

MARKET BYTES

JULY EDITION

July 14th, 2022

**BITCOIN FALLS TO ITS LOWEST SINCE JULY 2021
AS STOCK MARKETS TUMBLE**



**THE PRICE OF BITCOIN REMAINED BELOW \$20,000 AFTER DROPPING
MORE THAN 7%. SINCE IT FELL BELOW \$18,000 IN MID-JUNE ITS
LOWEST PRICE SINCE DECEMBER 2020 .THE BIGGEST
CRYPTOCURRENCY HAS BEEN SHOWING SIGNS OF RECOVERY, BUT
MANY PREDICTED IT WOULDN'T CONTINUE.**

MARKET BYTES

**FINANCE CLUB MUDRA, AMITY BUSINESS SCHOOL
LUCKNOW CAMPUS**

IMPACT OF COVID ON INSURANCE

The COVID-19 outbreak has now spread round the world, leaving a trail of destruction in its wake. The pandemic has already changed how we work and the way we live our lives. Many of these changes will have long-term implications. Companies in every sector, including insurance, will get to adapt new technologies and new ways of working as they adapt to those new realities. The COVID-19 pandemic caused a serious shift within the perception of life insurance among consumers and therefore the delivery modes by insurance providers. It changed the way business in India, including the insurance sector, operated. Even for the consumers, pandemic was a wake up call regarding the importance of life insurance in challenging times. In India, the health insurance sector is still in its infancy. In terms of health insurance, a sizable segment of the Indian population still lacks coverage or has inadequate coverage.

According to a PwC analysis, corporate renewals for non-life insurance which includes health insurance, decreased by almost 15% in the months of March and



Industry Speak: Mr. Nitin Mehrotra

April 2020. At this time, Covid-19 began to decimate nations like India, and in reaction to its spreading across the country, a statewide lockdown was also issued in 2021.

Some of the major transformations in the post-pandemic life insurance sector:

- **Life Insurance is deemed as an 'Essential Commodity':**

The financial impact of the pandemic has led to people valuing the protection and fallback offered by life insurance products in tough times. The second half of the 2020-21 financial year saw a 16% business premium growth, with more people preferring to buy single premium policies (as a protection against future loss of income).

- **Customers are looking for better customization and targeted products:**

After the pandemic, customers are looking for better life insurance products, along with personalized options.

The need for flexibility in payments, innovative products, online modes of transactions, contactless purchase and renewal, and added benefits of COVID-19 insurance in existing plans are a number of the primary expectations from a post-pandemic insurance sector.

- **Rise in digital modes of transaction by customer:**

With the increasing specialization in social distancing and contactless transactions, more and more consumers are turning to online modes of shopping for and renewing life insurance. This has promoted insurance systems and better online functionalities. As a buyer, you would like to avoid 'panic-buying' and specialize in buying the proper product. Research, compare and find the simplest insurance plan that suits your need. The insurance industry has not escaped its impact but insurers have responded quickly to the crisis. As the broader economy recovers and responds to the pandemic, insurers will face a variety of challenges but also see many new opportunities within the medium to future .

- **Change of Perception for life insurance as a pure risk insurance cover:**

This can be attributed to the psychological impact of the COVID-19, but people are veering towards pure protection plans like term life insurance rather than insurance based plans like ULIPs. As more and more people look to buy life insurance, the affordability and simplicity of term plans have led to its rising popularity.

The information from life insurance companies also provides a solid picture. In India's life insurance sector, New Business Premium (NBP) increased dramatically in FY21 compared to FY20, increasing by around 7.5 percent. Due to a variety of causes, including the ever-increasing number of active Covid-19 cases and statewide lockdowns, the NBP of life insurance companies decreased by as much as 32 percent at the onset of the pandemic in March 2020. The drastic reduction has a substantial impact on the whole sector. However, during the month of March 2021, the NBP increased by 70% in just a single year.



WHY THE RULING LAW IS AN ABSOLUTE NECESSITY FOR BUSINESS TO PROSPER?

Why do businesses in the United States and Europe prosper when compared to the ones in Asia and Africa? Why do businesspersons find it easier to do business in the West when compared to the countries in the East? Apart from natural geographical advantages and availability of resources, is there something else that ensures that businesses find it easier to operate in some countries whereas they fail to do so in other countries?

The answer to this part can be found in the way the West operates under the contracts whereas the East operates through fixing and gaming the system. In other words, businesspeople need to circumvent laws and regulations in many Asian and African countries whereas in the West they can be assured that contractual obligations would be honored and in case of deficiencies, the courts and the Executive would give them a swift and fair hearing and trial.

To explain this further, consider a global company that operates worldwide and has an extensive network of suppliers, customers, and vendors apart from employees and other stakeholders all over the world. If for instance, a supplier reneges on his or her promise to deliver; this company can sue the supplier and ensure that losses are recovered.



Entrepreneur speak: Mr. Mohd Shariq

However, if such court cases and legal remedies take years or decades and are fraught with uncertainties, then the company would necessarily have to explore extra-judicial methods to recover its losses. On the other hand, if the courts and the judicial system along with the law enforcement agencies help the company recover from its setbacks with the suppliers in a speedy and time-bound manner, then the company would in all likelihood operate in a country or a region that guarantees these benefits. This is the crucial difference between the West and the East in terms of upholding and enforcing the rule of the law that ensures smooth operations for businesses. Indeed, this is the reason why many multinationals are reluctant to enter countries such as India where the sclerotic and tardy, and lethargic judicial and law enforcement system cannot guarantee protections against fraud and malpractice. Moreover, they also need to pay bribes and spend huge amounts of money just to conduct their business which creates additional costs as well as introduces more layers into their already complex mode of operations.

Further, this is one of the prominent reasons why many multinationals that operate in India prefer to have Singapore as the arbitration center in case of legal and commercial disputes. Indeed, the fact that Singapore offers speedy and time-bound disposal of dispute resolution mechanisms has often been cited as one of the reasons why global corporations insist on taking their disputes in Asian countries to the city-state. Turning to the point that the law's rule is necessary for businesses to operate, we can see why this is the case by taking another example of a company that has multiple stakeholders. For instance, if an employee is caught violating the codes of conduct, then the company is well within its rights to fire him or her.

However, if the company does not do so out of fear of offending some section or interests that support the employee, then it can be said that the company is preferring to abstain rather than following the law. In another case, if the company finds that there are frequent strikes and labor unrest wherein even though it has followed the law, it still is being harassed, then definitely it would seek to relocate to another state or country where its interests are protected. Moreover, the rule of law is also necessary for businesses to guarantee the safety of their employees especially if they have night shifts and transport their

employees from their homes to the workplace. Indeed, in all the cases discussed so far, no business would like to operate in a state or a country where lawlessness prevails and they have to bribe their way at every level just to continue their operations.

Last but not least I would like to conclude the discussion, that there is nothing more important to businesses than countries where the rule of the law is enforced and upheld thoroughly and rigorously as otherwise, their operations would be hit and their business would suffer. Indeed, who wants to operate in countries where there are frequent shutdowns and intermittent acts of violence and chaos that lead to disruptions to business operations?



Micropreneurship- The new face of Independence

In the tales of our grandparents and their forefathers, we've all heard that one anecdote of a madaari, a monkey puppeteer, who would perform the most impeccable, hilarious stunts, as his master goes on collecting money for entertainment. And upon being done, the man would wrap his set-up and recoup his monkey on his back, before making way to the next village. An age-old example of a micropreneur, operating solo (or as is the case, with a monkey), earning revenue, with fewer intentions to grow business in the foreseeable future. Now let's fast forward it slightly and come to the mid-20th century. The year is 1959, 7 ladies sit on the veranda of a house in the small village of, Girgaum, Maharashtra. They gossip and some more, deciding one evening that they wish to sell Papad, a snack-like add-on delicacy of India made out of many ingredients, primarily lentils. With an initial capital of Rs. 80, and no prior knowledge of how to operate a business, Jaswantiben and her friends prepared 4 packets of papad and sold them to a traveling businessman in their local vicinity, and now have borne the backbone of a 1,600 Crore earning industry, named Lijjat Papad. The tales of micropreneurs stem from every village, city, nook, and cranny of India.

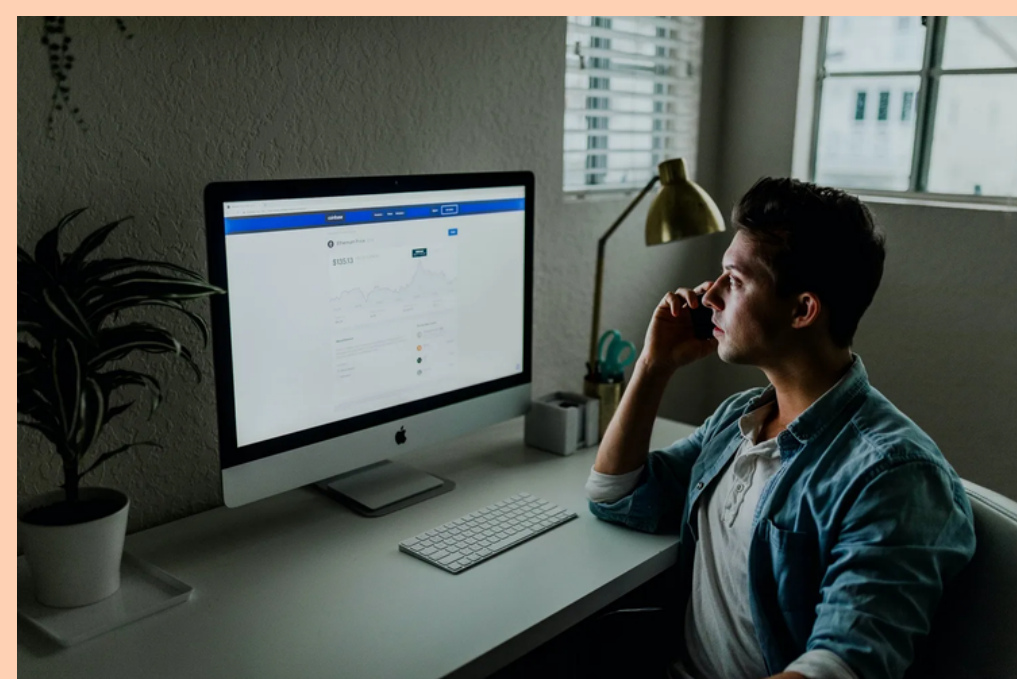


Alumni Speak: Ms. Chandini Kumar

It is age-old as it is new-age, timeless, and a way of sustenance this format of earning, somehow still is an immersively imminent backbone of the Indian economy. The report was released by the MSME operational division of the govt. in respect to 2021-2022, states that the micro sector constitutes about 630.52 Lakh businesses that employ over 1076.19 Lakh people, which collaborated to about 97% of the total employment provided by the MSME sector in India. Further looking at its divisions, we note that employment distribution in respect to rural: urban stands at 45:55, and the male:female ratio staggers at a whopping 80:20. The following statistics hint at a lot of reality on the ground. Primarily we talk about the volume of people in this segment of the MSME sector. Why is it that people prefer Micropreneurship over other forms of leading businesses? The answer can be narrowed to three basic benefits. Less risk, less division of profit, and most importantly, control. Small to Medium enterprises lack the subtlety and inclusiveness that a micro-enterprise provides to a first-time business owner. They wish to invest the least amount of capital and derive the at-best result that they possibly can.

Secondly, the rural-urban divide. As we see that there is an almost equal division of the business in both aspects of living. Why is it so? There are many aspects to be considered while trying to answer this question. The rural-urban divide has been massive in India, ever since we saw an influx of development in the metro cities. The rural population flees and migrates at the first chance to avail a better opportunity at survival in society and income, causing a massive rise in demand for jobs in the cities, as the discrepancy between skilled/unskilled labor came to rise. People started hiring specialists, and highly trained employees to wane off the competition, trying to curb the rising demand. This put an end to a lot of people's dreams of trying to sustain in a slightly more expensive economy of the tier 1, 2, or 3 cities, causing them to return to their villages. This generated a mixed breed of entrepreneurs in the locale of Indian villages. People with literacy and experience in the cities along with people from a lower-socio economic background with talent and craft led to rising in undertakings of micro-enterprises in the rural areas of the country, birthing micropreneurs in almost all localities of the country. We see these people in the forms of independent artisans, freelancers, small business owners of traditional models, traders, and many more. The urban segment obviously connected more dots than the rural ones, it sees people from almost all sections of economies, backgrounds, and other prudential differences trying to make segway in society as micropreneurs trying to sustain the economy while being their own boss.

The reasons usually stem from the need to become independent in operation, when you have a unique solution to a mass/local problem or simply to earn income (this can be passive as well). Lastly, the gender discrepancy. While businesses are artificial people, the people behind them are not. They carry their own identity which contributes to many reasonings in society. One such is the eternal discrepancy in the male-to-female ratio. 80:20 remains the ownership divide of micro-enterprises led by men to women. While we rejoice in the obvious increase in the rise of number female-led businesses, we cannot sit still at this. Micro-preneurship, among many other causes, gives the female body of the society a chance to reintegrate themselves into the economic structure of the country, while enabling them to earn and become self-sufficient. Women from all backgrounds, including housewives, abuse survivors, gender disparity survivors, and many others can use this form of earning as a way to control their timings, facilitation of work, and independence of ownership, among other things. In all our hearts lay facets of Jaswantiben, all we need to do is find our one evening in the Veranda.



How payment delay affects your business?

What is Cash Flow?

Cash flow is the lifeblood of any business causing crumbling if affected by any disruption. Smooth inflow and outflow of cash indicate the healthy functioning of the business. Cash flow depicts the true financial picture of your business. It is the first thing that is investigated by the investors, who are willing to be a part of your business. Any sort of disruption might cause an ill effect on day-to-day business. The main cause standing slow or late or halt in payment affecting cash flow and clearance of bills, resulting making business suffers.

How a business is affected by debts?

Whenever a business is in a financial crisis it may be due to outstanding payments by the customers, the non-functioning of a machine, and so on. The sustainability of business depends on strategies such as how to arrange the finances and the easiest way is to go for loans. Though the loan is a good thought when in crisis, at the same time, it is a mental burden that comes with every month's interest EMI, that can't be ignored.



Student Speak: Ms. Rupali Gupta & Priyanshi Kattiyar

It's a tough task to cut off your expenses for a loan payment, that unpaid can affect the goodwill of the business and collateral security if any. Taking a loan to refund it by the outstanding payment of the customers might be a bad idea, instead of reducing your risk eventually it will put you into a riskier situation as you can't be sure when the customer will clear due payment. Instead, the best option is to rely on your savings.

How a business can affect your credit score?

Delay in payment may affect the goodwill of the company as well as credit score. Credit scores are the mirror of the payment behavior of an individual or a business firm. Frequent delays in payments might cause a decline in credit scores. A low credit score spoils the company's goodwill and future opportunities taking it on the path of being insolvent, which might cause mental stress in recovering the loss. One might not plan to be a part of a business that is a late payer or depends too much on debts for its day-to-day operations.



Impact on goodwill of the company_

Suppliers do not wish to continue business with slow or late payers as it causes a negative impact on the company's cash flow enabling declining goodwill. Instead, suppliers are happy letting go such customers, as they do not want any disturbance in cash flow. Smaller and growing business, any delay in payment might cause a problem affecting outward payments, as a business can't be able to operate its internal expenses as well as external expenses without money.

How to deal with late payments

Late payments are sort of challenge of reversing the situation, one needs to start with finances of his own business, go through company statement sort of internal audit try to examine the area that covers loss and find main reasons behind them. Apart from them in the case to safeguard from customers, ensure generating E-invoice which enables invoice exchange between buyer and suppliers in electronic form entailing one with peace of mind as this will reduce paperwork and an electronic form proof will be maintained in case of fraud.

Example

Instead of the state and the central government having stepped too much spending on the IT sector, still, delays in invoices offset the attractiveness. In 2016 some of the IT Companies such as NIIT Technologies, Wipro, etc. complained about difficulties faced while executing government orders such as delays in payments. NIIT Technologies in the June quarter of 2016 experienced a 47.5% correction in net profit due to Rs 36 crore that was yet to be received from that government and was on hold. The company's Indian revenue reported a decline of 7.2% in the quarter till September due to lesser earnings, causing an impact on the cash flow. Similarly, Wipro was threatened to proceed with legal proceedings against Employees' State Insurance Corporation (ESIC) due to non-payment of dues. The company entered into a 7 years contract worth Rs 1200 crore for the setup of health administration as a system integrator with ESIC.



NEED FOR FINANCIAL PLANNING FOR A WORKING CLASS INDIVIDUAL



Editor's Speak: Ms.Muskaan Nagvansi

There's a famous quote by Allen Lakein which says 'Failing to plan is planning to fail' which shows the importance of planning. And when it comes to financial planning, every individual should be aware of its importance.

What is financial planning?

In general usage, a financial plan is a comprehensive evaluation of an individual's current pay and future financial state by using current known variables to predict future income, asset values, and withdrawal plans. This often includes a budget that organizes an individual's finances and sometimes includes a series of steps or specific goals for spending and saving in the future. This plan allocates future income to various types of expenses, such as rent or utilities, and also reserves some income for short-term and long-term savings. A financial plan is sometimes referred to as an investment plan, but in personal finance, a financial plan can focus on other specific areas such as risk management, estates, college, or retirement.

Why financial planning is important?

Many investors do not understand the significance of financial planning and think that if they can save money, they will have financial security.

But saving is not enough. Let us assume an average life span of 75 – 80 years. Your needs for the first 20 – 25 years of your life are taken care of by your parents. Your working life will typically be about 35 years long during which you will have to take care of the needs of your family (e.g. spouse, children, dependent parents, etc.) and also save enough, to take care of your needs during the 15 to 20 years of your retired lives. Financial planning helps to meet your short-term as well as long-term financial goals and in case of failure to meet these goals, it helps to create a rescue plan so that you can fulfill all your financial objectives.

Investment Purpose

A proper financial plan keeps track of your objectives and the level of risk that you can tolerate. It will help you to choose the right category of investments as per your needs, personality, and goals. There are various investment options available to investors. Different investment avenues help investors to achieve different goals. When it comes to investing, many financial experts have highlighted the importance of mutual funds. For example, equity funds are considered best for a long-term goal like retirement planning or for a child's education, etc.

If you are interested in a relatively steady income and you are risk-averse, you may want to invest in debt mutual funds whereas Equity Linked Saving Scheme (ELSS fund) is good to save tax. Investing with the help of the right financial advisor will do wonders.

Wellbeing Of Your Family Members

Everyone works to live and earn for their family members. Financial planning can help you create a better positive family environment for the future. You should have a plan to separate the expenses and savings to manage finances. With family, your expenses will multiply. Children's education, medical bills, house EMI, and regular expenses can put a lot of burden on your shoulders. Rather than waiting for the financial crunch, you need to save and plan to enjoy these moments. Efficient planning can help you for accomplishing your dreams by buying homes for your family, enjoying a luxurious lifestyle, saving for an emergency, children's education planning, life after retirement, and many more.

Retirement

To enjoy a happy and comfortable retired life, you need to start building your safety net right now. Planning at an early stage in life can help secure your future against financial uncertainties.

If you're planning a retirement after more than 10 years you should plan to invest from now because the magic of compounding is experienced if stayed invested for a long term. The help of the right financial advisor will do wonders.

Benefits of financial planning

Save and invest more for your goals. Investors who can save and invest more will be able to create more wealth. Saving and investing according to a financial plan instills a greater sense of purpose in your journey for financial well-being and financial independence in the long term. The most important aspect of a good financial plan is goal linkage with investments. We have emotions attached to goals like buying your own home, children's higher education, children's marriage, leaving an estate for your loved ones, etc. The emotional attachment makes you more committed to your financial plan. This is the significance of financial planning. Discipline in investing e.g. sticking to your SIP irrespective of market conditions, adhering to your asset allocation, regular re-balancing, etc., are essential in achieving success.



You are likely to be more disciplined if you are investing according to a plan. Helps you reduce debt / be debt free. The cost of debt can be a huge burden on your savings and harm your long-term financial interests. If you invest according to a financial plan, you can fund big-ticket spending e.g. vacation, buying / upgrading your vehicle, bigger down payment for home purchase, etc. from your investments and reduce your debt burden. Better risk diversification: Asset allocation and risk diversification are critical components of a financial plan. If you do not have a financial plan, you may invest in assets that give higher returns in bull markets and this may increase the risk in your portfolio. One of the benefits of financial planning is to protect your financial goals from the vagaries of capital markets. Sustainably improve lifestyle: Despite rising disposable incomes, average household debt in India is rising. This shows that investors are funding their lifestyles through credit cards, personal loans, etc. Debt-funded lifestyle improvements may not be sustainable. Sometimes it is seen that parents spend a bulk of their savings on their children's higher education and then compromise on lifestyle to save for their retirement. If you practice goal-based investing, you can sustainably improve your lifestyle, without relying on debt or compromising on other financial goals. Save taxes: Having an investment plan can help you save taxes under section 80C and also invest in the most tax-efficient investment options according to your financial goals and asset allocation.

With the Indian economy showing good signs of fundamentals in the last few decades, the cost of living has improved in parallel. So, it is necessary to have a plan for the future. Whether you want a big house, luxury cars, or retirement, financial planning is the right step ahead. You can set small or long-term goals to drive your financial growth. Invest in funds to match with particular ambitions to manage them precisely. You can take a finance professional's help to choose the funds for your respective goals. These small steps will secure your present and future to let you enjoy life stress-free. If you are thinking of planning your financial future online, try online financial planning. It's the best way to be informed about Indian financial marketing.

Conclusion

In this article, we discussed the importance of financial planning. You may not have clarity on your life-stage goals in the early part of your working life. An experienced financial planner or financial advisor can explain why financial planning is important and also explain the importance of financial planning. A financial plan on paper or spreadsheet is of no use unless you start acting on it. The earlier you start executing your financial plan, the higher your chance of succeeding in your financial goals. So start saving and investing.

RECENT HAPPENINGS AT A GLANCE

RBI imposes monetary penalty of Rs 1 crore on State Bank of India

- The Reserve Bank of India (RBI) by an order dated November 16 has imposed a monetary penalty of Rs 1 crore on the State Bank of India for contravention of section 19 (2) of the Banking Regulation Act, 1949 (the Act), informed RBI.
- As per the press note, the irregularities were identified after a Statutory Inspections for Supervisory Evaluation (ISE) of the bank was conducted by RBI with reference to its financial positions as on March 31, 2018, and March 31, 2019, and the examination of the Risk Assessment Reports, Inspection Report and all related correspondence pertaining to the same, revealed, inter-alia, contravention of section 19 of the Act.



FTX signs a deal giving it the option to buy crypto lender BlockFi:

- FTX signed a deal with BlockFi that gives it the option to buy the lender at a maximum price of \$240 million. The company did not provide a minimum price.
- FTX also expands its prior loan of \$250 million to \$400 million.
- It comes as one of BlockFi's counterparties, hedge fund Three Arrows Capital falls into liquidation and crypto's bear market causes more casualties.



Investors see little to be gained in stocks the rest of the year, favor dividend payers now, CNBC survey shows:

- A majority of Wall Street investors believe the market stands pretty much dead in the water for the rest of 2022 and, think it's time to buy dividend-paying stocks, according to the new CNBC Delivering Alpha investor survey.

- When asked, “what are you most likely to buy now?” 42% of respondents said stocks pay high dividends. Less than 18% said they would buy mega-cap tech stocks.
- Forty percent of the survey respondents believe the S&P 500 could end the year above 4,000, which represents a 6% gain from Thursday’s intraday level around 3,767 but still well below where it started the year at 4,766. Only 5% think the index could end the year above 5,000.



HDFC Bank hikes MCLR rates by 20 bps

- Private sector lender HDFC Bank on Wednesday raised its marginal costs of funds-based lending rates (MCLR) for July by 20 basis points (bps) across all tenures. The lender’s one-year MCLR now stands at 8.05%, according to information on the bank’s website.

- The lending rates are effective from July 7. The bank had announced steeper hikes in the MCLR in May and June as the Reserve Bank of India (RBI) raised the policy repo rate in the corresponding months. The bank had increased its cost-based lending rates by 25 bps in May and 35 bps in June.
- With this increase, the bank’s overnight rate stands at 7.70%, one-month rate at 7.75%, three-month rate at 7.80%, six-month rate at 7.90%, two-year rate at 8.15% and three-year rate at 8.25%.



India Aims for Fewer GST Slabs, Says Revenue Secretary Tarun Bajaj

- The highest tax rate of 28% charged on sin goods such as tobacco products and luxury items would remain, there could be simplicity in terms of GST slabs, Bajaj said at an Assocham event to mark the fifth anniversary of the implementation of the indirect tax regime. "India needs fewer slabs. 28% slab will remain, but whether the 5%, 12%, and 18% rates can be simplified is yet to be seen."

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- The council will also take a call on the final report of the GoM on casino, horse racing and online gaming.
 - In FY22, tax revenue saw 49% growth, much of which Bajaj credited to the growth of GST. "We hope GST would be the mainstay of indirect taxes."



India's July palm oil imports may surge to 10-month high as prices plunge:

- India's palm oil imports in July are set to jump to the highest in 10 months because of a hefty correction in prices and as Indonesia allows more exports of the tropical oil, four dealers told Reuters.
- India's palm oil imports in July may rise to 700,000 to 800,000 tonnes, the highest since September 2021, the dealers said.
- Higher purchases by India, the world's biggest importer of vegetable oils, may add support for Malaysian palm oil prices, which are trading near a one-year low.

Bitcoin falls to its lowest since July 2021 as stock markets tumble

- Bitcoin fell to its lowest level since July 2021 as slumping equity markets continued to hurt cryptocurrencies, which are currently trading in line with so-called riskier assets like tech stocks.
- Bitcoin dropped to as low as \$32,763.16 shortly before 1100 GMT, in its fifth consecutive session of falling.
- "I think everything within crypto is still classed as a risk asset, and similar to what we've seen with the Nasdaq, most crypto currencies are getting pummelled," said Matt Dibb, COO of Singapore-based crypto platform Stack Funds.



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).

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- **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.
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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.
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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
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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).
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- **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.
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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.
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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.
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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.
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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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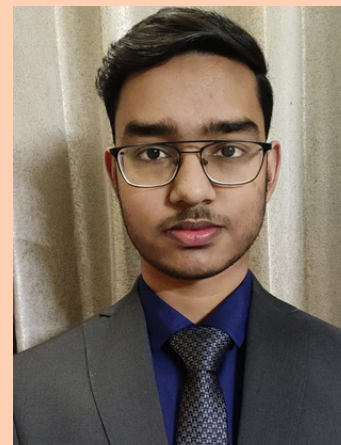
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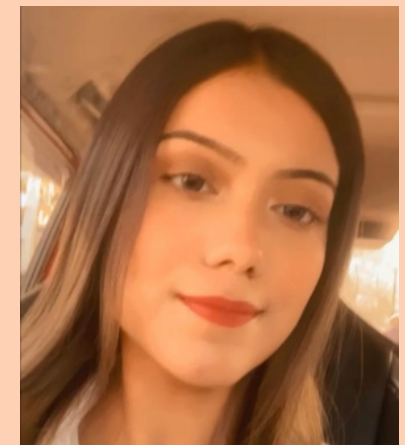
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