



THE FINANCE GAZETTE

Finance on your fingertips

VOLUME 1 – ISSUE SEPTEMBER 2020



Financial Highlights | Featured Articles | Editorial | FinFun

SUBSCRIBE NOW!

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 a successful volume 1, in the first edition of volume 2, 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 the hope that these pieces help you enhance your knowledge, we wish that you have a pleasant reading experience.

The FIC Editorial Board



Vipriya Anjum



Sanaah Jain



Tejas Agarwal



Kunal Shroff



Vivek Sigchi

TABLE OF CONTENTS

FINANCIAL HIGHLIGHTS

- Reliance 2G Mukht Bharat might put the incumbent operators in deep waters
- The -23.9% & perturbing contraction of GDP
- IRDAI identified 3 insurance market giants as D-SIs
- Industries are adopting captive solar power to cut costs
- Stable Coins replaced by Rupee in India's Crypto Market
- The economic slowdown hit EPFO earnings
- Centre violated the law, using the GST funds elsewhere

FEATURED ARTICLES

- The Health Tech Disruption
- SWOT Analysis of LinkedIn
- Impact Investing
- Demystifying Japanese Management Practices
- Zombie Company
- Indian Economy in Deep Waters

EDITORIAL

- Deciphering the "Act of God"
- Cookie Jar Accounting
- The Business of Saving the Planet

FINFUN

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

FINANCIAL HIGHLIGHTS

Keep yourself updated



Reliance's 2G MukT Bharat might put the incumbent operators in deep waters

A few weeks ago, Mukesh Ambani announced that Reliance Jio has started working on developing 5G services to achieve its next goal of making India 2G free (2G mukt) and to bring millions of Indians out of the Digital Vanvas. Despite the launch of free calls and cheap data plans by Jio earlier, it failed to get onboard a lot of 2G subscribers. This is because its 4G network had played the dual role of being both a bliss and a bane. Jio's 4G sims work only on 4G phones which back then were mostly smartphones that were well out of the reach of the low income groups. But things might take a turn for Jio in this aspect. With over \$20 billion dollars worth of investment in his kitty, Mukesh Ambani is taking his Jio plans to the next level and developing the complete package including the hardware. Partnering with Google, it is rolling out a plan to launch affordable smartphones priced at Rs. 4000 which can be a major disruptor for these telcos.

With this being a great prospect for the digital revolutionization of the country, it could be a serious blow to the incumbent operators especially Vodafone Idea which has 174 million 2G subscribers, the highest 2G subscriber base among the top three operators. Further, Airtel, which has 135 million 2G users, 47% of the total subscriber base is likely to get affected too. With Jio's novel offering, both the operators are facing the impending risk of losing their market shares in the feature phone segment.

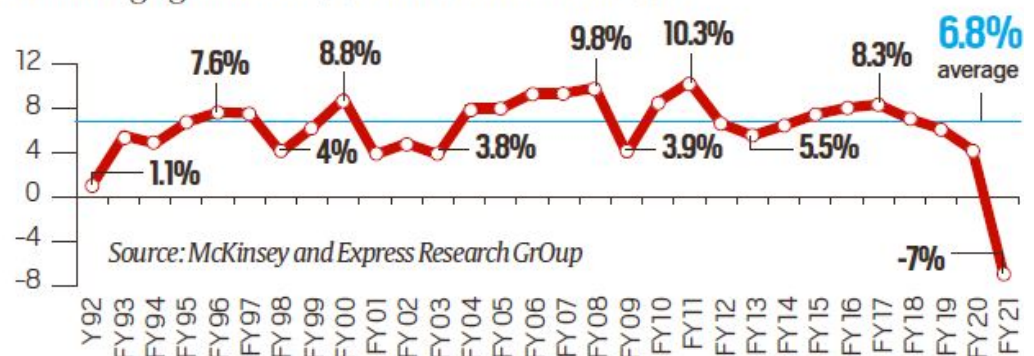


The -23.9% & Perturbing Contraction of the GDP

According to the recent data released by the National Statistical Office, India's GDP growth contracted by 23.9% in the first (April-June) quarter of 2020 compared to the same period in 2019. It is also being reported that it is the sharpest contraction since India started reporting quarterly in 1996.

CHART 1: INDIA'S GDP STORY SINCE ECONOMIC LIBERALISATION

From average growth of 7% to contraction of 7%



In any economy the key forces stimulating the GDP growth are private consumption, government consumption and exports. Since the very first lockdown, there's been a drop of about 5.3 lakh crore (27%) of private consumption and this has been the key driver for the steep fall in the GDP. The government's expenditure went up by 16% but this was nowhere enough to compensate for the loss of demand in other sectors of the economy. The government's data also shows that agriculture was the only sector which grew at a modest rate of 3.4 percent, else every other sector of the economy contracted. The most acute drop is seen in sectors like mining, hospitality, construction and manufacturing as these are the sectors that create maximum new jobs in the country. With GDP contracting by more than what most observers expected, it is now believed that the full-year GDP

could also worsen. A fairly conservative estimate would be a contraction of 7% for the full financial year. Due to the sustained slump in business there's not much of a ray of hope and growth is likely to remain in negative territory for the next two quarters, clocking in at (-) 5.4 percent in Q3 and (-) 4.3 percent in Q4, averaging (-) 10.8 percent in 2020-21.

IRDAI Identified 3 Insurance Market Giants as D-SIIs



Insurance Regulator and Development Authority Of India has identified Life Insurance Giant LIC, reinsurer GIC and Non-life insurer NIA as domestic systemically important insurers (D-SIIs) for 2020-21 and they will also be subjected to enhanced regulatory supervision. All these three companies are market leaders in their respective domains. Domestic Systemically Important insurers means any insurance company or other financial institution whose

failure could cause significant dislocation in the financial system. They are perceived as “too important or too big to fail”. “This perception and the perceived expectation of government support may amplify risk taking, reduce market discipline, create competitive distortions, and increase the possibility of distress in future. These considerations require that D-SIIs should be subjected to additional regulatory measures to deal with the systematic risks and moral hazard issues,” said IRDAI. A methodology has been developed by IRDAI for the identification and supervision of D-SIIs. The parameters such as the size of operations in revenue and premium terms, global activities across more than one jurisdiction and counterparty interconnectedness has been used as part of this methodology. The regulator further said that they would identify D-SIIs on an annual basis and disclose their names for public information.

Industries are Adopting Captive Solar Power to cut costs

Due to huge losses and fall in revenues amidst the lockdown period, a lot of companies across the industries are now adopting the captive solar energy technology to cut down the costs. Sources claimed that many companies have managed to reduce their electricity cost to as low as the fixed cost and they will get the payback on their investments in three to four years. Another reason is to take a positive step towards clean energy sources and to find a stable solution of power generation. Gradually, industries are becoming aware of new ways to use renewable sources of energy.



According to reports, Indian Solar Power market is expected to grow at a CAGR of more than 40% during the next five years. Declining cost of solar panels and new government policies are also playing a key role in this market. Major key players dealing in the solar market are Adani Group, EMMVEE SOLAR, Azure Power Global, etc. Rahul Gupta, MD and CEO of Ray experts, a major solar park developer in India said that their orders had increased by over 50% in the April- June quarter of 2020 and companies have now started to realize the importance of captive solar power plants in saving cost. Puneet Gupta, founder and director of Sun Alpha Energy, said that lockdown has compelled industries to look into their recurring expenses. Alternative power sources like solar energy, today are not just particularly alternatives to adopt but also the need of the hour too.

Stable Coins replaced by Rupee in India's Crypto Market



In 2018, Reserve Bank of India (RBI) banned India's banks from processing any transaction relating to cryptocurrency. After this, Stable coins (a set of cryptocurrencies tied to fiat or government issued currencies) were introduced as a solution which were used to process transactions. Stable coins solved major problems relating to crypto transactions as when, RBI introduced peer to peer trading in place of exchange administered transactions due to which exchanges no longer accepted rupees and had to be directly transferred between counterparties. Crypto price would often change before the arrival of money during the transactions, thus incentivizing one of the parties

and misleading the others. Due to this, industry introduced Stable coins. They offered the solution of holding cash in exchange without having the need to withdraw from the bank account every time.

But there were some problems with the credibility of stable coins, as the issuer of these coins sometimes may not hold fiat currencies against these coins or may not hold them in sufficient quantities. However, in March 2020, Supreme Court has rejected the RBI payments ban and Rupee has made a comeback. As after RBI's ban, Indian Market dropped around \$5 million which was almost 90% stable coins. Post this judgement, stable coin volume has remained the same but the rupee-crypto contributes an equal amount. This judgement has brought the market above ground and made it more accessible.



The Economic Slowdown Hit EPFO Earnings

In March 2020, the Central Board of Trustees (CBT) of the Employees Provident Fund Organization (EPFO) had recommended an 8.5% pay-out to members for fiscal year 2020. However this was decided to be paid in two instalments, the pay-out would compromise 8.15% interest on income from debt instruments and the balance of 0.35% from the sale of a part of its investments in exchange traded subject to their redemption till December 31st. EPFO earns income from investments in debt instruments and equities. Investment in equities amount to approximately 15% and the remaining are earned from debt. The debt component ensures fairly predictable returns while the equity component has risks associated with fluctuations in the stock market.

Based on its earnings for the year, CBT recommends in March an interest rate at which pay outs would be made. For this year, debt components were in the range of 58,000 crore-59,000 crore rupees. Its disinvestment process was expected to yield capital gains of 3000 crore rupees. This year due to Covid-19 pandemic there was free fall in the equity markets and it became clear that the anticipated earnings could not be realized at time. It was decided that equity dilution would be put-on hold until the stock markets recover. It was clear that the debt component has earned 58000 crore rupees but what was left was the equity component. Though CBT decided to retain its recommendation of 8.5% out of which 0.35% would be paid out of sale of equity. This sale could happen anytime till



December 31. Once it becomes clear that returns were as indeed anticipated, the interest rates would be notified. If the stock market collapses again and ETF dilution does not bring expected returns, the 0.35% part of the interest may get reduced.

Centre Violated the Law, using the GST Funds elsewhere

The Comptroller Auditor General mentioned in his audit report of government accounts that the government had wrongly retained Rs. 47,272 crore of GST compensation within the consolidated fund of India of 2017-18 and 2018-19 and used it for other purposes. According to the GST Compensation Cess Act 2017, short-crediting of funds is a violation because it led to the overstatement of the revenue receipts as well as understatement of the fiscal deficit. It also came into notice that some funds were moved under the head 'Transfer of Grants in



Aid to States' instead of 'other fiscal services' which is an accounting procedure error. A non-lapsable fund or the GST Compensation Cess Fund, a part of the public account, is supposed to be used entirely to compensate states for the loss of revenue. The whole cess collected during the year is required to be credited to this account. The short-crediting occurred because the government retained the whole amount within the CFI and used it for other purposes rather than transferring it to the GST Compensation Cess Fund. The ministry of finance has accepted the report and stated that the proceeds which weren't transferred to the public account would be transferred within the subsequent year.

FEATURED ARTICLES

More than just finance





The Health Tech Disruption

By Priyal Jain
(Chief Advisor)

The word unprecedented has never been more contextually relevant and meaningful than when 1.38 billion Indians have been set down for over more than 4 months to withstand the biggest lockdown in the human history. However, as and when time passes by, our problems are backed up with modern and innovative solutions, which emerge in the market and disrupt it entirely. And one such example to put forth is the Healthtech industry which is not just gaining momentum but is disrupting the entire scope and mechanism of healthcare around the globe with its benefits and the need for value-based care model.

Talking of the nitty-gritty of Healthtech; it is defined as a technology-enabled service or product which helps in early diagnosis, early prevention, better treatment, online medicine ordering, and easier consultation. With the growing utilization of AI, ML, IOT, data analytics, and IT in the health care sector; the sector is opening new dimensions in the healthtech industry.

India's Health Tech market is poised to become a \$638 Bn opportunity by 2025!

Yes, you read it right. The Covid-19 pandemic

has been called a structural shift for digital healthcare in many countries, including India. With more than 5000 start-ups in India across various subcategories like online pharmacy, telemedicine, home healthcare, medical devices, fitness and wellness, MedTech, and personal management; India has become the epicentre of the growing healthcare in the world. Practo, Netmeds, PharmEasy, MetLife, Curefit, 1Mg, etc are some of the flamboyant names which not only have gained consumer confidence but have also underpinned the industry with their massive usage of technology to penetrate, adopt and contribute to the availability of data and care-based solutions to the industry.

The Supporting Force

Well, by now what might be intriguing you is why these developments are pacing up so much? Why India is becoming the destined Healthtech nation? And why is Amazon, which is already established in the market, wanting to capture this gigantic market share?

The answer is simple, it is the amalgamation of technology, innovation, health awareness among consumers, and support from the government authorities which is attracting the attention of

everyone towards India. Let's look at some of the trends which are gaining traction:

1. **The Saviour-Technology:** Whether using IoT solutions for post-operative care, AI-powered systems to detect heart disease risk, or drones to deliver blood transfusion to remote areas, technology in healthcare not just has immense potential to ameliorate the industry but addresses the three main pillars of healthcare in India – Accessibility, Affordability, and Quality.
2. **The rise of digital health:** With the pandemic in play, people everywhere are staying in homes and are looking for digital options to solve their problems. Whether it is groceries, banking, or caring for one's health, digital solutions are ubiquitous and are amplifying each day. From wellness to fitness, telemedicine to preventive healthcare, one can find an ample number of alternatives available to maintain their health digitally. Chronic diseases and systems designed to empower every individual is driving the growth of digital health solutions in India.
3. **Need for value-based care models:** The surging demand for price, quality, and safety is inviting the integration of data driven healthcare systems. It is estimated that by the end of 2020, around 15% of global healthcare spending will be associated with some sort of value-based care models. The healthtech start-ups in India are harnessing this opportunity through wearable technology, virtual reality, AI, ML, 3D printing, genomics, and data analytics which together will bring a revolution in India's health industry.
4. **Governmental Support:** By leveraging the Make in India and Digital India initiatives; the government is encouraging the manufacturing of medical devices and helping lower the prices patients pay for various products. The national digital health mission is another initiative that is embracing electronic medical records; thereby enabling AI to drive data for better treatment. With the ease in telemedicine guidelines, connecting primary, secondary, and tertiary healthcare facilities, leveraging digital tools for Ayush, and availability of

telecom bandwidth, the government is making medical expertise reach underserved rural markets through various start-ups, telemedicine, and tele-consulting programs via radios, TVs & mobile phones.



Investment – It pays off!

Given the length and breadth of engagement that Indian Health Tech Start-ups and firms have involved in, the coming 2-3 years will be panoramic for the Indian health sector and the economy. This shift will not just create more and better employment opportunities, well-equipped infrastructure but will also aim at an enduring and consistent development in the healthcare industry with entirely contactless treatments and wellness. Home Healthcare, better insurance plans, remote health, and mobile health, creation of data, rise in the maintenance of health products and e-records, patient-driven health care system, telemedicine and tele consulting, preventive curation with the use of AI & ML are some of the innumerable benefits which a consumer will be able to drive from such developments. Added to all this the nexus of the improved health care system will bridge the gap between rural and urban people. By hiring locals this system will create more equitable jobs & opportunities to get treatment and avail cure at the right time and at one's own need. With enhancements in Ayush, homeopathy, Unani, Yoga & Meditation; India is ranked as the 5th best nation for medical tourism which is growing at a CAGR of 18%.; attracting a lot of forex & unsaid opportunities. Succinctly quoting, this investment in the health sector plays a major role in striking & maintaining the appropriate balance between

the economic and social environment in the country.

The Challenges Posed

The upside for an innovator in India is that she is very likely to find a use case and chance to pilot new technology. However, in a country which is often called “the land of pilots”, the challenge is usually with scaling and distributing technology and infrastructure. The healthtech sector in India is growing and is spreading its tentacles wide, but there are still some concerns and challenges which need to be addressed and encountered with.

1. **Personal Data confidentiality & Security:**

Data breaches and security is one of the biggest concerns across industries. The problems like exchange of seamless data, patient's information leaks are still to be backed up by proper rules and regulations. Strong data protection and building advanced security systems is the need of the hour.

2. Infrastructure support required: Huge healthcare/med-tech breakthroughs like AI/ML, AR/VR coupled with novel applications has brought a paradigm shift in addressing patient-centric and precision medicine approaches to diagnostics. Effective adoption and penetration of such state-of-the-art technologies concomitantly require equally sophisticated and cost-effective business platforms like remote operations, telemedicine, digital interfaces, computational power, supply-chain logistics, etc. Specifically, healthcare technologies and business models that are based on remote operations—a strategic and essential lesson in current times—require a high level of seamless integration between the respective technologies, back-hand infrastructure support, and highly-skilled workforce.

3. Resource utilisation, including personnel training: Effective deployment of healthcare technology and delivery needs to be supported by proper, sustainable, and cost-effective resource utilisation, including medical personnel and patients training for remote operations and digital deliveries. Some of these platforms are in the nascent

stage for the Indian healthcare system and proper uptake and directed training are very critical for sustainable leverage—clinical and commercial—of such technologies.

2020, is a revolutionary year, a challenging year and definitely a game changing year. A global health emergency like coronavirus has put a big spotlight on the healthcare industry, with every stakeholder fighting on the frontline. Within two months of time, India transformed from importing PPE kits to the second largest producer in the world itself testifies the fact that India has shown tremendous zeal and enthusiasm to fight. In the new normal, India is poised to witness more such advancements in every sector. The shift from what has been traditionally called as sick care to wellness provides opportunities to flip the health care model and focus on prevention. The game now lies all on how we develop infrastructure, improve the methodology, the efficiency and the way we do things and reduce the burden of disease.



SWOT Analysis of LinkedIn

By Juhi Karamchandani and Anoushka Bharadwaj
(Mentorship and Consulting Department)

LinkedIn is an American business and employment-oriented online service that operates via websites and mobile apps. It is mainly used for professional networking, including employers posting jobs and job seekers posting their CVs. Venture capitalist Reid Hoffman, product designer Allen Blue, marketing professional Konstantin Guericke, engineer Eric Ly, and engineer Jean-Luc Vaillant founded LinkedIn, and the website was launched on May 5, 2003. Growth was slow at first. In 2005 LinkedIn introduced services that allowed companies to post job listings and search the network for prospective employees. In addition to these professional services, LinkedIn allows companies to advertise on the site. It finally became profitable in 2007. That year LinkedIn had more than 15 million members, and by 2011, it had more than 100 million members worldwide. Its initial public offering (IPO) that same year raised \$353 million. As of 2015, most of the company's revenue came from selling access to information about its members to recruiters and sales professionals. In 2016 LinkedIn was acquired by Microsoft for approximately \$26 billion. The following year it reported more than 500 million members in about 200 countries. As of May 2020, LinkedIn had 706

million registered members in 150 countries and is available in 24 languages.

SWOT ANALYSIS

Strengths

- **Strong Professional Network:** LinkedIn has successfully created a niche for itself by focusing on professionals working around the world and has created the world's largest online professional network.
- **Exquisite Performance in New Markets:** LinkedIn has built expertise at entering new markets and making successful mark in them. The expansion has helped the organization to build a new revenue stream and to diversify the economic cycle risk in the markets it operates in.
- **Highly skilled workforce through successful training and learning programs:** LinkedIn is investing huge resources in training and development of its employees resulting in a workforce that is not only highly skilled but also motivated to achieve more.
- **Strong Content Business:** LinkedIn offers strong content, strengthening its professional network and LinkedIn's business model. It has created a strong content network and developed strong traffic by

“influencer blog” written by professional leaders around the world.

- Acquisition by Microsoft: Ever since, Microsoft acquired LinkedIn, it allowed the company to run its core operations independently. This deal not only provided financial stability to LinkedIn but also incremental growth opportunities for the company.
- Strategic acquisitions enhanced business: LinkedIn has improved its market position by growing inorganically in the recent past by acquiring lynda.com, Pulse and Bizo. Such acquisitions have enhanced the company’s professional offerings and improved its market share and position.
- Diversified revenue streams: LinkedIn has a diversified range of revenue streams unlike other social networking websites like Facebook. LinkedIn’s revenues are generated by its three product lines, premium subscription, talent solutions and marketing solutions. It is not dependent only on advertisements like Facebook.

Weaknesses

- Limited success outside core business: Even though LinkedIn is one of the leading organizations in its industry it has faced challenges in moving to other product segments with its present culture.
- Facebook’s popularity: LinkedIn is at a competitive disadvantage when compared to Facebook because of Facebook’s higher reach and company created applications on it which allow them to reach a larger audience. For example, Facebook allows BeKnown, a Monster.com application to reach a larger network of professionals through the platform.
- Lawsuit on violation of data privacy: In 2013, LinkedIn was accused of violating data privacy by hacking into third party email accounts. This indicated a breach of privacy for the users which adversely affected the brand image of LinkedIn.

Opportunities

- Increasing mobile presence: Smartphones are minimising the need for a PC day by day. LinkedIn has also identified the fact that it is more convenient to use a mobile application

and mail on smartphones than on PCs. It has not only introduced a feature of applying for jobs but has also introduced Sponsored InMail for marketing emails and promotions.

- Social Recruiting: Social recruiting is a growing trend in the industry which implies hiring candidates through social media channels. Recruiters in the future are more likely to recruit talent through social media. LinkedIn’s significant presence creates a great potential for it to grow with this trend.
- Increase user engagement: LinkedIn has focused on increasing user engagement to accelerate member activity and time spent on the platform. User engagement through various mobile apps like Pulse, Jobs etc. allows higher user interaction and user traffic.

Threats

- Intense competition: LinkedIn faces intense competition from social media platforms like Facebook, online recruitment companies like monster.com and talent management and talent solutions provider companies around the world. Intense competition forces LinkedIn to constantly innovate and hampers growth opportunities.
- Internet Privacy issues: Companies offering online services have come under public scrutiny recently. There is a greater need for regulations on the internet as identified by various governments and cyber security departments. Such measures could affect the industry.

LinkedIn is a valuable resource for career and business professionals to network; obtain resources and support; and to build relationships with potential customers, clients, and partners. Moreover its graphic user interface and its ability to involve people to tap into the news of the world and share their experiences, both professional and personal make it an extremely lucrative business and networking site. It's ideal for home-based business owners, freelancers, and telecommuters, as it can help them build their business and career, as well as stay connected to the outside world.



Impact Investing

By Mannat Kalra

(The Social Wing)

“Investing in companies that are measurably helping to solve global issues wins you not only brownie points, but financial returns too!”

According to The Global Impact Investing Network (GIIN), impact investments are investments made with the intention to generate positive, measurable social and environmental impact alongside a financial return. Impact investing occurs across asset classes such as private equity, debt, and fixed income. These investments can be made in both developing and developed markets, and aim at a wide range of returns from below market to market rate, depending on the individual investors' strategic goals. Impact investments may take the form of various asset classes and may result in certain outcomes. The basic agenda of impact investing is to use money and investment capital for positive social results.

The contemporary times have made the value of pursuing the sustainability principle in general understandable, and hence social impact investments are being aligned for the achievement of Sustainable Development Goals (SDG). As suggested by the UN estimates, to achieve the SDGs by the demands of the year 2030, developing nations must invest as much as USD 3.9 trillion annually. However, the

private and public sectors together invest only USD 1.4 trillion. This amounts to an investment gap of USD 2.5 trillion. The social impact investments are expected to fill this gap.

“Impact investing is value-driven finance – you allocate capital to align with the world you want to see.”

One of the most basic goals of impact investing since its very inception was to help reduce the negative effects of business activity on the social environment. That's why impact investing may sometimes be considered an extension of philanthropy.

Investors who use impact investing as a strategy consider a company's commitment to corporate social responsibility (CSR) or the sense of duty to positively serve society as a whole, before getting fully involved with that company. The type of impact that can evolve from impact investing varies based on the industry and the specific company within that industry, but some common examples include giving back to the community by helping the less fortunate or investing in sustainable energy practices to help save the planet. The bulk of impact investing is done by institutional investors, but a range of socially conscious financial service companies,

web-based investment platforms, and investor networks now offer individuals an opportunity to participate in it. One major venue is microfinance loans, which provide small-business owners in emerging nations with initial or expansion capital. Women are often the beneficiaries of such loans.

Impact investing is very different from ‘socially responsible investment’, which is a well-defined framework for choosing investments based on criteria like environmental, social and governance. In fact, impact investing has evolved out of socially responsible investment, to the broader investment community. The major difference today is that impact investors are far more proactive in their intention for positive impact as opposed to merely avoiding the negative impacts. Similarly, it cannot be compared to other similar ideas such as conscious capitalism, sustainable investment, and ethical investment.



“According to a recent analysis by the Global Impact Investing Network (GIIN), over 1,300 organisations manage \$502 billion in impact investing assets globally. The impact investing sector in India attracted over \$5.2 billion between 2010 and 2016, with over \$1.1 billion invested in 2016 alone.”

Impact investments have touched the lives of 60 million to 80 million people in India. That’s equivalent to the population of France, a figure that is much greater than the proverbial drop in the ocean many imagine impact investment to be—more like a small sea. To be sure, India has a vast population of people in need. But then again, as social enterprises scale, so will their impact, reaching a critical number of at-risk people in smaller populations.

As investors re-examine their understanding of impact investing, the capital commitments they make are sure to expand. That will undoubtedly provide new challenges. But various research studies suggest that this nascent asset class can meet the financial challenges as well as achieve social returns globally. Thus, with the emergence of impact investing as a new asset class in India, investors are not only providing capital and support to social enterprises but are also understanding the potential of this new form of investing.



Demystifying Japanese Management Practices

By Keshav Gupta

(The Organising and Sponsorship Department)

In the past few years, many “experts” on Japanese management have isolated distinctive practices that seemingly account for Japan’s remarkable economic success. The often-unstated implications of such analyses are that American companies might do well to adopt some Japanese techniques. In this article, however, we expose a different side of the vaunted Japanese style of management. These well-known practices have advantages like consensus management and lifetime employment but at the same time, have disadvantages too. Indeed, Japanese managers are as eager to learn from the West as western managers are to learn from Japan.

At a time when the virtues of Japanese management are being extolled everywhere, some Japanese executives are unexpectedly dissatisfied. While Americans are hearing about the advantages of consensus management, the ringi system of decision making, seniority promotions, lifetime employment, and the Japanese-style long-range planning, many Japanese managers are worried about the disadvantages of these very practices. Some Japanese companies are even attempting to break away from their management traditions and adopt more American techniques.

Most well-run Japanese corporations want to adopt useful techniques from the West. Some manufacturing companies have, for example, introduced American-style product management systems. Other companies have adopted formal strategic planning systems, or committee-based decision making, or even merit-based promotions. At the same time, some Japanese companies that steadfastly adhere to traditional techniques have not done so well.

Features of Japanese Management and the Problems associated with them

Consensus management

In the typical Japanese corporation, the **ringi system** is used to build a consensus around major decisions. A ringi document is circulated among managers who have the opportunity to register their agreement by affixing their seals to it. The quality of Japanese decision making is claimed to be high, since managers at all levels participate. In addition, the system is also said to maintain high morale among employees. Finally, the ringi system allows executives to share and spread risk taking. Consensus management in Japan is often compared to participative management in the West.

However, the two are not the same. Consensus management in Japan has subtle objectives and a subtle significance that is not easily detected by foreign observers. In practice, the time-consuming process to build consensus is used less to make better decisions than to appease factions in an organization. In a typical Japanese company, a handful of jitsuryokusha executives, who belong to the mainstream faction led by the CEO, make important decisions.

At its best, the system draws on the expertise of various executives and moderates factional conflicts. At its worst, it fosters management by factions and diffuses management responsibilities. In all cases, however, it is time-consuming and does not take account of managers' open participation and interaction.

Bottom-up decision making

Although decision making in Japanese companies is bottom up, the power of the typical Japanese CEO is so great that no important decision can be made without first considering his wishes. While proposals are likely to start from lower-level executives, these executives generally propose what they believe to be the wishes of their superiors. This pattern of decision making is prevalent all the way down to the lower echelons of management. In other words, the bottom-up process merely disguises the true decision-making pattern, which generally runs from the top-down. It is crucial, therefore, for junior executives to interpret exactly what their superiors want. Young managers learn the techniques of indirect communication slowly over many years, drawing on interactions outside the office to a degree unknown in western culture. A young executive is commonly expected to spend his evenings relaxing in bars with his superiors and colleagues. The superior is obliged to invite his staff to these sessions so that personal relationships can build. This kind of communication works more smoothly in a homogeneous society like Japan's where uniformity in thought and behaviour among individuals is the norm and where younger members of society are willing to sacrifice short-term for long-term gains.

While the indirect mode of decision making may motivate younger executives and maintain organizational harmony, some Japanese companies are questioning this practice. Concerned managers point to the non-traditional values of younger employees who are familiar with western culture and appear less willing to make the personal sacrifices involved in the traditional communication and decision-making process. Many large corporations that adhere to traditional practice may find it difficult to compete against smaller, entrepreneurially managed companies that rely on direct communication and a quicker decision-making process. In September 1983, according to a survey of managers by Nikkei Business, 36.9% of the respondents listed communication as a matter of grave concern. Indeed, communication made executives more anxious than any other management problem.

Orderly promotion

Some argue that the western system of promotion, which uses rapid advancement as a reward, may result in short-sighted executive actions that tend to disregard corporate social responsibility and breed excessive competition among young executives. These problems can be overcome, possibly by adopting a Japanese-style orderly promotion system based on seniority. However, the way the system actually works in Japan makes executives just as competitive as their American counterparts. There is no less anxiety or executive myopia in Japan. As mentioned earlier, for an executive to become a jitsuryokusha, he must pass through a series of jobs, preferably gaining experience in line assignments. This job rotation through important positions identifies promising executives rather than ensures rapid promotion. Japanese companies prefer to groom managers with broad line experience rather than specialists for top positions.

The intention of the seniority system is to mitigate employees' anxiety and insecurity by providing orderly promotion and pay raises. The system enhanced employee morale and organizational harmony particularly in the 1950s and 1960s, but it may have outlived its usefulness. The shortage of senior posts has intensified competition and anxiety among

younger executives while top-heavy corporate structures have become a burden for corporate management. Some companies are adding more job titles to alleviate the situation; other companies are approaching the problem by creating specialist positions outside the traditional administrative posts. For instance, the company, Hakuhold, Inc., has added such categories as “first class” or “second class” to the standard titles of middle and senior positions ranging from assistant section manager up to division manager.

Lifetime employment

Lifetime employment is probably the one “traditional” Japanese management practice that is likely to continue in the new environment. Lifetime employment actually has a short history. It applies principally to employees of large corporations and is less prevalent in small and medium-sized companies in which employment varies with the vagaries of the economy. Sociologists point out that the spread of lifetime employment coincides with the replacement of the extended family by many small nuclear families in Japanese society. This transformation in family life challenged the traditional Japanese concept of paternalism. Some argue that the corporations have now assumed that paternal function is very important in the Japanese society. Corporate paternalism and lifetime employment are said to meet the general needs of Japanese society.

The Japanese system, however, is far from ideal. Decision-making authority is concentrated in the hands of a select few executives; a significant number of senior employees are madogiwa zoku (literally, “window-side” employees who have been put on the side-lines), who must tolerate boredom and indignity in exchange for job security. The fear of becoming madogiwa-zoku is widespread among executives of large corporations. In 1981, Nikkei Business conducted a survey of 590 executives aged 44 that showed nearly 80% of executives being worried about a future increase in the number of madogiwa-zoku. Lifetime employment also means limited mobility between companies. If a manager is unhappy with his job, other opportunities are extremely limited at mid-career. The system is accepted

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 Hakuhold’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.



Zombie Company

By Aneesha Bajesaria and Mehul Talwar

(The Research and Development Department)

In the wake of the coronavirus pandemic, lockdowns and supply chain disruptions have caused long term changes in the consumer and corporate demand that have rendered businesses and entire industries financially unviable. The walking dead of the corporate world have multiplied and are draining the healthy parts of the economy. Economists refer to these “walking dead” entities as zombie companies.

A “Zombie company” is a term used to describe an uncompetitive company that needs a bailout to successfully operate or an indebted company that is only able to repay interest on its debt (interest-coverage ratio of 1 or less) i.e. these companies generate only enough cash flow to pay the interest on the debt and are unable to pay the actual principal amount. They do not wish to engage in formal insolvency proceedings even though they are unproductive and there is no room for capital growth leaving them vulnerable to market changes.

The Effect of Zombie Companies on the Economy

The number of Zombie Companies has increased over the past 20 years due to ultralow

interest rates prevailing in the economy to stimulate demand after each of the financial recessions of the 21st century. The zombie companies are kept on life support by the central bank as they offer debt at excessively low rates of interest to these companies which beat the alternative of soaring bankruptcies and additional job loss of millions of workers.



The main effect of zombie companies on the economy is that these companies hinder the economic growth of a country as these companies continue to exist thus serving as a barrier to entry for newer companies. The higher prevalence of zombies signifies that misallocated resources are on the rise which weighs on productivity growth as zombies tend to consume scarce resources -- personnel,

office buildings and capital -- and thus leave less for healthy companies.

The governments all across the world have been trying to keep the strategically important companies alive while there has been a proliferation of debt-laden companies as allowing zombie companies to tread along comes at a greater cost to the economy. Deutsche Bank reports estimate that the zombies' share of US companies alone has roughly tripled since the global financial crisis to more than 18 per cent.

Industries populated by greater numbers of zombies experience lower investment and employment growth, according to a 2018 study by the BIS, a central bank group in Basel, Switzerland. Zombies are a problem because a company that can stay afloat by borrowing instead of finding ways to increase money in their coffers can become complacent and inefficient. It may also be the case that some employees, with innate talent, are simply propping up zombie companies. With real opportunities, it is likely that they may be able to produce something more innovative.

drug fails, the company can reach the verge of bankruptcy within days of the announcement. Whereas, if the drug is successful, the company could benefit immensely and cover its debt service costs and comply with its liabilities.

This being an uncharted territory, there are often interesting opportunities for investors who have a high-risk tolerance and are seeking speculative opportunities.

Examples

Retail powerhouses such as Sears and Toys R Us - US retailers that filed for bankruptcy - have struggled to adjust to the challenges presented by their sector. They stay afloat only because of a combination of favourable financial conditions due to their sheer size and impact, as suppliers are reluctant to pull the plug on them.



The Dilemma of Zombie Investors

Because a zombie's life expectancy tends to be highly unpredictable, zombie stocks are extremely risky and are not suitable for all investors. For example, a small biotech firm may deplete its resources by concentrating its efforts in research and development in the hope of creating a massively successful drug. If the



Indian Economy in Deep Waters

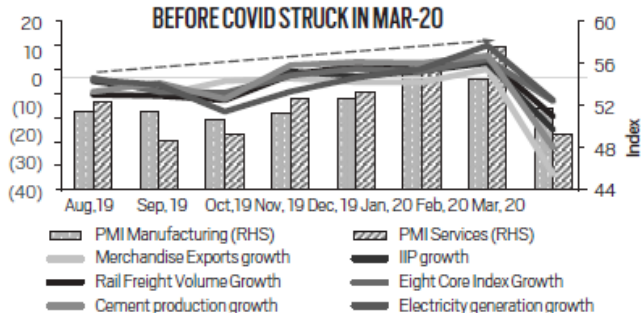
By Aditya K. Dhyani (Shaheed Bhagat Singh College)

With our GDP contracting by a gargantuan 23.9% YoY basis in the first quarter, unemployment rate nearing 10% and fiscal deficit already overshooting the yearly target in the first quarter itself, the road ahead for the economy and its participants is uncertain. Automobile and real-estate sectors were amidst a challenging phase, in which Covid has added insult to injury. Both the sectors are sceptical about demand not accelerating until end of FY'20. These times of numerous challenges across sectors and spheres makes us think gingerly on, what's next for the economy? Are the ammunitions of the government and RBI sufficient to deal with this conundrum or are we at the brink of drowning in deep waters?

stressed fiscal deficit target, the question arises, how will the administration get enough money to pump money in the economy? GOI surely needs to take strong, revolutionary measures to counter the economic crisis apparently which the executives deny to even exist. Economists believe they should monetize the deficit, by funding through RBI, but this has its own limitations. Similarly, If the government heavily relies on debt from the market its Debt to GDP ratio would exceed to alert rising level. Rating agencies would downgrade India's rating which will have a negative outlook by FIIS and FPIs for the Indian market. The major inflows from foreign investors since early 2000s in Indian market has been a catalyst for the economy will irrefutably suffer a setback.

Secondly, monetary policies which are stressed upon much, actually do not increase output and income in the long run. Owing to the fact that a country cannot produce more than its potential GDP and its resources available, unless there is increase in technological advances or more production capacity, just increasing money supply won't be fix everything in the basket of problems. ISI data's also reveals credit growth of banks have been stagnant at 5.5% in spite of interest rate cut of 250 bps since February 19. So, unless there is a sense of confidence prevailing from the

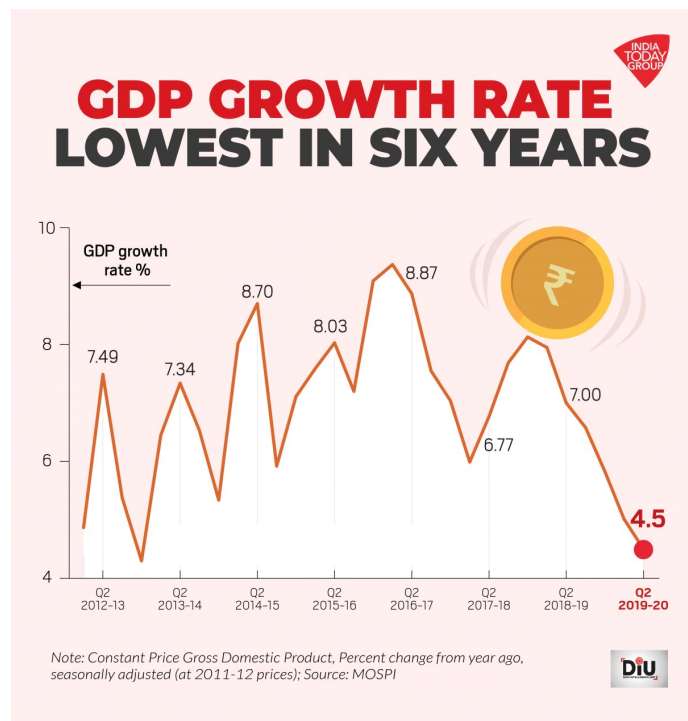
**FIGURE 2: ECONOMIC GREEN SHOOTS TILL FEB-20
BEFORE COVID STRUCK IN MAR-20**



Problem of all sorts for the Government?

The major challenge for government is to monitor the rising deficit. With revenues dropping by as much as 40% and an already

viewpoint of the investors and buyers, rate cuts, reserve relaxations won't be suffice to undo the wrong.



Way Forward

Collective administration should fall in place to take the driving seat to get us out of an impending economic disaster. India's fiscal stimulus (liquidity and fiscal measures) out of the total package was only 1.7% of GDP as against the politically motivated marketing of 10%. Much of it focused on assuring credit but much little was done to analyse and fix demand issues. We need bolder reforms and infrastructure projects to get the wheels rolling again. With many of the workers already finished the period of work under MGNREGA, and demand increasing by 40%, there is need for aggrandized resource allocation to increase the minimum days to 200 (per say), providing youth employment guarantee programs and maintaining demand avenues for what's going to be supplied. Wide-scale infrastructural projects should be undertaken but not just for short term prospects but also which is beneficial in long run as well. Fresh credits schemes should be framed to already debt laden MSMEs and farmers. The auto sector is a multiplier for all other small business and sectors. Temporary reduction of GST, cess and road tax could help the constantly plummeting industry. Vehicle

scrappage policy which is long pending if implemented quickly will give a production boost to all the firms and help them recover the pending losses. If the sales of auto makers get going, it will provide much needed employment and investment to address the issues. But to implement these large spending would be required, for which government borrowing seems like the only reliable option. If government borrows internally, ratings maybe negative in the short run. However, the rating agencies have already projected slashing GDP and growth outlook for next fiscal year. Thus these fundings need to be effectively mobilized.

RBI to the rescue?

- Advocates of Monetary policy say RBI should provide government with the required fiscal needs to spend freely. Monetizing the deficit often comes with the problem of Inflation and India being a inflation prone country has a high risk of falling into the mirage of inflation.
- But monetarists advocate the demand today is on low levels, unemployment has touched record highs and consumer spending is subdued. These put together has put limitations on the power of RBI because printing notes might/might not raise commodity prices. After the 2008 financial crisis Fed too increased its balance sheet without observing a surge in inflation rate.
- The question henceforth arises that once demand picks up maybe in the pace would RBI would be able to limit the inflation in its tolerance band of (4 +/-2) and increase interest rates with its institutional independence even if it conflicts other interests. Decisions would have to be taken to what the extent of debt monetization should be and how will the apex bank move?

The government and RBI would need to co-exist in harmony, frame policies which complement each other to get the economy running again. The pandemic had got our trajectory on lines but possibility of a second fiscal package could be rolled out to help the sensitive areas requiring aid and support. All these will be governed by time and by effectively analyzing the effectiveness of previous implementations.

EDITORIAL

Direct from the desk



Deciphering the “Act of God”

By Vipriya Anjum
(Co-Editor)

When the Honorable Finance Minister, called the COVID-19 pandemic an Act of God, thousands of emotions stirred causing an uproar amongst the public. Seldom is the stand against the statement backed by reason, hence we decode for you what lies behind this three-worded announcement so you know your stance.

Recalling the year 2017, when GST came into picture, several states were against this particular tax legislation. The reason behind this was that since GST was a consumption-based tax, and not a production-based tax. What this implies is that the place of consumption of a good decides the State that will collect tax. Tamil Nadu, for example, was vociferously against the very idea of a GST. The parody behind this destination-based tax was that the consuming states receive a full share of revenue whereas the producing states get nothing. The states hence wanted an assurance that they would generate revenues, in addition to the other sources.

To ease the states, an idea of compensation was put forward. This idea was written into the constitution and made concrete with a central legislation. It assumed that the state revenues would grow at a rate of 14% year-on-year on a base of the state's tax revenue in 2015-2016. Any gap between this projection and actual GST revenue generated would be the compensation. This gap would be financed by way of a special compensation cess, levied over and above the GST on sin (for example, tobacco) or luxury goods (for example, SUVs).



With this lucrative compensation the Government cut the GST's Gordian knot. Even Tamil Nadu dropped its recalcitrance and accepted this wager.

Coming to the current year 2020-21, the gap between projected tax revenues and actual collections is striking: 3 lakh crore rupees! Whereas GST compensation cess amounts to just 65,000 crores to bridge the gap. The states still face a shortage of Rs. 2.35 lakh. On the 27th of August, this challenge transformed into an upheaval. As the finance minister now made an escape from this upheaval claiming COVID to be an Act of God, arguing that the pandemic had absolved the centre of all responsibility to pay its dues.

The Government has now come up with two options for the states in consideration with their commitment of the Compensation Cess. As for the first option, stating mainly the government asked the states to borrow 97,000 crores using a special window with the RBI, at very low rates, wherein the principal and interest will be paid using the GST Compensation Cess until 2022. While in the second option, is to buy the entire amount of shortfall for 2.35 lakh crore from the market, giving the predetermined market rates (which will be definitely higher). The interest would be borne by the

states itself, and in this case the program for compensation will be extended beyond 2022 until the states can repay their debts. When we look at the states as front-line warriors in this catastrophe, the excessive burden on the states in lieu of compensation fund doesn't seem fair. Does invoking the "Act of God" mean that the finance ministry ought to be absolved of all responsibility?

The first instance of usage goes way back to 1861, and the British landmark case of *Taylor vs Caldwell* with an opinion delivered by Justice Blackburn which established the doctrine of common law impossibility. Until this case, the parties in a contract were held to be absolutely bound and a failure to perform was not excused by radically changed circumstances. Instead, the contract was breached and gave rise to a claim for damages. This ruling, though quite narrow, opened the door for the modern doctrine of contract avoidance by impracticability.

Also referred to as the force majeure clause, this is used in the contract laws to protect parties in a contract from circumstances that may arise



outside of any one party's control. For example, insurance companies do not pay out vehicle insurance if the car is lost in an earthquake. For they would be bankrupt in no time if they paid for all destruction through natural disaster. While private units in a situation of deep economic distress may claim force majeure to guard themselves against risks, the government of a country must not do so.

The fact that the Centre and citizens are bound by a prominent theme in the early 18th century philosophy as a social contract. In a democratic society such as ours, immense powers lie with the government, namely, the power of taxation and control of law and order. What we desire in exchange of the government is to preserve our rights and liberties, and protect us from all forces that we are unable to control and handle, such as a global pandemic. Certainly, the weight of this notion of social contract must be acknowledged by the government.

Cookie Jar Accounting

By Sanaah Jain
(Co-Editor)

Cookie jars are usually used to store one's favorite cookies. Sometimes even to hide the most delicious ones from our siblings. Interestingly, these cookie jars are also used by businesses. But not to store cookies to serve in board meetings, rather, to hide the means of a bogus practice of corporate accounting. Cookie jar accounting is a practice in which a company pulls out quantities of cash from economically successful years or quarters and incurs them against losses in subsequent economically unsuccessful years or quarters. These large chunks of secret cash are called cookie jar reserves. When a company fails to meet its earning targets, its accountants take out some cookies from this jar and fill in their financial platters.

But an immediate thought comes to mind that why are these cookie jar reserves created? To know why we need to understand what sprouts this practice?

So basically, the earnings of a company play a significant role in its rating. Wall Street values companies that earn consistent earnings and beat their former quarter targets. Such companies are also rated highly by analysts and their shares' premiums are paid for by the investors. In order to not lose out on these incentives, companies begin to maintain an "erroneous" impression of their financial stability by using methods of earnings management like cookie jar accounting to smoothen out the volatility in their financial outcomes. The only rationale is to present a consistently aesthetic presentation of financial performance.

Layered in the cream of special items, these stale jar cookies beautifully fit in with the fresh delicacies of the balance sheet platter. These special items are large one-time expenses or incomes that are not expected to recur in the future. Or it can also be a large sum of money reserved from a former flourishing quarter that is now being used to meet the shortfall in the estimated earnings of the company.

In another appalling variety of cookie jar accounting, a liability is recognized or stated when in actuality there is no liability. This can be contemplated through the following example. A random company X has seen a prosperous financial year with its earnings amounting to \$1.4 million. The management decides to restructure the firm and estimates its cost to be \$400,000.



This amount is shown as a liability reducing the earnings to \$1 million for that year. In the following year, the company's earnings added up to \$800,000 only which puts the executives in a tough spot. In order to maintain a positive impression of their financial performance in the eyes of the public, they declare the cancellation of restructuring of the firm eliminating the supposed liability. The \$400,000 (cookie) is then listed as an income in that year inflating the earnings to \$1.2 million.

In a nutshell, the company stored cookies (reserves) of a flourishing year in the cookie jar (balance sheet), and took out the cookie in a subsequent year to eat it (to present it in their income statement) when the management was hungry (needed extra income to keep up the good look).

The practice of cookie jar accounting is scowled on by the government regulators as it misleads the investors and the public on the financial soundness of a company in turn putting their investments in jeopardy.

One of the infamous cases of cookie jar accounting winds back to July 2010 when the computer maestro Dell had to pay \$100 million to the Securities and Exchange Commission (SEC) in settlement of the charges of disclosure accounting fraud. The SEC stated that Dell was projecting a false image of



its earnings by dipping into its reserves to cover for the shortfalls. From 2002 through 2006, it was able to meet the analysts' estimated earnings only by breaking the rules. In this case, the cookie jar reserves were the undisclosed payments in the form of rebates that Dell was receiving from chip giant, Intel. The agreement was to use Intel CPU chips in Dell computers in lieu of these payments. As per the SEC, the payment soared to \$720 million in the first quarter of 2007, representing 76% of Dell's operating income. Between fiscal 2003 and the first quarter of

2007, Intel had paid Dell \$4.3 billion. These payments bridged the gap between Dell's earnings and the Wall Street estimates thereby portraying a favorable image of the company. However, when Dell picked Advanced Micro Devices (A.M.D) as its second supplier of computer chips, Intel cut the rebates which tottered down the earning figures of Dell. The SEC further alleged that the use of these reserves was hidden from the investors. The case ended with a \$100 million penalty on the company along with the chairman and chief executive of Dell, Michael S. Dell and former chief executive Kevin Rollins, each paying a penalty of \$4 million.

This is just one example of this fraudulent accounting practice. As we dig in deep, many more shall come to the surface. However as investors and the general public, we should be extremely cautious of these one-line items or special items listed in a company's financial reports.

To protect our own financial health, it is important to identify the rancid cookies among a bunch of freshly made confections.

The Business of Saving the Planet

By Tejas Agarwal
(Co-Editor)

The scope of business activities and operations has miraculously evolved not only over the past couple of centuries but also over several periods of civilizations. In the stone era, people used to merely trade animals and artillery for hunting. From that system of fundamentals we came to the invention of wheel which made transport possible thus ultimately leading to provision of transport services. From this time to the time we presently live in- a time of superfluous demand and tremendous surge in human wants- where the smallest of small things have been commercialised, the expanse and bailiwick of business activities has treaded every surge. 100 years ago who could have ever think that IT services could be such a fundamental requirement of every business and will someday be a multi billion dollar business. 100 years hence who will be ever able to think that AI, redefined transportation systems, robotics and life in outer space could be the new normal. Skimming through historical happenings, archives and chronicles we get to know how businesses have evolved over the period to create demand and then provide services to cater to the very same demand.

However we often overlook the lucrative prospects and opportunities in a type of business which is involved in saving the planet. Rampant industrialisation, ever soaring carbon emissions and the deleterious effects of human activities have created irreversible damage to the environment. As wisely said, "We can only control and not undo what has happened", points out how sustainability and environmental protection have been on the top of the priority lists for national governments and international organisations. As aforesaid, a demand has been



created in the form of requirement of service providers to protect the environment and hence business associations will rise to the occasion of providing monetary services for the same. The primordial difference for such kinds of businesses however is that they'll all be categorical to one of the many fundamental environmental issues. They will cater to provide alternatives to otherwise environmentally harmful products or services and will ultimately build a founding base for a better company future. None of the companies which are going to be talked about is describing its mission or vision similar to be the poster boy of protecting climate change but deep down they all rose because it was happening.

To begin with Vestas, a company committed to produce wind energy and make it accessible across borders is an example of a company which has risen to the opportunity and has fortified a great future for itself. Given the fact that fossil fuels or rather non-renewable sources of energy is breathing its last, renewable sources of energy is the sunshine for tomorrow. Vesta being a pioneer in the field of wind energy, is now a global player, accounting for 16% of installations worldwide. It has installations in North America, South America, Europe, Africa, and Asia. Similar to Vesta, many

green companies like Adani Green etc have risen to the occasion of providing quintessential services and making surmounting profits from the same. Thanks to climate change and a rising demand for alternatives, who ever knew that even services to sort the wrong could be commercialised. Going further, Elon Musk's Tesla & Space X will be the next household name in the days to come. From totally revolutionizing the EV industry to creating starlinks, from developing reusable rockets to exploring the possibility of human life outside planet Earth, the Stanford dropout is making it all happen. Started just a decade and a half back Tesla currently sits at a market capitalisation of 450 billion USD. Given the pace of advancements in technology one cannot argue that the idea of developing electric vehicles, lithium batteries and reusable rockets all started because of the harm done to the environment by all of us.



These are just two big names. There are a thousand others. From Armour Clet to Weleda, from The Organic Foods to Fireclay Tiles and from Adani Green to Suzlon Energies, all such businesses had roots deeply ingrained to save our planet by charging for the wrong done. The business of saving the planet is yet too small as compared to what it will be in the forthcoming decades. Given the administrative push from various governmental and inter-governmental organisations and regional and national civil societies, the myriad investments being poured in into this avenue and the magnanimous prospects it has, will collectively make it the most profitable industry ever thought of in the near future. One constant debate that governs it all is, "Are we equating innovation to obligation?" I would rather say yes because it's all happening because we either ship in or we ship out.

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.

Garbatrage: A case when price and trading volume in a particular sector surge due to a high-profile takeover in that particular industry. Speculators often predict that more takeovers are right around the corner, even if they actually aren't.

Puke point: Puking, is a dissenting word for selling an asset as the value is plummeting. The "puke point" is the point at which the investor can no longer stomach the losses, and decides to sell the asset, regardless of its steeply falling price.

Rust Bowl: A bumper phrase used to describe northeast and midwestern areas where the auto and steel industries used to thrive, and now either languish, or quasi-thrive thanks to federal help.

Sandwich generation: It sounds like a weird term, but the sandwich generation actually refers to the age group sandwiched between their aging parents and young kids. These adults are typically tasked with financially supporting both their older and younger dependents while trying to save for their own retirements. The sandwich gen may eat actual

sandwiches, but probably only as a way to save money (or to stress-binge).

Shark watcher: A firm that specializes in keeping a lookout for takeovers. Usually this means monitoring trading, keeping track of who's accumulating shares, and reporting noteworthy activity back to clients.



**Learn Finance from our Weird Wizard.
We bet you'll love him!**

Did you know?

Mosaic Theory

We have all seen or attempted to create beautiful Mosaics once in our lifetimes. Mosaics in addition to being patterns or images made of small pieces of glass, ceramic or coloured stones also have another significance.

The mosaic theory represents a method used by analysts to determine the underlying value of securities, by collecting public, non-public, and non-material information about a company. By utilising this information analysts make recommendations to the clients.

Since the theory promotes inclusion of a wider range of sources of information, it provides a meticulous and comprehensive approach for the valuation of the securities. It is also really complicated given the fact that the integration of all such information may not at times seem relevant to the price of the security.



Double Gearing

A form of leveraged investing, the practice of borrowing money against an asset and using it to buy shares of stock is known as Double Gearing. What follows is more money being borrowed to establish a margin loan that can be used to purchase even more shares.

In other words, it implies that the investor burdens themselves with a noteworthy amount of risk. In the best-case scenario, the investor

recovers more than enough to repay the borrowed amount. While in the worst-case scenario, the investor finds himself drowning as he is unable to pay his debts.

It is a high risk, high reward strategy and is best suited to experienced investors who know their way out of the pool of debt, swimming to victory. For amateurs the best advice is to avoid putting the vehicles of their investment to a halt and not proceed for a double gearing technique lest they fail.

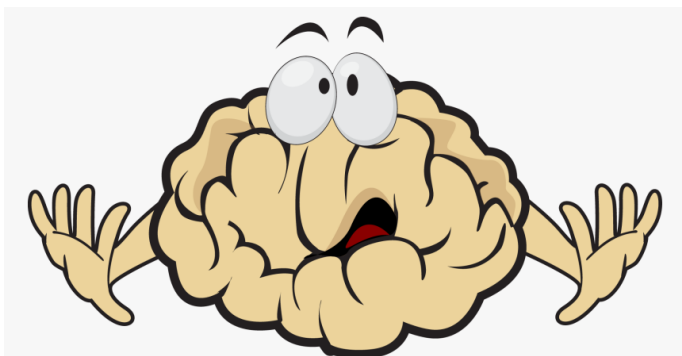




Solve a Puzzle

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

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



Answers
A.1. Ringi, A.2. Zombie, A.3. Impact, A.4. Hakuudo, A.5. Medical, A.6. America, A.7. TARP, A.8. Practo, A.9. Paternalism

Q.1. What kind of a system is used by Japanese corporations to build a consensus on decisions?

Q.2. I am a mythical undead corporeal creature usually residing in the heart of a horror fiction script. I am so popular that the Japanese economists literally named a type of company after me. Who am I?

Q.3. Which type of investments aligns with the principle of achievement of Sustainable Development Goals (SDGs)

Q.4. Which Japanese company added titles of first class or second class titles to its standard titles of middle and senior positions?

Q.5. Which type of tourism accredited to India the 5th position in the world?

Q.6. I am the home to the most coveted online professional networking platform that links employers with employees. Guess who am I?

Q.7. Which American program had bailed out companies during the Global Financial Crisis of 2008?

Q.8. Find the next word in series:
Telemedicine, Wellness, Curefit,

Q.9. Which social concept is considered by Japanese corporations an important aspect to meet the general needs of the people?

SUBSCRIBE TO OUR NEWSLETTER.

We thank you for reading this month's edition. If finance runs in your veins and flows through your pen, write for us. Send in your pieces and any reviews for the newsletter at pr.fichansraj@gmail.com

Want to read more about economic concepts like Moat, or the crises that left us devastated only to learn from them? Read more at www.fichansraj.com

Stay tuned for updates.



[/pr.fichansraj@gmail.com](mailto:pr.fichansraj@gmail.com)



[/fichansraj](https://www.instagram.com/fichansraj)



[/FIC Hansraj College](https://www.linkedin.com/company/FIC-Hansraj-College)



[/Fic.Hrc](https://www.facebook.com/Fic.Hrc)