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The Finance and Investment Cell
Hansraj College

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 four successful issues, in the fifth 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

The FIC Editorial Board

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FINANCIAL HIGHLIGHTS

Keep yourself updated

Bharti Airtel to acquire a 5.2% stake in AVAADA MHBULDHANA For Rs. 455 Crore

Bharti Airtel announced that it will acquire a 5.2% stake in solar power company Avaada MH Buldhana for Rs 4.55 crore.
The acquisition has taken place in an all-cash deal and will be completed by March.Avaada MHBuldhana Private Limited has been freshly brought into being a company and has been developing a solar power plant for private power generation in Maharashtra, which will be operational by March 2021.
It is a subsidiary of Avaada Energy Private Limited (AEPL).
According to a regulatory notice by Bharti Airtel, AEPL has so far developed a portfolio of over 1 gigawatt solar and wind projects nationwide. It also has built India's first independent power producer to exceed the 1GW capacity milestone.
"On November 19, the agreement has been made between Bharti Airtel and Avaada MHBuldhana to acquire the shares of Avaada MHBuldhana Private Limited, which will own and operate a private power plant in respect of fulfillment of regulatory requirements for private power consumption under electricity. It is a special purpose company established for the purpose.

Zerodha launches an online platform for gifting stocks, ETFs, Gold Bonds

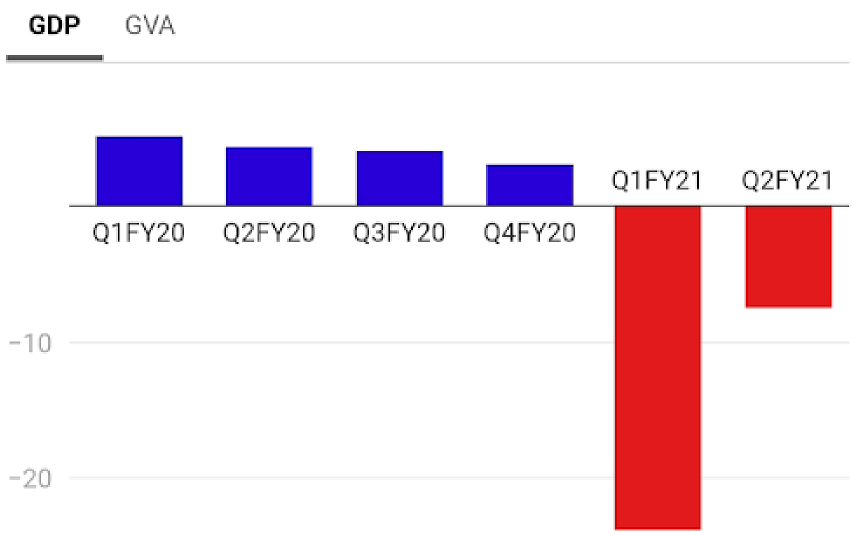
Zerodha, India's largest technology-driven digital brokerage firm, has launched a new platform for gifting stocks, ETFs, and gold bonds to friends and loved ones with a few and easy steps for its clients.
The company has also announced that it would soon enable gifting of mutual funds to minors as well.
One of the things that Zerodha always wanted to do for a long time was to make this process easier, but making the process seamless and online wasn't possible.
Earlier filling up a physical delivery instruction slip (DIS) and then sending it to Zerodha was required to complete the transfer, which is known as an off-market transfer. "The process for transferring the stocks has now become quite simple and can be done fully online just by following a few steps. The sender just needs to enter the mobile number of the recipients, verify the Demat account details of the recipient, and

authorize the transfer of stocks. This is one of the best things that has happened to Zerodha clients.

CBIC issues new rules for outward supplies

The Central Board of Indirect Taxes and Customs (CBIC) recently specified the various forms for providing details of outward supplies while filing returns.
From January 1, 2021, quarterly return filers will be required to furnish business to business invoices for the first two months of the quarter, till Rs 50 lakhs, through Invoice Furnishing Facility (IFF) till 13th of next month. It would not be required of the taxpayers to report invoices in GSTR-1 if they are already reported in IFF. It will be compulsory for the taxpayers to provide four or six-digit HSN codes in return.
The details of outward supplies of goods or services or both furnished using the IFF shall include the invoice wise details of inter-state and intra-state supplies made to the registered persons, and should include debit and credit notes, if any, issued during the month for such invoices issued previously, the notification added.
Besides the Board also set the due dates for filing GSTR-3B in a staggered manner for the assessee having the turnover less than Rs 5 crore, on 22nd and 24th of the subsequent month.Separately, the due date for filing input tax credit for job worker return during July - September 2020 has been extended till November 30 instead of the previous date of October 25.

India plunges into technical recession as GDP contracts 7.5% in Q2 FY21



The Indian economy contracted for the second straight quarter, albeit at a slower pace, as restrictions to curb the spread of Covid-19 were eased and economic activity resumed. India's real GDP fell to 7.5% in the July-September quarter compared to a contraction of 23.9% in the three months ended June, showed data released by the Ministry of Statistics and Programme Implementation on Friday. GDP at current prices was estimated at Rs 47.22 lakh crore, showing a contraction of 4.0 percent. In gross value added terms, the economy contracted 7% compared to a contraction of 22.8% last quarter. A Bloomberg poll of 30 economists had forecast India's GDP to contract 8.2% in the July-September quarter, while GVA was estimated to contract by 7.6%.
The modest upward surprise suggests that a robust rural sector and fiscal transfers have supported the Indian economy.
There were four drivers for the better than expected second quarter GDP, said DK Joshi, chief economist at CRISIL. These are pent-up demand; support from agriculture and select export sectors;

Item	Q1 FY20	Q2 FY20	Q3 FY20	Q4 FY20
Private Final Consumption Expenditure	5.5	6.4	6.6	2.7
Gross Fixed Capital Formation	4.6	-3.9	-5.2	-6.5
Government Final Consumption Expenditure	6.2	14.2	13.4	13.6

Sector	Q1 FY20	Q2 FY20	Q3 FY20	Q4 FY20
Agriculture	3.00	3.50	3.60	5.90
Manufacturing	3.00	-0.60	-0.80	-1.40
Construction	5.20	2.60	0.00	-2.20
Trade, Hotels	3.50	4.10	4.30	2.60
Finance, Real Estate	6.00	6.00	3.30	2.40

cost savings for corporates; and a 'learning to live' attitude. "However, there are some signs of flattening of economic activity in the third quarter. Hence, that and further spread of Covid-19 will remain the key monitorables. The services sector will be more vulnerable in the second half, particularly contract-based services," he said. Despite this, the second half can see better growth performance and higher government revenue, both of which can support spending, Joshi added.

IFSCA notifies global in-house centers regulations

The International Financial Services Centers Authority (IFSCA) has empowered the setting up and working of global in-house focuses (GIC) in IFSCs by telling its GIC guidelines. This move will empower worldwide organizations to set up GICs, administration conveyance administrators, or auxiliaries that are generally situated in minimal effort geologies, in the IFSC set up in GIFT City in Gujarat.
Under the guidelines, GICs set up in an IFSC may be permitted to serve non-inhabitant substances while just administrative faculty might be moved from inside India to work in the GIC in an IFSC.

Furthermore, these GICs might be allowed to bargain in unreservedly convertible unfamiliar cash separated from keeping up a record in Indian money for its authoritative costs, the warning said.
To be qualified for a GIC enlistment, the substance will need to solely take into account its monetary administration bunch wherein the elements served must be situated in Financial Action Task Force agreeable purviews, the notice said.
Furthermore, the help which administrations gave to its monetary administrations' gathering should be to complete monetary assistance regarding a monetary item, it said.
Regarding legal filings with the IFSCA, a GIC inside the IFSC should present every one of its reports to the expert in US dollars except if determined by something else.

The public authority visualizes GIFT City as a worldwide monetary center point along the lines of established worldwide monetary focuses like London, Hong Kong, Dubai, and Singapore determined something else.

GoI bans on 43 Chinese apps including the Giant AliExpress

The ministry of electronics and information technology has blocked 43 mobile apps, mostly Chinese, like Alibaba workbench, AliExpress, Camcard, and Webdate for engaging in activities "prejudicial to the sovereignty and integrity of India, defence of India, security of the state and public order." Most of the apps banned are social media and dating applications. The apps have been blocked based on the comprehensive reports received from the Indian Cyber Crime Coordination Center, the Ministry of Home affairs.

A total of 220 apps including Tiktok, UC browser, and PUBG have been blocked in India amid border tensions with China in the past few months.The government said, "It is committed to protecting the interests of citizens and sovereignty and integrity of India on all fronts and it shall take all possible steps to ensure that."

The recent move has hugely affected Chinese Giant Alibaba and online grocer Bigbasket that has forced them to change their plan to invest in Indian companies for quite some time.In response, Chinese spokesperson Ji Rong said, "China firmly opposes the Indian side's repeated use of 'national security' as an excuse to prohibit mobile apps with a Chinese background. Hope India provides a fair, impartial, and non-discriminatory business environment for all market players and rectifies discriminatory practices.

New National Retail Policy can help in generating 30 lakh additional jobs by 2024

A cohesive national retail policy can help in generating 30 lakh jobs by the year 2024, according to a report by CII National Committee.

The report claimed that more than 2 to 3 lakh jobs can be created by 2024 through investing Rs 6,500 crore in retail-related infrastructure, including warehousing and cold-storage facilities.

The head of Retail & FMCG, RP-Sanjiv Goenka Group, while speaking at the CII India Retail Summit 2020, said that a thorough national retail policy would help the sector bounce back and grow exponentially in the years to come.

At present, setting up a shop or department store usually requires 24 to 57 licenses, with the compliance burden that has grown in the past few years. With retail being India's third-largest sector, solving this problem is paramount for the country's economy.Now, the government is also conscious that retail and e-commerce need to be looked at in an integrated manner so that the entire ecosystem grows together. The government had identified 5 areas in the policy-ease of doing business, rationalization of the licensing process, digitization of retail, focus on reforms, and an open network for digital commerce. A discussion paper had been launched, and the final stages of revision would be undertaken shortly.

According to analysts, the retail industry is expected to double in size in 2021 from 2017. The sector had been majorly impacted due to the coronavirus pandemic and lockdown.The national retail policy will also address the problems of small and medium retail entrepreneurs whose businesses had been hit very hard by the lockdown and pandemic.

FEATURED ARTICLES

More than just finance

Corporate Social Responsibility - It's time to think outside the barrel

By Aastha Suhag

(Social Wing)

"Did you know that 40% of consumers seek purposeful brands and trust in brands to act in the best interest of society."

You might have heard about Corporate Social Responsibility but do you know what it means exactly and how it works? If not, then this article is for you!

Corporate social responsibility (CSR) is an automatic plan of action that enables an organization to be socially responsible—to itself, its partners, and general society. By rehearsing corporate social responsibility, additionally called corporate citizenship, organizations are made aware of the effect that they have on all parts of society, including financial, social, and natural. Taking part in CSR implies that, in the common course of business, an organization is working in ways that upgrade society and the climate, rather than contributing adversely to them.

Corporate social responsibility is an expansive idea that can take numerous structures relying upon the organization and industry. Through CSR projects, altruism, and volunteer endeavors, organizations can profit society while boosting their brands. As significant as CSR is for the network, it is equally important for an organization. CSR exercises can help manufacture a greater grounded connection among representatives and enterprises, support spirit and help the workers and managers feel more associated with their general surroundings.

For an organization to be socially capable, it should be responsible to itself and its investors first. Frequently, organizations that embrace CSR programs develop their business in way where they can reward the society. In this way, CSR is essentially a system of enormous organizations. Likewise, the more obvious and effective an enterprise is, the greater responsibility it needs to set principles of moral conduct for its companions, rivalry, and industry. Small and medium sized organizations additionally make social responsibility programs, in spite of the fact that their drives are not frequently too exposed as bigger companies.

Now let's take a real-life example of a Company following Corporate Social Responsibility.

The company in this example is Starbucks. Starbucks has for some time been known for its sharp feeling of corporate social responsibility and pledge to maintainability and network government assistance. As per the organization, Starbucks has a large number of CSR achievements since it opened its entryways. As indicated by its 2019 Worldwide Social Effect Report, these achievements incorporate arriving at 99% of morally sourced espresso, making a worldwide organization of ranchers, spearheading green structure all through its stores, contributing great many long periods of network administration, and making an earth-shattering school program for its workers. Starbucks' objectives for 2020 and further incorporate recruiting 10,000 exiles, decreasing the natural effect of its cups, and drawing in its workers in ecological leadership. Today there are numerous socially capable organizations whose brands are known for their CSR programs. For example - Ben and Jerry's frozen yogurt and Everlane, an apparel retailer.

Let's talk about the advantages and the disadvantages of Corporate Social Responsibility.

CSR improves the image of the company as CSR activities reflect positively on the image of a company. It also helps attract and retain potential employees. CSR policies also help in attracting new investors as when the company's image rises, it also gives a boost to the investment. Additionally, it also gives a brand-new way to advertise the company's brand.

Shockingly, the CSR programs accompany their own arrangement of difficulties and hindrances. It must be kept in mind that recognizing its drawbacks may give a company the edge that can help spare their business over the long haul. CSR hampers the reputation of the company as its policies mandate the companies to reveal the shortcomings of their own products in case, they are found to violate the CSR program. Being involved in CSR activities can often increase the expenditure of a company. As they may realize, when they are giving back to society, it costs them a significant amount of capital. If they increase the price of their products to make up for the expenses, the customers will have to bear the burn. Large businesses can absorb the blow, but small businesses can't.

Real Estate and Equity- The Real Deal

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

There are different investment avenues in existence today. Some of which include equity, money market instruments, debentures or bonds, mutual funds, real estate, derivatives, commodities and cryptocurrencies. All of them are differentiated on the basis of their characteristics, term, liquidity, risk and returns mainly. People who want to park their idle funds to earn good returns, first need to analyze different alternatives available to find a suitable match for their needs. This article is a derived result of a research discussion conducted by the Research and Development Department for the team members wherein they came up with reasons why one should invest in real estate and equity.

Real Estate

This pandemic has exposed the cracks in the current financial setup that we have and every single sector has had to bear the brunt of it but the only sector which was able to make a positive V-shaped recovery while others are still on track for a slow U-shaped recovery, was THE REAL ESTATE SECTOR.

With home-buyers making use of historically low-interest rates, the reduction in stamp duty in cities like Mumbai and also the bumper festive offers going on right now, several top developers have witnessed and already reported numbers that seem to indicate a stunning post-pandemic recovery.

There has been an 85 percent jump in quarter-on-quarter sales volumes in the July-September quarter, as buyers have slowly begun closing deals with developers.

Real Estate Investments serve as a hedge against inflation as usually, real estate values, as well as rents, increase with inflation. Investing in real estate with the help of a loan (leverage) is considered to be safer than leveraging (margin trading) in stocks.

The Reserve Bank of India's House Price Index tracking home prices in 10 major cities puts the average return from real estate in the last 10 years at 11.6% per year. This exceeds the return offered by the equity market at 11% as well as Gold offering a return of 8.8 % over the last 10 years.

In fact, Niti Aayog estimates the Indian realestate sector to reach $650 billion by 2040 from the current levels of $120 billion. Since real estate is mostly a long-term investment, any cyclical downturn does not impact the investment as much compared to other asset classes. Increasing urbanization, growing incomes (except in 2020), and large middle-class households – all combine to drive demand in the sector.

The demand for housing has witnessed massive growth since lockdown. The pandemic has pushed people indoors and apartment dwellers have felt the pinch. With poor access to green spaces and high density within units, people, especially millennials, are looking at investing in a home of their own. Tenants are considering home purchases, because "several landlords are asking tenants to vacate, prompting people to consider buying their own home. The security associated with owning a physical asset during such a crisis has resulted in increased demand," he says. Millennial preferences are dictated by the prevailing uncertainties, stock market volatility, and financial sector uncertainties.

Affordable Housing Scheme-
What is PMAY?

The Pradhan Mantri Awas Yojana (PMAY) is an initiative of the Government of India which aims at providing affordable housing to the urban poor by the year 2022. The scheme was first launched on 1 June 2015. The interest rate for the PMAY scheme starts at 6.50% p.a. and can be availed for a tenure of up to 20 years. The deadline for availing the PMAY CLSS scheme for the MIG-I and MIG-II categories has been extended to 31 March 2021. The same has been extended to 31 March 2022 for the LIG and EWS categories.

So in conclusion, real estate has been witnessing huge demand from both the urban and rural sector and has been attracting FDI, with historic returns, thus proving to be one of the best investment options out there.

Equity

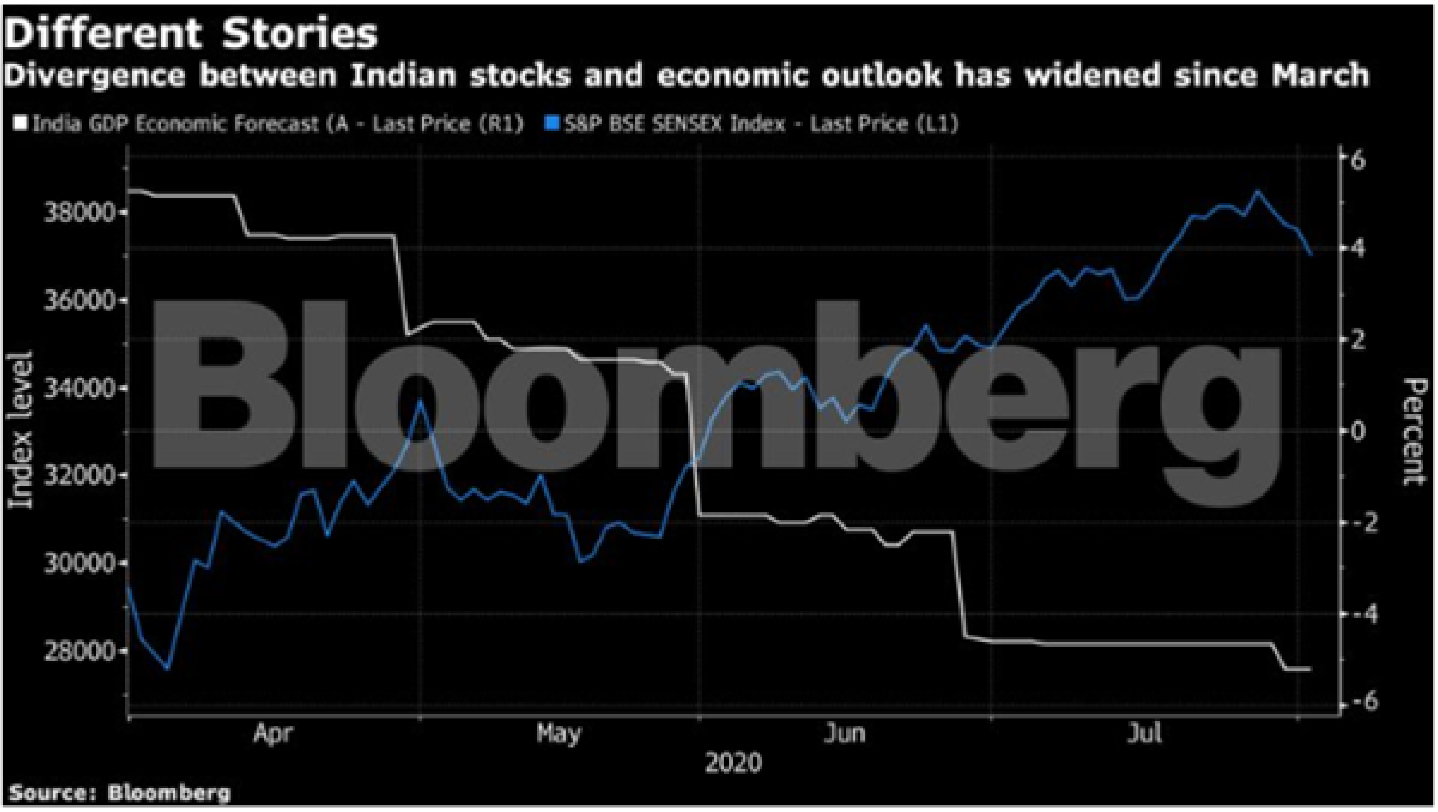
Equity investors purchase shares of a company with the expectation that they'll earn returns in the forms of capital gains by rising their value and dividends. But these returns can be generated from various investment options so why is equity a better way to grow your wealth. It is easy to start with. It just required a demat account and you can immediately start investing. Nowadays, there are many companies or brokers in the market who open your demat online with very few basic documents in mere hours. In addition to this there is no minimum capital requirement here. You can start investing from as low as Rs.10. Also, these investments are highly liquid. whenever you require money back you can sell in trading hours and use it in one or two days. You don't have to go through a long process or find buyers.

When compared to the other investment options, stock market can give you much more returns. It just depends on how wisely you choose the companies, the time period, patience, trust and how much risk you are willing to take.

You can diversify your investments within the stock market. this way you can reduce your risk by investing in negatively correlated stocks. You have a variety of options to select from with sectors like pharma, banking, real estate, FMCG etc. Even government encourages equity investment, if you invest for long term, there is no income tax levied on the earnings. Besides this, Companies are focusing on improving shareholder value.

Over a period of time, it is proven many times that stock market is going to give you higher returns than others. If we study the performance of sensex in the past, you will see that it was at 561 in 1986 and today it is around 42,000 points. This indicates 75 times return in last 30 years. There may be small hiccups in between but they are only for a short term. In a longer term the graph has gone upwards. Let's see the performance of different companies in order to support our opinion. HDFC's CAGR was about 20% in last 10 years. Bajaj Finance gave 13000% returns in the last decade. Avanti feeds gave 34000% returns in a similar duration. Renowned personalities like Warren Buffett and Jhunjhunwala have earned huge amounts from equity investments. Stock market has very high potential of giving high returns if selection of companies is done wisely.

At the end, It is the investor who has to choose one or more investment options that fit right for them. Selection of investment avenues, building a portfolio mainly depends on one's goals which tends to change from time to time. This was a collective effort of Team FIC to enlighten you on two of the significant avenues for you to put your money in.



Negative Correlation between the Dalal Street and the Economy

Shubh Garg (Vice- President)

FIN-S, *The Finance Club of Deen Dayal Upadhyay College*

Crash! You heard it right. that was the sound that the stock market made on 23rd March when it reached its rock bottom levels of 25,000. Pessimism would be an underrated word to describe the situation. Investors were running helter-skelter to save their capitals. Over 150 stocks touched lower circuits, while 340 created their new 52-week lows which were originally there 10-15-year lows. No one could pluck up the courage to buy at those levels.

Who knew that it was not the worst but the best day to buy any stock. Any stock picked that day would have easily given 40 to 50% returns till date, which are an investors delight. But it is something that no one could imagine in their wildest of dreams. The rally made by the market has put every person in perplex, be it an amateur investor or a seasoned player. While the rally has been welcomed by share market, it has put financial institutions and the general public in a worrisome situation. And why not, when the economy is reeling from a major economic crisis, the Q1 GDP has fallen to record lows of 23.9%, the highest among its peers, the stock market bull is charging like anything. The Sensex has recovered from their lows and has touched its all-time highs of 43,700 in the second week of November. No fundamentals are supporting this boom, and hence it becomes a major reason to consider it as a bubble, a big bubble. Stocks are trading at record P/E ratios, making them super expensive. And this is when, companies are not even sure of repeating their previous year earnings, leave alone growth. Industrial output has started recovering, with Index for Industrial Production (IIP) showing green shoots of recovery, but this is not something to be celebrated as demand is still low in the urban areas as compared to pre-covid levels.

When the stock market started charging after the record crash, many felt that it would soon cool down and continue its downward rally. They had a reason to think so, since covid cases were increasing day by day and the situation was becoming worse, with the added reverse migration crisis. When the market didn't cool down, people suggested that Q1 results would be an eye-opener. Even that didn't happen. Now it has come to a stage, where a majority have come to terms with the rally and have stopped questioning it. But turning a blind eye towards a problem doesn't mean the problem has been solved, it simply makes it worse. Some are still cautious and scared, even though they are mocked as pessimists by the bulls.

The formation of this so-called bubble is worrying even the RBI governor, who has termed it as a major cause of fret for him. But this bubble should not just worry Mr. Das but every Indian citizen, because if it bursts then it will lead to India's economy falling into a deep pit, climbing back from which would be a tall order. Though Mr. Das has assured that he will take all the measures to reduce the impact if something of this sort happens, but it would be as good as closing the stable door after the horse has bolted. While the boom in the market has worried a lot of people, some reasons partially support the boom and also state the reasons for such heavy investments in the Indian markets, and some of them are:

1.Speculation is higher than investments: The delivering percentage of shares daily is at record lows, suggesting that speculation is very high in the market, leading to inflation in prices. It's at its 15-year high, which is even more than the 2008 speculation levels. Such high levels of speculation are not sustainable and can lead to a sudden fall on any given day.

2.Low-interest rates worldwide and quantitative easing by the Central Banks: Interest rates are too low, leading to many investors using borrowed money as security to bet in the market. The increase in liquidity gives investors confidence that they can access credit or trade security. Quantitative easing done by the central banks worldwide has pushed liquidity to record highs, and a majority of this is flowing into the stock markets around the globe, including India.

3.The Tsunami of overseas funds: When the rally started, many were forced to question as to who was it who was pumping the money? Was it the retail investors, who had found a new hobby or was it the Mutual Funds? Surprisingly, it was neither of them. It was the FIIs (Foreign Institutional Investors), the same set of people who had caused the crash in the mid-March. Data till September, suggests that a total of $6.6 billion has been injected by these funds. It raises question mark as to why have FIIs ignored the steep downward curve in GDP and the rising cases of Covid in India.

4.Rally in the global market: The heavy correlation between global markets, especially the Dow and NASDAQ with Dalal Street is quite well known. With the rallies in the US, European and Asian markets, the momentum has rubbed off on the D-Street. The Sensex has recovered 66% from its March lows, while Dow Jones Industrial Average (DJIA) has recovered 58%. The response from the Asian markets, as a whole has been quite good, where D- Street has somewhat outperformed.

5.Low-interest rates make it harder to turn away from equity: The low-interest rates of 5% per annum have made it harder for investors to invest their money in investments with good returns. Equity market, especially mutual funds have historically provided a better return over a long period, due to the advantage of rupee cost averaging. Hence, people with a little knowledge are venturing into the market directly and those with no knowledge or time are investing in mutual funds. The sharp rise in the number of subscribers that discount brokers like Zerodha have seen is a testament to this.

The above-mentioned reasons are some of them that could be thought of as the reasons for the surge with a hope that the rise is supported by fundamentals that the general public is not able to see. The investments in the market are a major positive sign, but not speculations. Without being pessimistic lets hope, the rally cools down and the market must take a breather and reflect on the past. If no such thing happens, then the market regulators that is SEBI, RBI should look into it and take corrective actions before it gets too late. The only thing we can do is wait and watch and book our profits if any before it's too late.

Impact Investing - A profitable step towards sustainability

By Kritika Mandhanya

Finance and Investment Cell, Daulat Ram College

For centuries we were aligned to the same model to address the world's most urgent social challenges. Despite the tireless efforts of government and philanthropists, many economists believe that there is no match between the combined efforts of these sectors with the magnitude of social issues evolving around the world. Many economists also believe that tapping the power of the private sector has the potential to narrow the gap. This new way is attracting a large number of investors and this movement is termed "Impact Investing".

According to the Global Impact Investing Network, "Impact investments are investments made to generate positive, measurable social and environmental impact alongside a financial return." Nearly 10 years have passed since the coalition between investors and philanthropists has emerged intending to generate social and environmental benefits alongside financial returns. Impact investments are made both in emerging and developed economies, with a target range of market returns according to investor's strategic goals. Impact investments are innovative, disruptive, and it is a 715 billion dollar industry. As an emerging model, there are still many debates surrounding the variations and even the questions over its definition.

The impact investing market offers more diverse, viable, and feasible opportunities for investors to attain their required fiduciary responsibility alongside financial returns. Ultimately, double bottom-line returns, both a financial and a social return are attained by impact investors. It has attracted a wide variety of investors, both individual and institutional. Impact investors can be those who invest in a green technology company or the one who is buying bonds to develop the infrastructure that reduces water pollution. The banks or the millennials who are financing to kickstart the campaign as a part of their first trade fair apparel in Africa or financing an early education program for the underserved. While some investors are investing for decades, recently there have been emerging international collaborations to accelerate and support the social campaigns. According to the survey conducted by GIIN in 2019, there are around 1720 organizations that managed to contribute USD 715 billion in impact investing. According to a research, “A testbed of new impact-investment ideas”, conducted by Mckinsey in India, “Around 50 investors have poured $5.2 billion into projects since 2010 and investment is growing at a 14 per cent annual clip—presents a different perspective. Impact investments touched the lives of 60 million to 80 million people in India.

”The SDGs set up by the United Nations General Assembly in 2015 encouraged several venture capitalists and entrepreneurs to invest and park their funds in organic farmland, fintech, innovative entrepreneurs, or sustainable energy. Several dynamic companies and enterprises are coming together to build a better world, together. The Indian Impact Investing firm, Caspian got B Corp certification and was granted to use their power of business to solve social and environmental problems ethically and transparently. Calvert Foundation invests in Craft3, a non-profit and non-bank community development financial institution that aims to augment and boost up the economic, ecological, and family resilience in Pacific Northwest communities of the United States. It also managed USD 166 million in total assets. Similarly, Clean Energy (CE) funded by the Dutch development bank FMO, finances the construction of Mongolia’s first wind farm through a specially designed purpose vehicle and has an investment size of € 21.4 million in senior debt and € 5.3 million in equity. Thus, the resources, accessibility, power, and reach of such adaptive and disruptive companies are blurring the line between traditional giving and traditional investing.

As the impact-investing business has expanded, it has developed some growing pains as balancing economic returns with social impact, as well as the stamina to commit to and measure the dual bottom line requires tedious skills. They are highly diverse, spanning through various sectors, levels of risk, and expected returns. Even social enterprises are facing challenges as they are expected to deliver high financial returns and greater social impact in a highly resource-constrained environment. The auditors face several unique challenges in drafting the agreements governing these impact investments, including that they must clearly articulate how impacts will be measured and utilized at the outset of an investment. The standards used by auditors to measure these impact investments are massive and can be overwhelming for them. Increased liability and increased legal compliance are some of the other challenges auditors may face during the process. Since impact investment involves not just the disclosure of financial gains but also, the disclosure of the social or environmental impact, it becomes somewhat mandatory for the companies to give a fair account of their investments. Auditors will, therefore, be careful and ethical in their practices to make sure there is no intentional mismanagement of funds. After all, the essence of impact investing lies in the generation of “genuine impact”.

Impact investing is growing exponentially over the next decade and beyond. The intentional marriage of money and value is gaining momentum among investors, financial institutions, family offices, individuals, and development finance institutions. To bridge the gap of funds to achieve the SDGs by 2030, impact investments would help in saving the world from irreversible consequences. Though this market is relatively new for investors and the community, still impact investors recognize it as a market of increased scale and efficiency in the future and overall are optimistic about its development.

EDITORIAL

Direct from the desk

BIG BATH

By Sanaah Jain
(Co-Editor)

Big Bath, an unethical, though not illegal, is an accounting tactic wherein the management of a company, manipulates the books of accounts to make bad results look worse to make future results look better. It deliberately presents a more reduced earnings figure than what truly is in a financially unsuccessful year to make the earnings of the future period or year more appealing by artificially escalating them. Companies take a big bath with the perception that it is already running in losses in one financial period so further losses will not come through as a shock to the investors and hence might not affect them much.

A company may resort to such a practice for several reasons. Earnings of a company influence the company's stock prices. A drop in the same can significantly plummet the stock prices which can then be recovered with increased future earnings by using the big bath strategy. It is also seen in practice in situations of change in the company's management. New CEOs use the gambit of big baths to hold the former management accountable for the company's poor performance and take commendation for the next year's improvements. Though the practice of big bath accounting can be undertaken well within the legal boundaries following the GAAP principles, it can be very fascinating to comprehend how companies dress up their actual poor looking earnings like unreal worst looking figures.

One way that it is done is when the company wants to earn an excessive bonus in a subsequent year. In the initial year, it will provide no bonus on the ground that it did not make enough profits, and then in the next year it will not only report high income but also distribute the same as bonuses accordingly. A big bath can also be executed when firms wish to write off over-inflated assets or assets that have erroneous suspicious values. For example, the management must have created false sales for which the corresponding accounts receivables are needed to be stated in the books of accounts. A big bath can be used to write off these accounts receivables. Similarly, prepayment of expenses, delay in the realization of revenues, one-time charges like restructuring charges, writing off of investments, etc. are all different capes of the big bath. It is named so because it is taking a bath and wiping the slate clean. Even though the recording of one-time charges before the year-end is legal and does provide tax benefits but scraping off everything to lock huge performance bonuses in subsequent years is sheer malice and a misleading trap.The technique of big bath accounting has advantages like settlement of losses in one shot, earning of bonuses in successful years, etc. However, it too has gained a lot of criticism in terms of the ambit of manipulation of the books of accounts. When profits are manipulated frequently and to a higher degree, the company becomes very vulnerable to losing its authenticity and reliability due to excessive embellishing of the financial figures. The business also risks its credibility as repeated utilization of such earnings manipulation practices make investors and creditors suspicious of the

financial activities and management of the business, putting investors in a spot where they might pull out their money from the company. Another important criticism of the technique is its difficulty in the application within the legal limits because any significant change that is in non-compliance with the GAAP principles can put the company in the list of fraudulence.

Identifying the use of a big bath by a company is a tall order. Unless the company management themselves spills some beans about their financial management exercises, the only thing the investors and everybody, in general, can look out for is the pattern of one-time charges. It is important to judge the financial transparency of the company; whether its officials are open about what comprises of their one-time charges and the different financial techniques they employ.

The takeaway here is that reported earnings should be taken with a pinch of salt. Living up to the analysts' expectations every time could be a tocsin for investors and the public to wake up and smell the coffee.

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.

- The Romans were first to stamp the image of a person on a coin.
- These May Be the Loneliest ATMs in the World: In a place where the average daily temperature each year is 1.58 degrees Fahrenheit, you'll find the prestigious McMurdo which is the world's loneliest automatic teller machines. The ATMs at McMurdo Station are the southernmost ATMs in the world, according to the Guinness Book of World Records. In fact, they're the only ones on the entire continent of Antarctica.
- Legendary financial specialist Warren Buffett purchased a 40-acre land ranch at the age 14 with $1,200 in savings from selling papers.
- The first gold rush was in North Carolina.
- The highest denomination note ever printed by the Reserve Bank of India was the Rs 10,000 note in 1938 and again in 1954. But these notes were demonetised in January 1946 and again in January 1978 respectively, according to RBI data.
- JP Morgan Chase supervises assets worth $2.2 trillion, which is more than the GDP of India.
- The first bank of the World, is still in operation today. It was founded in 1427 and is headquartered in Tuscany, Italy.

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- In the U.S if someone reports their company for tax evasion, they will receive 30% of the total amount collected.

- It costs 2.4 cents to deliver a single cent. It's an uncommon event that anybody utilizes a penny to pay for something, it costs more to the US government in comparison to its actual value.

- Hundred dollar bill has a blue ribbon woven through it. It contains hundreds and thousands of micro lenses, which makes the Liberty Bell appear to dance.

- Over a long period of time, rats are said to have eaten nearly $10 billion of Pablo Escobar, the famed drug lord's cash. Apparently he had so much extra money lying around his warehouses that he lost approximately $1 billion a year to the rats.

- A bill would need to be folded as much as 8000 times for it to tear. It's assessed that the normal $1 bill will last in circulation for around 5.9 years. Whenever it's considered unusable, it will be eliminated from flow by the Federal reserve.

- If a person invested $100 in Microsoft in 1986, instead of buying a version of Windows 1.0, today it's worth would be $46,400.

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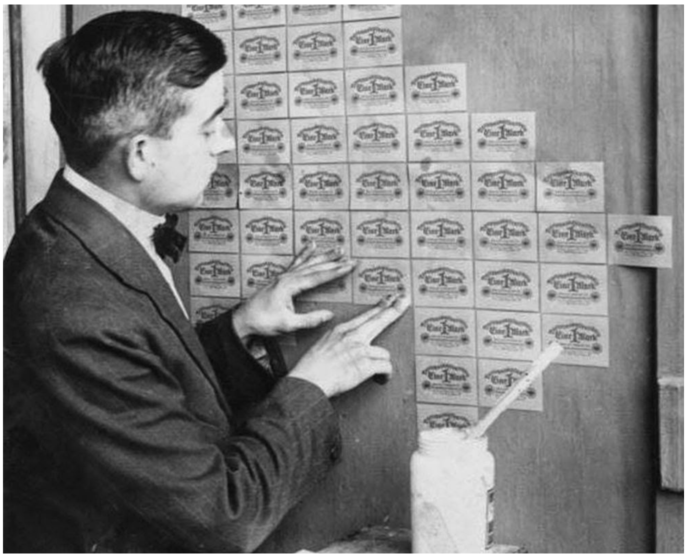
Did you know?



Germans used money as wallpaper.
This happened because banknotes had lost so much value that they were used as wallpaper.
Before World War I Germany was a prosperous country, with a gold-backed currency, expanding industry, and world leadership in optics, chemicals, and machinery. The German Mark, the British shilling, the French franc, and the Italian lira all had about equal value, and all were exchanged four or five to the dollar in 1914.
In 1923, at the most fevered moment of the German hyperinflation, the exchange rate between the dollar and the Mark was one trillion Marks to one dollar, and a wheelbarrow full of money would not even buy a newspaper. Most Germans were taken by surprise by the financial tornado. The currency had lost all of its meaning.
The hyperinflation in the Weimar Republic was a three-year period of hyperinflation in Germany (the Weimar Republic) between June 1921 and January 1924. Beginning in August 1921, Germany began to buy foreign currency with Marks at any price, but that only increased the speed of breakdown in the value of the Mark. The lower the Mark sank in international markets, the greater the amount of them were required to buy the foreign currency demanded by the Reparations Commission.
During the first half of 1922, the Mark stabilized at approximately 320 Marks per Dollar. This was accompanied by international reparations conferences, including one in June 1922 organized by U.S. investment banker J. P. Morgan, Jr. When these meetings produced no workable solution, the inflation changed to hyperinflation and the Mark fell to 800 Marks per Dollar by December 1922. The cost-of-living index was 41 in June 1922 and 685 in December, supporting an increase of more than 15 times.

Ever wondered if you are wealthy?
Well, there's a rule of thumb which can help you determine the same. This formula was used by Thomas J Stanley and William D Danko in 'The Millionaire Next Door', a book that studies self-made American millionaires.
(Age x Pre-Tax Income)/10= Net Worth
The main concept of this idea is that the older a person gets, the more money he makes, the more money he makes, the more net worth a person should have. In order to fit American conditions, it must be divided by 10.
For example- The worth of a 35-year old person living in the US, earning a total of $6,00,000 every year will be $2.1 million i.e. (35 X 6,00,000)/10 = 21,00,000 for him to be considered wealthy. So, that implies if a 20 year old makes $3,00,000 a year, he would be considered wealthy if his net worth was greater than $6,00,000.
Sometimes, the rule of thumb leads to overestimating or underestimating the needs of an individual, however, they are useful to people to general guidelines. They never account for specific happenings or factors which take place at a particular period of time, or the factors which can easily change over time, which should be considered for making sound financial decisions.

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