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MARKET BYTES
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WILL UK GOVERNMENT IMPOSE WINDFALL TAX ON OIL COMPANIES?

- **Cosmetics giant Revlon Inc. is preparing to file for Chapter 11 bankruptcy as it battles supply chain problems and a heavy debt load.**
- **It struggled amid competition from Estee Lauder Cos. and a host of smaller companies using social media to lure customers. Sales had been declining years before the pandemic, which also hit the company hard.**
- **The company has more than $3 billion of long-term debt.**

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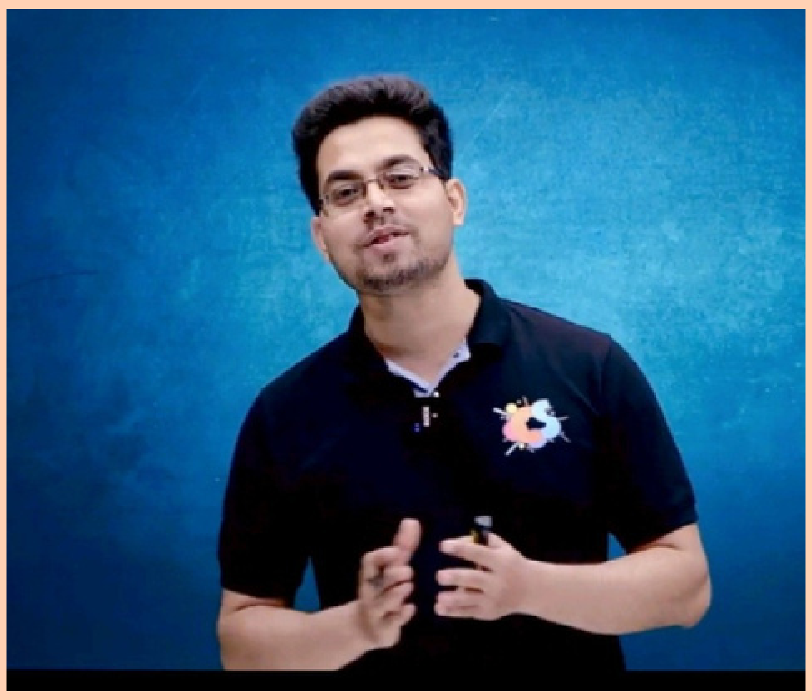
THE IMPACT OF DIGITAL FINANCE ON FINANCIAL STABILITY

Performance Metrics of Trading Strategies

When we talk about the performance of a trading strategy, one thing that comes to our mind is how good a strategy is. As a trader or investors, our goal will always be to get the as high return as possible. If the strategy would keep giving the same or more returns indefinitely then probably return would have been the only topic of conversation for measuring the performance of a strategy, but pragmatically this is not true. Our strategy may no longer yield the same returns as it used to. That means we either need to adopt a new strategy or update the existing one. Still, again updation or adoption should not be solely based on the return, so there is a need to gauge the performance on other parameters too because if we rely only on returns without caring about risks and other market conditions then probably a so-called good strategy may soon become a loss-making one.

Now we discuss some performance metrics to gauge the overall performance of the system by accounting for a lot of market conditions. All these considerations do not make returns obsolete, in fact, it just needs to be assessed along with other performance metrics.



Industry Speak: Mr Gaurav Kumar

1. Maximum Drawdown(MDD)

Maximum drawdown is very important since it tells us what we can expect to lose before we start making money again. It is the maximum observed loss from a peak to a trough of a portfolio before a new peak is attained. It measures downside risk.

MDD = (Capital Peak High – Capital Trough Low)/Capital Peak High

By knowing MDD you know what you can expect to lose, for example, let us say the MDD of a strategy is 18%, then we don't worry even if we are down by -10%, we just keep on trading according to the framed rules.

2. Equity Curve

In most cases, the sloping advancement of an equity curve gradually upwards is enough to say how good a strategy is, in an equity curve if there are lots of sharp rises and sharp falls then it shows that a strategy is not good enough and it needs to be changed or updated.

3. Compounded Annual Growth Rate(CAGR)

It is the interest rate required to grow investment from a present value to a future value. This interest rate takes into account the compounding effect of reinvested profits after each investment period.

CAGR = (EV/BV)^(1/n) – 1

EV: Ending value

BV: Beginning value

n: Number of years

4. CAR/MDD

Compounded annual return per unit of maximum drawdown tells us the profit we can make by also taking into account the risk we can afford, the greater the value of CAR/MDD the better the strategy is. Typically CAR/MDD should be greater than 1.2

5. Sharpe Ratio

Sharpe proportion is a well-known metric that was created by William Sharpe in 1966. It is the average return procured more than the risk-free rate per unit of instability or absolute risk. The higher the Sharpe proportion the better the technique is. In some cases, Sharpe proportion has gone under analysis for not separating among vertically and descending unpredictability. To account for this we consider another ratio called the Sortino ratio which we discuss next.

Sharpe Ratio = (Portfolio return – risk-free rate)/(standard deviation of PER)

PER: Portfolio's excess return

6. Sortino Ratio

The Sortino ratio is a variety of the Sharpe proportion that separates unsafe unpredictability by utilizing the resource's standard deviation of negative portfolio returns(downside instability) rather than the complete standard deviation of portfolio returns. The Sortino proportion takes a resource or portfolio's return and deducts the gamble free rate, and afterward separates this sum by the standard deviation of just bad returns.

Sortino Ratio = (Portfolio return – risk-free rate)/(standard deviation of negative returns)

7. Profit factor

The profit factor can be a good measure of a strategy since it divides the profit of winners by the loss of losers. It's a quick way to look at the chances of the strategy being profitable.

8. K-Ratio

It measures an equity's consistency of returns over time, calculated using the value-added monthly index(VAMI) curve. It takes into account the return themselves, but also the order of those returns in measuring risk.

K-ratio =(Slope of log(VAMI) regression line)/n(Standard error of the slope)

9. Risk-reward ratio

The risk-reward ratio tells us how much risk we are taking for the potential reward. For example, If my profit target is 12% and potential loss(set by stop loss) is 6%, then the risk-reward ratio is risk/reward, i.e. 6/12 =0.5.

It shows how much profit we can probably make for a level of risk taken.

Author's Profile: Mr Gaurav Kumar, Team Lead, Scholars Wing Edu Tech Solutions, LLP

IS THE STARTUP STAGE REACHING AN UNEXPECTED CONCLUSION?

Entrepreneur speak: Mr. Yalam Reddy

From ed-tech organization Vedantu to social trade organization Meesho, the work cuts have been fierce.
However, for what reason is this event now?
Simply last year, we were printing new unicorns (a billion-dollar organization) consistently. We had 42 new unicorns in 2021, truth be told. A record!
Furthermore, presently, out of nowhere, the state of mind has turned.
What was the deal?
Indeed, numerous things. First off, national banks have been siphoning cash in a bid to set up economies. Economies that were battered by the pandemic. A portion of this cash assisted individuals with getting by during the previous years. Yet, a large portion of this cash advanced into the monetary biological system. Also, as financial backers started exploring new open doors across the globe, they found an alluring open door in India for example the prospering Indian startup biological system.
These individuals channeled a portion of these monies to VCs or Venture Capitalists (cash directors with a high-risk hunger) who thusly stopped this cash in new companies that could develop dramatically. As an outcome, the Indian startup environment turned into an inferred recipient.
To give you some unique circumstances, VC firms emptied $38.5 billion into Indian new companies in 2021 — 3.8 times however much they did in 2020!
Also, how did new businesses manage all that cash? Spent it! They went max speed all over the place — showcasing, deals, tech, and so on. They needed clients rapidly and they were able to consume great cash to arrive. Be that as it may, nothing is exempt from the forces of gravity, no? Furthermore, in 2022, the tide started to change.
To begin with, there was a conflict in Ukraine. Then, at that point, a sluggish ascent in oil and gas costs. There were likewise store network hiccups. Which thusly set off a rush of expansion across the world. National banks, frightened by out-of-control costs, chose to fix a portion of the harm. They interfered with the cash supply, trusting this would assist with subduing costs. And keeping in mind that it's impossible to say assuming this will assist with checking expansion, there have been a few potentially negative results.
After a financing craze that prompted 44 new companies to become unicorns in 2021, a record $42 billion being siphoned into the environment (as per an Orios Venture Partners report), and numerous others to develop their valuation multi-overlap in the year, the inquiry individuals

are posing is whether the happiness is presently dialing back. Adding to the easing back pace are worldwide pressures set off by Russia's conflict with Ukraine, rising oil costs, and the Fed's choice to raise loan fees interestingly beginning around 2018 trying to manage quick rising costs.

As per an examination by Crunchbase, Global endeavor financing in February 2022 fell by $10 billion months over a month, getting started at $52 billion, in light of an investigation of Crunchbase information, with startup financial backers appear to be falling off last year's highs and surveying the effect of the Ukrainian struggle, record expansion, and public-market unrest. It additionally found that seed-stage subsidizing developed marginally month over month while beginning phase financing fell 17%, and late-stage subsidizing dropped 19%. Specialists accept that the issue is influencing the world in general and in addition to the Indian biological system alone. While around six-seven months prior there was rapture across the world - expansion was low, bitcoin and crypto were at a record-breaking high, and there was a SPACs (specific reason securing organizations) blast in the US since November things have been on a downslide. In India, as well, the Zomato IPO had individuals going in a craze yet the buzz before long blurred with the IPO not doing that very much followed by the Paytm debacle.

In 2022, Zomato, Nykaa, CarTrade, Policybazaar, and a few others have seen a 40-60 percent plunge in their stock costs while Paytm is presently exchanging at one-fourth of its issue cost.

"A significant number of the new companies have been esteemed a lot higher than they would have been traditional. In any case, past a point that wasn't feasible; we are seeing a course remedy there more than the subsidizing disappearing," said Ashish Fafadia, Partner, Blume Ventures. He added that the valuation of organizations will prune down as will the resulting round sizes.

All of this will likewise influence exits using public postings for VCs/financial backers with a few IPO-bound organizations going into a stand-by-and-watch mode. Delhivery, Pharmeasy, and Oyo - all have conceded their IPO plans in the new future even though Delhivery and Pharmeasy both have SEBI gestures to proceed with their posting.

Author's Profile: Mr. Yalam Reddy, Founder, VBelieve Consulting Services Private Limited

ACQUISITION OF L&T AND INVESTMENT

Alumni Speak: Mr. Shantanu Verma

L&T Mutual Fund is a mutual fund company in India. It caters to the investment needs of investors through various mutual fund schemes. The company claims to have sound investment management practices and a knowledgeable fund management team. L&T Investment Management Limited is the Asset Management Company (AMC) for all L&T Mutual Fund schemes. L&T Finance Holdings Limited (LTFH), a listed company registered with the RBI as an NBFC, is AMC's sponsor. Asset management, stocks, fixed income, mutual funds, investment strategies, financial planning, and consulting services are all available through the company. LTIM is India's 12th biggest mutual fund management business, with assets under management (AUM) of INR803 billion (US$10.8 billion) and over 2.4 million active folios as of September 2021.LTIM reported a pre-tax profit of INR1.85bn (US$25.0m), an income of INR3.48bn (US$46.9m), and costs of INR1.63bn (US$21.9m) for the financial year ended March 2021.

Strategic Rationale

Following the purchase, HSBC plans to consolidate LTIM's activities with its current asset management company in India, which had an AUM of INR117 billion (US$1.6 billion) as of September 2021, subject to regulatory clearances.

The proposed acquisition, subject to regulatory approval, will be another milestone as HSBC delivers on its strategy of becoming a leading wealth manager in Asia.

HSBC's asset management business in India will be strengthened, allowing it to better service the wealth requirements of its Indian customers as well as its increasing non-resident Indian customer base throughout the world. "LTIM's customer base and vast reach in India will give HSBC considerably deeper access to a high-growth wealth management industry," said SurendraRosha, HSBC's Co-Chief Executive Asia Pacific. India's growing income levels and longer life expectancy are fueling growth in a sector that is yet underserved. HSBC expects the acquisition to be immediately accretive to the earnings of the Group upon completion and to achieve a return on investment of greater than 10% in the medium term.

Prior Investment Pattern

HSBC created Create Wealth and Personal Banking in February 2020, combining its retail banking, wealth management, asset management, insurance, and private banking operations to service over 39 million customers globally. By 2025, HSBC wants to be Asia's premier wealth manager, bringing up a world of possibilities for Asian, international, and

HSBC-connected customers, regardless of where their money is produced, invested or managed. Asia accounts for about half of HSBC's worldwide asset balances of US$1.6 trillion and nearly 65 percent of the Group's wealth income.

What's in for LTIM Investor?

L&T Mutual Fund has 27 actively managed funds—10 in equity, 13 in debt, and four in the hybrid category—with L&T Triple Ace Bond (corporate), L&T India Value, and L&T Emerging Businesses Fund (small cap) being the top schemes in terms of assets being managed. Both the AMCs currently have about 17 schemes in common. But post-Sebi's scheme categorization rules, mutual funds can have only one open-ended scheme in each category. Thus, once L&T MF is acquired by HSBC, the overlapping schemes of L&T will be merged with similar schemes in HSBC or vice versa, for which we do not have substantial information at this point. The investors of the scheme that is getting merged will be issued units of the scheme with which the former is merged.

Inherent Risks

After the purchase of L&T Mutual Fund, it will be interesting to watch if the increased asset size, wider distribution network, and larger investor base result in enhanced performance of HSBC Mutual Fund schemes. If you're an investor in one of these schemes, you'll want to keep a careful eye on how well it performs after you buy it. If the schemes demonstrate lengthy periods of underperformance when compared to the benchmark and category peers, consider quitting them.

Furthermore, several L&T Mutual Fund schemes are anticipated to be amalgamated with HSBC AMC schemes, thereby changing essential properties. If the merged scheme follows a more aggressive/conservative investment approach than the current scheme and is no longer in congruence with your risk profile, or if the investment objective of the merged scheme does not align with your investment objective, you can consider exiting the scheme during the free exit load period.

When will the deal go through?

The acquisition formalities are intended to be executed by the first half of 2022 as per the sayings of HSBC Holdings management. Though it is yet to be seen whether the deal goes through as projected or will there be certain modifications in the approach, covenants, or duration.

Author's Profile: Mr. Shantanu Verma, Amity University, Lucknow Campus (Academic year- 2019-2022).

WINDFALL TAX

Student Speak: Ms. Shreshtha Singh

What is a windfall tax?

A windfall tax is a one-time tax imposed by the government on a company. The goal is to concentrate on businesses that were fortunate enough to profit from something for which they were not responsible - in other words, a windfall. Energy companies are getting a lot more money for their oil and gas than they were last year, partly because demand has soared as the world recovers from the pandemic, and partly because supply concerns have arisen as a result of Russia's invasion of Ukraine. Is it a good idea to levy a windfall tax? With inflation in the United Kingdom of Great Britain and Northern Ireland at a record high of half a percent on September 11 due to a sharp rise in international oil and gas prices, the government is under increasing pressure to provide additional assistance to households experiencing a cost-of-living crisis. One proposal is to levy a surcharge on oil and gas corporations' 'windfall' earnings as a result of rising energy prices. What is the structure of the new windfall tax? According to the chancellor, the new tax is a twenty-fifth Energy, Profits Levy. The most significant aspect of this new tax is that any money lost by firms in previous years, or money spent on things like decommissioning North Sea oil facilities, cannot be utilized to lower the amount of tax they pay.

What are the arguments in favor of enacting a windfall tax?

Taxes, according to economists, should only produce minimal changes in behavior, be regarded as "fair," and have low collection costs. An increase in the corporate tax rate that will be in effect for the next few years, or an increase in personal income taxes that affects decisions about working time, spending, and saving, has a strong case to be regarded as more economically efficient than, say, a one-time windfall tax that is based on past behavior and is a response to an unforeseeable external event.

Of course, it's impossible to predict if such a tax will be one-time only. Such taxes, however, have not been regularly used in the recent half-century, according to history. The timing of a windfall tax is also something to consider. Businesses may change their behavior if the government announces today that the tax will be levied at a later date, diminishing or eliminating the economic efficiency benefits of a windfall tax. A well-designed windfall tax is straightforward to levy on firms, quick to enforce, and difficult to avoid. This yields a very predictable tax return, which is particularly advantageous as the funds are used to solve a specific issue (such as helping to alleviate the burden of energy bills on struggling households).

So, what have politicians said so far?

The government, which had previously opposed the program, has now come around. A windfall tax had been called for by Labour, the Liberal Democrats, and the Scottish National Party.

A tax like this, according to the prime minister, will deter investment: "I'm annoyed by them. They are not, in my opinion, the best option for the future. I'd want to see such companies spend heavily."

Chancellor Rishi Sunak had previously claimed that he was "pragmatic" about putting it in place since he was not "naturally drawn" to it.

"We cannot rule out a windfall tax," says Rishi Sunak, threatening energy businesses with a windfall tax.

<u>What are the reasons against a windfall tax</u>?

There are four basic arguments against introducing an oil and gas windfall tax. The first is that a windfall tax may appear to be economically efficient in theory but not in practice. The application of the tax may create uncertainty about the future tax regime (perhaps not just for oil and gas corporations, but also for other industries - the so-called "thin edge of the wedge" argument) and, as a result, limit oil companies' future investment spending.

The economic evidence, on the other hand, is mixed.

Although some data implies that increased uncertainty reduces investment, the energy sector is unusual in that it already offers particular tax incentives for investment. Furthermore, because the big UK oil corporations operate globally, implementing a windfall tax in one jurisdiction may lead to a shift in location to avoid such taxes over time.

The second argument against a windfall tax on oil and gas earnings is that the energy industry is particularly vital given the imperatives of combatting climate change and ensuring energy security. A decrease in revenues (whether excessive or not) could stifle investment in renewable energy and impede the transition to greater energy security. Adopting a windfall tax may produce some short-term profits, but these may be outweighed by long-term losses.

When asked if a windfall tax would prevent any planned investment projects from continuing, BP's CEO responded, "There are none that we would not do."

Finally, these taxes are uneven and discriminatory. Oil company profits would fall if oil prices dropped. Oil companies that are currently charged a one-time tax may request a one-time subsidy in the future. There may have been requests for windfall taxes in the past, but if oil companies lose money as a result of falling global oil prices, there may be few cries for funding to support them.

There's also the question of what constitutes 'normal' profit and what constitutes 'excessive profit.'

Author's Profile: Ms. Shreshtha Singh, currently pursuing B.Com(Hons.) at Amity University, Lucknow Campus (Academic year 2020-2023)

DIGITAL BANKING: The Future of Banking in India

Editor's Speak: Ms. Nidhi Singh

Our lives are becoming increasingly digital in this gilded age of technology, whether we're ordering food, applying for a job, or transacting money. People want to save time by not going to the bank or standing in line in this fast-paced digital world. Consumers seek speed, convenience, and physical security when it comes to financial services. Fintechs and Big Tech corporations are giving traditional banks a run for their money in this space.

The term "digital banking" refers to banking conducted entirely online, without the need for paper documents such as checks, pay-in slips, or demand draughts. It entails the capacity to do all banking transactions on the internet. You have the freedom to access and conduct all typical financial activities with digital banking activities 24*7 without personally visiting a bank branch to get your work done. Digital Banking can be done either through a laptop, tablet, or mobile phone.

Banking used to be a time-consuming activity. You had to go to the bank branch, hand over a check to a bank employee, get a token, and wait till the cashier called your number to withdraw cash. You had to wait a long time in the first week of a month when there was a scramble for cash among consumers.

Thankfully, all of that is no longer the case. The way people do business has changed as a result of digital banking. To obtain cash, simply go to the local ATM, insert your card, and withdraw cash in under a minute! Furthermore, going digital provides you with the ideal opportunity to enjoy a paperless banking experience, eliminating the need to keep track of your transactions or banking history using physical paperwork.

The evolution of digital banking:

In the last 20 years, technology has brought unprecedented changes to the banking business all around the world. Internet and mobile connections have reached the farthest reaches of the globe, connecting people and organizations all over the world. Customers' expectations and the way businesses functioned were both changed as a result of this. Fintech technology businesses entered the banking sector with mobile connections and related infrastructure, launching a variety of customer-friendly solutions. Banks had to re-engineer their processes and products to stay up to retain their consumers. As a result, Automated Teller Machines (ATMs) were introduced, marking the beginning of digital banking. The following step was to meet the new customer expectations.

As a result, banks have been forced to provide better technologies, products, and services. Banks were a thing of the past by the end of the twentieth century.

Digital banks(also known as Neo Banks) vs traditional banks

The traditional retail banking approach has failed to retain consumers since digitization and the pandemic. Digital banks are a new type of bank that has emerged as a result of changing client expectations. These financial institutions operate entirely online, with no physical locations, and offer a full range of banking services and more. Digital banks provide highly personalized services at lower prices by leveraging technology such as artificial intelligence (AI), automation, and cloud computing. In India, however, Digital banks must partner with traditional banks to deliver their services because the Reserve Bank of India (RBI) does not yet allow 100 percent digital banks.

Lower Fees, Higher Interest Rates:

The exclusive digital presence of digital banks is maybe their most significant advantage over regular banks. Digital banks can benefit from lower operational costs because they don't have to invest in physical branches and infrastructure. As a result, digital banks can pass on these advantages to their customers in the form of cheap or no fees and high deposit interest rates. They can provide seamless international payments and money transfers at very low rates because of their online-only business model.

Elevated Customer Experience

By providing round-the-clock digital services, Digital banks can bypass the gaps in traditional banking. Their mobile-first strategy allows them to satisfy the changing needs of millennial and Generation Z customers. They can provide creative solutions, faster reaction times, better customer care, and speedy onboarding by integrating cutting-edge technology such as artificial intelligence, automation, and blockchain. The customer experience is being elevated by their dynamic user interface, 24x7 access, and digital operations.

Faster Loan Processing

The traditional banking system is inefficient and time-consuming, with complex loan disbursement procedures. Digital banks, on the other hand, are improving their loan processes. Applying for a loan and qualifying for one is as simple as signing up on a website, with little or no documentation and online verification. Customers can choose which loan they want and acquire rapid loans as soon as their credit scores are validated because they have simple access to the amount and interest rates.

CONCLUSION

Digital banks have the potential to become more than just the next fintech buzzword. Digital banks have yet to fully realize their potential, owing to legislative constraints. In the coming years, the banking sector may see an invasion of Digital banks that will forever redefine the face of banking. Digital banks can improve the consumer experience.

Author's Profile: Ms. Nidhi Singh, currently pursuing B.Com (Hons.) at Amity University, Lucknow Campus (Academic year 2020-2023)

RECENT HAPPENINGS AT A GLANCE

The current account deficit is likely to hit a three-year high at $43.8billion in FY22

- The country's current account deficit is likely to hit a three-year high of 1.8 percent or USD 43.81 billion in FY22, as against a surplus of 0.9 percent or USD 23.91 billion
- The improvement in the key numbers is due to the remarkable improvement in merchandise exports in FY22 when they grew 42.4 percent against a negative 7.5 percent in the pandemic-hit FY121.

Gautam Adani offers to acquire 26% of Ambuja Cements, ACC from the open market

- Day after billionaire Gautam Adani's conglomerate bought Switzerland-based Holcim AG's cement businesses in India for $10.5 billion, the Adani family on Monday made an open offer to buy a 26% stake each in its two listed firms – Ambuja Cements and ACC Ltd – from public shareholders.
- The Adani group through its Mauritius-based subsidiary Endeavour Trade and Investment has made an open offer at ₹385 per share for Ambuja Cements Ltd and ₹2,300 per share for ACC Ltd.

While for ACC Ltd, Adani group has offered to acquire up to 4.89 crore shares held by public shareholders, representing 26% of the expanded share capital, aggregating to a total consideration of ₹11,259.97 crores.

RBI policy effect: Loans to get more expensive as banks hike lending rates

- Following the monetary policy committee's (MPC) decision to raise the benchmark policy rate by 50 basis points, many lenders, including ICICI Bank and Bank Baroda have raised their external benchmark linked loan rates by an equal amount.
- ICICI Bank on Thursday raised its external benchmark lending rate by 50 basis points to 8.60% while Bank of Baroda has increased its repo-linked lending rate to 7.40%

Global wheat prices jump after India export ban and Ukraine war: Food and Agriculture Organisation

- Last month, India announced that it was banning wheat exports in a bid to check high prices amid concerns of wheat output being hit by the scorching heat wave.
- The price of wheat has jumped in the international markets after India announced a ban on the export of the staple cereal and due to the reduced production prospects in Ukraine following the Russian invasion, the UN food agency has said.
- The index, which tracks monthly changes in the international prices of a basket of commonly-traded food commodities, however, remained 22.8% higher than in May 2021.

Restaurants cannot add a service charge to food bills

- Restaurants are free to raise their menu prices since there are no price controls on them, but they cannot levy a service charge as that would amount to misleading the consumer, union minister Piyush Goyal said.
- However, customers at their discretion can give "tips" separately, he said.
- His statement comes after the government on Thursday said the charge was "illegal" and did not have any "legal sanctity", implying that restaurants should not be collecting a service charge.

Centre to monetize assets worth ₹75,220 crores in the coal mining sector in FY23

- In FY23, the Centre plans to monetize assets in the coal mining sector worth Rs. 75,220 crore (US$ 9.67 billion).
- The Ministry of Coal said in its monetization plan for FY23 that monetization of coal blocks is estimated to generate revenue of Rs. 52,200 crores (US$ 6.71 billion), followed by Rs. 20,320 crores (US$ 2.61 billion) from projects on the Mine Developer and Operator (MDO) model, Rs. 2,000 crores (US$ 257.16 million) from discontinued mines, and Rs. 700 crore (US$ 90 million) from washeries. The figures for monetization are estimates.

IPOs not an alternative financing route for start-ups says, Narayana Murthy:

- Startup founders must not see initial public offerings (IPOs) as another route for their next round of funding as they face pressure from venture capitalists to succeed as early as possible, said NR Narayana Murthy, founder of Infosys.
- "IPOs have been taken as the surrogate for the next round of financing. It is not a good thing (for the ecosystem) as it comes with tremendous responsibility," the IT industry doyen said at an international conference on startups here on Friday.
- Also, most startups have overestimated the market size, with no proper market research companies backing with accurate data, Murthy claimed. This results in stagnated revenues while costs keep inching up, and that disadvantage has added to the woes of the startup industry, he added.

India ranks last in Environment Performance Index 2022

- India has finished at the bottom of the Environment Performance Index-2022 released by the World Bank. This means India is among those countries in the world that have the worst environmental health.
- Out of 180 countries that have been ranked, India is in the bottom five with a score of 18.9. Even Bangladesh, Myanmar, Pakistan, and Vietnam have ranked better than India. The country has also scored poorly on various measures such as control of corruption, rule of law, and government effectiveness.
- The deterioration is huge as in the EPI-2020, India was ranked 168th out of 180 countries. The score of 27.6. Denmark was ranked first in the sustainability and environmental health categories this time.

FINANCIAL GLOSSARY

A

- **Acquisition:** One company purchases most or all of another company's shares to gain control of that company.
- **Asset Monetization:** Converting tangible or intangible assets into a source of generating revenue.

B

- **Beta:** A measure of the volatility—or systematic risk—of a security or portfolio compared to the market as a whole.
- **Business Valuation:** A general process of determining the economic value of a whole business or company unit.

C

- **Ceteris paribus:** Holding other things constant or all else being equal.
- **Closed economy:** Entirely self-sufficient, which means no imports come into the country and no exports leave the country.
- **Collateral :** An asset that a lender accepts as security for a loan.
- **Corporate tax:** A corporate tax is a tax on the profits of a corporation. The taxes are paid on a company's taxable income.
- **Credit rating:** refers to a quantified assessment of a borrower's creditworthiness in general terms or with respect to a particular debt or financial obligation.
- **Credit limit:** The term credit limit refers to the maximum amount of credit a financial institution extends to a client.
- **Credit score:** A credit score is a number between 300–850 that depicts a consumer's creditworthiness.

D

- **Dividend**: Distribution of some of a company's earnings to a class of its shareholders, as determined by the company's board of directors.
- **Derivative**: The term derivative refers to a type of financial contract whose value is dependent on an underlying asset, group of assets, or benchmark.
- **Diversification**: A risk management strategy that mixes a wide variety of investments within a portfolio.
- **Demand**: A measure of how popular or necessary an item is and how many consumers want to buy it.

E

- **Elasticity:** Elasticity is a measure of a variable's sensitivity to a change in another variable, most commonly this sensitivity is the change in quantity demanded relative to changes in other factors, such as price.
- **Embezzlement:** Embezzlement refers to a form of white-collar crime in which a person or entity intentionally misappropriates the assets entrusted to them.

F

- **Fiat money**: Fiat money is a government-issued currency that is not backed by a physical commodity, such as gold or silver, but rather by the government that issued it..
- **Federal minimum wage**: The lowest national wage as established by law in the Fair Labor Standards Act (FLSA).

- **Flat tax:** A flat tax system applies the same tax rate to every taxpayer regardless of income bracket.
- **Fixed expenses**: Expenses, like bills, that must be paid each month and generally cost the same amount.

G

- **Guarantor:** A guarantor is a financial term describing an individual who promises to pay a borrower's debt in the event that the borrower defaults on their loan obligation.
- **Goods:** Objects people want that they can touch or hold, such as toys, clothes, and food.
- **Giffen good:** A Giffen good is a low income, non-luxury product that defies standard economic and consumer demand theory.

H

- **Hedge:** A hedge is an investment that is made with the intention of reducing the risk of adverse price movements in an asset.
- **Hybrid Fund:** A hybrid fund is an investment fund that is characterized by diversification among two or more asset classes.
- **Historic pricing:** Historic pricing is a unit pricing method used to calculate the value of an asset using the last valuation point calculated

I

- **Inactivity fee:** A fee charged if you don't use your card for a certain period of time. The length of time that triggers an inactivity fee varies. Not all prepaid cards charge inactivity fees.
- **Income tax:** Federal, state, and local taxes on income, both earned (salaries, wages, tips, commissions) and unearned (interest, dividends).
- **Intrinsic value:** Intrinsic value is a measure of what an asset is worth. This measure is arrived at by means of an objective calculation or complex financial model, rather than using the currently trading market price of that asset.

J

- **Joint account:** A joint account is a bank or brokerage account shared between two or more individuals. It typically allows anyone named on the account to access funds within it.

K

- **Kaizen:** A Japanese term meaning "change for the better" or "continuous improvement." It is a Japanese business philosophy regarding the processes that continuously improve operations and involve all employees.
- **Know Your Customer (KYC):** A standard in the investment industry that ensures investment advisors know detailed information about their clients' risk tolerance, investment knowledge, and financial position.

L

- **Liquidity:** Liquidity is the ability of a firm, company, or even an individual to pay its debts without suffering catastrophic losses.
- **Liability:** Something that is a disadvantage, money owed, or a debt or obligation according to law.
- **Long-term goals:** Goals that can take more than five years to achieve.
- **Liar loan:** A liar loan is a category of mortgage loan that requires little or no documentation of income.

M

- **Microfinance:** Microfinance, also called microcredit, is a type of banking service provided to unemployed or low-income individuals or groups who otherwise would have no other access to financial services.
- **Microcredit**: A common form of microfinance also known as microlending or microloan that involves an extremely small loan given to an individual to help them become self-employed or grow a small business. These borrowers tend to be low-income individuals.

N

- **Needs:** Basic things people must have to survive (such as food, clothing, and shelter), resources they need to do their jobs
- **Net income:** Amount of money you bring home in your paycheck after taxes and other deductions are taken out; also called take-home pay.

O

- **Operational risk:** Operational risk summarizes the uncertainties and hazards a company faces when it attempts to do its day-to-day business activities within a given field or industry.

- **Optimal capital structure:** The optimal capital structure of a firm is the best mix of debt and equity financing that maximizes a company's market value while minimizing its cost of capital.

P

- **Paper check:** A paper order to a bank or credit union to pay someone from a checking account.
- **Pay check:** A check for your salary or wages made out to you.
- **Progressive tax:** It is based on the taxpayer's ability to pay. It imposes a lower tax rate on low-income earners than on those with a higher income. This is usually achieved by creating tax brackets that group taxpayers by income ranges.

Q

- **Quarter-to-date (QTD) :**Quarter-to-date (QTD) is a time interval that captures all relevant company activity that occurred between the beginning of the current quarter and the point at which the data was gathered later in the quarter. Quarter-to-date information is typically gathered in situations when the entire quarterly period has not yet ended, and it can allow management to see how the quarter is shaping up.
- **Quota :**A quota is a government-imposed trade restriction that limits the number or monetary value of goods that a country can import or export during a particular period.

R

- **Residual income:** Residual income is income that one continues to receive after the completion of the income-producing work.
- **Regular income:** A set amount of money you receive at the same time each week or month.

S

- **Solvency:** Solvency is the ability of a company to meet its long-term debts and financial obligations.
- **Securitization:** Securitization is the procedure where an issuer designs a marketable financial instrument by merging or pooling various financial assets into one group. The issuer then sells this group of repackaged assets to investors.
- **Sales tax**: A tax on retail products based on a set percentage of the retail price.

- **Stagflation:** Characterized by slow economic growth and relatively high unemployment—or economic stagnation—which is at the same time accompanied by rising prices (i.e., inflation).

T

- **Tier 1 capital:** Tier 1 capital refers to the core capital held in a bank's reserves and is used to fund business activities for the bank's clients. It includes common stock, as well as disclosed reserves and certain other assets.
- **Tier 2 Capital:** Tier 2 capital is designated as the second or supplementary layer of a bank's capital and is composed of items such as revaluation reserves, hybrid instruments, and subordinated term debt.

U

- **Underwriting:** Underwriting is the process through which an individual or institution takes on financial risk for a fee. This risk most typically involves loans, insurance, or investments.

V

- **Voluntary bankruptcy:** Voluntary bankruptcy is a type of bankruptcy where an insolvent debtor brings the petition to a court to declare bankruptcy because they are unable to pay off their debts. Both individuals and businesses are able to use this approach.

W

- **Wealth tax:** A wealth tax is a tax based on the market value of assets owned by a taxpayer.
- **Watercraft insurance:** Watercraft insurance is an umbrella term for three types of insurance: boat insurance, yacht insurance, and personal watercraft insurance. It protects against damages to vessels powered by a motor that has a horsepower of at least 25 miles per hour (mph).

Y

- **Year to date (YTD) :**Year to date (YTD) refers to the period of time beginning the first day of the current calendar year or fiscal year up to the current date.

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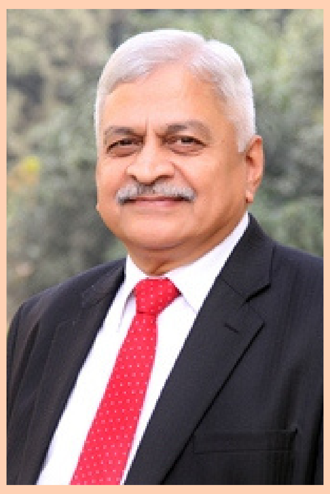

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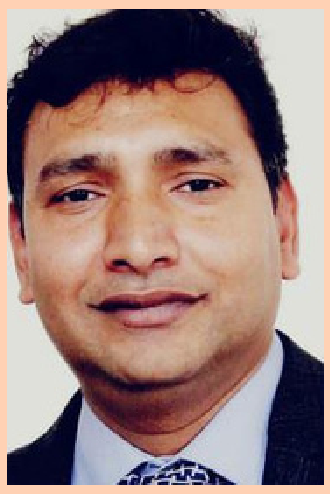

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