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FINOMETRICS

MBA FINANCIAL MANAGEMENT

DEPARTMENT OF MANAGEMENT STUDIES

EMV Technology

The advancement in technology has revolutionized the banking industry. Earlier, customers had to go to the bank directly to do any transactions such as depositing, withdrawing money, etc., which was inconvenient to the customers. But over time due to the changes in technology, various innovations were introducing in the banking sector. One of such innovations was the EMV Technology. EMV stands for europay, MasterCard and Visa. It is a technical standard that is used for smart payment cards and terminals. The EMV cards are smart cards that store data on integrated chips rather than on magnetic strips. These cards have to be inserted physically into a reader which is read using radio frequency identification technology. The payments cards that comply with the EMV standards are called as CHIP and PIN or CHIP and signature cards.

The three companies which created this standard were Europay, MasterCard and Visa, therefore the name, EMV. This standard is now maintained by the EMV company.

The main reason for introducing this standard was to enhance the security in transactions. Earlier all debit or credit cards had a magnetic strip that contained all the information of the customer, and when the card was swiped, it would generate a number, which would be the same every time the customer swiped his card. Also the card contained the signature of the customer. Suppose a customer purchased a product at the store and paid money by using his debit card; the customer would have had to sign the slip and the clerk would verify the signature against the one on the card to authenticate the transaction. This system has a lack of security and leads to forgeries.

EMV has information stored in chip and in order to use the card, it requires signature and a PIN. The information will be verified as the information will be sent from the chip to the terminal and this helps in securing the process.

EMV has three major benefits

- Safe transactions
- Authentication process
- Reduced theft risk

The difference between the normal credit/debit cards and EMV technology s that in the normal cards, it was easier to hack the information of the customer, but in the EMV technology it is not easy to steal and hack the customer's information. In case of EMV technology, the customer will have to enter a PIN, whereas earlier the signature on the bill would be compared with the signature on the card.

EMV technology is reshaping the way customers transact. It is bringing more security to users throughout the world.

JENITA MONTEIRO (1628821)

GMS

(Gold Monetization Scheme 2016)

Presently India is a largest consumers and importers of gold which have great significant for macroeconomic stability. Demand for gold in India is inelastic because of it high resale value, demonstration effect, rising affluence of middle class, Indian sentiments over the possession of gold jewelry, hedging tool against inflation and safe haven for parking black money. To capture the Indian perspective with regard to the gold policy since independence with major emphasis on recently launched Gold Monetization Scheme and its components – Gold Deposit Scheme, sovereign Gold Bonds and Indian Gold Coins. And also discussed gold along with problems and prospects of Gold Monetization Scheme (GMS).

The present GMS takes into account the limitations of 1999 Gold Deposit Scheme and try to remove many of them, yet, the new scheme has to face several real and emotional obstacles. The successful implementation of GMS in India demands the presence of

- Transparent and efficient gold valuation mechanism
- Modern and efficient gold storage and logistic support
- Development of environment of faith and trust in gold related transactions
- The issue of black money and gold need to be resolved
- Establishment of gold exchange and gold board
- End to end customize enterprise resource planning
- Adoption and pursuance of aggressive promotional strategy to remove the myth.

GMS is forward looking policy and the long run prospects of the scheme is depend on those factors which mentioned above. But the scheme faces it biggest challenges from the emotional attachment. And the scheme may not attain success in the short run.

GMS has worked well in Turkey where the consumption of Gold driven by the same sentiments as prevalent in India.

There are some obstacles

- Strong emotional attachment of Indians towards Jewelry
- Gold loan products are a strong deterrent
- Cost of conversion is a deterrent
- Mismatch of asset liability profile of banks in the long run

Lack of adequate and reliable infrastructure

- JESIBA RANI (1628832)

GROWING CROWD FUNDING IN INDIA

Crowdfunding is a developing and innovative online platform that gives small organization and new companies with chances to expand their online networking nearness, investment base and financing prospects. Crowdfunding is a mainstream idea of raising capital, involves the utilization of web or long range informal communication locales, for example, facebook or linkedin or twitter or even some devoted sites. Keeping in mind the end goal to raise reserves, what is required is to make an online profile and clarify the venture and gathering pledges objectives and offer the same with open everywhere, including peers, relatives, companions of companions etc.It is the procedure of one party financing a venture by asking for and accepting little commitment from numerous parties in return for a type of worth to those gatherings. Crowdfunding interfaces financial specialists with small business statups and tasks through an online exchange gateway that reduces obstructions to entry.

For moderately small amount of cash, crowdfunding offers access to greater networking of people through an online platform. As a rule, expense of raising capital is likewise lower contrasted with customary mode. Raising cash for causes is best and productive on crowdfunding platform. Most pitches and requests on crowdfunding stages are pre-confirmed and curated, and thus a boon to investors. It provides an easier platform for the entrepreneurs to raise funds from the public. Since the cash raised is spread amongst numerous investors, risk is lower for them. For business people financial specialists prerequisite can be figure and its expense may likewise get to be lower. An effective raising support is no less than a halfway approval of the thought behind the endeavor. Campaigns on Crowdfunding stages additionally give expanded perceivability of item or an administration. One gets continuous input when raising cash on Crowdfunding stages. Since most stages demand full revelation, it enhances responsibility.

There is probably crowdfunding is quickly being looked upon as a genuine method for raising assets for startup's and new organizations. There are not kidding concerns, which make it compulsory to bring this strategy under the traditions that must be adhered to. India may soon get the essential laws to bolster this is a major path, as productive crowdfunding framework can truly assume the part of impetus in bringing the startup thoughts into reality.

NEHA CHANDRA (1628837)

FAT TAX

Fat tax is tax which is imposed upon fattening food and beverages. This tax is imposed to decrease the consumption of foods which results in obesity. As we all know that obesity leads to lot of health issues. The benefits of this tax are that the people will avoid risky dietary behaviors and improving healthiness in society. Latest study indicate that the junk food outlets are shifting the dietary habits of society, pushing out customary restaurants and leading to the harmful health effects of obesity, diabetes and heart diseases. This tax first recommended by the physiologist A.J.Carlson as injurious luxury in 1942 and also suggested to make more food available to war times. Not really this concept was introduced in US .Later in oct2011, Denmark reintroduced this tax on foods like butter,milk, cheese,pizza,meat, oil and processed food. Any item which consists more than 2.3% saturated fat will be collected tax. But due to some consequences such as loosing of jobs, change of Danes' eating habits and cross border trading etc made the government to abolish the tax permanently. Another important reason for this failure is due to financial reasons also. In the year 2016, an Indian state Kerala which is ruled by CPI(M) introduced fat tax and proposed 14.5% on burgers, pizzas and other junk food which served in branded restaurants such as pizza hut, McDonald's, burger king , subway etc as the Kerala consists of 50-75 outlets of organized fast food restaurant chains. This is to protect the health of people of their state.

- MANASA (1628835)

INTERESTING FACTS

- India is the ninth largest economy in the world based on nominal GDP and the third largest by purchasing power parity.

- According to the forecast of Asian Development Bank (ADB), Indian Economy is expected to grow at 7.8 in the FY 2015 -16 and 8.2 in the FY 2016 -17.

CHANGES IN MONETORY POLICY – SLR AND DEMAND ELASTICITY DURING YEAR 2014

Monetary policy is the process bywhich monetary authority of a country, generally a central bank controls the supply of money in the economy by its control over interest rates in order to maintain price stability and achieve high economic growth. In India, the central monetary authority is the Reserve Bank of India (RBI). It is so designed as to maintain the price stability in the economy. Statutory liquidity ratio refers to the amount that the commercial banks require to maintain in the form of gold or government approved securities before providing credit to the customers. Statutory Liquidity Ratio is determined and maintained by the Reserve Bank of India in order to control the expansion of bank credit. It is determined as a percentage of total demand and time liabilities.RB
I is in the control of the monetary policies including the statutory liquidity ratio. Every year there is a gradual decrease in SLR rate. The case focuses on the decrease of SLR in the last 3 years and its effect on demand elasticity of loans in the market.

SLR Rate	Year
22%	2014
21.50%	2015
21.25%	2016

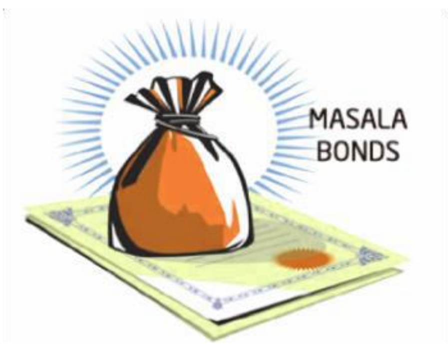
SLR in 2014 was 22% where as it came down to 21.50% in the year 2015 and further down to 21.25% in the year 2016.If any Indian bank fails to maintain the required level of Statutory Liquidity Ratio, then it becomes liable to pay penalty to Reserve Bank of India. The defaulter bank pays penal interest at the rate of 3% per annum above the Bank Rate, on the shortfall amount for that particular day. But, according to the circular, released by the Department of Banking Operations and Development, Reserve Bank of India; if the defaulter bank continues to default on the next working day, then the rate of penal interest can be increased to 5% per annum above the Bank Rate. Lower SLR, means bank can give more money as loan. It implies lower interest rates lead to cheap loans which encourages more people take loan to start business or building house or buying cars to boost the economy. Higher SLR means bank can give less money as loan with higher interest rate due which causes less demand for loans in market.

The monetary policy under RBI has been changed in recent years. SLR rate is falling and it shows the rise in demand for the loans in market as the banks get more capital to utilize for credits when the liquidity reserve is less. When there is more capital available, the interest rates come down which boosts the demand in the market for loans as they get cheaper

NISHI VERMA (1628839)

MASALA BONDS

SONALI (1628840)



What exactly are masala bonds?

These are rupee-denominated borrowings by Indian entities in overseas markets. Usually, while borrowing in overseas markets, the currency is a globally accepted one like dollar, euro or yen.These are Indian rupee denominated bonds issued in offshore capital markets. The rupee denominated bond shields issuers from currency risk, instead transfer the risk to investors who buy these bonds.Interestingly currency risk is borne by the investor and hence, during repayment of bond coupon and maturity amount, if rupee depreciates, RBI will realize marginal saving. Masala bond is a step to help internationalize the Indian rupee. Investors in these bonds will have a clear understanding and view on the Indian rupee risks. Therefore, a stable Indian currency would be key to the success of these bonds. As the investors in a masala bond will bear the currency risk, they would demand a currency risk premium on the coupon and hence borrowing cost for Indian corporates through this route would be slightly higher.Though raised in Indian currency, these bonds are being considered as a part of foreign borrowing by Indian corporate and hence would have to follow the RBI norms in this regard. Under the automatic route, companies can raise as much as $750 million per annum through Masala bonds.

Benefits of Masala Bonds

The Finance Ministry has cut the withholding tax (a tax deducted at source on residents outside the country) on interest income of such bonds to 5 per cent from 20 per cent, making it attractive for investors. In addition to this, capital gains from rupee appreciation shall be exempted from tax.Globally, there is ample liquidity thanks to lower interest rates in developed markets, but there are very few investment options due to weak economic conditions globally. India is a fast-growing large economy, and masala bonds is one way for investors to take advantage of this. Usually, retail investors as well as big institutions overseas buy these bonds.The move to permit masala bonds is an attempt to increase the international status of rupee and is also a step toward full currency convertibility.

PATANJALI: A GAME CHANGER

Patanjali Ayurveda which has gained a lot of fame due to its association with the famous Yoga guru, Baba Ramdev, was started in the year 2007. Initially the company was not doing that great. But now it has gained a lot of importance. As of now they are growing in such a rate that they pose huge threat to many of their listed competitors. Patanjali Ayurveda has been very smart in choosing their market strategies from the very beginning. The company is said to be different from its competitors like Unilever, P&G, ITC, etc. as it has stated to general public in the beginning itself that they shall plough the profits generated from the sales for social cause. The other smart move being, pricing their product lower than that of the competitors. So this helps them gain consumer base from the low income group as well. Another main advantage that they have is recent trend in consumer preference of preferring more of herbal and organic items, the trend of being more environment friendly and closer to nature. Patanjali has tapped this opportunity in the right way and has used this "herbal and natural" tag in all the advertising campaigns. BabaRamdev has also benefited from the initiatives started by Modi Government relating to Make in India. He has gone around promoting his products as 'Deshi' product, i.e produced within the nation. So he is gaining fame through hitting the patriotism in every Indian's heart. Patanjali has started the new method of promoting its medicinal products by opening clinics within their store and provide free consultancy. This is a good way of promoting as more consumers can be attracted as consultancy is free. Patanjali currently is present in food products, hair and beauty products and medicines. Baba Ramdev is aiming at a profit of Rs.5000 Crore in the current fiscal year. He is aiming at a profit of Rs.20000 by 2020. In order to achieve this target Patanjali is planning to expand its products so that customers have more varieties to select from.

Patanjali is a product very unique in its own way. It will be interesting to see how it will progress in the times to come.

- PAYAL (1628841)

INDIA AS A MANUFACTURING HUB

- POOJA (1628842)

Presently, India involves in export of many products instead of manufacturing them in home country. But government plans to increase share of manufacturing in GDP from 17.4% to 25% by 2025.At 6% annual GDP growth rate, India would need to expand two things-

1. Manufacturing value- $837.7 billion and 2. Manufacturing gross output- $3.8 trillion

To join the league of top manufacturing nations such as china, US, Germany, Japan, Korea, we have to invest in various capabilities and products. As many countries are equally good in manufacturing of various products. For exampleEastAsian countries are good in manufacturing of textile & electronic products. Africa and Latin America are good in manufacturing of mining and agriculture products.Germany, Japan &United States are top in manufacturing because they continuously invest in innovative and technical products.India, Brazil and china are lacking in electronics, robotics, design, IT and so on. India is ranking 54 out of 144 countries in manufacturing. If India is to become a true manufacturing nation, it must develop capabilities in core products and increase production. For which we have to targeting four product groups which are as follows-

Develop plan to manufacture factory machinery- Machinery is a very important part for manufacturing a product. Development of various types of machine tools gives birth to small and large enterprises. Every country has some share in this sector for entering in a big league by purchasing various machines or by developingit's in- house R&D centre.

Set-up advanced manufacturing facilities- We have to make a long term investment in R&D sector and draw our attention in manufacturing of various products like software products, designing, biology etc.

Facilitate setting-up of large capabilities to manufacture computer, TV, mobile phone and other electronic equipment and

Create large scale manufacturing facilities for producing skill and labor intensive products.

By focusing on above four groups India shall be able to develop more new products and can become a manufacturing hub and increase their share in GDP.

MACRO ECONOMIC STABILITY IN INDIA

- PRATHYUSHA (1628844)

Over time it has been observed that the Indian economy is moving towards economic stability. The record growth rate in the GDP level stands supporting the fact that our economy is progressively trending.Major developments on a macroeconomic scale took place only after 1990 when India started opening up trade to the world market. After the revolutionary LPG model the total macroeconomic scenario has had a complete makeover.In recent times a new card played in the economic and financial markets is “MERGERS AND ACQUISITIONS”. Through M&A a total of 26.3 billion was acquired over a year only through 930 deals.

The contribution of service sector in India has gown above 60% where in more than 40% is contributed by the telecom sector. Though this is a sign of development it has its own implications. Having replaced primary sector with service sector is bagging a great amount of risk. The service sector often deals with luxuries in addition to the basic needs of people. If there will be shortage of income, its impact on service sector will be quiet evident as that of primary sector. On whole shifting from primary sector to service sector increases the level of dependency on various other factors.The fact that India is an agro based country is almost forgotten. As already told the slow withdrawal of primary sector in contribution of total income is not a good sign where economic stability is concern.The world market is interested in India as they see a lot of potential spending capacity in India. The spending patterns of people in India, especially the middle class has changed. The FDI’s and FII’s are mainly attracted to invest in India because of the growth of mobilization of money and not because of the level of growth in the economy. On whole it can be concluded that, over years, there has been a stability which is still yet to be stabilized in the economy. The future uncertainty still stands high but the economy has managed to gain the trust of investors in and outside the country.

GREEN BONDS

- PRIYANKA (1628845)

The debt instrument which is raised by the companies to raise money to fund for their projects is known as a bond. The bond issuer gets capital while the investors receive fixed income in the form of interest. When the bond matures, the money is repaid. But what are actually ‘green bonds’?

Green bonds are very similar to regular bonds, but the only difference is that the money raised from the issuance of green bonds will be used to fund for the ‘green projects’ which relates to renewable energy, reduction of carbon emissions and so on. Green bonds are issued by multilateral agencies such as the World Bank, corporations, government agencies and municipalities. The reason why these green bonds have become a topic of discussion in the recent time is that the Exim Bank of India in March has issued India’s first dollar-denominated green bond for $500 million with a maturity period of five years. There was a subsequent over subscription by 3.2 times. The funds raised through this issue as said by the bank is to be used to fund green projects in countries like Bangladesh, Sri Lanka to name a few. Also previously in February, Yes Bank has also issued green bonds and raised over Rs. 1,000 crore through a 10-year bond.

But are green bonds important to India? The answer is yes. India has set an ambitious target of building 175 gigawatt of renewable energy capacity by 2022. At present it produces a mere 30 gigawatt. To achieve this himalayan goal, it requires a $200 billion dollar funding. The biggest hurdle that India is facing now is the high cost of finance (interest rates) and unattractive terms of financing. This is the reason why the green bonds has gained so much of importance with respect to India. The biggest advantage of green bonds are that they come with lower interest rates and give higher returns to the power producers. The investor also gains significantly from these green bonds because the repayment of the principal amount is not tied to the performance or success of the project. So there is no risk of repayment. However there is only one issue related to green bonds, which is the issuer generally doesn’t use the funds generated out of green bonds for the funding of the green projects and rather divert to for financing other projects. Therefore if this hurdle is removed then green bonds would be a perfect investment option for the investors globally.

IFRS and the challenges it faces

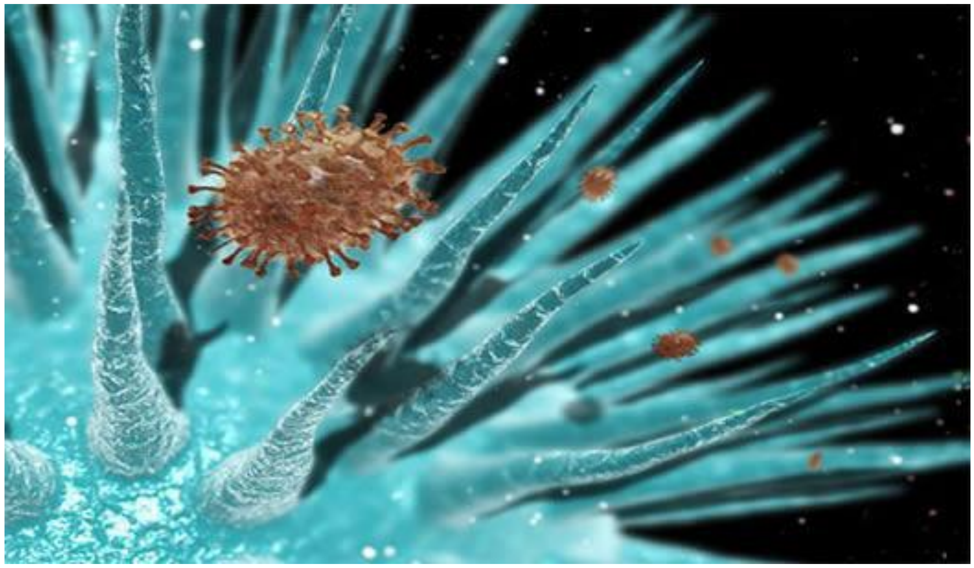
- PRARTHANA (1628843)

The adoption of IFRS(International financial reporting standards) is a vital part for every economy. And after the adoption of it by most of the countries, the first one being U.S. , India could not have stood back into adopting the same. This comes with a lot of challenges in adaptation and implementation of the standards according to the Indian accounting standards and also the company law.

Briefly, these challenges can b summarized as follows:

There are a lot of differences between the GAAP(Generally Accepted Accounting Principles) and the IFRS. The entire set of financial statement would have to undergo a lot of changes and this is very deep routed. There is lack of training and education among the people concerned and this will pose a huge threat in implementation of the IFRS. The regulatory and the legal requirements of India will pose a huge threat and constraint towards implementation of IFRS in India. The regulatory bodies have to work together in order to combat with all these problems. The convergence would affect most of the items in financial statement of an organization and therefore the tax liabilities too. Thus, the tax calculations and the treatment should be changed from GAAP to IFRS in order to get the right treatment in the books. IFRS uses the fair value method to measure the financial statements of an organization. This can bring a lot of instability. Therefore, the valuation experts have to put in a lot of efforts. The awareness of these reporting standards is still not there among the stakeholders like Firms, Banks, Stock Exchanges, Commodity Exchanges etc.. To bring a complete awareness of these standards among these parties is a difficult task. All the challenges mentioned here can be worked out by bringing a proper Internal Control & Reporting system in place. Firms, Regulators and Stock Exchanges in India should take some guidelines from the countries which have adopted the IFRS and have similar economic, political and social conditions.

A Review on Pandemic Emergency Financing



The World Bank is committed to engage in business practices that enhance the wellbeing of its staff while protecting the ecosystems, communities, and economies in which the Bank operates. The World Bank announced its commitment to Corporate Social Responsibility (CSR) in 2002. It has made lot of effort to contribute towards problems related to climate change, economic recession or any other matters related to the sustainable development of the global society as a whole. Pandemics are epidemics that are spread across a large region like a continent. Pandemics pose a serious threat to aspects such as global health security, economic security and measures taken to achieve Sustainable Development Goals. Pandemics, if addressed early, are to a far extent preventable. Money and support delivered at the right time can save lives and economies. But at present, there is no efficient mechanism to make available significant funds to such countries to help them fight a pandemic outbreak.

Money is not brought to the table until a major outbreak hits an explosive point. Without a strong system in place, the world will simply continue to move from crisis to crisis. Pandemic Emergency Financing (PEF) is a facility introduced by World Bank on 21st May, 2016.The main aim of this mechanism was to provide required financial support on occurrence of any kind of pandemics. It is a joint collaboration of World Bank, the World Health Organization and other public and private sector partners. It tries to fill the gap between the limited funds available at the early stages of a pandemic outbreak and the assistance that is mobilized once an outbreak has reached crisis proportions. Pandemic Emergency Financing is taking a lot of effort to achieve this goal by providing quick finance so as to help prevent serious disease outbreaks from becoming more deadly and costly pandemics. The PEF will boost outbreak response, save lives and reduce the costs of response. The PEF is also taking steps to create a new market for pandemic insurance. This effort will bring betterment in pandemic preparedness and pandemic response planning. The PEF will also stimulate efforts by countries and development partners to build better public health capabilities for disease surveillance and also take measures to strengthen health systems. All these steps will help the PEF to succeed in its march toward a universal health coverage system.

- JETSSY SEBASTIN (1628833)

1. Recently we read in the newspapers that the Reserve Bank of India (RBI) plans to launch an outreach programme across the country to evolve a workable model for which of the following?

(A) Fight with the menace of fake currency in India

(B)Banking at the village level

(C)Public Private Partnership all over India in Rural & Urban Areas

2. K C Chakrabarty at present is at the following designation?

(A)Deputy Governor RBI

(B)Finance Secretary India

(C)Chairman Punjab National Bank

3. Recently we read in the newspapers that RBI is evolving models to achieve more "Financial Inclusion". Which among the following is a big problem in rural branches which poses a backdrop in 'financial inclusion'?

(A)There is little infrastructure in Rural areas of India

(B)Most of the rural branches are not CBS (Core Banking System) compliant

(C)The Banking Business in Rural areas is not profitable

4. Which of the following was the first corporation which collapsed due to the present Global Recession?

(A)Merrill Lynch

(B)Lehman Brothers

(C)Morgan Stanley

5. Recently we read in the newspapers that Export Import Bank of India (Exim Bank) is considering raising funds through Samurai bonds. Which among the following is true about Samurai Bonds?

(A)Yen-denominated bonds issued in Japan by a non-Japanese company and subject to Japanese regulations

(B)Yen-denominated bonds issued out of Japan by a Japanese company and not subject to Japanese regulations

(C)Yen-denominated bonds issued in Japan by a non-Japanese company and however not subject to Japanese regulations

6. Recently government has set up a standing committee on infrastructure finance, which will comprise 11 members, including Planning Commission secretary, RBI deputy governor, Irda chairman, and IIFCL chairman. Who will head this committee?

(A)D Subba Rao

(B)Ashok Chawla

(C)O P Bhatt

7. In which of the following banks Govt holding is 100% ?

(A)Indian Bank

(B)Union Bank of India

(C)United Bank of India

8. Recently World Bank has coined a new term CPL based on how people define poverty. Which among the following is correct expansion of CPL?

(A)Common Poverty Line

(B)Community Poverty Line

(C)Country Poverty Line

9. Many a times we read in the newspapers about money multiplier. For example it was 5.0 in December 2008. Money multiplier is a ratio between which of the following?

(A)M3 to M0

(B)M1 to M3

(C)M0 to M3

10. What was India's Foreign Exchange Reserves at the end of March 2009?

(A)$ 252 Billion

(B)$ 325 Billion

(C)$ 292 Billion

ANSWERS

1. B
2. A
3. B
4. B
5. C
6. B
7. C
8. B
9. A
10. A

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