FINGYAN

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FINOMICS-Let The Cash Bash Begin

The Mission of the Club:-

To foster an environment among MBA students that encourages continuous learning and discovery of recent trends and developments within the field of financial markets, investment banking, non-banking corporate finance, sales and trading, equity research, corporate finance, private equity, private wealth management, asset and investment management, venture capital and economics. Finomics Club will strive to leverage resources and alumni base to provide a value-added experience to students interested in finance and economics.

Why to Join "FINOMICS" Club?

"FINOMICS", is combination of two words finance and economics. It focuses on those pragmatic aspects in the field of finance and economics which is beyond the boundaries of the classrooms. It aims at igniting the spark in the

students' mind necessary for career enhancement in the field of finance and economics. It is open to all the students who are interested to pursue a career in all areas of finance and economics.

As one of the most active clubs in the campus, the Finomics club slakes the lust for finance and economics knowledge. This covers particularly corporate finance, merchant banking, security analysis, sales and trading, private wealth management, etc.

The club will work closely with the placement cell, alumni, and faculty members to assist in career development and opportunities in the field of finance.

Objectives of the Club:-

- To encourage peer learning amongst its members in finance.
- To assist in career exploration within finance-related industries and functions.
- To explore the opportunities with BIITM alumni and recruiters.

FINOMICS Club was inaugurated on 6th of February, Saturday at 3:30 pm. To witness this special occasion, Respected Principal of BIITM Prof. (Dr.) P.K Tripathy along with Reverent Advisor of BIITM Prof. (Er.) P.R Pattnayak along with other faculties and students were present.

To inaugurate the very first club of BIITM, Mr. Debraj Biswal who has been working with the Bhubaneswar Stock Exchange Limited was present. He was the special 'chief guest' of the occasion.

FINOMICS Club is a 12 member team consisting of 2 student co-ordinators and 10 members.

The Finomics team take up the responsibility of shaping the club and pioneering it into the right directions of providing knowledge.

Investment in Equity shares

Nothing in this world is free. Every day when we woke up in the morning we are associated with risk whether it is a physical or financial risk. Same is the case in investing money in equity shares. But you can always gain a lot if you choose the right company or if you are making a right investment. What investment in equity shares can return you is just explained below and is true return for an investor in India.

How Mohan made Rs.535 crores by investing Rs.10,000 in 1980.

Mohan bought 100 shares of Wipro each at a face value of Rs.100 in the year 1980. Total investment was Rs.10,000. Wipro has done various such bonuses and stock splits in its history of 1980-2016. Let's see the different corporate actions and how the number of stocks would've grown.

Wipro Investment growth

Year	Action	Number of Shares
1980	Initial Investment	100
1981	1:1 Bonus	200
1985	1:1 Bonus	400
1986	Stock split to FV Rs.10	4,000
1987	1:1 Bonus	8,000
1989	1:1 Bonus	16,000
1992	1:1 Bonus	32,000
1995	1:1 Bonus	64,000
1997	2:1 Bonus	1,92,000
1999	Stock split to FV Rs.2	9,60,000
2004	2:1 Bonus	28,80,000
2005	1:1 Bonus	57,60,000
2010	2:3 Bonus	96,00,000

After the year 2010, there were no more bonuses or stock splits. But with just that initial investment of Rs.10,000(100 shares) you now would end up with 96,00,000 shares of the company because of all the stock splits and bonus shares. Current stock price of Wipro is about Rs.542 per share, as of 25 July, 2016.

Rs.542 × 96,00,000 = Rs.520,32,00,000 or about Rs.520 crores. That is a CAGR (Compound Annual Growth Rate) of 47%. Does any of your Bank FD give you 47% interest? The answer is a "BIG NO". You are also exempted from TAX worries because long-term capital gains in equity are tax-free.

Not only Wipro but many companies in India and abroad has gives mouth-watering returns to investors such as Coca cola, Pepsi, Infosys, Reliance, Titan, Dr. Reddy Labs and many more.

So as a student you can always look forward to invest in Equity shares because you can take high risk in the current position of your career. You can always invest your small pocket money to buy equity shares of quality companies. So all you need is to open a Demat account and start investing in a smarter way. By investing small amount and patience in the process of investing will definitely give you a handsome return in the future. You can also become a billionaire in the future like Mohan. I hope you will start investing rather than spending…

Last but not the least, my favourite quote which motivated young investors like me is…

"BUY RIGHT SIT TIGHT"

The Indian Banking Industry

As per the Reserve Bank of India (RBI), India's banking sector is sufficiently capitalized and well-regulated. The financial and economic conditions in the country are far superior to any other country in the world. Credit, market and liquidity risk studies suggest that Indian banks are generally resilient and have withstood the global downturn well.

Indian banking industry has recently witnessed the roll out of innovative banking models like payments and small finance banks. The central bank granted in-principle approval to 11 payments banks and 10 small finance banks in FY 2015-16.RBI's new measures may go a long way in helping the restructuring of the domestic banking industry.

Market Size

The Indian banking system consists of 26 public sector banks, 25 private sector banks, 43 foreign banks, 56 regional rural banks, 1,589 urban cooperative banks and 93,550 rural cooperative banks, in addition to cooperative credit institutions. Public-sector banks control nearly 80 percent of the market, thereby leaving comparatively much smaller shares for its private peers. Banks are also encouraging their customers to manage their finances using mobile phones. The value of mobile banking transactions in December 2015 increased four times year-on-year and jumped by 46 per cent over the previous month to Rs 49,029 crore (US$ 7.34 billion), as per data from the RBI.

Standard & Poor's estimates that credit growth in India's banking sector would improve to 11-13 per cent in FY17 from less than 10 per cent in the second half of CY14.

Investments/developments

Key investments and developments in India's banking industry include:

Canada Pension Plan Investment Board (CPPIB), an investment management company, has bought a large stake in Kotak Mahindra Bank Ltd from Japan-based Sumitomo Mitsui Banking Corporation.

India's first small finance bank called the Capital Small Finance Bank has started its operations by launching 10 branch offices in Punjab, and aims to increase the number of branches to 29 in the current FY 2016-17.

Free Charge, the wallet company owned by online retailer Snap deal, has partnered with Yes Bank and MasterCard to launch Free Charge Go, a virtual card that allows users to pay for goods and services at online shops and offline retailers.

Exim Bank of India and the Government of Andhra Pradesh has signed a Memorandum of Understanding (MoU) to promote exports in the state.

Kotak Mahindra Bank Limited has bought 19.9 per cent stake in Airtel M Commerce Services Limited (AMSL) for Rs 98.38 crore (US$ 14.43 million) to set up a payments bank. AMSL provides semi-closed prepaid instrument and offers services under the 'Airtel Money' brand name.

Ujjivan Financial Services Ltd, a microfinance services company, has raised Rs 312.4 crore (US$ 45.84 million) in a private placement from 33 domestic investors including mutual funds, insurance firms, family offices and High Net Worth Individuals (HNIs)).

India's largest public sector bank, State Bank of India (SBI), has opened its first branch dedicated to serving start-up companies, in Bengaluru.

Global rating agency Moody's has upgraded its outlook for the Indian banking system to stable from negative based on its assessment of five drivers including improvement in operating environment and stable asset risk and capital scenario.

Lok Capital, a private equity investor backed by US-based non-profit organization Rockefeller Foundation, plans to invest up to US$ 15 million in two proposed small finance banks in India over the next one year.

The Reserve Bank of India (RBI) has granted in-principle licenses to 10 applicants to open small finance banks, which will help expanding access to financial services in rural and semi-urban areas.

IDFC Bank has become the latest new bank to start operations with 23 branches, including 15 branches in rural areas of Madhya Pradesh.

The RBI has given in-principle approval to 11 applicants to establish payment banks. These banks can accept deposits and remittances, but are not allowed to extend any loans.

The Bank of Tokyo-Mitsubishi (BTMU), a Japanese financial services group, aims to double its branch count in India to 10 over the next three years and also target a 10 per cent credit growth during FY16.

The RBI has allowed third-party white label automated teller machines (ATM) to accept international cards, including international prepaid cards, and said white label ATMs can now tie up with any commercial bank for cash supply.

The RBI has allowed Indian alternative investment funds (AIFs), to invest abroad, in order to increase the investment opportunities for these funds.

RBL Bank informed that it would be the anchor investor in Trifecta Capital's Venture Debt Fund, the first alternative investment fund (AIF) in India with a commitment of Rs 50 crore (US$ 7.34 million). This move provides RBL Bank the opportunity to support the emerging venture debt market in India.

Bandhan Financial Services raised Rs 1,600 crore (US$ 234.8 million) from two international institutional investors to help convert its microfinance business into a full service bank. Bandhan, one of the two entities to get a banking licence along with IDFC, launched its banking operations in August 2015.

Government Initiatives

The government and the regulator have undertaken several measures to strengthen the Indian banking sector.

The Reserve Bank of India (RBI) has issued guidelines for priority sector lending certificates (PSLCs), according to which banks can issue four different kinds of PSLCs—those for the shortfall in agriculture lending, lending to small and marginal farmers, lending to micro enterprises and for overall lending targets – to meet their priority sector lending targets.

The Reserve Bank of India (RBI) has allowed additional reserves to be part of tier-1 or core capital of banks, such as revaluation reserves linked to property holdings, foreign currency translation reserves and deferred tax assets, which is expected to shore up the capital of state-run banks and privately owned banks by up to Rs 35,000 crore (US$ 5.14 billion) and Rs 5,000 crore (US$ 734 million) respectively.

Scheduled commercial banks can grant non-fund based facilities including partial credit enhancement (PEC), to those customers, who do not avail any fund based facility from any bank in India.
Ministry of Finance has planned to inject Rs 5,000 crore (US$ 734 million) in eight public sector banks in order to boost their capital,
To reduce the burden of loan repayment on farmers, a provision of Rs 15,000 crore (US$ 2.2 billion) has been made in the Union Budget 2016-17 towards interest subvention.
Under Pradhan Mantri Jan Dhan Yojna (PMJDY), 217 million accounts! have been opened and 174.6 million RuPay debit cards have been issued. These new accounts have mustered deposits worth almost Rs 37,000crore (US$ 5.53 billion).
The Government of India is looking to set up a special fund, as a part of National Investment and Infrastructure Fund (NIIF), to deal with stressed assets of banks. The special fund will potentially take over assets which are viable but don't have additional fresh equity from promoters coming in to complete the project.
The Reserve Bank of India (RBI) plans to soon come out with guidelines, such as common risk-based know-your-customer (KYC) norms, to reinforce protection for consumers, especially since a large number of Indians have now been financially included post the government's massive drive to open a bank account for each household.
To provide relief to the state electricity distribution companies, Government of India has proposed to their lenders that 75 per cent of their loans be converted to state government bonds in two phases by March 2017. This will help several banks, especially public sector banks, to offload credit to state electricity distribution companies from their loan book, thereby improving their asset quality.
Government of India aims to extend insurance, pension and credit facilities to those excluded from these benefits under the PradhanMantri Jan DhanYojana (PMJDY).
To facilitate an easy access to finance by Micro and Small Enterprises (MSEs), the Government/RBI has launched Credit Guarantee Fund Scheme to provide guarantee cover for collateral free credit facilities extended to MSEs upto Rs 1 Crore (US$ 0.15 million). Moreover, Micro Units Development & Refinance Agency (MUDRA) Ltd. was also established to refinance all Micro-finance Institutions (MFIs), which are in the business of lending to micro / small

business entities engaged in manufacturing, trading and services activities upto Rs 10 lakh (US$ 0.015 million).

Road Ahead

The Indian economy is on the brink of a major transformation, with several policy initiatives set to be implemented shortly. Positive business sentiments, improved consumer confidence and more controlled inflation are likely to prop-up the country's the economic growth. Enhanced spending on infrastructure, speedy implementation of projects and continuation of reforms are expected to provide further impetus to growth. All these factors suggest that India's banking sector is also poised for robust growth as the rapidly growing business would turn to banks for their credit needs.

Also, the advancements in technology have brought the mobile and internet banking services to the fore. The banking sector is laying greater emphasis on providing improved services to their clients and also upgrading their technology infrastructure, in order to enhance the customer's overall experience as well as give banks a competitive edge.

Many banks, including HDFC, ICICI and AXIS are exploring the option to launch contact-less credit and debit cards in the market shortly. The cards, which use near field communication (NFC) mechanism, will allow customers to transact without having to insert or swipe.

Exchange Rate Used: INR 1 = US$ 0.0149 as on May 16, 2016

ECONOMICS

BASIC TERMS OF MACRO ECONOMICS

1. *Consumption Good or service is that which is used (without further transformation in production) by Households or Government units for the direct satisfaction of individual needs or wants or the collective needs of members of community. It can also be defined as any commodities that are used by the households for their personal use.*

2. Capital Goods that are used in producing other goods, rather than being bought by consumers directly for satisfaction of their needs are called Capital Goods. These are tangible Explain to students that final goods may be divided in to two categories i.e. Consumer goods & 3.Producers goods. Assets of an organization which are used to produce goods and services are called Capital goods. These goods include items such as Buildings, Equipments, and Machinery etc. Capital goods are not used up by producer in a single year of production. These exist for many years and are repeatedly used over a period of time.

3. Final Goods Final goods are goods that are ultimately consumed rather than used in the production of other goods. It refers to finished goods which are sold in the market for consumption & investment purpose. These goods satisfy the wants of ultimate producers or consumers or both.

4. Intermediate Goods All those goods which are used by the producers for producing other goods are known as Intermediate goods. These goods are used as inputs in the production of other goods such as partially finished goods. These goods are demanded for producing other goods. Thus intermediate goods are those goods which are sold by one industry to another either for resale or for producing other goods. Stocks of Raw Materials and Semi finished goods fall under the category of intermediate goods

5. Stocks and Flow

Stocks & Flows have natural meaning in many contexts outside of business and its related fields.

6. Stock -A 'Stock' refers to the value of goods & services at a particular point of time. It is an entity that is accumulated over by inflows and/or depleted by outflows. Therefore, we can say that the 'stock' can only be changed by a 'flow'.'Stocks' typically have a certain value of each moment of time, for example the size of population at a certain moment or a particular point of time.

Flow

It is change in stock over period of time. Change refers to inflows (adding to the stock) and outflows (subtracting from the stock). Flows typically are measured over a certain interval of time. For example the increase in population census 1991 to census 2001 is due to increase in number of births in a period of 10 Years. 'Stock' is a Static concept whereas 'Flows' represents Dynamic concept.

7. Gross Investment It is a measure of additions to the capital stock that does not subtract the depreciation from the existing capital. These may be machine, tools &equipments, buildings, office spaces, store houses and infrastructure etc.

8. Depreciation It stands for the measure of the decrease in value of an asset over a specific period of time. It can also be defined as the decrease in the economic potential of an asset over its productive & useful life. This fall in the value of assets (Fixed Assets) occur due to wear & tear, obsolescence, efflux of time, is termed as Depreciation

Depreciation is in fact a non-cash expense or a provision which is created against the value of an asset spread over its useful life and is set aside, so that there are sufficient funds for its repair/maintenance or replacement. Most assets lose their value over time & have to be replaced once the end of their useful life is reached.

What is 'Brexit'?

Brexit is an abbreviation of "British exit", which refers to the June 23, 2016 referendum by British voters to exit the European Union. The referendum roiled global markets, including currencies, causing the British pound to fall to its lowest level in decades. Prime Minister David Cameron, who supported the UK remaining in the EU announced he would step down in October.

BREAKING DOWN 'Brexit'

Supporters of Brexit had based their opinion on a variety of factors from the global competitiveness of British businesses to concerns about immigration. Britain has already opted out of the EU's monetary union (meaning that it uses the pound instead of the euro) and the Schengen Area (meaning that it does not share open borders with a number of other European states). "Out" campaigners argue that Brussels' bureaucracy is a drag on the British economy and that EU laws and regulations are a threat to British sovereignty.

Mohamed El-Erian, the chief economic adviser at Allianz, wrote in a Bloomberg editorial that a British vote to leave the European Union would impose major instability on top of economic fragility and artificial financial markets.

Popular support for Brexit had varied over time, but the June 23rd vote demonstrated that UK citizens believed that Great Britain can survive without the economic cooperation, trade agreements and partnerships that benefitted the country for the past several years. Brexit is tied in with Scotland's membership in the United Kingdom. Scotland had voted to remain in the European Union, and after the narrowly contested vote, First Minister Nicola Sturgeon said in a statement on the Scottish National Party's website that she would explore all options to remain in the EU.

Govts must protect central banks' independence, says Rajan

Reserve Bank of India (RBI) Governor Raghuram Rajan on Tuesday said governments must protect the independence of central banks to act as they think fit and should look beyond uninformed criticism. He argued that India's real interest rate was actually in the middle-of-rates prevailing in the world, and lower than China's.

The outgoing governor has in the recent period sharpened his attack on his critics who repeatedly pinned the central bank for not slashing rates, which the critics argue would spur rapid growth. Rajan’s address at the 10th Statistics Day Conference held at the RBI headquarters is an extension to that.

An exhibit presented by Rajan showed that India’s real interest rate (interest rate minus inflation) is lower than one per cent, whereas in China, one of the fastest growing major economies, the rate of interest is close to 2.5 per cent.

“Why is the debate uninfluenced by the data? Why is it that as we seem to be bringing inflation under control, public voices to abandon the fight are loud? I don’t know for sure but let me hazard a guess: Is it possible the political economy of inflation is different from the received wisdom we were taught in class as students? And are there parallels to the political economy of bank clean-up?” Rajan said at his address to a gathering of statisticians and economists from across the world.

“Specifically, despite all the public commentary against inflation and its pernicious effect on the weaker sections of society, there seems to be surprisingly little anxiety in public commentary about inflation so long as it stays in the high single digits.”

Industrialists enjoy negative interest rates and the critics usually portray examples of companies that pay high interest rates because of their bad credit profile.

“With no powerful and vocal political constituency getting agitated about generalised inflation so long as it is only moderately high, opponents of disinflationary policies are free to frame the debate as they wish. The persuasive way is to claim that interest rates are hurting growth.”

The best way central banks can support growth over the medium term is by keeping inflation low and stable, he said, adding “Without any political push back as inflation rises, it is necessary to build institutions to ensure macroeconomic stability…. Perhaps this is why successive governments, in their wisdom, have given the RBI a measure of independence.”

To refute the argument of his critics, Rajan reiterated the differences between the high credit growth of the private banks and tepid growth rate at the public banks, arguing the problem is with the public sector banks that are now saddled with bad debt and are therefore risk averse.

"In sum, the Indian evidence, supported by the narrative of experiences from other parts of the world such as Europe and Japan, suggests that what we are seeing is classic behaviour by a banking system with balance sheet problems," Rajan said in his address. "It is important that governments around the world look beyond sometimes uninformed and motivated public criticism and protect the independence of their central bank to act. That is essential for stable sustainable growth."

"The obvious remedy to anyone with an open mind would be to tackle the source of the problem — to clean the balance sheets of public sector banks, a remedy that has worked well in other countries where it has been implemented," he said, adding, "Clean-up is part of the solution, not the problem, and that is what we are doing."

Rajan also defended the stance of the central bank's inflation targeting framework that critics argue do not take into consideration volatile components like vegetables and other food. The monetary policy committee will have to explain its failure only in case the inflation target is missed for three quarters in a row, and here "volatile components like vegetables tend to be smoothed over three quarters," the governor said.

However, it was not reasonable to drop food entirely from the target index, given that "it is the single most important consumption category for most Indians still," and would exert further pressure in favour of prices for certain favoured items as Indians get richer.

Rajan also lauded the government effort in increasing production of pulses after years of high pulses price-led inflation.

Under Rajan, the central bank has cut policy rates by 150 basis points and managed to rein in inflation below six per cent even as prices have started inching up slowly again because of persistently high food and rising commodity prices.