

Poornaprajna Institute of Management, Udupi

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ARTHAPRAJNA



*"When prosperity
comes, do not use
all of it."*

Fin-Glory

FROM THE EDITOR'S DESK...

Greetings from PIM family!

'Price' is what you pay; 'Value' is what you get.

-Warren Buffett

A warm welcome to you all to the 6th issue of volume 13th of ARTHAPRAJNA. This issue presents before you a combination of articles that gives better understanding of the current economic environment.

The first article gives a glimpse of the growth of Indian economy in Fin-wings section. The economy of India is the world sixth-largest economy by nominal GDP and the third largest by purchasing power of parity (PPP). It is worth reading this article as we go through post Covid-19 era, characterized by significant fluctuation in the growth rate.

You can find a brief description of Digital Identity in Fin-tech section. Fin-term column portrays subject of crowd funding. This bulletin has Fin-unit and Fin-tool column as usual.

Fin-personality has brought out an inspirational story of Malavika Hegde, an Indian Business woman. The way she handled the worst situations is a motivational content in this competitive world.

In the end, we have a Fin-quiz for you to answer and be the winner. The answers for the previous issue is included in the last page along with the name of the winner. We look forward to your valuable feedback and replies at arthaprajna@pim.ac.in

Warm regards,

Naveen R Bhat.

Chief Editor,

Arthaprajna-2021

FIN-WINGS

GROWTH OF INDIAN ECONOMY

India is the fastest growing country, major economy in the world and is expected to be one of the top three economic powers in the world over the next 10-15 years, backed by its robust democracy and strong partnerships.

Recent Developments

With an improvement in the economic scenario, there has been huge investments across various sectors of the economy. The private equity to venture capital (PE-VC) sector recorded investments across 137 deals in August 2021, registering growth 5 times over years.

Government Initiatives

The 1st Union Budget of third decade in 21st century was presented by Minister of Finance & Corporate Affairs, Ms. Nirmala Sitharaman in the Parliament of India on February 1, 2020. The budget aimed at powering the Indian economy through a combination of short-term, medium-term and long-term measures.

In the Union Budget 2021-22, capital expenditure for FY22 is likely to increase by 34.5% at Rs. 5.5 lakh crore over FY21 to boost the economy.

Increased government expenditure is expected to attract private investments, with production-linked incentive scheme providing excellent opportunities. Consistently proactive, graded and measured policy support is anticipated to boost the Indian economy.

Future growth to boost economy

India is focusing on renewable sources to generate energy. It is planning to achieve 40% of its energy from non-fossil sources by 2030, which is currently 30% and have plans to increase its renewable energy capacity from to 175 GW (gigawatt) by 2022. In line with

this, in May 2021, India, along with the UK, jointly launched a ‘**Roadmap 2030**’ to collaborate and combat climate change by 2030.

According to **BCG** report (Boston Consulting Group) India is expected to be 3rd largest consumer economy as it’s consumption may triple to US \$ 4 trillion by 2025, owing to shift in consumer behavior and expenditure pattern. It is estimated to surpass USA to become the 2nd largest economy in terms of PPP (Purchasing Power Parity) by 2040 as per a report by PWC (PricewaterhouseCoopers).

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FIN-TRUTH

14 INTERESTING FACTS OF INDIA’S BUDGET



Did you know that the budget was only published in English until 1955 and also in Hindi from 1955-66?

The first and foremost(provisional) budget of freedom India was demonstrated on November 26, 1947.

The country is eagerly awaiting the unveiling of the union budget by Union Finance Minister Mrs. Nirmala Sitharaman, which is expected to kick-start the revival of pandemic-hit markets on February 1. The budget, which comes amid ongoing national vaccination campaign, will be the first in history of India going paperless, perhaps it is another 'new normal' to which the nation has become accustomed. Similarly, here are some other interesting facts about India's budgets:

First Colonial Budget: The first Indian budget during its colonial days was introduced by Scottish economist and politician James Wilson in 1860, two years after the transfer of Indian administration to the East India Company to the British Crown.

First Indian Budget: The initial (provisional) budget of independent India was presented on November 26, 1947 by the country's finance minister, RK Shanmukham Chetti. The amended budget was put up in March 1948. Total earnings at the time were ₹171 million.

First Prime Minister to present the Budget: India's first Prime Minister, Jawaharlal Nehru, was also the first senior minister to present the budget when he served as Minister of Finance in 1958-59.

Inclusion of Hindi: Previously, the Budget was only published in English until 1955. Later, from 1955-56, the government published it in Hindi as well.

Maximum budgets per minister: Former Prime Minister Moraraji Desai holds the record for presenting the most budgets in the country's history. During his tenure as Finance Minister in 1962-69 he submitted 10 budgets, followed by P. Chidambaram (9), Pranab Mukherjee (8), Yashwant Sinha (8) and Manmohan Singh (6).

First woman to introduce the budget: Former Prime Minister Indira Gandhi was the first woman to introduce the budget of independent India. As Prime Minister, she also held the finance portfolio. However, on July 5, 2019, Nirmala Sitharaman became India's first full-time finance minister to present the country's budget.

Black Budget: In 1973-74 former finance minister Yashwantrao Chavan introduced the budget with a budget deficit of about 550 million rupees, maximum up to that point. It was later dubbed the "Black Budget". It followed the 1971 war between India and Pakistan and the failed monsoon season.

The Period Budget: Manmohan Singh's 1991 budget is known as the period budget (or historically significant) budget as it marked the beginning of economic liberalization in India. P.V. Narasimha Rao was then Prime Minister of India.

Dream Budget: In 1997-98 Finance Minister P.Chidambaram introduced the so-called Dream Budget of India. He reduced the income tax and corporate tax blocks, which won the hearts of ordinary people. The IT sector also received a boost in this budget.

Budget merger and date change: Until 2017 there were two different budgets: the Indian budget and a separate railway budget. The Modi government merged these two in 2017, changing the budget submission date from March 1 to February 1. *Arun Jaitely* was the first finance minister to present the combined budget for a new submission date.

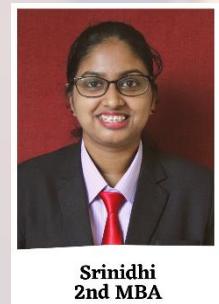
Time change: Until year 2000, the household was presented at 5 p.m. on the last working day of February. In 2001, former finance minister Yashwant Sinha changed it to 11 am.

Bahi khata instead of briefcase: As the first full-time finance minister, Sitharaman made a significant change in 2019 by introducing the custom of carrying budget documents in a “bahi khata” (traditional red cloth) instead of a briefcase. This was said to be an obvious change from the "British tomcat".

Budget Printing: The budget was printed in the Rashtrapati Bhavan until 1950 when it was leaked. The government was forced to move the printing of the budget to a printing works on Minto Road, New Delhi. The printing location was later changed in 1980 to a government printing plant in the North Bloc.

Paperless: For the first time in Indian history, this time the household will be completely paperless, which means that no parliamentarians and government officials will have to print using the official website.

By:



FIN-TECH

DIGITAL IDENTITY

“A digital identity is an information on an entity used by computer systems to represent an external agent. That agent may be a person, organization, application, or device. ISO/IEC 24760-1 defines identity as “set of attributes related to an entity”.

The information contained in a digital identity allows for assessment and authentication of a user interacting with a business system on the web, without the involvement of human operators. Digital identities allow our access to computers and the services they provide to be automated, and make it possible for computers to mediate relationships.

The term “digital identity” also denotes certain aspects of civil and personal identity that have resulted from the widespread use of identity information to represent people in an acceptable and trusted digital format in computer systems.

Digital identity is now often used in ways that require data about persons stored in computer systems to be linked to their civil, or national, identities. Furthermore, the use of digital identities is now so widespread that many discussions refer to “digital identity” as the entire collection of information generated by a person’s online activity. This includes usernames and passwords, online search activities, birth date, social security, and purchasing history; especially where that information is publicly available and not anonymized, and can be used by others to discover that person’s civil identity. In this wider sense, a digital identity is a version, or facet of a person’s social identity. This may also be referred to as an online identity. With SSI (**self-sovereign identity**) the user has a means of generating and controlling unique identifiers as well as some facility to store identity data.

The legal and social effects of digital identity are complex and challenging. However, they are simply a consequence of the increasing use of computers, and the need to provide computers with information that can be used to identify external agents.

A critical problem in cyberspace is knowing with whom one is interacting. Using static identifiers such as password and email there are no ways to precisely determine the identity of a person in digital space, because this information can be stolen or used by many individuals acting as one. Digital identity based on dynamic entity relationships captured from behavioural history across multiple websites and mobile apps can verify and authenticate an identity with up to 95 percent accuracy.

By comparing a set of entity relationships between a new event (e.g., login) and past events, a pattern of convergence can verify or authenticate the identity as legitimate where divergence indicates an attempt to mask an identity. Data used for digital identity is

generally anonymized using a one-way hash, thereby avoiding privacy concerns. Because it is based on behavioural history, a digital identity is very hard to fake or steal.

A digital identity arises organically from the use of personal information on the web and from the shadow data created by the individual's actions online. A digital identity may be a pseudonymous profile linked to the device's IP address, for example, or a randomly-generated unique ID. Digital identities are seen as contextual in nature since a user gives selective information when providing authentication information.

Examples of data points that can help form a digital identity include:

- Username and password
- Purchasing behavior or history
- Date of birth
- Social security number
- Online search activities, such as electronic transactions
- Medical history

Because a profile often includes aspects of a person's actual identity, digital identities come with privacy and security risks, including identity theft. Pseudonymous profiles can also yield an individual's identity through cross-site data analysis. While passports and licenses identify users in real life, the inclusion of such PII (**personally identifying information**) online may pose more risks than benefits for the user. Several authentication and authorization systems have been explored, but there is still no standardized and verified system to identify digital identities.

By:



FIN- TERM

CROWD-FUNDING

Crowdfunding is when individuals or startups use an online platform to gain funding for a project. It uses social media and crowdfunding websites to easily access vast network of people. It brings investors and entrepreneurs together by expanding the number of investors beyond their known circle with a possibility to increase entrepreneurship. It also gives an opportunity to entrepreneurs to raise funds from anyone who wants to invest. Crowdfunding gives a platform to anyone with idea to present it before the prospective investors.

In other words, it is the pooling of resources by a group of people for a common goal.

Types of crowdfunding:

Crowdfunding includes 4 types:

1. Debt based: where the contributors receive interest payments in exchange for their contributions.
2. Equity based: where contributors receive shares in exchange for their contributions.
3. Reward based: contributors are promised rewards in exchange for their support like first priority access to the product.
4. Donation based: the donations given are charitable and usually tax deductible.

Advantages:

- It provides access to a wide group of investors.
- An excellent platform to grow and receive funds.

Disadvantages:

- It causes damage to company's reputation if it raises funds only through crowdfunding.
- Fees is to be paid to some of the websites.

- If the funding goals are not met, the funds will be returned to the investors and the fundraiser will be left with nothing.

Examples of crowdfunding sites:

Kickstarter, Indiegogo, Patreon, Crowdfunder (Shopify App), GoFundMe, Fundable, Crowdcube.

By:



FIN- STOCK

MUTUAL FUNDS

Mutual fund is a company that pools money from the investors and invests money in securities such as bonds, stocks and short-term debt. The combined holdings of mutual funds are known to be fund's portfolio. Investors buy units in mutual funds. Each unit represents an investor's part of ownership in the fund and income it generates.

Mutual funds are one of the popular choices among investors because they generally offer some features:

- **Professional Management:** The fund managers research well for you to reduce risk. They select the securities and monitor the performance of that fund.
- **Diversification:** Mutual funds typically invest in the range of some companies and even in industries. This helps to lower risk if one sector of company fails in the market.

- **Affordability:** Most mutual funds set a relatively low amount that is Rs.500 per unit for initial investment and subsequent purchases. Even they can invest through SIP (**Systematic Investment Plan**)
- **Liquidity:** Mutual fund investors can easily redeem their shares at any point of time, for the current NAV (**Net Asset Value**) plus any redemption fees.

Advantages of buying Mutual fund

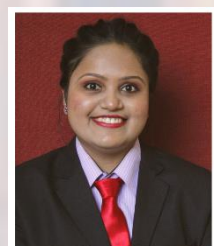
Mutual funds offer professional management towards management and potential diversification. They also offer 3 ways to earn money:

- **Dividend Payments:** A fund may earn income from dividends on stock or interest on bonds. The fund then pays the shareholders nearly all income less expenses incurred.
- **Capital Gains Distributions:** The price of the holding securities in a fund may increase. When a fund sells a security that has increased in price, the fund has increased in capital gain. At the end of the year, the fund distributes these capital gains, minus any capital losses, to investors.
- **Increased in NAV:** If the market value of a fund's portfolio increases, after deducting expenses, then value of the fund and its share unit increases. Higher the NAV; higher the value of investment.

All funds carry some level of risk. With mutual funds, you may lose some money you invest because the securities held by a fund can go down in value. Dividends or interest payments may also change as there is a change in market conditions.

A fund's past performance is not as important as you might think because past performance does not predict future returns. But past performance can tell you how volatile or stable a fund has been over a certain period of time. The more volatile the fund; the higher the investment risk.

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EXCHANGE TRADED FUNDS

Exchange-traded funds, commonly known as ETFs, are a collection of various securities such as bonds, shares, money market instruments, etc., that often track an underlying asset. Simply put, ETFs are a mashup of different investment avenues. They offer the best attributes of two popular financial assets – mutual funds and stocks.

How do ETFs work?

An ETF works like this: The fund provider owns the underlying assets, designs a fund to track their performance and then sells shares in that fund to investors. Shareholders own a portion of an ETF, but they don't own the underlying assets in the fund. Even investors in an ETF track a stock index that may get lump dividend payments or reinvestments for the stocks that make up the index.

Here is the abbreviated version of how ETFs work:

1. An ETF provider considers the universe of assets, including stocks, bonds, commodities or currencies, and creates a basket of them, with a unique ticker.
2. Investors can buy a share of that basket, just like buying shares of a company.
3. Buyers and sellers trade the ETF throughout the day on an exchange, much like a stock.

Types of Exchange Traded Funds (ETFs):

There are several ETFs available to suit the demands of almost all investors. Following are some types of ETFs available to an individual:

1. Bond ETFs

These are typical ETFs designed to provide exposure to different types of bonds. Investing in bonds is a good way to mitigate the ups and downs of investing and diversifying a portfolio.

2. Currency ETFs:

These securities allow an investor to participate in currency market transactions without purchasing a specific currency. The motive of such investments is to track and benefit from the price fluctuations of a particular currency or a basket of currencies.

3.Inverse ETFs:

Such funds are designed to return the opposite of what is offered by the underlying market index. With these funds, share prices move in an opposite direction of the inverse ETFs' share.

4.Liquid ETFs:

These funds try to minimize price risks and enhance returns by investing in a basket of short- term government securities, such as money and money market instruments with short term maturities, while simultaneously attempting to maintain liquidity.

5.Gold ETFs:

Such securities offer investors the path to hold claims in the bullion market without making it necessary to purchase physical gold. You could also purchase ETFs that focus on precious metals in general.

6.Index ETFs:

Index funds track the performance of their underlying index. They are further subdivided into replication and representative ETFs. Index funds that invest entirely in the securities underlying the index are called replication ETFs. On the contrary, representative ETFs are those that invest a majority of their fund corpus in representative samples and the remaining in other securities such as futures, options, etc.

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FIN- PERSONALITY

MALAVIKA HEGDE

The stratospheric ascent of the Cafe Coffee Day brand is still regarded as one of India's greatest home-grown success stories. However, until the company's owner V.G. Siddhartha, committed himself, few people were aware of the company's massive indebtedness. Many people believed that the company would fail after his death. Siddhartha's wife, Malavika Hegde, took over the company at a critical moment and wrote an astonishing narrative of resurrection.

The sheer extent of cafeteria culture over the world astounded Siddhartha. His own plantations produced the coffee beans that were used in the Cafe Coffee Day locations. In addition, the stores have specially designed coffee machines. Furthermore, these locations were distinguished by their own colour scheme and custom-made furniture items, which gave them a distinct personality. Cafe Coffee Day first opened its doors in Bengaluru in 1996. It had grown into a big corporate conglomerate by 2011, with over 1000 locations around the country.

Siddhartha, on the other hand, lost control of his economic empire, which quickly fell into debt. According to data disclosed on March 31,2019, Cafe Coffee Day has a debt of Rs.7200 crore. V.G. Siddhartha committed suicide on July 31st by plunging into the Netravati river. Malavika took over as CEO of Cafe Coffee Day Enterprises Ltd (CDEL) soon after this.

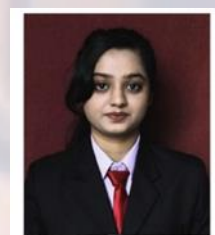
She worked diligently for the expansion of the company that her late husband had founded from that day forward. Malavika had the company secure in her hands and had implemented a series of measures to safeguard it. Malavika had been a non-board member of CDEL for many years before becoming the CEO. Malavika promised to decrease the debt to reasonable levels by selling a few investments and assets in a letter to the company's 25,000 employees. She also stated her dedication to the company's long-term success.

During the lockdown period, Malavika took over as CEO of the corporation and stated “My objective has been to sustain Siddhartha’s legacy somewhere along the way in previous twelve months. He has given me a job - to settle every lender to the best of my abilities, to build the firm, and to enthuse and foster our personnel. Malavika, on the other hand, made it a point not to raise the price of the coffee. She removed hundreds of coffee vending machines that had been put at various IT parks and firms, in addition to shuttering many locations that were not profitable. She was also effective in acquiring new investors, which allowed her to increase the company’s capital.

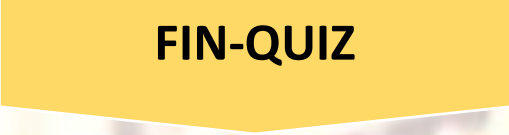
The debt was reduced from Rs.7200 crore in march 2019 to Rs.3100 crore as of march 31,2020. It further decreased to Rs.1731 crore in march 2021 as a result of Malavika’s actions. Even during COVID-19, she was able to properly run the outlets by closely following the pandemic rules. Cafe Coffee Day now includes over 572 locations across the United States. In addition, there are around 36,000 coffee vending machines located in various organizations and businesses.

Furthermore, the 333 value express kiosks have been a success. She was also a huge success when it came to the export of high-quality Arabica coffee beans. Many other countries are interested in the coffee beans grown on her 20,000-acre coffee estate. Malavika Hegde has evolved into a ‘Super Woman’ who is responsible for the legendary Cafe Coffee Day brand.

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FIN-QUIZ



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