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The Finance and Investment Cell

# FROM THE CONVENOR'S DESK



Ashutosh Yadav

The Finance and Investment Cell, Hansraj College is a voluntary group of students aiming to disseminate quintessential knowledge on finance, investment and related aspects through the conduct of its activities throughout the year.

Since its inception in 2012, the cell has traversed a great path to grow in size, scope and shape so as to make it more engaging for its members and community. We've diversified ourselves from activities eponymous to the name by launching our very own in-house mentorship and consulting wing and social wing last year.

Moving ahead after three successful issues, in the fourth edition, we hope that we can curate the best content for all our readers so as to make it not only informative but also interesting and relatable. We promise to be unfettered in our efforts so as to make finance easy and simple for you. With a hope that these pieces help you enhance your knowledge, we wish that you have a pleasant reading experience.

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# TABLE OF CONTENTS

## FINANCIAL HIGHLIGHTS

- Reliance Jio planning to sell 5G smartphones for Rs 2,500-3,000 per piece
- RBI foists Rs 22 lakh fine on DCB Bank for violation of marketing norms
- The potential handshake of Tata Group and Big Basket
- India to see Negative or Near Zero GDP Growth this Fiscal Year – FM
- RBI fixed Minimum NOF at Rs 25 Crore for Housing Finance Companies
- Foundation laid on identification of more PSUs for Sale by NITI Aayog
- Credit Growth to the industry was nil in September
- Jio Payments fined Rs 1 crore for not abiding by the rules
- NBFC need to follow measures to ward off risks

## FEATURED ARTICLES

- Big Data and IoT
- Cafeteria Plan
- Case study on NETFLIX
- Triple Bottom Line
- Personal Finance, No more an Issue!

## EDITORIAL

- The Farm Bills 2020 – Farmers' Paradise or Purgatory
- Human Resource and Finance:- Two Departments with a Shared Vision

## FIN FUN

- Weird Wizard
- Did you know?
- Solve a puzzle

# FINANCIAL HIGHLIGHTS

Keep yourself updated





## Reliance Jio planning to sell 5G smartphones for Rs 2,500-3,000 per piece

Post the announcement of 2G Mukh Bharat by business magnate, Mukesh Ambani in the 43rd Annual General Meeting of Reliance Industries, the company is planning to launch 5G smartphones for less than Rs 5,000. The price would gradually be brought down to Rs 2,500-3,000 per piece once it augments its operations, as confirmed by a company official. It aims to target 20-30 crore of mobile phone users who are currently availing 2G services. Hitherto, India does not have 5G services and

neither the government has allocated spectrum to telcos for running field trials. However, 5G smartphones are available in India with a starting range of Rs 27,000. With the launch of its smartphones, Jio is also working on its own 5G network equipment and has asked the Department of Telecom to allocate its spectrum for testing.

5G networks in India were once expected to launch by late 2020 or early 2021, but now it would be a tall order with the pandemic wounded economy.



## RBI foists Rs 22 lakh fine on DCB Bank for violation of marketing norms



The Reserve Bank of India, on 28th of October, imposed a monetary fine of Rs 22 lakh on the private sector lender DCB Bank for violation of provisions of the directives of the central bank on marketing/distribution of mutual fund/insurance etc.

"The penalty has been imposed in exercise of powers vested in RBI under the provisions of Section 47A(1)(c) read with Section 46(4)(i) of the Banking Regulation Act, 1949," the RBI said.

An off-site examination of the bank's records was conducted by the RBI to check the para-banking activity in a matter related to default on the National

Stock Exchange Limited (NSE), which revealed non-compliance with the RBI directives. In furtherance to the same, the RBI issued a notice to the bank to state the reasons for non-imposition of the penalty despite the non-compliance. However, ultimately the RBI vindicated the aforementioned charges after considering the bank's reply on the issued notice, oral submissions in personal hearings, and examination of additional submissions.

# The potential handshake of Tata Group and BigBasket

With Reliance Industries Ltd paving its way through the Indian online grocery market with JioMart, the Tata group has too joined the party. The group is in an advanced phase of negotiations with India's largest e-grocer BigBasket in buying a large strategic stake of about 50% for about a billion dollars in the online supermarket. If struck, the deal would give a kickstart to Tata Group to take on the three big players in India's



burgeoning online grocery marketplace: Reliance Industries Ltd, Walmart-owned Flipkart and Amazon. Apart from the Tata group, private equity funds Temasek and Generation Investment Management, too, were in discussions to invest in BigBasket.

## India to see Negative or Near Zero GDP Growth this Fiscal Year – FM



The Union Finance Minister Nirmala Sitharaman while addressing the 4th Annual India Energy Forum at CERA Week on October 27, said that India's growth this year will be negative or near zero. She also mentioned that next year India can be one of the fastest-growing economies despite the downfall. She further added that the commencement of festival season is expected to drive up the demand, making way for sustainability. She added that the FDI inflow between April and August this year grew by 13% as compared to the non-COVID 2019 period, and globally India is the lowest in terms of corporate taxation. The latter is because any investment which comes into manufacturing and which commences production by 31st March 2023, they shall be paying only 15% corporate tax.



## RBI fixed Minimum NOF at Rs 25 Crore for Housing Finance Companies

The RBI on 22nd October fixed the minimum Net Owned Fund size for housing finance companies at Rs 25 crore. Net Owned Fund (NOF) refers to the aggregate of the paid-up equity capital and free reserves as disclosed in the latest balance sheet of the institutions, in our case HFCs. RBI has ordered that the HFCs holding a certificate of registration and possessing a NOF less than Rs 25 crore must achieve NOF of Rs 15 crore by March 31, 2022, and Rs 25 crore by March 31, 2023. The RBI has issued the revised regulatory framework for HFCs. The HFCs failing to achieve the prescribed level within the specified period shall not be eligible to hold the Certificate of Registration as HFCs and the registration for such HFCs shall be liable to be canceled as per the RBI.



## Foundation laid on identification of more PSUs for Sale by NITI Aayog



Under the government's plan to exit non-strategic sectors through privatization or strategic disinvestment, the foundation has been laid by NITI Aayog for the identification of more Public Sector Enterprises for sale. The Aayog has asked different ministries for recommendations of the enterprises which can be considered for a strategic sale wherein

both ownership and control will be transferred. This outlook will, in turn, help the government mop up funds for the essential sector, while retaining only a few public-sector units in strategic sectors which could include defence, banking, and insurance, steel, fertilizers, and petroleum. The government aims to raise Rs 1.2 lakh crore in the current fiscal year through strategic sale of PSUs and another Rs 90,000 crore from disinvestment of the stake in public sector banks and financial institutions, making the total to Rs 2.1 lakh crore. The Aayog had recommended 48 companies in the first round of disinvestment, including Air India and certain assets of NTPC, Cement Corporation of India, and Steel Authority of India.



## Credit Growth to the industry was nil in September

Credit growth to the industry was nil while banks increased lending in the services sector on a YOY basis in September, according to data from the Reserve Bank of India (RBI). Growth in credit to the industry was nil in the year to September, but it had grown at 2.7 percent year on year in the immediate preceding year. Credit to food processing, petroleum, coal products, and nuclear fuels, leather and wood products, and paper products registered credit growth in September. Credit growth to beverage and tobacco, construction, infrastructure, rubber plastic and their products, chemical and chemical products, glass and glassware, and all engineering decelerated or contracted.



## Jio Payments fined Rs 1 crore for not abiding by rules



The Reserve Bank of India (RBI) said on Wednesday that it has fined Jio Payments Bank Rs 1 crore for not complying with its directions on timely submission of the application to reappoint the company's Managing Director and Chief Executive Officer. Jio Payments was required to submit an application under Section 35B of the RBI Act in the case of reappointment of MD & CEO of the bank four months before the date on which the executive's term was to expire. The bank submitted the application less than a month before that date.

## NBFC need to follow measures to ward off risks

Non-banking financial companies (NBFCs) need to follow prudential measures to ensure that risks do not mount and be vigilant about the quality of lending in these difficult times, Chief Economic Adviser K V Subramanian said on Thursday. While regulators are mandated to monitor these things, at an individual level every NBFCs need to monitor its rollover risk and interconnected risk as well because in times like these prudential measures must be taken by each NBFCs to ensure that risks do not mount. He also noted that "another key aspect that must be kept in mind is that forbearance is necessary at this point but the previous episode of 2008-09 (global financial meltdown) illustrates very well the kind of zombie lending that continued can add insult to injury.



# FEATURED ARTICLES

More than just finance





# BIG DATA & IOT

# TWO SIDES OF THE SAME COIN

## Big Data and IoT

By Vedant Shandilya and Keshav Gupta  
(Sponsorship Department)

More often than not we come across terms like Big Data and IoT, ever wondered how they are related to each other? Or how do these phenomena influence each other, and what are the dangers and chances that can result from this interaction?

Lets start by defining the internet of things.

The Internet of Things works with devices or things that are connected to the Internet. You may think that a lot many “Things” like computers, laptops, smartphones, Game consoles, etc. also have an Internet connection to them? IoT is not primarily about computers and cell phones, but above all to everyday objects like refrigerators, lamps, locks, toys, and even toothbrushes. According to Gartner, in 2017- 8.4 billion networked devices were online, 31 percent more than in 2016, and by 2020 it is even expected to reach 20.4 billion devices that are connected to the network.

The best-known examples of IoT at the moment are certainly the so-called “digital assistants” like Alexa from Amazon or Home from Google. The aforementioned devices are loudspeakers with microphones that responds

to voice commands and are connected to the cloud. With them not only is it possible to check the weather forecast or listen to music, but they can also be used with other networked devices. This way, a voice command can be used to switch light bulbs on and off.

Other applications are for example thermostats, with which the heating system can also be regulated. There are also so-called “smart locks”, i.e. intelligent locks that are compatible with the Smartphone making security cameras obsolete. Monitoring systems with an installed camera and alarm function in the house- or a sensor that detects dangers such as fire. IoT is also found in the field of medicine and fitness- there have already existed wristbands, which contain data about their wearers and present the current state of health. Also, in the field of traffic planning, IoT comes to Use: buses, trains, cars, traffic lights, roads, etc. are increasingly equipped with sensors, often under the catchword “Smart Cities”.

### What does this have to do with Big Data?

If there are devices everywhere that are connected to the network, they generate a

vast amount of data. According to the US company Cisco, 400 Zettabyte of data was downloaded in 2018. A staggering increase from 2013 where it was only 3.12 zettabytes. If one would want to burn this amount of data to DVDs, we would need 10 trillion of the discs. To be able to use these enormous mountains of data, you need data centers where the data can be stored and analyzed – and of course the right Big Data algorithms.

The "Big" however, in Big Data not only refers to the sheer volume of data but also to the speed at which they are generated and to the different types of data for example, the musical taste of the people listening to Alexa. This data is collected to be used later in databases to be integrated. For example, in a "smart city," an overview of which roads have traffic jams, where a traffic light has failed, or in which district the air quality is particularly good or bad can be created. In some cases, the data must be prepared very quickly for example, burglar alarms or health wristbands, which monitor the heartbeat of a person.

The possible applications for IoT data that can be evaluated using Big Data methods have enormous potential: a more efficient agriculture, which requires less water, fertilizer, and pesticides, early detection of diseases, a better transport system, automated apartments, which are constantly adjusting according to the needs of their residents, etc.

The possibilities are seemingly endless, but with every technology, there also a lot of dangers and risks.

At first glance perhaps not obvious, according to the Data of an intelligent light bulb about a person shows that this is a very good way to record at what time the user is at home or sleeps. If burglars were to use these data, they could find out when a break-in is worthwhile. There are other problems besides data theft as well. Because millions of IoT webcams do not have enough protection, they could be hacked and the botnet misused for DDoS attacks. This means hackers might be able to access foreign computer networks.

### **The question of significance now is how do we protect ourselves?**

Data economy should be a top priority when using IoT devices and we must switch off devices more often if possible, especially digital assistants, who are always "listening", and can become a privacy hazard. However, the burden is not always on the users, it might also be on the manufacturer of the devices.

Resolutions from a conference in Mauritius recognized that IoT in connection with Big Data has made our lives easier, but that the manufacturers of these devices because of the large amounts of data, which they produce and analyze, bear a large amount of responsibility.

Resolutions from a conference in Mauritius recognized that IoT in connection with Big Data has made our lives easier, but that the manufacturers of these devices because of the large amounts of data, which they produce and analyze, bear a large amount of responsibility.

The several points were made at the Mauritius conference on IoT like, self-determination is an important right for all people and that data collected by IoT devices should be considered personal data and treated accordingly. Manufacturers of IoT devices should make clear what data they collect and for what purposes. Alongside this, data protection should be integrated into the design process of these devices and data should, if possible, be analyzed on the devices themselves – otherwise an encrypted connection should be used for transmission. The Data protection authorities should strictly monitor compliance with the relevant laws.

The conclusions drawn are that the Internet of Things offers, especially in the connection with Big Data, many great possibilities. Unfortunately, there are also at least just as many dangers that lurk on us. It is therefore important to be vigilant and be aware of the products we buy.



# Section 125 Plan (Cafeteria Plan)

## Cafeteria Plan

By Aneesha Bajesaria and Mehul Talwar  
(Research and Development Department)

Sounds like a plan you would not procrastinate to make or one you wouldn't cancel on, right? Well, the actual meaning of a cafeteria plan is nothing related to food or beverages. But it is definitely one you wouldn't want to cancel on. Just as individuals make food selections in a cafeteria, employees get to choose the benefits of their choice from a pool of options offered by the employers to contribute before payroll taxes are calculated.

Precisely, a cafeteria plan is an employee benefit plan in the United States that allows employees to choose from a variety of pre-tax benefits. They can contribute a portion of their gross income to an account before any taxes are calculated and deducted. This means that the gross total income would be lower and their tax liability would be lower. Employees need to estimate how much money they are going to contribute to their cafeteria plan before the tax year begins. The elected amount of money is divided by the number of payroll periods and deducted from each pay-check for the duration of the plan. The funds allocated but not spent by the employees are forfeited. For instance, if Rahul allocates \$3,000 for medical expenses but only spends \$2,500, he ends up forfeiting \$500. Employees who exceed their allocated funds

pay a partial premium to their employer. So if Rohan spends \$1,000 over his allocated contribution, he pays a portion of that amount himself.

A cafeteria plan is also referred to as a flexible benefits plan or Section 125 plan as employees of employers with cafeteria plans may obtain such benefits as health insurance, group-term life insurance, voluntary "supplemental" insurance (dental, vision, cancer, hospital confinement, accident, etc.), and flexible spending accounts through the plan. The employer deducts the contributions chosen by the employee and therefore, are not actually or constructively received by the staff. Hence, the contributions do not come under the purview of wages for federal income tax purposes, nor are they usually subject to the Federal Insurance Contributions Act tax (FICA) and the Federal Unemployment Tax Act (FUTA).

Opting for a cafeteria plan has both its advantages and disadvantages. One of the biggest advantages is that it is a tax savings scheme both for the employer and employee. An employee's pre-tax contributions are not subject to federal, state, or social security taxes. Employers save on the employer portion


of FICA, FUTA, and workers' compensation insurance premiums. These plans also prove useful as diversity within workforces continues to grow and employees wish that the company could offer a couple of personalized benefits that cater to their needs for providing their services. A selection of a flexible plan like the cafeteria plan allows employees to do so. To give a little context, the best option for an employee reaching retirement would maybe to make contributions to their retirement savings scheme, while an employee with a large family may find it useful to invest in an extended health insurance plan which will provide optimal coverage. Additionally, by offering more flexible cafeteria-type benefits, employers gain an edge in attracting and retaining valuable employees. Giving employees control over their benefits also promotes goodwill and creates a partnership in the benefit program between employer and employee.

While cafeteria plans are advantageous to both employers and employees, some limitations exist. To begin with, the uniform reimbursement rule can put the employer at risk if an employee in a Health Flexible Spending Arrangement (a type of cafeteria plan) quits before contributing the full amount for which he has been reimbursed. Cafeteria plans also have a limitation on non-taxable benefits to key employees. The non-taxable benefits that can be provided to key employees cannot be greater than 25% of the total non-taxable benefits provided to all employees under the same plan. Also, under a cafeteria plan, only certain qualified benefits can be made available. An employer can offer an employee the choice between cash or a non-taxable benefit. If the employee chooses the benefit, it will remain non-taxable. But, if cash is chosen, it will be included as income. Non-taxable benefits include accident and health benefits, dependent care services, group term life insurance, and health savings accounts. A cafeteria plan may not include scholarships, educational assistance, employee discounts,

and retirement benefits.

To conclude, the advantages of establishing a cafeteria plan are many for both the employers and the employees which significantly outweigh any perceived disadvantages. Employees can receive the benefits they want while at the same time reducing their own and their employer's tax liability and helping to control the costs associated with the benefits.

## Example of Employee Tax Savings with Section 125 Plan



	Section 125 Plan	No Section 125 Plan
Gross Salary	\$50,000	\$50,000
Health Insurance Premium	5,000	5,000
Taxable Wages	\$45,000	\$50,000
Income tax on wages	5,800	6,900
FICA tax on wages	3,443	3,825
Net Employee Pay	<b>\$35,757</b>	<b>\$34,275</b>

Core Documents Inc.

*\$1,482 annual tax savings with Section 125 Plan*



# NETFLIX

## CASE STUDY ON NETFLIX

By Rajat Sharma

(Mentorship and Consulting Department)

Co-founded by Reed Hastings and Marc Randolph in 1997, Netflix started as a DVD sales and rental by mail but after a year they focused on online DVD rental service. Netflix then launched its first sales website and DVD rental in 1998, known as Netflix.com. It further introduced a subscription service in the year 1999 that provided limitless DVD rentals per month for a low price. During the year 2000, Netflix had introduced a custom-made service for movie recommendation that made use of Netflix members' ratings that would predict choices accurately for all the it's members. In 2007, Netflix introduced streaming media online while retaining its DVD rental service. They started expanding online streaming internationally in 2010. With such a global reach, Netflix's profits tripled this year. Netflix Inc.'s growth and success are attributable to business strengths and competitive advantages that enable global expansion and market dominance.

### SWOT ANALYSIS

#### Strengths

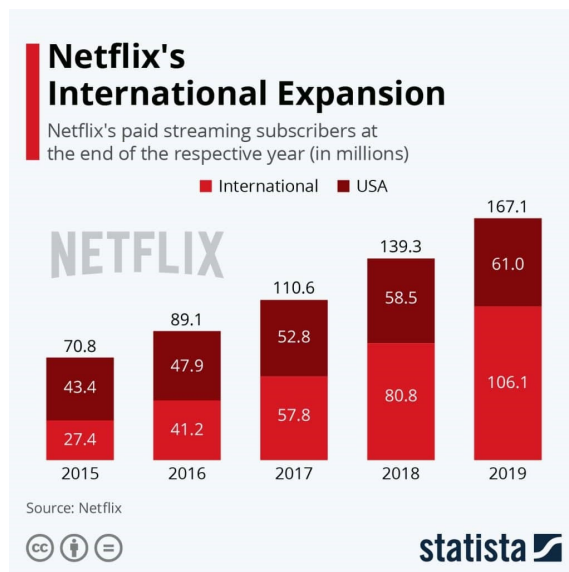
- **Rapid Growth:** Netflix as a brand has become quite influential for online streaming content all across the world in

the past 10 years. The brand and its operations are being acknowledged by People around the world and it can be seen by the millions of subscribers it has.

- **Modest Pricing:** Netflix's pricing strategy is so competitive and affordable that it gives an opportunity to its subscribers to watch limitless movies on DVD or streaming for less charge per month. This platform is less expensive than cable movies or going to movie theatres and therefore, this provides a wider selection. Additionally, Netflix has premium plans for subscribers for a higher price.
- **Uniqueness:** Netflix is known in the market not only for it's superior quality content but also for the originality of it's content. Few original shows have been a great hit for the brand like Narcos, Stranger things, Orange, and Mindhunter, and due to this, the subscribers were on the rise every quarter.
- **Technology:** Netflix relies on a large global technology infrastructure to be able to store and deliver videos on demand. Additionally, it needs to operate across different languages and offer personalised recommendations through its machine



Learning and AI technology.



## Weaknesses

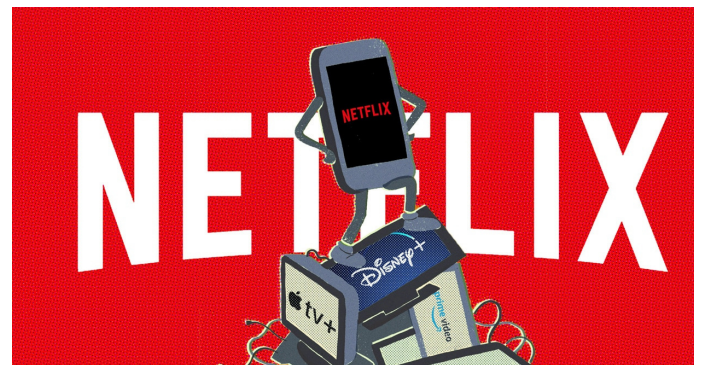
- **Increasing Debt:** To keep its quality and technology upgraded, Netflix requires a lot of funds and this in turn, leads to piling up of long-term debt to fund the new content. As of April 2020, Netflix reported \$14.17 billion in debt and plans to raise \$1 billion more through a debt offering. The increase in debt every year is a major weakness.
- **Rigid Pricing:** Customers demand customized pricing with more options. Unfortunately, Netflix's pricing model is rigid with only three tiers, Basic, Standard, and Premium. The lack of different options has contributed to stagnation in the number of new subscriptions.
- **Imperfect Copyright:** Most of the original programming does not belong to Netflix and this impacts the brand undesirably. The rights that are taken from a few other studios expire over the years and then those content appears on other websites. This becomes a copyright issue which again is a major weakness of the brand.

## Opportunities

- **Expansion:** Since Netflix has a vast customer base, it can enter many other countries and expand its services and their subscribers. At present, it is not available in markets

like North Korea, Crimea, Syria and China. Therefore, the company can initiate to target such countries where it does not have its operations currently.

- **Niche Marketing:** Producing region-specific content in their local languages is also another big opportunity for Netflix. Niche Marketing has been proven beneficial for Netflix. For example, it started an original TV series 'Sacred Games' in India, and Spanish series 'La Casa de Papel' (Money Heist), which are massive hits.



**Alliances:** Netflix should partner with many telecom providers and provide excellent packages in many other countries like various other OTT platforms; Amazon Prime Video, ZEE5, ALTBalaji and many more are doing. Having various partnerships and alliances with them can offer more benefits to Netflix.

## Threats

**OTT Market Competition:** Facebook is the latest in the run to try and take on traditional media by launching its own original content. Amazon, Hulu, HBO, YouTube are all competing for audiences to subscribe to their platforms. For Netflix, this will continue to develop as more companies seek to buy the latest 'original content' exclusively for their platform.

**Digital piracy:** For more than 30 content providers (including Netflix), piracy has led to 5.4bn downloads of media content in 2016 alone. This threatens the whole of Netflix's business model and ability to fund content in the future.

**Government Regulations:** There are strict government rules for the Netflix service, that varies for many countries, which is certainly a threat to Netflix.



## Conclusion

The SWOT analysis of Netflix highlights where the brand currently stands and the threats it is facing in this era. In order to gain profits and subscribers, Netflix should tap into new geographical locations by partnering with their local cable providers and streaming their local content, as well as international content in various languages.

Netflix can also try connecting with IMDB, Rotten Tomatoes, and other internet services to provide a variety of ratings and other information for their users.

Netflix should strengthen their security to avoid digital piracy. They can also provide even more generous subscribing packages for different economic classes and improve their application and website by providing a more user-friendly interface for their subscribers.



# Triple Bottom Line

*A bridge between Corporate Capitalism and Deliberate Socialism*

By Mannat Kalra, Khushi Jindal (Social Wing)

Traditionally, businesses were only concerned with the monetary profits. Today, leaders and organisations have begun to think sustainably. The triple bottom line theory expands the traditional accounting framework to include two other, very imperative performance areas: the social and environmental impacts of their company towards the society and economy as a whole. Controlling your environmental bottom line means managing, monitoring, and reporting your consumption and waste and emissions.

The Triple Bottom Line involves the assessment of overall business performance based on three important areas: Profit, People and Planet. This denomination, characterized so well by British author John Elkington, is a beacon for most of the companies worldwide. In his model, John Elkington argues for a more balanced approach for measuring performance over time.

So Profit, People and Planet aims to measure the financial, social and environmental performance of a business expanded over a period of time.

## Profit

- So Profit, People and Planet aims to measure

the financial, social and environmental performance of a business expanded over a period of time.

- Identified from income statement (profit and loss account)
- Audited = reliable figure

## Planet

- Measures the impact of business activity on the environment
- **More tangible:** e.g. emissions, use of sustainable inputs, eco friendly products

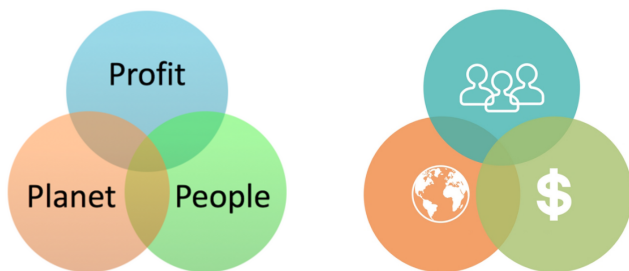
## People

- Measures extent to which business is socially responsible (community)
- Harder to calculate & report reliably & consistently

The Triple Bottom Line method asks you to see beyond the traditional bottomline of business to the profits that your business makes socially, environmentally, and economically.

The Social bottom line measures your business' profits in human capital, including your position within your local society. Your social bottom line increases by having a fair and beneficial labour practice and through corporate community involvement and collaboration.

The Triple Bottom Line approach arose out of frustration with traditional, financial and monetary-focused measures of business activity, which emphasised on profit, as the key metrics like: Businesses are usually known to be as profit-maximisers; Profit is the traditional measure of business success; Profitability is closely linked with business value (e.g. share price and market capitalisation) and Profits often serve as the basis for financial incentives'.



### Benefits of Measuring the Triple Bottom Line

The potential benefits and advantages of measuring a broader scope of business performance based on Profit, Planet & People include:

- Businesses are encouraged to think beyond narrow measure of performance (profit)
- It also encourages CSR reporting
- Supports measurement of environmental impact & extent of sustainability

Though the triple bottom line has been in existence for over decades, happenings such as the 2008 financial crisis, the BP oil spill, and climate change cast an almost constant spotlight on corporate ethics and corporate social responsibility. "Business as usual" now has an altogether different meaning. For multinationals, changing operations to minimize risk and fight climate change, for example, requires a lot of time and money. But an upfront investment in corporate

sustainability can pay off and prove to be valuable. According to a study, companies that took sustainability seriously—by making a business case for it and setting concrete goals—were the ones that profited from sustainable activities. The success and profitability of corporate sustainability initiatives truly depend on one single thing: a talented employee who knows how to take the triple bottom line from theory to reality. This employee must have sufficient and specialized knowledge of environmental science, accounting, and economics as well as leadership skills and the ability to use systems thinking to make strategic business decisions.

Sustainability is the future. And with this unique mix of experience and skills, sustainable management professionals can build some of the most prosperous triple bottom line companies in the world.

### Criticisms of The Triple Bottom Line

- Not very useful as an overall measure of business performance
- Hard to reliably and consistently measure People & Planet bottom-lines
- No legal requirement to report it – so take-up has been poor

It can be difficult to switch gears between priorities—like maximizing individual financial returns while also doing the greatest good for society. Some companies might struggle to balance deploying money and other resources, such as human capital, to all three bottom lines without favoring one at the expense of another.

### Repercussions of Ignoring the TBL Framework

There can be dire repercussions of ignoring the TBL in the name of profits. Three well-known examples are-

- Destruction of the rainforests.
- Exploitation of labor
- Damage to the ozone layer



Consider a clothing manufacturer whose best way to maximize profits might be to hire the least expensive labor possible and to dispose of manufacturing waste in the cheapest way possible. These methods might well result in the highest possible profits for the company, but at the expense of miserable working and living conditions for laborers, and harm to the natural environment and the people who live in that environment, would prove costly.

To conclude, success or failure on sustainability goals cannot be measured only in terms of profit and loss. It must also be measured in terms of the well-being of billions of people and the health of our mother earth. Conscious effort and will, improved stakeholder participation and engagement towards these bigger goals that the businesses can have might fine tune the situation and higher and newer expectations.



in spite of its drawbacks since it answers a deeply felt need in Japanese society. For this reason, the practice may continue in Japanese corporate management even if other destructive practices have to be modified or abandoned.

### Long-range planning

It is sometimes claimed that Japanese executives excel in long-range planning and give less emphasis to the rate of return on investment in the short run. One must, however, distinguish long-range planning from long-term vision setting. Japanese top executives are really facilitators rather than planners. The CEO first announces a long-term vision that members of his organization are to follow. For example, such visions proclaimed in corporate brochures and public speeches by CEOs as Matsushita's "leap from an electrical appliance company to a global maker of comprehensive lines of electronic products," Honda's "enduring entrepreneurial vitality," and Hakuodo's "marketing engineering, helping clients to design and deliver consumer needs," help point a general direction rather than embody a formal strategy.

Vision setting helps strengthen organic unity among employees. Annual budget plans supplement the vision with very little strategic thinking involved. Some Japanese corporations, however, have recently installed formal strategic planning systems.

The search for new and effective management practices is common to all companies in this era of rapid technological change and competitive uncertainty. It is only natural for western and Japanese companies to investigate the sources of each other's successes and failures. Learning from each other, however, requires patience and careful analysis. A close look at Japanese management practices exposes problems and weaknesses as well as achievements and strengths. Simple attempts to copy success are not likely to pay off.





# Personal Finance, No more an Issue!

By Khushi Gupta (Joint Secretary), Samta Sudiksha (Secretary)

Commercium - The Commerce Society, PGDAV College

Since childhood, we have been taught to save money, spend less, not to spend on unnecessary things, and buy things which are essential and long-lasting. But now we are mature enough to handle things especially when it comes to differentiating between our necessities and wants, and thus smart enough to manage our finances. Additionally, at some point in our lives we all will have to manage our sources of income or our earned income, counting in all the aspects of personal finance.

Defining and understanding the meaning of personal finance varies from individual to individual. For everyone, there is a different context of personal finance, however, in the actual and the common meaning of the term it is managing the source of income in such a way that it further generates more income in the form of monetary assets or investments (real estate, FDs, gold and securities) and a sense of security.

**Is Personal Finance a need or a goal?**

**Let's figure it out.**

We all must have seen some visions about our future life regarding the wealth we want but what contributes towards that vision of us, is

the wants and uncertain future needs in the upcoming course of action. To be specific, personal finance is a goal created out of our needs and wants and therefore it is paramount to have a financial plan for the interest of taking care of those needs and wants.

**A good and sound financial plan will structure itself around the following six important fundamental pillars-**

**1.Source of Income:** We all have various income generating sources or streams unlike a single source. The income generated from these different sources is called side income. For creating a source of side income we must start building our assets (tangible and intangible), like skills and property. Development of skills can be done by any individual along with other work and will make them more employable in comparison to others. Moreover, one can also build their tangible assets which will generate income.

**2.Budgeting:** After generating income from varied streams it's equally important to efficiently allocate that income. Budgeting refers to the distribution of income in different required sources. This brings us on a basic but

an important strategy of budgeting, the 50/30/20 budget rule. This rule says that out of our after-tax income 50% to be utilized for our needs, 30% for our wants or luxuries and the remaining 20% for our savings that would in turn become our investments. Budgeting plans differ from person to person based on an individual's preferences but one should always sock away at least 20% of the income to savings. Budgeting is one of the most crucial pillars of a sound financial plan and hence it should be looked after with utmost gravity and efficacy.

**3. Debt Management:** Despite having multiple sources of income, it is possible that we may have to take loans for purposes like education, home loans, etc. So debt is something that cannot be avoided. Proper utilization of debt can be a proven asset, and parallelly, improper utilization of it can amount to catastrophic consequences.



**4. Insurance:** When we talk about insurance we should preferably go for two types of insurance policies mainly- term insurance and health insurance. Also, keep maintaining your emergency fund because this will help you come out of future unprecedented mishappenings like Covid-19.

**5. Investing:** We all consider investing in the remarkable pillar of the financial plan with a motive to generate more income and maintain wealth. For all of us investing in the stock market is a primary step but don't forget that investing is one of the pillars of a sound Financial Plan, similarly the securities market is the part of the good investment plan.

Furthermore, Investments can be done into- equity, debt, gold and real estate. All of these investment classes should be included in one's portfolio to get a maximum return to build maximum wealth.

**6. Taxes:** Finally the last but the most daunting pillar of a sound financial plan is taxes. It is important to make the necessary considerations for effective management of our taxes. It is important to learn more about tax planning to derive as many benefits as you can from those.

All the aforesaid steps for building a roadmap to a sound financial plan very clearly define the meaning and the essence of the term financial plan. To cut the long story short, a financial plan is a document for evaluation of individuals' current and future financial state by analysing and using current known variables to predict future wealth and worth.

It is a simple deal, as we work hard for our money and our money should work hard for us. Investing is crucial to make our money work for us. When taken seriously our investments can generate results for the present and provide a financially stable future.

# EDITORIAL

Direct from the desk



# The Farm Bills 2020 – Farmers' Paradise or Purgatory

By Vipriya Anjum  
(Co-Editor)

With shifting alliances, conflicting opinions, and chaotic confusion reigning the day, we bring to you an explanation of the farm bills controversy that has caused unrest among the farmers, the middlemen, and the state governments. Expected to transform the picture of rural India and have an impact as great as the 1991 reforms had on the Indian Economy, let's look at how promising these bills are, and what prospects of change they hold.

The bills as per the Centre are the much needed Agri Revolution given the present status quo

wherein India's 90 million farmer families face significant challenges every day. Despite agriculture being highly regulated by the government, two out of every three families have average annual farm losses of about ₹500. Only one out of every 15 farmers possess the technical knowledge of agribusiness and only one out of every two farmers have access to bank loans for farming. The situation is so depraved that one farmer commits suicide every 42 minutes.



The farm bills include three major bills i.e. The Farmers' Produce Trade and Commerce (Promotion and Facilitation) Bill, 2020 that aims to ease all restrictions on the trade of agriculture produce; The Farmers (Empowerment and Protection) Agreement on Price Assurance and Farm Services Bill, 2020, that lays down a new architecture for contract farming in the country so that agribusiness and farmers can engage with one another more confidently, enable modern supply chains and investments by agribusinesses in cultivation and thirdly the Essential Commodities (Amendment) Ordinance 2020 that aims to bring investments and market opportunities – were passed in September. They were signed into laws by President Ram Nath Kovind on September 27.

The Farmers' Produce Trade and Commerce Bill, 2020 brings with it provisions like the creation of an ecosystem where farmers and traders enjoy the freedom to sell and purchase farm produce outside registered 'mandis' under states' APMCs. They promote barrier-free inter-state and intra-state trade of farmers' produce that

will in turn help reduce transportation costs and help farmers in getting better prices for their produce and also proposes to provide a facilitative framework for electronic trading.

The second bill provides that farmers can enter into a contract with agribusiness firms, processors, wholesalers, exporters, or large retailers for the sale of future farming produce at a pre-agreed price. It also promises that the Marginal and small farmers who account for 86% of





total farmers in India, with land less than five hectares, will gain via aggregation and contract. It looks to transfer the risk of market unpredictability from farmers to sponsors, enable farmers to access modern tech and get better inputs and reduce the cost of marketing, and boost farmer's income. The farmers will be able to engage in direct marketing by eliminating intermediaries for full price realization, and an effective dispute resolution mechanism with redressal timelines is set to be established.

The third bill provides removal of commodities like cereals, pulses, oilseeds, onion, and potatoes from the list of essential commodities. It will do away with the imposition of stock holding limits on such items except under "extraordinary circumstances" like war. This provision will attract the private sector and FDI into the farm sector as it will remove fears of private investors of excessive regulatory interference in business operations. It will thus bring investment for farm infrastructure like cold storages, and modernizing the food supply chain. The aim is to help both farmers and consumers by bringing in price stability and to create a competitive market environment and cut wastage of farm produce.

Despite the benefits of the provisions being emphasized upon time and again it still has given way to a lot of criticism from its oppositions and the stakeholders concerned. Let's assess the arguments they keep to justify their stand and understand the impact it has on them.

One of the biggest concerns of the states is that they will lose mandi tax, which is a major stream of revenue for states like Punjab and Haryana. Bihar failed in 2006 when APMCs were dismantled, resulting in farmers facing challenges in selling their produce at a good price. So, it is argued by those against the Bills that MSP be guaranteed and mandi tax levied even for non-APMC sales. As for the middlemen what is to become of the 'commission agents' in states if the entire farm trade moves out of mandis for traders may become irrelevant as agri-trading companies might set up their own markets. Another concern is that this system may eventually end the MSP-based procurement system. Electronic trading of produce like in e-NAM uses physical 'mandi' structure, the impact on e-NAM in case the 'mandis' die out is uncertain.

The Farmers in contract farming arrangements will be the weaker players in terms of their ability to negotiate what they need and the sponsors may not like to deal with a multitude of small and marginal farmers. Being big private companies, exporters, wholesalers, and processors, the sponsors will have an edge in disputes. The Price limits for "extraordinary circumstances" are so high that they are likely to be never triggered. The Big companies will have the freedom to stock commodities- it means they will dictate terms to farmers which may lead to less prices for the cultivators and the recent decision on export ban on onion creates doubt on the implementation of these bills.

Another major concern is that the Bill does not specify that the contract price should be above the Minimum Support Price (MSP) declared by the government. It is feared that without mandating that





contract prices be above the MSP, APMCs will slowly be priced out as farmer families choose to contract with third parties. According to the Bill, companies are not required to have a written contract with the farmer, making it difficult for farmers to prove terms. Coupled with the fact that there is no required MSP and that contracts need not be registered with the government, farmers will be in a weak position to fight corporations, if anything goes wrong. It's not surprising that farmers and middlemen have come together to oppose the bill as in India farmers typically are "locked" in with middlemen because the latter given loans to the farmers to meet cultivation costs with an assurance to buy their produce.

A few key metrics proposed in order to gain the most of the bills require E-Nam to become a 'Unified Payment Interface' equivalent for agri markets, i.e. National Agricultural Market, eNAM, should take learnings from UPI and provide a seamless application programming interface for innovators, generally agri-start-ups and businesses. Such innovators will in turn build solutions that reach the farmers and bridge the information gap. A feedback loop and a farmer forum for dispute resolution are to be formed to aid the farmers and their concerns. Given that the free-market may increase the market-risk for farmer families in the short-term, the government should double DBT from the current level. And lastly, as the reforms aim to reduce the scope for government intervention, it is important to have predictability and consistency in this philosophy.

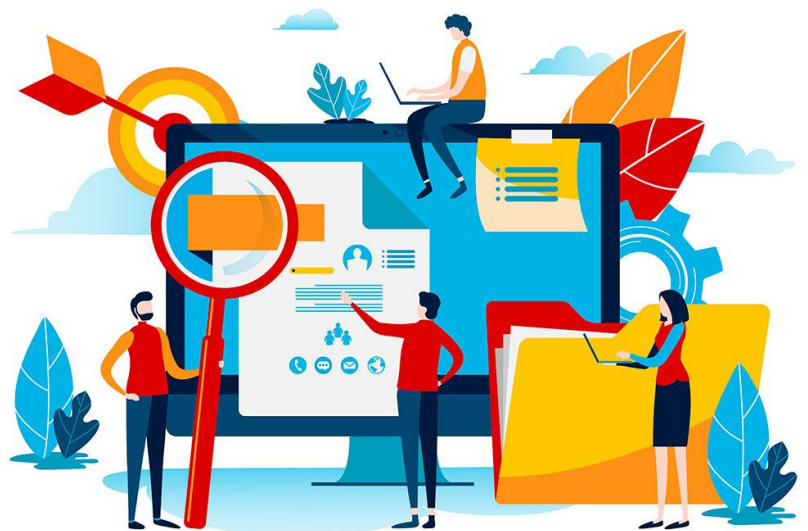
The agri-reforms represent a fundamental change in the philosophy from the socialistic ideology of problem-solving to the one that is neo-liberal. Consideration of groundbreaking realities of the interlocked farm markets is still necessary for the bills to be a success. Despite the gigantic debate over whether the bills are a farmer's paradise or purgatory will only be showcased with time, for even purgatory and paradise are the two sides of a coin, let's see where the coin on the farm bill lands after being flipped high into the air by the present times.

# Human Resource and Finance - Two Departments with a Shared Vision

By Tejas Agarwal  
(Co-Editor)

Human resources and finance are inarguably considered to be the most important departments of any organisation. Though the roles under each of them are explicitly defined and are conventionally considered to be different, the modern-day approach of management blankets the work undertaken in both of the departments. This is because of greater identification of the invaluable role played by human resources in any organisation as established under the neo-classical approaches and modern approaches of management. Organisations have moved far from recognizing human resources as mere workers who are directed towards a particular task and have accorded them the status of most valuable and pivotal resources of any institution the success of which determines the success of all other resources.

It's because of this increased recognition of human resources in the organisation governed by more recent managerial theories that HR and Finance have become more interdependent. It can be easily said that a part of HR is subsumed under finance and that finance cannot ignore its pivotal role in augmenting the efficiency and efficacy of the existing human resources. The belief that the finance department is solely concerned with money or managing finances and the HR department with people has passed with time. This



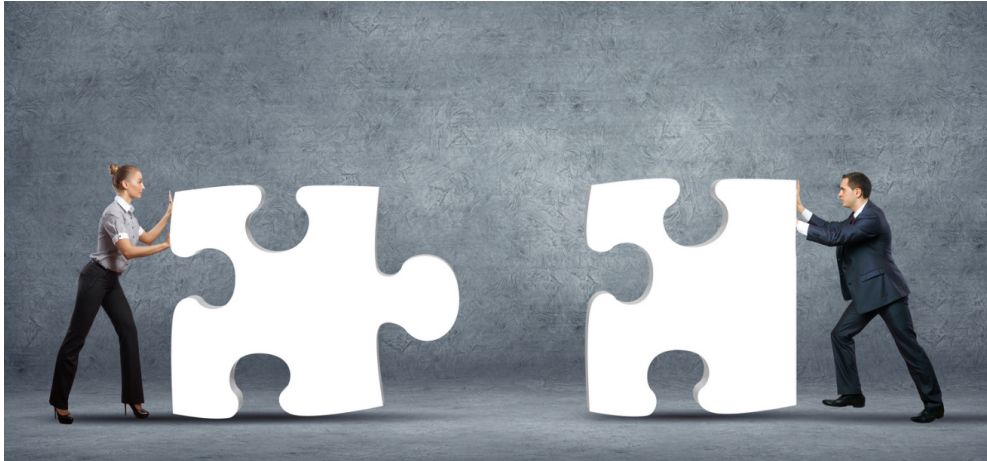
outdated belief, the HR department focuses on the human capital and finance department, on the other hand, focuses on profitability and growth has been conclusively integrated where the finance department doesn't merely think the human resources as costs of the organisation but rather as sources of productive investments. Besides, the HR department has recognized the invaluable role that an effective and supportive financial strategy can play in the holistic development of its department.

The HR and finance departments work together towards one ultimate goal of achieving a higher level of performance and profitability. In the current business context, HR managers often perform duties that were traditionally categoric to the financial department. The same applies to the HR department too. For instance, HR managers must consider the cost and benefits of recruiting new employees and undertake a cost-benefit analysis with respect to the value-added by each employee and the remuneration paid. They must also consider the impact of their HR policies on the overall profitability of the organisation. Such considerations require data analysis and financial projections which are performed in cognizance of the finance department.

Finance officers or managers must go beyond considering employees as sources of costs to determine ways through which they can improve profitability through investment in human capital for greater development of the overall performance of the organisation. and The finance managers estimate the impact of salary increment, bonuses, and other motivational programs on the company's profitability,

that's to say, what's the trade-off of one department for the overall benefit of the organisation.

A strong relationship between the two departments is important, inevitable, and has a positive impact on the overall performance of an organisation. Given the increasing interdependence in responsibilities, open communication across departments is important to ensure that the overall goals and objectives are achieved. Each department can then align its strategies to improve future



performance. Departments must recognize the contribution of other departments to the overall performance. The HR department must recognize the importance of sound financial decisions. The finance department must accept that all companies including those in the core financial market depend on employees to implement their

growth and profitability strategies owing to the current business context which is highly competitive and dynamic. Organisations can no longer hold on to ineffective traditions and outdated perspectives to portray one department better than the second. Managerial teams must shift from internal problems to the high competition in the global business environment, which if not adequately addressed can be a threat to many companies' survival. Besides, the roles and responsibilities of human resource managers and finance officers are changing with changing times which needs to be accepted with a will and accept the change to remain competitive in the market.

Thus from the aforementioned arguments, it must be noted that the much-patronized differences and exclusivity of the two departments have lost its relevance and greater integration and mutual working of the two only can bring reasonable accolades to the organisation in the present day.

# FINFUN

Even finance can be fun







## Weird Wizard

Finance is rather a topic of serious concern for commercial enterprises and definitely for the government on the whole. Though it's a subject that requires serious deliberations and discussions, there are a few finance and money related facts that will make you argue about the seriousness or stability of the world of finance and investments.

**Sleeping Beauty:** Might sound like a movie or song name, but the sleeping beauty actually means a profitable company, usually a start-up with impressive assets but bad management. These companies are great candidates for takeovers, but have not been approached by a potential acquirer.

**Killer Bee:** Killer bee refers to a firm or an individual who helps a business to resist a predatory takeover bid, such as investment bankers, accountants and tax specialists. The name Killer bee is based on the insect whose size is may be small but can aggressively swarm and take down something much bigger.

**Dead Cat Bounce:** A dead cat bounce is a temporary recovery of asset prices from a prolonged decline or a bear market that is followed by the continuation of the downtrend. It could refer to a stock with a plummeting share price or a market trend. The name "dead cat bounce" is based on a notion that even a dead cat will bounce if it falls from high enough.

**Suicide Pill:** Any takeover prevention tactic that can end in the death of a company. It is a

defensive strategy and a company takes a suicide pill only when it would prefer to go bankrupt than undergoing a hostile takeover. Suicide pills are extreme actions that differ from situation to situation like offering shares at a discounted price, taking on extensive debt, etc.

**Bed And Breakfast:** It is an operation on the



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London Stock Exchange in which a shareholder sells a holding one evening and make an agreement with the broker to buy the same holding back again when the market opens the next morning.

**Fill Or Kill:** It is a situation in which a client's order to broker is either executed immediately or not at all. This type of order is most often used by active traders and is usually for a large quantity of stock.



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**Big Uglies:** It refers to the big and old companies who operate in hard and so called "dirty" industrial sectors like manufacturing, steel and mining. Though they can be solid investments with good, steady returns but many investors ignore them for more exciting and higher growth company stocks as they are also relatively 'cleaner' stocks.

**Dead President:** It is a bumper term used for money in the United States. The term derives from the fact that the faces of the past U.S. presidents appear on some American bills.

**Triple Witching:** This is sometimes referred to as 'Freaky Friday' and occurs on the third Friday of every March, June, September and December

when stock options, stock market index options and stock market index futures all expire on the same day. This results in increased stock trading and volatility as traders try to offset their investments before the market closes.

**Bear Hug:** It is an offer made by one company to buy the shares of another for a much higher per-share price than the company's actual worth in the market. It is an acquisition strategy used by companies when there's doubt that the target company's management is willing to sell or not.

# Did you know?

## Financial Life Boat Drill

Envision this: you get on the ship and are relaxing on a comfortable chair on the deck and suddenly hear the captain say, 'all passengers requested to get their life jackets and proceed to the upper levels for a Life Boat Drill!' Lifeboat is one of the most important life-saving equipment onboard a ship, which is used at the time of extreme emergencies for abandoning a ship. Wouldn't it be nice if we could have the same Life Boat Drill for the financial markets?

A Financial Life Boat Drill is the rescue of a company that is in financial difficulty, by issuing of new or restructured loans from its group of bankers. There are certain ways which can give rescue to a company at the times of financial emergencies like use of Invoice Finance to kickstart your cashflow, a Company Voluntary Arrangement (CVA), negotiation of a 'Time to Pay' Arrangement and considering Turnaround Finance.



## Lemon's Problem

Suppose you have to choose between lemons and peaches. The sour taste of lemon will make you to choose peaches with sweet floral taste. There exist lemons and peaches in the finance world as well. In American slang, a lemon is a car that is found to be defective after it has been bought.

Suppose buyers cannot distinguish between a high-quality car (a "peach") and a "lemon". Then they are only willing to pay a fixed price for a car that averages the value of a "peach" and "lemon" together (avg. price). But sellers know whether they hold a peach or a lemon. Given the fixed price at which buyers will buy, sellers will sell only when they hold "lemons" (since price of lemon < avg. price) and they will leave the market when they hold "peaches" (since price of peach > avg. price). Eventually, as enough sellers of "peaches" leave the market, the average willingness-to-pay of buyers will decrease (since the average quality of cars on the market decreased), leading to even more sellers of high-quality cars to leave the market through a positive feedback loop.

The lemon's problem causes adverse selection which degrades the quality of products sold in the marketplace due to asymmetry in the amount of information available to buyers and sellers. Since the person selling the product has more information about the defects in the products, he can sell low quality product at an average price which can be lower or greater than the actual price. Timely and relevant information is crucial for efficient markets and well-functioning of the system. However, in certain industries and for some credence goods, consumers may not be able to thoroughly evaluate the goods or services they are thinking about purchasing. This leads to the possibility of consumers purchasing lemons.



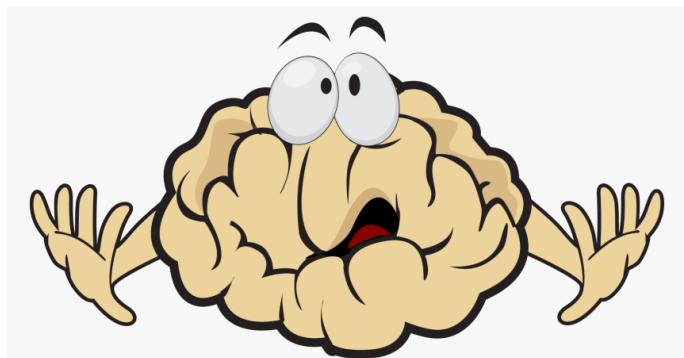




## Solve a Puzzle

(Hint: The answers to the questions lie in our featured articles of this issue)

A	E	H	O	S	E	D	B	N	S
I	M	D	B	C	A	T	L	K	C
S	P	Y	Q	E	S	J	N	P	H
T	L	E	P	L	A	N	E	T	O
U	O	V	T	I	S	E	T	M	L
W	Y	A	S	Y	E	C	F	I	A
P	E	O	P	L	E	W	L	A	R
O	E	C	T	F	S	X	I	K	S
U	S	A	P	M	D	E	X	B	H
A	E	O	I	Q	C	D	V	D	I
P	F	R	E	S	U	H	J	I	P



**Q.1.** Which benefit is not covered under a cafeteria plan?

**Q.2.** Find the odd one out-IMDB, Viacom 18, Hulu, Viu

**Q.3.** With which storage format, Netflix had commenced its business operations?

**Q.4.** Fine the next word in order-Performance, Profit, People, \_\_\_\_\_

**Q.5.** Which area of the Triple Bottom line theory takes into account the ambit of social responsibility of a business?

**Q.6.** For whom the Health Flexible. Spending Arrangements are provided for in a company?

**Q.7.** Which company does not have its operations in North Korea, Crimea, China and Syria.

**Q.8.** Cafeteria Plan is an employee benefit plan in which country?

**Answers**  
 A.1. Scholarship, A.2. IMDB, A.3. DVD,  
 A.4. Planet, A.5. People, A.6. Employees,  
 A.7. Netflix, A.8. USA



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