportunities and learnings. With each succeeding batch, the society has only grown further, and its achievements always fill us with a sense of ownership and belongingness and of course, great joy! We wish the current and future batches all the very best in all their endeavours.

ROHAN GARG

PRESIDENT 2016-17

My time with FIC will always be an integral part of my college experience and it has a role to play in some of the fondest memories I associate with my time in college. Having seen it grow into the institution it is today I feel proud to have been associated with the society and help contribute to its growth. In terms of learning, the experience FIC provided was unparalleled with its focus on intellectual growth. The free flow of ideas amongst all member always made it feel more of a family than a society. Looking forward to witnessing the next 10 years of FIC's growth!

SHUBHAM AGGARWAL

PRESIDENT 2017-18

To say FIC was the quintessential aspect of my under-grad life would be an understatement. Countless debates, enriching sessions, well-thinking individuals, lively fest, formal tours, and most importantly, lifelong relationships, it had it all. The personal development opportunities that the cell provides to both its cabinet and its members are beyond all measures. Its been a decade since we made our tryst with destiny and I was fortunate enough to have contributed my bit for a couple of those eventful years. I wish all the success and growth of this cell and the people associated with it.

SUHANI SINGHAL

PRESIDENT 2018-19

Before beginning my journey as the President of FIC in 2018, I had one motto in mind- ' If it takes x efforts to take something on the pinnacles of success, it takes 2x efforts to stay at those pinnacles." While the journey was about embracing new highs, it was also about staying honest to the principles of the Cell and achieving the goals of bridging the gap between what we aspired to do as a team and what efforts we were undertaking for the same. With a bunch of exceptionally talented Cabinet members who always placed the interests of the Cell above their own, I didn't realise that my two years in FIC- as a first-year member and as the President- would be the ones comprising my best memories from college life. I am extremely proud to have led such an institution and am in awe of my juniors who are taking the Cell to newer heights with an ever-growing passion and enterprising spirit.

FINERGY

2019

FINERGY' 19

FIC's mid-semester research festival, FINERGY 2020 was organised on the 26th and 27th of September 2019, with over two thousand registrants in two academic events.

ENVISION

The Annual Research Paper Presentation, "Envision", is an academic competition open for undergraduates and postgraduates, which has witnessed pan-India participation from 40+ colleges, with 1000+ registrations. The theme for Finergy'19 is "Roadmap to the $5 Trillion Economy: Promotion of Inclusive and Sustainable Growth and Fostering Innovation". This was judged by Prof. Madhu Vij from Faculty of Management Studies, and Mr Ashwani Kumar, Assistant Professor, Shri Ram College of Commerce.

CASSER LE CAS

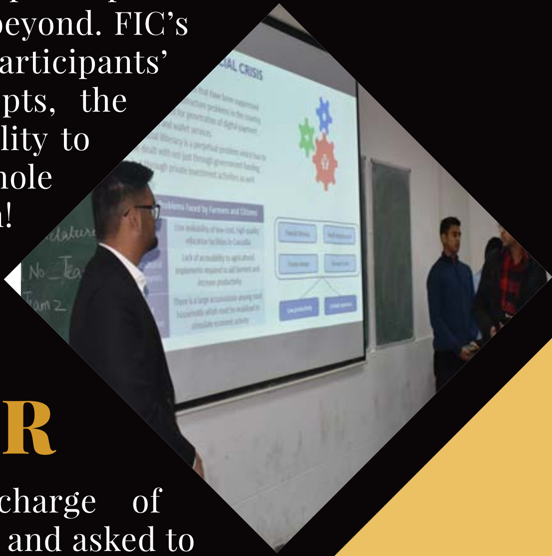
The annual case study competition of FIC in collaboration with Harvard Business Review Ascend, was held under Finergy. Case studies based on alternative investments were fully ideated and penned down by the members. The online prelims had a participation of 1000+, from which 10 teams were shortlisted for the on-campus finals, judged by Mr. Ajay Muttreja, Advisor & Mentor to Startups, FICCI Startup committee, Board Member. The cases got excellent reviews from the participants.

EPISTEME

2020

EPISTEME'20

Episteme, FIC's flagship annual fest, was held on 31st January and 1st February 2020. With seven events spread across two days, Episteme attracted over a thousand participants from all over north campus and beyond. FIC's two day annual mania tested participants' familiarity with financial concepts, the state of the markets, and the ability to think on one's feet. In short – a whole lot of learning, a whole lot of fun!



POLICYPHER

Participants were put in charge of struggling, fictional economies, and asked to choose the best alternatives among a large set of policies, in several nerve-wracking rounds.

CASINOMANIA

This event combined two simulations – an auction house and a casino floor; participants had to gamble based on their financial knowledge in two rounds.

MENACE AT METROPOLIS

This event was built on the lines of a mock stock, but what it really mocked was its participants! Amazingly fast price movements, fortunes wasted in seconds, and multiple investment avenues left participants scratching their heads in confusion.

SHRI RAM FIANANCE LEAGUE (SRFL)

Organised exclusively for school students, SRFL was an Olympiad-style competition for grades 10-12. Drawing from a syllabus composed of financial concepts, general knowledge, mathematics, and current affairs, participants were tested at two levels.


BET OR DEBT

In a series of exciting rounds, participants had to count on Lady Luck and try to turn the odds in their favour. Episteme's crown jewel, Bet or Debt was a ride that left rooms full of laughter.



CONSORTIUM

As exemplified in the title, this event had it all – dealmaking, mergers, liquidation; the pressure to act before it was too late. Participants had to navigate through a whole host of complex business problems.

B-MATRIX

A closely fought business plan competition like no other, B-Matrix demanded innovation and clarity of thought. Participants had to find convincing solutions to layered business problems.

NDTV SESSIONS

August 18th: Interactive Session on Economic Downfall in India by NDTV

October 6th: Interactive Session on PMC Bank Issue by NDTV

January 20th: Interactive session on the Citizenship Amendment Bill by Ramachandra Guha on NDTV

SHRI RAM FINANCIAL FORUM

August 19th: Session on "Economic Survey of India" by Shri Tulasi Gopinath, Director of Economic and Policy Research, Reserve Bank of India

November 16th: Session on "Financial Developments in World Economy vis-a-vis India" by Prof.(Dr.)Aman Agarwal, Professor of Finance and Dean, Indian Institute of Finance

January 17th: Mutual Fund Investor Awareness Program by HDFC Mutual Fund

FIC CONNECT

The first and only society in SRCC to have their own application named "FIC Connect" is available for download in android phones. The application includes various Articles on finance, economics and geopolitics, Stock Quote and links to our social media handles which provide informative content. The App is one of the enabling factors for students across institutions to remain one step ahead in their lives.

[Get the app here.]

FIC WEBSITE

The website contains articles as part of the blog, newsletters on various topics, access to VITTA, our annual finance journal and information regarding all events and activities.

Visit Now: www.ficsrcc.com

RESEARCH TASKS & SESSIONS

Research Tasks are allocated to students to perform either individually or in groups which prepares them to apply their own knowledge and researching abilities to perform a detailed analysis of the task assigned to them. This helps not just us but them as well to identify their growth graphs and how much have they been able to grasp from the sessions.

The students had to deliver their findings and a presentation on the task following which they had to face questions from the audience. This let us know the potential of the student and how well the student can perform in his future obligations.
Task 1: Thinking and Writing for Black White Grey section
Task 2: Identifying Disruptions in assigned industry
Task 3: Stock Tracking

Research sessions are the forte of the society. The sessions are conducted once in two weeks wherein we discuss issues of importance at hand and primarily financial models and concepts with their application in the real world. These discussions stimulate financial knowledge and awareness among the students and helps them develop their personal opinions and perspective towards current affairs.

INDUSTRY PREPARATION SESSIONS

GUESSTIMATES: The Finance and Investment Cell, SRCC organised a guesstimate session on 2nd November in order to apprise its members about the accurate approach to guesstimates, considering their relevance in interviews for professional jobs and internships.

CASE STUDY: Frequent sessions on case study solving have been taken up while discussing the various strategies to solve a case, like the McKinsey Method, BCG Matrix etc.

INVESTMENT BANKING AND CORPORATE FINANCE WORKSHOPS: Working of M&As, stock markets, sales and trading etc have been discussed in depth to prepare the members for industry.

GROUP DISCUSSIONS: They are essential for the internship and placement process, so GD etiquettes and tips on how to crack them were shared.

INTRA EVENT

An intra FIC event, Finquizitive, was organised by the members of Organising wing on 23rd and 24th October, 2019. The event was exclusive for the members of Finance and Investment cell, SRCC, with participation of 40+ students. The event comprised of 6 rounds and tested the students in the fields of finance, economics and commerce. 6 teams were shortlisted for the final round which was held on 24th October in the Seminar room. FIC members Tarini and Ishar won the event.

Finance & Investment Cell

2019-2020

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KNOWLEDGE
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OPPORTUNITIES

FINANCE AND INVESTMENT CELL

SHRI RAM COLLEGE OF COMMERCE

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