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INSTITUTE OF MANAGEMENT (DEPARTMENT OF FINANCE)

PRESENTS

NISHKA

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Let's discuss on

"Macro Indicators - A base for Monetary Policy Framework"

IN THIS ISSUE

DISSECTION OF THE INDIAN GDP

Introduction

GDP (Gross Domestic Product) is the most standard and reliable indicator used to measure the health of any Economy all around the Globe. In India, the CSO (Central Statistics organization) is responsible for calculating the GDP and other related National Income measures. The CSO in co-ordination with other ministries, calculates GDP in 2 major ways, i.e. the Expenditure method and the Factor Cost method. Now, the Official National income is the GDP at Constant Market Price.

Analysis of the Indian GDP

The various aspects with respect to arriving at a GDP number in India has changed significantly over the past 3 years. Therefore, under this section, some of the major changes with respect to the Indian GDP and its components has been discussed.

- **Change in the Base Year**

In January 2015, the Base year for the purpose of GDP calculation was changed from 2004-05 to 2011-12 as per the globally accepted practice. This major change of the Base Year is considered to be the routine change which every country does normally after a period of 5 years. The change was made mainly in order to capture the changing economic situation with the help of latest information and thereby to reflect the current economic health of the country. This new series of GDP data is in line with the UNSNA (United Nations guidelines in system of National Accounts – 2008).

- **GDP @ Factor Cost to GDP @ Market Prices**

The current Government has changed the method of GDP calculation from GDP at Factor Cost at Constant prices to GDP at Constant Market prices. This is in fact the biggest change with respect to the calculation of the GDP. Now in India, the GDP calculated at the Constant Market prices is considered as the Official National Income. According to the new calculation method, the production tax will be added to the GVA at Factor cost and the Production subsidy is deducted from the GVA at Factor cost. This figure is known as the GVA at Basic Prices or Producer's price.

i.e. –

GVA at Basic Price = GVA at Factor Cost + Production tax – Production subsidy

Where, GVA refers to the Gross Value Added, which is calculated as the (Output – Intermediate Consumption). GVA at Factor cost refers to the total value added with respect to the factors of production.

> GDP at Constant Market Price = GVA at Basic price + Product tax – Product Subsidy

Later on, the Product tax is added to the GVA at Basic prices and the Product subsidy is deducted from the GVA at Basic prices to arrive at the GDP at Market prices.

- **Widening the Data pool**

The CSO has also changed the data pool to assess and gauge the level of activity in the manufacturing sector. Previously, the ASI (Annual Survey of Industries), which consisted of around 2 lakh factories was taken into account. But now the CSO is using the MCA – 21, i.e. the annual accounts of companies filed with the Ministry of Corporate Affairs (MCA) which consists of around 5 lakh companies including those from the unorganized and unlisted category.

- **Change in method of calculation of the Labour Output**

Previously, Labour input (LI) method was used to calculate labour output. Under this method, the labour output was calculated as follows –

Output = Estimated Labour input * Value added per worker

The major issue here was that all the labour were considered as equal and hence the output was usually lower owing to this equal weightage problem. Whereas now, the Effective Labour Input (ELI) method is used under which, a clear distinction is being drawn between workers, based on the productivity by assigning weights to varied categories of workers like owner, professional etc and thereby altering the overall level of output contribution by these sectors.

- **Change in calculating Manufacturing sector production**

The current Government has clear goals with respect to increasing the contribution of manufacturing sector to 25% of the GDP. Along with the Make in India campaign and other policy changes in specific for the manufacturing sector, the Government has done 2 major changes with respect to the calculation of the Manufacturing sector production as well.

The first one is better compilation of the data by adopting the MCA-21 as mentioned in the above point of widening the data pool.

Earlier only the ***Establishment Model*** was used to calculate the Manufacturing sector production. Under this method, only what is produced in a particular establishment or a plant was considered under the manufacturing sector.

But now, the CSO is using the ***Enterprise Model*** along with the Establishment model. Under the Enterprise Model, the sales and promotion and other strategic and planning activities carried on in the office establishment of that company are also being considered under the manufacturing sector since it is an associated activity.

But under the established model, they are considered under services sector. Currently, the enterprise model is being used for big corporations and established model is being used for small corporations.

Major Implications of the above changes;

With the help of new method, the Central Government has been able to show growth by increasing the indirect tax rate (especially when the international oil prices were low, the Central Government had increased the Excise duty and the State Governments had increased the Sales tax on petroleum products).

Whereas on the other hand, the Government is trying to reduce the subsidy burden to the possible extent by the means of Give it up campaign, Direct Benefits Transfer (DBT) etc. Therefore, the increasing trend in the indirect tax and the decreasing trend in the subsidies has also played an important role in increasing the value of GDP at Constant Market prices of the country. This is validated with the 2015-16 GDP data that the growth of GVA at Basic prices was 7.2%, whereas the growth of GDP at Constant Market prices was 7.6%. That .4% increase was because of the above mentioned point, which is roughly 6% of the entire GDP growth rate.

With the help of the Base year change, the GDP growth rate directly jumped drastically as shown in the below table. This shows that the prevailing growth rate in the 7% territory over the past 3 years is not purely because of the real growth in the economic activity, but also because of this change in base year.

Year	2004 – 05 as Base Year	2011 – 12 as Base Year
2012 – 13	4.5%	5.6%
2013 - 14	4.7%	6.9%

The change from Establishment Model to Enterprise Model, among others has caused the Manufacturing sector contribution towards GDP to grow from 13.9% to 18%.

The new GDP at Constant Market Price method adopted is as per Global standards. Hence, now the Indian GDP and its growth rate has become more appropriately comparable with the other economies. This is one of the greatest advantages of the new method.

The Government has included other industries or sub categories under the existing industries for calculation of the GDP such as Recycling industry, Livestock component of the agricultural sector etc. Therefore, this has led to the widening of the GDP figure.

Conclusion

India's Central Statistical Office (CSO) and the Central Government are determined to modernize India's data collection and calculation methods with respect to various Macroeconomic indicators.

In the same lines, the GDP method was changed in 2015. The Central Minister for Statistics, D.V. Sad Ananda Gowda told in June this year that the Government will be changing the Base Year for GDP calculation again from 2011-12 to 2017-18 from the Financial year 2018-19 after the completion of the household consumer expenditure survey. The Government has also changed the base year for the IIP and WPI from 2004-05 to 2011-12 this year in order to better capture the current economic situation and structure.

These changes of the way these Macros are calculated are extremely important because these figures pave way for the future policy decisions of the Government and will have impact on the entire economy. However, as Raghuram Rajang had rightly pointed out in

2015 that there is a need for complete overhaul as to the way we interpret the GDP numbers and their respective growth rate and should be careful that we are not double counting anything and we are accounting for the net change or the net effect of an economic activity.

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Specialisation: Finance

FORMULATION OF MONETARY POLICIES BASED ON THE MACRO INDICATORS

A Macro Indicators Look from the Eyes of Banker's Bank of India

The Reserve Bank of India in the country is held primarily responsible for stabilizing the foreign exchange rate of the Indian currency and to control the demand and supply of the currency in the country. The Reserve Bank of India's monetary policy committee comes up with monetary policy throughout the financial year. The motive underlining the committee policies are the upholding of the primary responsibility of the central bank.

Statutory provisions are being created for flexible inflation targeting by amending the Reserve Bank of India Act 1934. The inflation target shall be set for every 5 year by the government with the consultation of the RBI through the official gazette, currently targeted at 4% Consumer Price Index (CPI Combined) with the upper tolerance limit of 6 % and the lower tolerance limit of 2%. The monitoring shall be of the factor like average inflation above the upper tolerance limit or below the lower tolerance limit for three consecutive quarters constituting the failure of the Inflation target by RBI.

Inflation rate is adopted by RBI from the Central Statistics Office (CSO) data on the Consumer Price Index (CPI Combined) level in the country against the base year 2012. The concept CPI based inflation rate was adopted by RBI from the year 2014. The CPI Combined is also called as the "Retail Inflation" as this measures the price rise at the retail level after taking into consideration of the distribution costs and taxes.

The CPI basket involves 448 items in Rural list and 460 items in Urban list categorized under 6 main groups and the appropriate weights assigned against each of the group. The weights are derived from the consumer expenditure survey data conducted by CSO during the period. The items which are consumer goods and services are categorized among 6 groups namely Food & Beverages, Pan, Tobacco & Intoxicants, Clothing & Footwear, Fuel & Light and Miscellaneous expenditure for the computation of the CPI inflation. The CPI is used for adjusting the income and expenditure streams for the changes in the cost of living.

The CPI combined level inflation is the basis for the monetary policy committee in providing the recommendations for the monetary policy changes in the monetary policy committee meetings. The CPI limit maintenance is responsibility of RBI as the primary objectives along with the economic prospective outlook is guarded with a movement towards the growth of the country.

After considering the CPI Inflationary rates and trends in the local and global economy RBI uses direct and indirect instruments for implementation of the monetary policy. Some of the instruments are Repo Rate, Reverse Repo Rate, Liquidity Adjustment Facility, Marginal Standing Facility, Corridor, Bank Rate, Cash Reserve Ratio, Statutory Liquidity Ratio, Open Market Operations, Market Stabilization Scheme and other moral suasion methods for the check on the liquidity of the currency available in the economy for the amount of demand and supply exerted in the system at the situation.

The current situation in the economy is well managed by the RBI with the CPI Inflation level at 2.33 % as on August with the slash in the repo rate by 25 basis points to 6%. The reverse repo rate is kept at 5.75 per cent with the marginal standing facility and the bank rate standing at 6.25 percent. The performance of the economy is predicted to be growing at 7.2% for the year 2017-18 by the International Monetary Fund (IMF).

The tussle between the Ministry of Finance and the RBI over the cut the rate is eased by the recent stands of the RBI in the issue.

The Ministry of Finance welcoming the move of the RBI is also expecting the monetary policy committee to propose a further reduction of the rate as to provide the push for the economy with increasing the expenditure of the public and the government.

The argument of maintenance of inflation rate below 4% leading to a deflation situation in the country would harm the potential growth prospect of the country and any significant reduction can cause inflation which would pose a threat which would be tamed by the policy maker.

Hence the moves are to be wiser by the RBI in accordance with the Global conditions prevailing along with other countries central bank decisions.

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MACRO INDICATORS AND THEIR EFFECTS ON FORMULATION OF MONETARY POLICY

INTRODUCTION:

Monetary policy is the means by which the monetary authority of a country i.e., RBI in India, controls the supply of money in the economy. They control interest rates and inflation in order to maintain financial stability and achieve high economic growth by ensuring adequate flow of credit to the productive sectors of the economy.

Other objectives of the monetary policy of India are Price stability, controlled expansion of bank credit, promotion of fixed investment, restriction of inventories and stocks; promote efficiency, reducing the rigidity etc.

For formulating monetary policies, key economic indicators are GDP, WPI, CPI and IIP. Macroeconomic factors such as economic output, unemployment, inflation, savings and investment are key indicators of economic performance.

Consistent monetary policy framework is required for achieving monetary policies. For this purpose the monetary authority controls the expansion of bank credit through CRR, SLR etc which are under their direct control. It has been continuously evolving depending upon the level of development of financial markets and institutions and also on the degree of global integration. Financial stability is to have low and stable inflation and stabilization of output around its potential level are the objectives of monetary policy. This is because both high inflation and deflation impress costs on the economy through losses of output and misallocation of resources.

Implementation of Monetary Policy

A supportive operating procedure is required for the effective implementation of the monetary policy which includes day to day management of the overall stance of monetary policy. The policy includes:

(i) defining an operational target, generally an interest rate
(ii) setting a policy rate which could influence the operational target
(iii) setting the width of corridor for short-term market interest rates
(iv) conducting liquidity operations to keep the operational target interest rate stable within the corridor; and
(v) signalling of policy intentions.

Both monetary policy framework and the operating procedure have been evolving in India. The traditional instruments of monetary policy like CRR on bank's liabilities and Open Market Operations (OMO) have been replaced with the introduction of liquidity adjustment facility (LAF) in 2004.

The LAF is operated through overnight fixed rate repo (central bank liquidity injection rate) and reverse repo (central bank liquidity absorption rate) so that necessary guidance is provided in the market interest rate. However, this procedure had two major drawbacks:

a. First was the lack of a single policy rate. Consequently, the operating policy rate alternated between repo and reverse repo rates depending upon the prevailing liquidity condition.
b. Second was the lack of firm corridor which often led the implicit target rate (Call Rate) breaching the upper and lower limits under liquidity stress conditions.

Recognizing these shortcomings, a new operating procedure was put in place in May 2011.

New Operating Procedure

The new operating procedure kept few of the features of the earlier LAF framework with a few modifications. Like if we take into consideration the weighted average call money rate was recognized as the operating target for monetary policy while the second was the repo rate was made the only one which was varying its policy rates. The next was the new Marginal Standing Facility (MSF) which was scheduled commercial banks (SCBs) who could borrow overnight at their discretion up to one per cent of their respective net demand and time liabilities (NDTL).

There were a few drawbacks with the LAF framework, therefore the new operating procedure came so that it could implement on the improvement of the monetary policy.

- First operating target makes market participants clear about the desired policy impact.
- Second, a single policy rate removed the confusion arising out of policy rate alternating between the repo and the reverse repo rates. It also improves the accuracy of signalling monetary policy stance.

- Third, the institution of MSF provides a safety valve against unanticipated liquidity shocks.
- Fourth, a fixed interest rate corridor set by MSF rate and reverse repo rate, by reducing uncertainty and avoiding communication difficulties associated with a variable corridor, will help keep the overnight average call money rate close to the repo rate.

Improvement in Monetary Policy Transmission

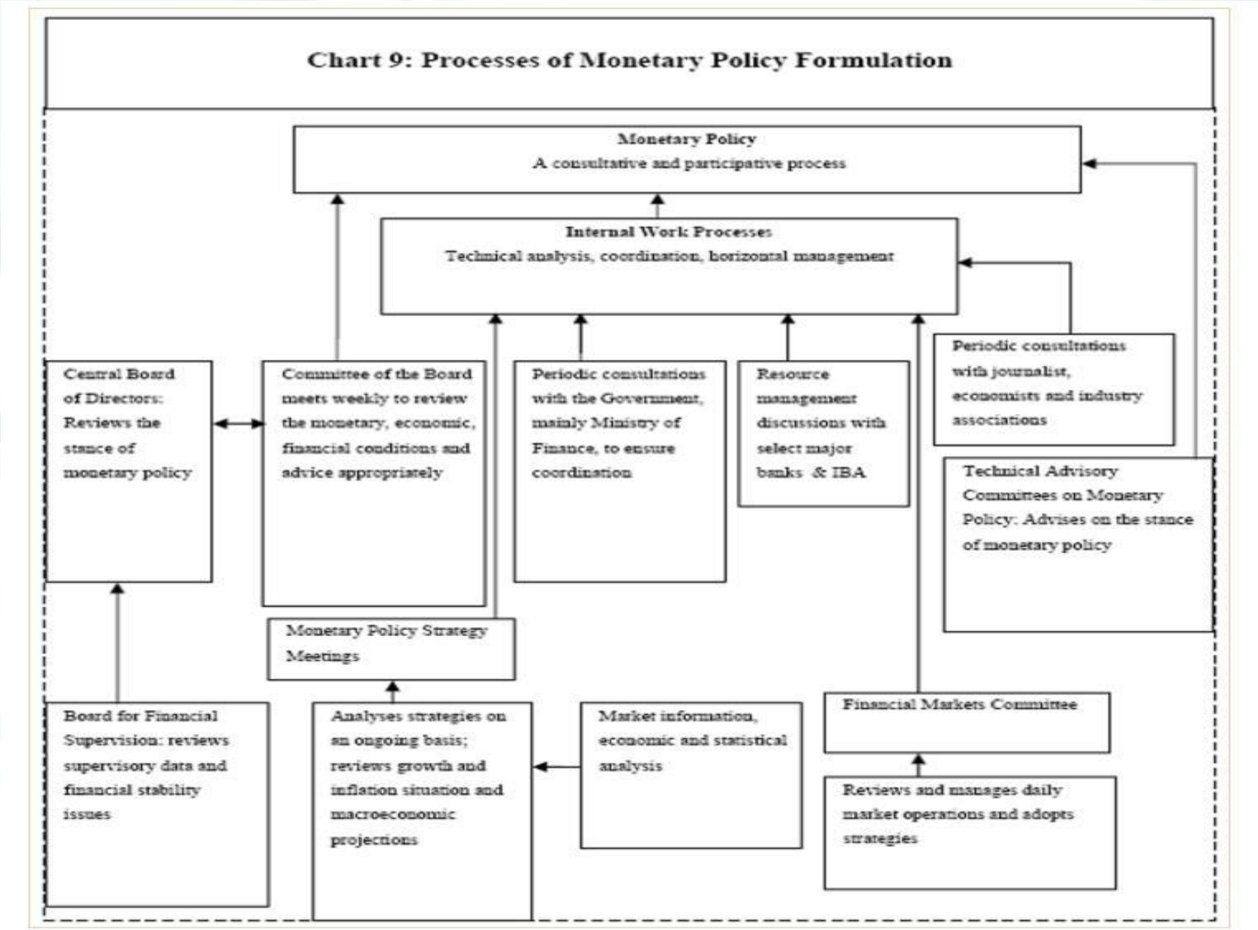
The new operating framework presupposes the dominance of the interest rate channel of monetary transmission, which is found to be more effective under deficit liquidity condition. Since its implementation, we have been able to maintain the systemic liquidity in deficit mode. Consequently, the transmission of monetary policy in terms of movement in call money market interest rate has shown improvement.

Policy Formulation:

The monetary policy formulation also involves process and is largely based on macro indicators of the economy. It is mostly kept internal with only the end-products of the actions made available to the public. Although the process has become more consultation oriented and thus has got a lot of external orientation.

There are many participants involved in the monetary policy actions such as internal staff, market participants, academics, financial market experts and the Reserve Bank Board. RBI has a set of departments concerned for the research - Monetary Policy Department (MPD), Department of Economic and Policy Research (DEPR) and Department of Statistics and Information Management (DSIM). All these departments work simultaneously to reduce the complexity of macroeconomic management. 20 large commercial banks, that form three-fourth of the banking business, hold the pre-consultations and management discussions of the policy. It is also held with the Indian Banks Association (IBA), urban and rural cooperative bank/credit associations and association of non-banking financial companies.

Process Chart:



Effects of GDP (Gross Domestic Product):

Gross domestic product (GDP) is one of the indicators which are used to determine the health of the country's economy. It is the total market value of all the finished goods and services produced within the country.

In a recent article by Trading Economics, GDP of India stood at 6.1% which is well below the expected value of 7.1%. It is suggested that the reason behind this is the slowdown in the consumer spending and drop in investment due to the demonetization that actually removed 86% of the currency in circulation. But this slowdown is expected to be good for the economy of India and the government as it shows a comeback from the fight against lack of money supply in the system. The decline in the growth rate may lead to a cut in the lending rates by RBI by the end of quarter in September.

Analysts are also predicting that the impact of implementation of GST will also help in maintaining the GDP forecast at 7-8% in the current year.

Thus, the monetary policy might change to some extent with the implementation of GST. The impact of GST is expected to counter the impact of demonetization for the economy.

Effects of oil price shock on Monetary Policy

A rise in oil prices can affect the real economy, and thereby indirectly inflation. An increase in oil prices as a typical example of a negative supply shock, i.e. a shock that increases company costs and thereby the prices at which they are willing to offer their products.

When prices are higher, there is less demand for goods and services, which subdues production and employment. Negative supply shocks can thereby lead to both higher inflation and a decline in production and employment. An increase in oil prices can also lead to resources being reallocated within the economy.

When oil becomes more expensive in relation to other intermediate goods, this can start a process where energy-intensive sectors shrink, while sectors where energy is a less important production factor, or is used more efficiently, expand.

This type of structural shift between different parts of the economy can be both costly and time-consuming. The result can be a period of adjustment with increased unemployment and under-utilisation of resources.

An increase in oil prices also affects demand in the economy. Higher prices in practice entail a transfer of income, or transfer of purchasing power, from countries that import oil to countries that export oil. Although the reduced demand this causes in the oil-importing countries can be partly counterbalanced by increased import demand from oil-exporting countries, the total effect tends to be negative for the countries that import oil. Demand can also be subdued if a large increase in oil prices creates greater uncertainty over future oil prices and perhaps even over economic trends as a whole.

In countries with central banks that conduct flexible inflation-targeting, like the Risk bank, monetary policy tries to stabilise inflation at a low level, while trying to avoid unnecessary fluctuations in real economy variables such as production and employment. When there is a large increase in oil prices, or some other shock that tends to simultaneously press up inflation and weaken the real economy, it is necessary to try to find a policy that is sufficiently "tight" to prevent the inflationary impulse from the rise in oil prices gaining a lasting hold by spreading to wages and other prices and to expectations, and yet sufficiently easy to avoid unnecessary negative effects on production. This is a fairly loosely formulated policy rule, but it is probably difficult to be more concrete.

The question of which policy is most appropriate must be determined from case to case, depending on the macro economic effects the oil price rise may be expected to have and what other factors are currently affecting inflation. One specific difficulty that monetary policy faces when oil prices rise is in assessing to what extent the economy's production capacity will be affected more permanently, i.e. if the increase in oil prices also has effects on potential production.

A low, stable inflation rate has been made one of the most prioritised macroeconomic targets. The risk of an increase in oil prices spreading is likely to be less if the economic agents assume that inflation will remain low in future.

The surge in the real price of oil between 2003 and mid 2008 was driven almost entirely by a sequence of unexpected increases in the global demand for industrial commodities. These global aggregate demand pressures more than offset increases in the production of crude oil over the same time period.

The resulting oil price increases reflected a persistent shift in the scarcity of oil, leaving little room for monetary policy-makers in oil-importing economies to cushion the impact of this shock

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THE WORLD OF INITIAL COIN OFFERING

What is ICO?

An ICO is a recently emerged concept of crowd funding projects in the cryptocurrency and Blockchain industries.ICO which stands for Initial Coin Offering is also sometimes referred to as ‘crowd sale’. Company releases its own cryptocurrency with a purpose of funding its project as an alternative to crowdfunding or IPO. To do that companies releases a certain number of crypto-tokens and then sells those tokens to potential investors, most commonly in exchange for Bitcoins or paper money as well. As a result, the company gets the capital to fund the product development and the audience members get their crypto tokens’ shares. Plus, they have complete ownership of these shares.

The first ICO was by Master coin back in 2013, which raised approximately US $600,000 for a project to create a Bitcoin exchange and platform for transactions. At a later stage Bitcoin led the way on Cryptocurrencies, becoming the first decentralized cryptocurrency back in 2009, followed by other cryptocurrencies sometime referred to as Altcoins.

Cryptocurrencies are decentralized unlike centralized electronic money and banking systems. Bitcoin and the early altcoins were launched without an ICO and with the market still considered relatively nascent, governments and central banks have been relatively slow in catching on to provide some formal legal framework to the cryptocurrencies and the ICOs that followed.

The Process of issuing ICO:

The process of issuing ICO starts with a pre-announcement phase. This is the marketing stage of a particular future project through sites frequented by cryptocurrency investors to reach potential investors, with the creators of the project preparing a white paper, essentially an investor presentation outlining the details of the project.

Once the white paper is circulated, the company will get a sense of whether there is investor interest in the project proposed. This enables the company to address the concerns and risks raised by the audience to reach a final business model and a final version of the white paper. This is followed by the final version of the white paper which sets out the terms of a contract for the benefit of the investors, made on behalf of the company entering into the ICO.

The offer will outline the project details, the total amount of capital required, together with project timelines. It will also indicate the financial instrument to be sold during the ICO, normally tokens. The financial instrument will have a value assigned to it, together with the rights of the investor along with the expected period after which the company will commence returning earnings to investors, traditionally by way of dividends.

Once the offer has been signed, the ICO start date is announced and the marketing campaign moves into overdrive. Participants of crowdfunding programs tend to be the main segment, investors generally more willing to back projects, with their involvement in the project considered a positive for both the investor and the company.

Once the marketing campaign comes to an end, the buying and selling of tokens commences, with the company having established an exchange for investors to acquire tokens.

Historically, start-ups would raise capital through venture capitalists, but with the advancement of fund raising, they have opted for funding through ICOs. Successes from ICOs are well publicised, with some of the most well-known ICOs including, but certainly not limited to:

- **Ethereum (ETHER-ETH):** US$18.5m raised in capital. At ICO investors paid US$0.4 per Ether back in 2014. The value of Ether hit a high of US$14 per Ether in 2016. Ether is certainly one of the more well-known early success stories. Year-to-date, Ether's market cap has surged in excess of 500%.

- **ICONOMI (ICN):** US$9.1m in capital raised.
- **Maid safe Coin (MAID):** US$7m raised in just 5-hours, which had been the record for the most amount of capital raised in the shortest period of time.
- **Golem Project:** The Company's goal is to build a P2P global computer network, with blockchain data handling payments in GNT tokens. US$8.6m in capital raised in just a matter of hours.

How is ICO different from IPO?

The first difference is with respect to the ownership. A company's shares, released during an IPO, always denote a share of ownership in the respective company. This is not, by default, a case with crypto-tokens that are sold to the public in an ICO. Crypto-tokens can be used to transfer voting powers - a larger share of tokens giving more voting power in some projects, but more often those tokens are just that - units of currency that you can send to other users and exchange for other currencies.

The other crucial difference is that IPO's are heavily regulated by the government. This requires a company to prepare large amounts of paperwork before releasing its shares. It also implies severe consequences in the case of non-compliance. Conversely, cryptocurrency crowdfunding is a new advancement, largely untouched by government regulation. That means that any project can launch an ICO at any time with little preparation and any person can take part in it and contribute their money.

Conclusion

- The high return on investment (ROI) provides an opportunity for the investing enthusiasts. It is also evident that where returns are on the higher side, there is a higher level of risk associated with investing.
- There are also no fees similar to those that investors face with IPOs and then there are VCs, who like to run the show and make unnecessary demands, which could devalue the investment on occasion, companies losing their identity in search of the Dollar.

While venture capitalists tie up investor money for lengthy periods of time that can extend to years, ICO money is far more liquid and with value easily assigned, traded within a very short period of time. ICO investors can cash in and out at any time, converting ICO tokens into Bitcoin or other cryptocurrencies with ease.

- ICO involves buying coins or tokens for a project that does not even fully exist yet. Thus there might not be any guarantee of projects ever being completed or even being embraced by mainstream users. This is a risk people need to be willing to take, as it may take years until there is an actual market for the project in question.
- The majority of ICO investors are enthusiasts, rather than people with expertise. Backers have a financial stake in the process, but an ICO is not regulated or registered. This means users will not be reimbursed if something were to go wrong. This is something a lot of people tend to overlook.

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Specialisation: Finance

Fintech: A Technology Revolution reshaping India's financial landscape

"***We always overestimate the change that will occur in the next two years and underestimate the change that will occur in the next ten. Don't let yourself be lulled into inaction.***"

– Bill Gates, The Road Ahead

The convergence of financial technology to provide the financial services by non-financial institutions popularly known as "FINTECH" has evolved to dominate the financial sector. It aims to compete with traditional financial methods in the delivery of financial services.

As the technology and data servers are becoming advance Fintech start-ups are becoming advance and growing their business in positive scale. FinTech start-ups are coming up with more ideas that can be turned in to marketable products. It is attracting new wave of talent and entrepreneurial thinking.

Genesis of Fintech:

Technology has always played a key role in the finance sector in ways that most of the people might not ever seen. FinTech today is often seen as a uniquely recent marriage of financial services and technology. However, the interlinkage of finance and technology has a long history. Financial and Technological developments have been interwindd and mutually reinforcing. The evolution and innovation of fintech during the last 65 years is as follows:

Year	**Significance**
1950's	Brought us credit cards to ease the burden of carrying cash.
1960's	Brought ATM's to replace tellers and branches.
1970's	First electronic stock trading was established and put into operation.
1980's	Rise of bank main-frame computers and more sophisticated data and record keeping systems.
1990's	E-Commerce models has flourished.
2000's	Incredible development of internet.

It is also important to note that throughout that 60year period FinTech developments have also created more sophisticated functions such as risk management, cash and treasury management, automated online trading systems, data analysis systems and tools for banks and financial service firms.

The uniqueness of Fintech:

In the early part of 21^{st} century, retail financial services are being further digitalized via mobile wallets, payment apps, robo-advisors for wealth and recruitment planning, online lending platforms etc. These FinTech services are not simple enhancements to banking services but rather replacing banking services completely. Many other start-up sectors have experienced a boom over the last five years. But fintech seems to have unique features.

"FinTech is different from many other start-up sectors because the financial world is heavily regulated and mostly consists of new number of large, well established firms" says Houman Shadab, a law professor of New York law school. The point said by him explains the esoteric nature of FinTech.

"*By partnering with FinTech start-ups, banks will give their account holders the right measure of security and speed. Account holders can know that their money is safe, and they can enjoy the latest financial technology. This is the way to become a digital bank"*

-Chris Skinner,CEO of Balatro Ltd.,London

FinTech start-ups:

Innovation and technology are bringing radical changes in financial services. FinTech start-up in the country are eager to reach India's mostly unbanked population and making competitive edge over banks. A new generation of start-ups is utilizing tech tools to bring endless innovative financial services for the banked and unbanked population. These start-ups provide services like payments, wealth management and crowd funding etc from E-Wallets to lending to insurance. Channels like E-Commerce and M-commerce are opening up innovative ways for consumers to make purchases. They redefined the way business and consumers carry out the routine transactions in their life.

FinTech start-ups are categorised into:

1. **Merchant services**

Type of service	Description	Start-ups
Lending and banking	Offer merchant banking solutions, financial products and/or loans	LendingKart : This start-up provides working capital financing solutions to MSMEs.
Payments	Help merchants (often MSMEs) process payments via electronic payments, mobile payment platforms, credit card, point-of-sale systems, and other methods.	Ezetap: offers an end-to-end payment system that includes mobile point-of-sale kiosks
Insurance	Provides merchants with business insurance solutions.	SecureNow: offers group health, workers' compensation, fire insurance, and, among other products

2. **Personal Finance**

Type of Service	Description	Start-ups
Lending	provide personal loans and financial products to consumers. These include car loans, mortgages etc	Finomena: provide personal loans and financial products to consumers. These include car loans, mortgages, and equated monthly instalment financings (EMI) for larger-ticket purchases.

Insurance	offer consumer insurance products that include health insurance, auto insurance, travel insurance, and home insurance, among other products.	PolicyBazaar: Provides a platform to compare policies of insurance companies.
Taxes	Companies in this category assist consumers in filing taxes.	Cleartax: helps consumers complete their income tax returns
Banking, Trading & Wealth	assist consumers in managing wealth, specifically wealth held in investment accounts or banks, help consumers track and grow personal wealth via active and passive management into investment vehicles	Upstox:It is a trading platform and brokerage backed by kalaari capital.

3. Consumer Payments:

Type of service	Description	Start-ups
Mobile Wallets & E-Commerce	Companies in this category act as the digital bridge between consumers and merchants	1.Paytm: India's most valuable fintech company and the country's largest mobile wallet and e-commerce platform. 2.MobiKwik 3.Chillr etc.

Banks and FinTech-Are they really competing?

"Banking is necessary, Banks are not"

-Bill Gates

As rightly said by Bill Gates, FinTech start-ups are using this mindset to think better possible solutions to customer needs. In the new era there are many alternatives for the people who are doing online transactions. They have choice to utilize benefit from any one i.e; Fintech or Bank. Even though there are some similarities there are contrasts among them. Fintech start-ups are growing and expanding with a focus on customer centric innovation. The strategy adopted by these firms are changing accordingly.

While 2015 saw FinTech companies transforming customer experiences by focusing on convenience and efficiency, 2016 has brought about an increased collaboration between traditional financial institutions and FinTech start-ups. FinTech companies are getting benefit from scale by integrating with banks and building models that combine their strengths with larger institutions, instead of competing.

The current development of Fintech:

FinTech is experiencing rapid growth globally. It is starting to fill some of the traditional roles played by banks, and new M-Banking & payment technologies are making it easier to improve customer experience. For customers, Fintech is a boon because it will enhance financial inclusion and ease of financial transactions. Fintech has surprised global financial markets as well as traditional banks since it consecutively achieved incredible growth. Today, financial technology (fintech) is one of the fastest growing sectors in the industry, with global fintech investment rising from $US100 million in 2008 to over $US19 billion in 2015

The growth of Fintech can be explained in figures:

- According to a report by Accenture, Global investment in financial technology has increased significantly in the last few years. In just one year, it tripled to more than US$12 billion in 2014 from about US$4 billion in 2013.
- The transaction value of Indian finance sector is estimated to be 33 billion dollars and forecast to reach 73 billion dollars by 2020, growing at a CAGR of 22% over three times the GDP growth rate.

The FinTech investment increased manifold from 247 million dollars in 2014 to more than 1.5 billion dollars in 2015.

India is witnessing increasing interest levels in start-up funding, which is evident by increasing number of angel deals from 370 in 2014 to 691 in 2015.

The statistics from Accenture analysis on CB Insight data indicates that the worldwide financial technology investment rose 82%, from more than 12200 million USD in 2014 to over 22260 million USD in 2015.

Why is there a sudden growth of fintech companies?

The 2008 Global Financial Crisis (GFC) is credited in large part with the sudden upsurge in fin-techs. Since the 2007-09 global meltdown, fin-techs have continued to spring up from all corners of the globe.

Some of the reasons of such growth are:

- Anger at the established banking system and the main entities that it consists of.
- Widespread lack of trust with banks post-crisis.
- After the crisis, banks stopped lending; businesses had to contend with refusals on lines of credits or bank loans and individuals were turned down mortgages and personal loans.
- The internet is changing our relationship with money the same way it fundamentally altered both the newspaper and music industries. Fin-techs have taken advantage of this and built finance services based on the evolution of the internet. People now use their tablet computers or smartphones to conduct financial matters. Fin-techs have used the internet to provide faster, cheaper services.
- Banks resisted change because it was more convenient (and profitable) to do so. They have monopolised financial services for so long, with little to no competition, thereby allowing them to charge high commissions, and often, obscure or hidden fees, such as inflated foreign exchange rate spreads or letter of credit costs. Why would they change when such change would only lead to lesser profits? Fin-techs have seen this and offer an alternative, often with cheaper rates and transparent pricing.

Future of FinTech:

The evolution of the digital technology has significantly changed the world in the past decades. By utilizing the technology advancement, Fintech has facilitated various financial services with better user experience and lower cost. There are many significant factors supporting Fintech growth in India like high adoption of technology, Internet penetration, government policies, increasing financial inclusion, huge working population etc. The global FinTech sector is expected to become $45 billion in value by 2020, growing at a CAGR of 7.1%. India would play a critical role, given that the backdrop is highly supportive. The Indian FinTech market is expected to reach $2.4 billion by 2020. FinTech has bright growth prospects. One of the factors that could propel the growth further would be partnerships between this dynamic sector and the experienced traditional banking sector. Collaborations between the two can bring together the best of both worlds and offer unique products to a larger number of people in India. The Fintech sector has young businesses that need help in reaching their true potential

CONCLUSION:

With the infusion of FinTech, financial institutions will need to better grasp how quickly technology changes and align themselves with changing consumer behaviour. Arguably, the most important point is that incumbent organisations need to revisit long-standing assumptions. This includes rethinking where their competitive strengths rest, how efficient scale can be achieved, what consumers expect of their financial institutions, the nature of competition, and how these might be changing; therefore **"MANAGING EXPECTATIONS WILL BE THE KEY."**

Name: Harshit Pathak (1627216)

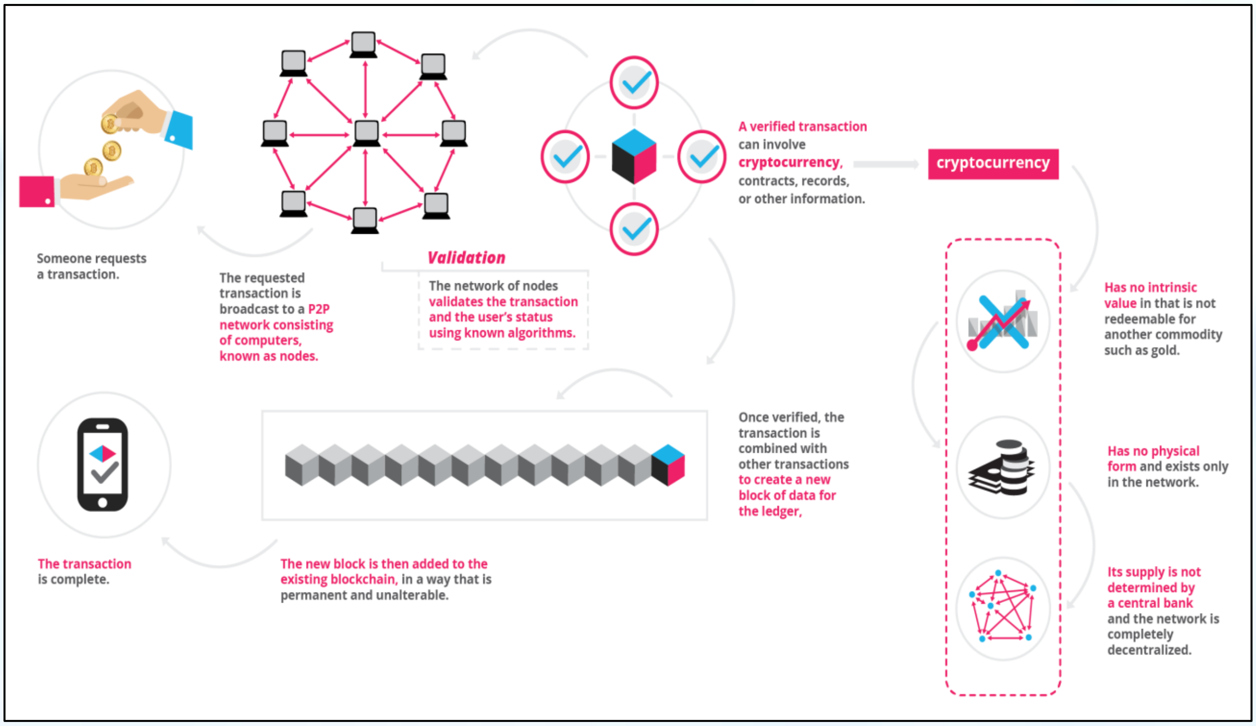
Pabolu Venkata Naga Aravind Kumar (1727125)

BLOCKCHAIN TECHNOLOGY

INTRODUCTION

Block chain is an anonymous ledger that helps the users to manipulate the ledger in a secured way, this allows the users not to depend on the party, and reduces the dependence on people to verify the transactions. A banks ledger is usually centralized; however, block chain enables the users to protect their identities, this makes blockchain more preferable and secure. Blockchain Technology is also called as World Wide Ledger. It is a public ledger for all the cryptocurrency transactions that are made in day to day process. Each transaction in denoted as a “block” and after each and every completed transaction the blocks are added to the previous recorded blocks. While talking about the blockchain technology Bitcoin is one of the trending cryptocurrency in the markets. Looking into the application part of blockchain technology, for example paying salary for your employee where you request you banker for the payment of certain sum of money.

The requested transaction is connected in a P2P network where the data validation takes place, like verification of the details entered by the employer. This transaction can involve bank accounts of the parties or it can also be paid through cryptocurrency. In case it



involves bank accounts of the parties, the transaction comes to an end after finishing the security check and this transaction is recorded in a block. After every transaction, data is recorded as a block and this data is stored permanently and is unalterable.

A Blockchain technology is a disruptive and durable technology where it is used in most of the transactions which cannot be hacked. As the data is not in a centralized form and is stored in multiple locations and available publicly and verifiable it is difficult to manipulate and corrupt the data. In a country like India where land registration is one of the complex detailed process and the transactions are recorded in the books. This technology helps in recording the data with respect to the past data and any frauds can be easily identified.

The robustness of the model have no chance of failure in the VUCA world and is also futuristic technology is utilized and useful in the mere future. With this technology, there is no need for reconciliation of transactions as both the parties will have the same document at the same point of time.

EMERGENCE OF BLOCKCHAIN THROUGH ICICI BANK IN INDIA

India 1st saw the emergence of blockchain technology with ICICI bank. The very first relation was between India's largest private bank ICICI and Dubai's largest bank Emirates NBD.

This collaboration was used on a pilot project to execute international trade finance and remittance transactions. This was a significant step as both the countries were trying out this technology for the 1st time. This platform was partnered by Infosys Finacle.

Before there was blockchain, the entire process of international finance was a very lengthy one. This is because each transaction took days to clear and sometimes there occurred issues with the documents regarding invoice of receipt and payments. But after blockchain was employed into ICICI the transactions could almost be completed in an instant thereby reducing the lengthy paper-work which was present earlier. This reduced the cost of the bank and also improved customer relationship.

Effects in ICICI:

- Achieve efficient, near-synchronous remittance through the use of bit-currency.
- Forming an electronic spread book through which both the importers and exporters could view the data in real time.
- Manual intervention is not required as the process is completed automated.

Example: The blockchain application duplicates the paper-concentrated global exchange fund process as an electronic decentralized record that gives all the taking part elements, including banks, the capacity to get to a solitary wellspring of data. This empowers every one of the gatherings, viz, the shipper in Mumbai; ICICI Bank, Mumbai; the exporter in Dubai and Emirates NBD, Dubai to see the information continuously.

- It also enables them to track documentation and authenticate ownership of assets digitally, as an un-alterable ledger in real time.

Who uses Blockchain Technology?

- All major financial companies which transact huge money in day to day transactions use this technology. The World Bank estimates a transfer of nearly $430 billion in the year 2015. In IBM where the transactions are made through this technology which helps them to save about 75% of the disputes relating to money.
- All banking and financial institutions such as CITI, Société Générale, Standard Chartered, DBS bank use this technology for the settlement of payments. CITI bank intern created its own cryptocurrency called Citi coin which is equivalent to bitcoin.

Block Chain – A New Evolution

- Blockchain creates value and new addition into the financial world towards the digital transformation and evolves new business forms in the fast-changing world. Smart contracts can be formed using this technology such as the transaction can be programmed for making payment after execution of the contract. Example where Ethereum is used for automated payments.

- In the current sharing economy where people share cabs (Uber), information (Facebook), accommodation (Airbnb) etc which brought in the concept of peer to peer service and the payments can be made without the interaction between the parties. Making the details fully transparent and accessible to public and also which is stored in multiple locations where data cannot be corrupted. File storage and auditing becomes easier for the companies.
- This technology not only helps in financial transactions but for companies like Samsung, IBM, Tesla where the company needs to store huge data, Using Internet of things the applications are connected which is used for predictive maintenance and also checking performance measures using the data.

- In the advanced banking system, know your customer (KYC) has been an important part of banking where based on the details bank authorises to sanction loans to their customers. Blockchain helps in storing the data and easy access to the information. Anti-Money Laundering (AML) solutions is used for analysing the transactions and suspicious transactions are cross checked and once data is verified it is saved in block

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Specialisation: Finance

BLOCKCHAIN'S POTENTIAL AND BEYOND IN FINANCIAL SERVICES INDUSTRY

Economists have been exploring human behaviour and their pursuit of line of work for centuries of years. The basic rules of the game for creating and capturing economic value were once anchored in place. For years, or even decades, companies pursued the same old business models (usually selling goods or services, building and renting assets and land, and offering people's time as services) and tried to execute better than their competitors did. But now, with a contrivance of a new institution called blockchain which can fundamentally change the way we exchange value and call for business, the model disruption is changing the very nature of economic returns and industry definitions.

While block change technology is relatively new, it is also a continuation of the human behavior. As human we find ways to lower uncertainty at one another so that we can exchange values and necessitate business. As our society became more complex and our trade root become more distant, we built up more formal institution like governments, banks and corporations which helped us to manage our trade, and eventually through internet we put these same institutions online. But given the inevitability of change these institutions metamorphose into more complex and uncertain mechanization assembling which gradually and slowly slipping out of our personal control.

The famous economist Douglass North could see that these institutes are mere a tool to lower uncertainty and acts as a middleman to facilitate human economic activities, so that we can connect and exchange all kind of values in society. Now the time has arrived where we are entering further into a radical evolution of how we interact in the line of business, because for the first time we can lower uncertainty not just with political and economical institutions, but we can do it with technology alone.

A blockchain– initially piece chain is an appropriated database that is utilized to keep up a persistently developing rundown of records, called squares. Each piece contains a timestamp and a connection to a past square. A blockchain is regularly overseen by a shared system all in all clinging to a convention for approving new squares. By outline, blockchains are innately impervious to alteration of the information. Once recorded, the information in any given square can't be modified retroactively without the change of every single consequent piece and the intrigue of the system. Practically, a blockchain can fill in as an open, dispersed record that can record exchanges between two gatherings proficiently and in an unquestionable and lasting way. The record itself can likewise be modified to trigger exchanges naturally

"You should be taking this technology as seriously as you should have been taking the development of the Internet in the early 1990's. It's analogous to email for money," said Masters, according to *The* ***Financial Times*****.**

The blockchain enthusiasts believe that the application possibilities are endless — improving the way we hold and transfer secure goods from money to deeds to music to intellectual property. In fact, blockchain, as a pure platform technology, may be able to cut out the middlemen. The advent of blockchain in the financial industry is already palpable and also given hope to decrepit segments like insurance.

Investment Management

Blockchain is already being used by several investment managers and companies around the world. It is estimated that by 2027, assets equivalent to 10 per cent of global GDP could be held on a blockchain. This technology would allow faster, transparent and more secure transactions and would facilitate global transfer and cut operational costs.

Banking Industry

The main aim of this technology was to automate processes, reduce data storage costs and minimize data duplication and enhance data security. This would enable individuals and organizations to process transactions without the need for a central bank or other intermediaries to use complex algorithms and consensus to verify transactions. Banks are using this technology to develop their offerings and experimenting with the distributed ledger approach from the traditional ledger based approach to create efficiencies.

Algorithmic regulation

Blockchain is transforming banking regulation and supervision and will enable banks track the progressive history of every transactions and will ensure the origin of transfer of funds can be identified. This will improve the ability of banks to suspicious customers and networks

Insurance industry

Blockchain technology can be used ease the process payments quicker. It can be used by insurers to prevent fraud by providing a transparent and secure ledger containing the important metrics. blockchain can help prevent multiple claims from different parties for the same accident, a historically rich source of claims fraud.

Cash reserve management

The current system has multiple intermediaries and settlement time is a major concern with increasing costs. Blockchain would drastically reduce settlement costs which in turn will reduce the amount of cash and collateral that financial institutions will need to hold to mitigate settlement risks and transactions would be completed in hours.

Join the Network Revolution

"Silicon Valley is coming," JPMorgan Chase CEO Jamie Dimon cautioned in his yearly letter to investors. He said new businesses desire Wall Street, enhancing and making proficiency in regions that are vital to organizations, for example, JPMorgan, particularly in the lending and payments space.

Technology and services giant IBM is adapting the blockchain methodology to develop a currency-less system that could be used for any purpose — for example, executing contracts upon delivery. Arvind Krishna, senior vice president of IBM Research, believes that in the long run, this technology could facilitate transactions between banks or international businesses.

Clearly, we are entering a period of rapid evolution, as the financial services industry determines blockchain and what it means for their business models. Traditional perceptions about the roles of financial players are already under attack — as it seems that the code can perform better than a real middleman in most cases. The conventional business models will soon fall prey to the quickly evolving technology and mental models. The network is about to do its magic: Grow and evolve without central control.

With companies such as IBM and JPMorgan Chase, backing this new way of facilitating financial transactions, it is only a matter of time before the broader financial services and banking industries shift to blockchain and network-based approaches to complement, or replace, the current centralized approach. The question is not whether network business models supported by blockchain technology will disrupt these organizations, but when??

So for all the current and burgeoning members of the financial services industry elite, it’s time to become part of the digital revolution and join the network and platform-emerging world.

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Melissa Pereira (1627245)

STOCK MARKET ANALYSIS

From the past, few the months the market has been creating new highs due to the flow to FII into the economy and the liquidity of the domestic investors is helping this bull market and for the first time NIFTY touched the magic figure of 10000 in July series and every dip has been bought. Stocks are entering their worst time of the year — August and September — but they may not experience a serious downturn, simply because July has been such a strong month and 2017 a good year so far.Technical analysts say historically, when July is strong the uptrend can head off a correction during the two months that rank last and third to last as far as market performance goes. Volatility also often spikes during the August-to-October period. The announcement of increase of tax on cigarette dragged the bench mark index Sensex by over 300 points which was due to sharp decline in ITC by 14% in intraday to the weightage in the index and the investors sentiment on the company's earnings after the hike.

Crackdown on Shell companies:

Stepping up the pressure on shell companies, SEBI directed premier stock exchanges to initiate action against 331 scrips which it suspects are shell firms. In a communication to the exchange, the capital market regulator has said these stocks will not be available for trading and only trading in these stocks is allowed only once in a month and a 200% margin is to be maintained with SEBI to the value traded in these stocks. The regulator's directive came after the corporate affairs ministry shared a list of 331 listed companies that are suspected to be shell entities and could even face "compulsory delisting". Stepping up the surveillance measures, these entities would be subject to independent audit if required, forensic audits could also be initiated to check their credentials

Nifty Chart 9th May-17th Aug

The Stocks of real estate and banking crashed due this announcement because a good number of companies are suspected to be in these sectors and used for money laundering and tax evasions. The Fed reserve stance on not changing the interest rates in the economy also helped to this bull as more money flowed into the markets. The RBI decision to cut 25 basis points on its policy rate due to low inflation trends in the economy did not cheer the market as the market was already poised for such cut.

The market in the first half of the August series was in the grip of Bears as the high valuations some stocks were not supported by the result of earnings of some big companies like HDFC, SBI, ONGC, Tata Motors etc and they missed the streets estimate and so the pressure in the market to book profits bought the market to its support levels of 9700 and the market is expected to consolidate further before any upward move and easing of the situation between North Korea and USA can provide impetus to the market to continue its trend. The Nifty index has provided a return of 4.3% in the past 3 months and India Vix index has hit 15.19 for the first time in the past two months and the is trading at 14 suggesting the volatility in the market has increased in 2^{nd} week of august indicating the investors to be cautious on their positions. The Nifty is trading at a P/E of 24.8 and P/B of 3.43.The NIFTY index is having a resistance of 10100 and a support at 9800 for this august series according the derivatives data.

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Reg No.: 1627325

Specialisation: Finance

RBI COLUMN

3rd Bi-Monthly Policy Statement has been released by RBI on 2nd of August 2017 and there have been certain changes made with respect to the previous Bi-Monthly Policy Statements.

Highlights:

1) **Recovery from Demonetization:**

Surplus liquidity in the banking system post-demonetisation was due to the ramping up of new currency in circulation by ₹1.5 trillion in April and May.

Massive spending by the Government re-injected liquidity into the system, raising the daily average overall surplus liquidity in the banking system to ₹4.2 trillion in April and ₹3.5 trillion in May.

Unwinding of the excess reserves that banks used to dress up balance sheets for end-March also resulted in an accretion of ₹0.8 trillion to the surplus liquidity.

Absorption operations undertaken by the Reserve Bank in the context of these developments and the consequent downward pressure on money market rates consisted of ₹1 trillion impounded under the market stabilisation scheme, auctions of cash management bills of ₹0.7 trillion triggered by the decline in cash balances of the Government, and variable rate reverse repo auctions of different tenors which took in the remaining surplus liquidity averaging ₹3.8 trillion in April and ₹3.4 trillion in May.

2) **Policy Rates:**

The monetary policy has been shifted from ‘Accommodative’ to ‘Neutral’.

Accommodative is when RBI attempts to expand the overall money supply to boost the economy when growth slows down (as measured by GDP). A neutral stance of RBI provides the flexibility to move in either of the directions. But, prevailing risk of inflation may mean that the RBI won't cut down the interest rates.

Reasons for change of Approach:

1. Speculation that the growth will rebound during the second half of the year.
2. RBI's desire to focus on inflation and move decisively to the 4% target.
3. Concerns that inflation will rise beyond the 4% target in the medium term.

Changes in rates taken up in the 3rd Bi-Monthly Policy Statement

REPO Rates have decreased by 25 Basis Points to 6%.

Impact:

Fall in interest rates would result in lower EMIs, increasing the savings for customers. This may affect the home loans, personal loans, education loans, education loans and car/bike loans.

Banks can scale back the bottom rate on loans, which might increase the demand for every kind of loans.

Cheaper capital would permit the firms to expand businesses which can generate employment and job opportunities.

The Reverse Repo Rate remains unchanged to 5.75% and the Discount Rate to 6.25%.

Impact:

- Banks are going to be reluctant to maintain their cash with financial organization (RBI) thereby going back to the market to supply loan at cheaper rate of interest which can lead to a lot of cash inflow/outflow in the market.

- Decrease in MSF can improve liquidity within the system.

- Decrease in discount rate makes it cheaper to borrow. This tends to encourage disbursement and investment. This ends up in higher mixture demand (AD) and economic process.

NPCI gets RBI nod to operate Bharat Bill Payment System

As the government wants the people to start using the digital money transactions, the BBPS is a major initiative to digital payments. Bharat Bill Payment System is a bill payment services provided to its customers through a network of agents, enabling multiple payment modes and providing instant confirmation of payment. The service is an integrated bill payment system offering interoperable and accessible bill payment service. Under this, the customer can make payments to DTH television, water services, gas services etc. Under BBPS, 45 crore bills are permitted.

Aadhar linkage mandatory for availing short-term crop loans in 2017-18

On August 16, 2017 RBI advised commercial banks to make Aadhar cards linkage mandatory for farmers to avail short-term crop loans in 2017-18. This advice was sent through a RBI notification. In line with the government's policy, the RBI said farmers can avail short-term crop loans up to Rs 3 lakh at subsidised interest rate of 7% that could go down to 4% on prompt repayment. It also announced an interest subvention (subsidy by government) of 2% for the first year on loans that have been restructured following natural calamities. In addition, additional interest subvention of 3% will be available to those who pay their dues on time.

Impact:

- This plan was proposed in order to ensure hassle-free benefits to farmers under the Interest Subvention Scheme.
- An Interest subvention (grant) will provide relief to farmers affected by natural calamities.
  - It will also discourage distress sale and will encourage the farmers to store their produce in warehouse.
  - Also, to avoid multiple loaning and to ensure that only genuine farmers avail concessional crop loan through the mechanism of gold loans, the lending institutions may conduct due diligence and ensure proper documentation including recording of land details even when the farmer avails gold loans for such purposes.

3) **Inflation Report:**

Prior Period Inflation Rate: Quarterly average headline inflation in the range of 2.0-3.5 per cent in the first half of the year.

Inflation Rate Prevailing now: Quarterly average headline inflation in the range of 3.5-4.5 per cent in the second half.

The evolving momentum of inflation would be determined by:

1. The impact on the CPI of the implementation of house rent allowances (HRA) under the 7th central pay commission (CPC)
2. The impact of the price revisions withheld ahead of the GST
3. The disentangling of the structural and transitory factors shaping food inflation.

Impact of Inflation Changes:

There is no indication of rapid, generalised inflation in India. There may be single-item price spikes, but these are caused by structural factors and bottlenecks, not overall liquidity in the economy. In an emerging economy like India, it is good to have an inflation rate of around 3 to 4 per cent. This makes the labour market more flexible and facilitates job creation. India's inflation has been falling over several months and is now well below 2 per cent. If anything, India now has a risk of sustained low inflation.

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Name : Rithesh Kamath (1627226)
Pallavi H V (1627149)
Shravani k Naidu (1627157)

ECONOMIC ROLLERS

Rates	Rates as on 1st Jan,2017	Rates as on 25th August,2017
Repo Rate	6.25%	6.00%
Reverse Repo Rate	5.75%	5.75%
CRR	4%	4%
SLR	20.75%	20%
MSF	6.75%	6.25%
MCLR	8.65-9%	7.75-8.10%
Call Money Rate (Weighted Average)	6.12%	5.93%
91 Days T-Bill (Primary) Yield	6.27%	6.11%
364-Day Treasury Bill (Primary) Yield	6.35%	6.22%
10 Year Govt. Securities Yield	6.63%	6.65%
RBI Reference Rate and Forward Premia		
INR-US$ Spot Rate (Rs Per Foreign Currency)	67.95	64.07
INR-Euro Spot Rate (Rs Per Foreign Currency)	71.62	75.58
Forward Premia of US $: 1-month	3.88	4.68
3month	4.15	4.53
6month	4.44	4.48

IDENTIFY THE PERSONALITY

1)

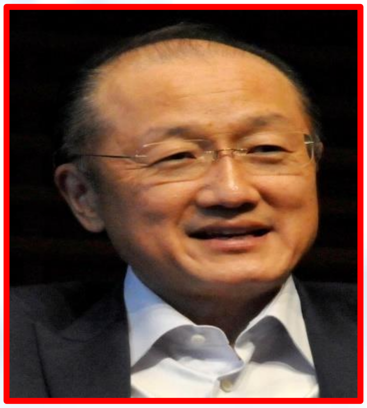
About - He is an American physician and hedge fund manager. He was one of the first investors to recognize the impending subprime mortgage crisis.

Famous Quote - "I don't go out looking for good shorts. I'm spending my time looking for good longs. I shorted mortgages because I had to. Every bit of logic."

2)

About - is an Indian economist and academic who was Senior Vice-President and Chief Economist of the World Bank.

Famous Quote - "A small tip for the sake of our environment, when you leave a meeting take with you the bottle of water you have on your desk."



3)

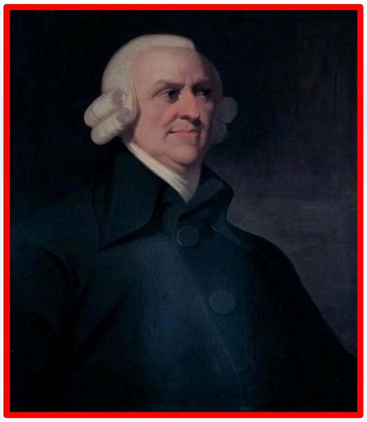
About – He is a South Korean-American physician and anthropologist who has served as the 12th President of the World Bank since July 1, 2012.

Famous Quote - "If you want to change a system setting an ambitious target is a great way to do it."

4)

About – He was a Scottish economist, philosopher, and author. He was a moral philosopher, a pioneer of political economy, and was a key figure during the Scottish Enlightenment era.

Famous Quote - "Little else is requisite to carry a state to the highest degree of opulence from the lowest barbarism but peace, easy taxes, and a tolerable administration of justice."



5)

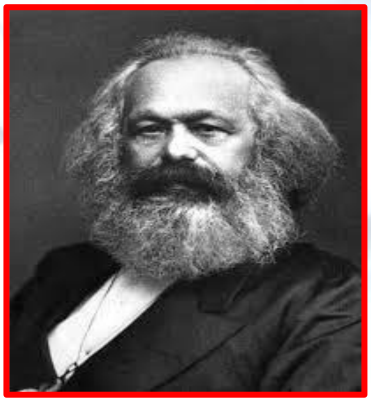
About – He is an American economist who is currently Distinguished Professor of Economics at the Graduate Center of the City University of New York, and a columnist for The New York Times.

Famous Quote - "We know that advanced economies with stable governments that borrow in their own currency are capable of running up very high levels of debt without crisis"

6)

About – He was a Prussian-born philosopher, economist, political theorist, sociologist, journalist, and revolutionary socialist. Born in Trier to a middle-class family, he later studied political economy and Hegelian philosophy.

Famous Quote - "The production of too many useful things results in too many useless people."



7)

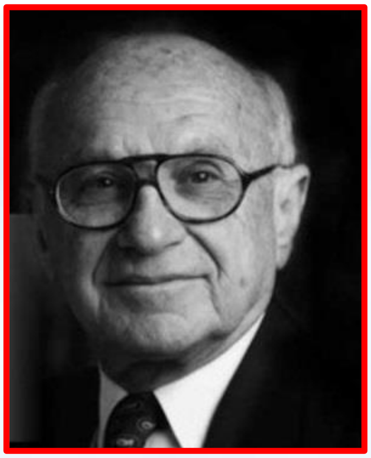
About – She was a British economist well known for her wide-ranging contributions to economic theory. She was the daughter of Major-General Sir Frederick Barton Maurice.

Famous Quote - "The purpose of studying economics is not to acquire a set of ready-made answers to economic questions, but to learn how to avoid being deceived by economists."

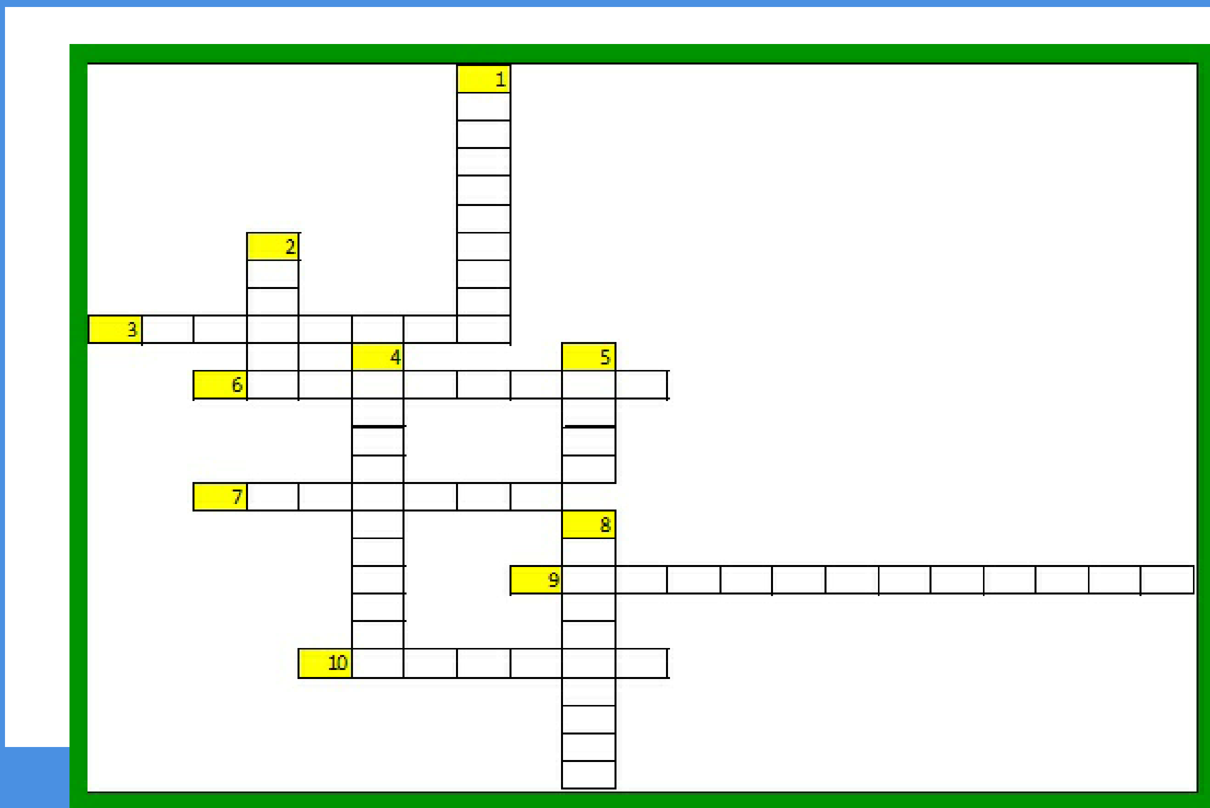
8)

About – He was an American economist who received the 1976 Nobel Memorial Prize in Economic Sciences for his research on consumption analysis, monetary history and theory, and the complexity of stabilization policy.

Famous Quote - "A society that aims for equality before liberty will end up with neither equality nor liberty."



Cross Word



Across:

3. An approach to reduce the risk of an investment
6. An accounting term that calculates how quickly business collects cash
7. Second largest stock exchange in the world by market capitalisation
9. Asset free of debt or other financial liability
10. A temporary pass through account held by a third party during the process of a transaction between two parties.

Down:

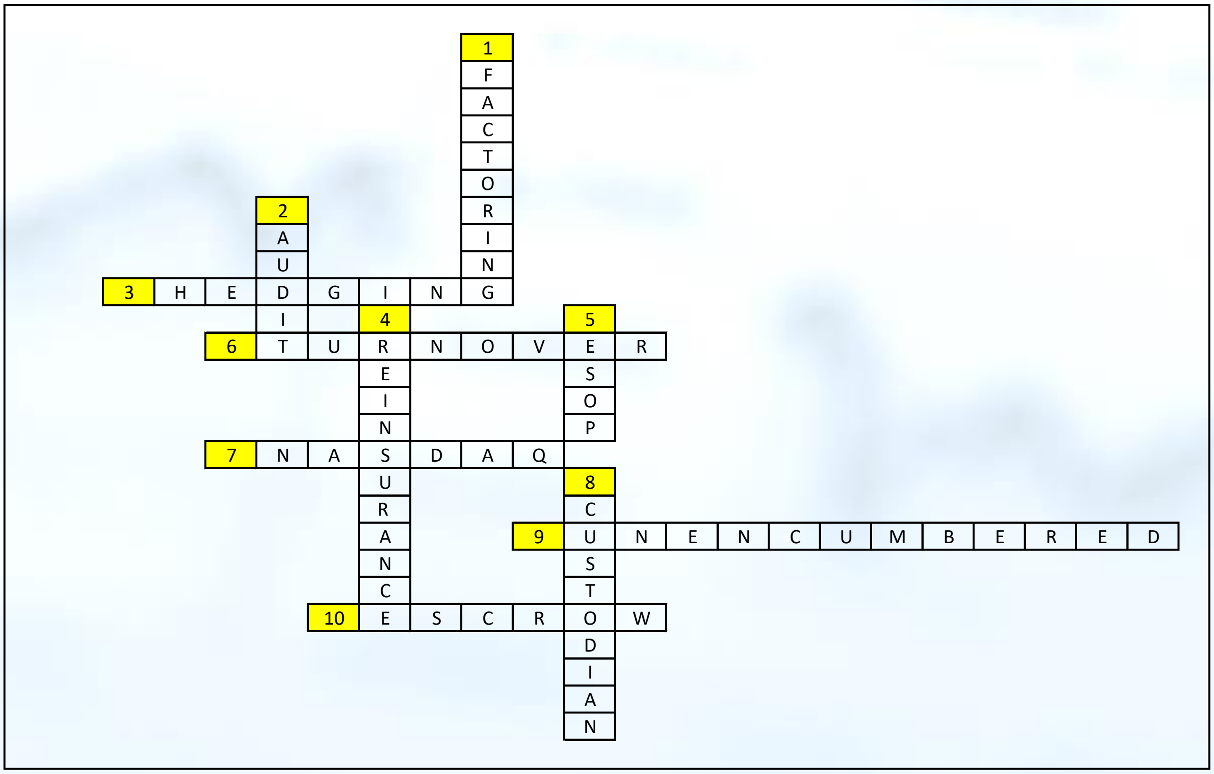
1. A financial transaction in which a business sells its receivables to a third party.
2. An official financial inspection of organisation's accounts
4. Insurance for insurers
5. Contribution to employee benefit plan to invest primarily in stock
8. A financial institution that holds customers' securities for safekeeping to minimize the risk of their theft or loss.

ANSWER KEYS

IDENTIFY THE PERSONALITY

1. Michael J Burry
2. Kaushik Basu
3. Jim Yong Kim
4. Adam Smith
5. Paul Krugman
6. Karl Marx
7. Joan Robinson
8. Milton Friedman

CROSSWORD PUZZLE



TEAM NISHKA

Nishka is a quarterly newsletter brought by the students of the Finance Club of Christ University Institute of Management, Kengeri Campus. Nishka aims at nurturing the writing skills and establishing a learning amongst the students, which helps them to gain an insight about the world of finance.

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