October 2018 Volume VII

Affiliated to GGSIP University, New Delhi
Approved by AICTE & Council of Architecture

SCHOOL OF MANAGEMENT

XPRESSIONS

IN THE ISSUE

Editorial Board

Theme of the Current Issue

EMERGING HORIZONS IN FINANCE

Theme of the Upcoming December 2018 Edition of Xpressions

EMERGING TRENDS IN IT

Delhi Technical Campus
28/1, Knowledge Park-III,
Greater Noida–201306
Mobile: +91-852-721-5678

FROM THE

EDITOR'S DESK

Emerging Trends in Finance

The rapidly expanding world of finance has opened up new avenues in numerous fields, ranging from corporate to personal finance, accounting to financial economics, derivatives and insurance to forex trading, credit and market risk management to investment banking. The highly sensitive field of finance is undergoing radical restructuring and the role of finance is going through a major evolution. The business houses in the present globally competitive times are increasingly relying on the strategic prowess of financial leaders and are elevating themselves at higher positions. Corporates are facing challenges of mitigating new risks of managing globally diversified business and the risks of adopting new technologies. Business houses are now responsible for reporting about the past, optimally managing the present, and strategically creating the future. The existence of corporate now is not just for making profit, they are also assuming greater responsibilities in the society. The role of finance is becoming ubiquitous and its influence is ever increasing.

The journey of finance in business environment has been revolutionary and it has evolved remarkably over time. The role of finance in the past was just confined to accounting but gradually finance leaders have assumed greater role and their responsibilities in modern business environment have increased manifold. They are now able to drive corporate performance with greater agility and efficiency. The modern era of finance is equipped with the new and dynamic technologies which is empowering corporates in transforming themselves towards success and driving smoothly into the future.

The world is rapidly changing and so is business. The new environment of business is forcing organizations to rethink and revamp their working strategies. The finance leaders over the past half century, besides their traditional responsibilities, have encompassed in their roles, the management of operations to business strategy to IT risk mitigation. The finance permeates and influences all areas of business and the same cannot be ignored. World over there is a decline in the position of COO in corporates and many of them are even doing away with it and entrusting their responsibilities to Chief Financial Officers (CFOs) and CEOs.

With the increase in globalization, corporates are diversifying their business beyond their domestic boundaries. The business organizations were facing challenges and difficulties in presenting and consolidating their financial information as per the accounting standards of the respective countries of operations. In order to simplify the presentation of financial information for the purpose of analysis and decision making, the past decade has seen the adoption of International Financial Reporting Standards (IFRS) all over the world. Its adoption has not only harmonized the accounting standards but has also brought all the global businesses on the same platform.

Another significant and notable emerging trend in the field of finance is the common man's trust in the financial markets. The investors are moving away from the traditional avenues of investment and are relying more and more on the new and modern ways of gaining returns. They are now becoming risk averse and are showing interest in the financial markets which is a good sign for a developing economy. The information technology has revolutionized the financial system and has given birth to High Frequency Trading which is the latest trend in the financial ecosystem all over the world. India is also witnessing the use of this platform of high speed networks by domestic and financial institutional investors that has corroborated the rapid flow of funds.

Business houses are now emerging also as a key player in improving the society and environment through their activities relating to corporate social responsibility. Companies like Wipro, Tata, BPCL, Infosys, Jubiliant to name a few have taken environment sustainable initiatives and are spending bit of their profits on social cause.

The modern finance world has lately seen the surge of cryptocurrency or virtual currency as a novel and innovative means of payment though its legal status is still undefined all over the globe. The future of these currencies is dependent on the government regulations but investors are finding it a viable asset on account of its highly lucrative returns.

Crowdfunding is another new age source of financing in developing economies for start-ups. This magnificent source has given impetus to the budding entrepreneurs of converting their dreams into reality. The power of finance has let the emergence of new breed of women entrepreneurs in recent years which not only is empowering them but also letting women to contribute in economic development. Finally, it would not be an exaggeration to conclude that the finance dominates the business world and the existence of business organizations is impossible without it.

Prof. J.P. Mahajan

Ezra Solomon

Ezra Solomon, an economist at Stanford University is well known for the revolutionary impact in the world of finance and in shaping the modern theories of corporate finance. He has contributed significantly in the evolution of finance and changing the US monetary policy which eventually led to the end of the Gold Standard for currency of United States and also the exchange rate system of Bretton Woods for major currencies of the world. Solomon is majorly responsible for establishing the present system of floating exchange rates of currencies.

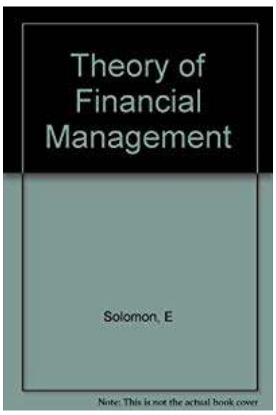
Dr. Solomon was born on March 20, 1920 in Rangoon, Burma (now Myanmar) when it was a part of British India. He graduated with first class honours in economics in 1940 from the University of Rangoon. He also served as lieutenant in Royal Navy for a period of around 5 years from 1942 to 1947. Post World War II he joined University of Chicago as Burma State Scholar and earned his doctoral degree in economics in 1950. He joined Graduate School of Business at University of Chicago in 1951 as faculty and continued to work as professor till he became the founding director of the International Centre for Advancement of Management Education in 1961. He became Dean Witter Distinguished Professor of Finance at Stanford Graduate School of Business in 1963. He was a pioneer in transforming this conventional Business School to a modern and world class premier institution. He also worked as managing editor of "Foundations of Finance" a popular and influential book series in accounting and finance by Prentice-Hall from the year 1965 to 1970s. He also served on President Nixon's Council of Economic Advisers for tenure of three years from 1971 to 1973. In the year 1985, the Stanford University Alumni Association honored him with Richard Laymen Award for his distinguished services. He retired as emeritus member of finance faculty in the year 1990.

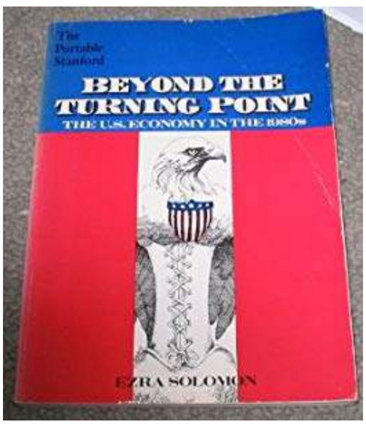
During his career he has written more than 100 research papers and has 13 books to his credit. His best known book "The Theory of Financial Management" was published in 1963 which significantly changed the study of finance and gave it a new dimension from descriptive process of study to more rigorous discipline. His work is still considered influential amongst finance scholars that gave startling results which supported floating dollar exchange rate and replaced the one being fixed to gold in Gold Standard regime. Solomon always emphasized on the significance of regulating the flow of money in order to reshape the world economy. He died at the age of 82 in the year 2002 but will always be remembered for his remarkably analytical and undoctrainaire thinking.

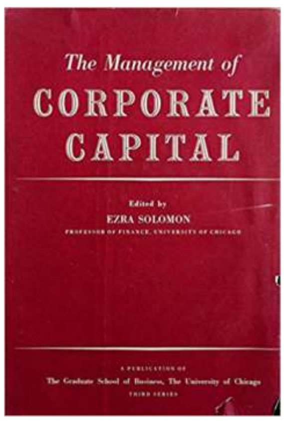
QUOTABLE QUOTE AND MAGNUM OPUSES OF EZRA SOLOMON

THE ONLY FUNCTION OF ECONOMIC FORECASTING IS TO MAKE ASTROLOGY LOOK RESPECTABLE

EZRA SOLOMON







Eugene Francis Fama

Father of Corporate Finance

Dr. Eugene F.Fama, an American economist and a Noble laureate is widely known as the *Father of Modern Finance.* Born in Boston USA on 14th Feb 1939, he had an illustrious career spanning over a period of more than five decades. Fama's pioneering work is widely recognized and appreciated in the field of corporate finance.

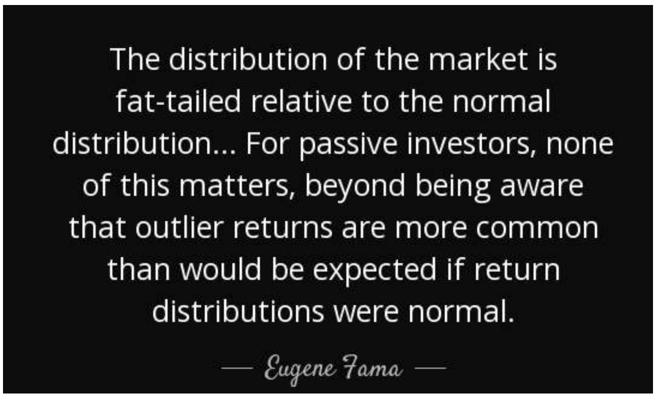
He graduated from Tufts University in 1960 with numerous awards in the field of academics and athletics. He then moved on to earn MBA in 1963 and pursued his doctoral studies at the University of Chicago and completed his PhD in finance in 1964.

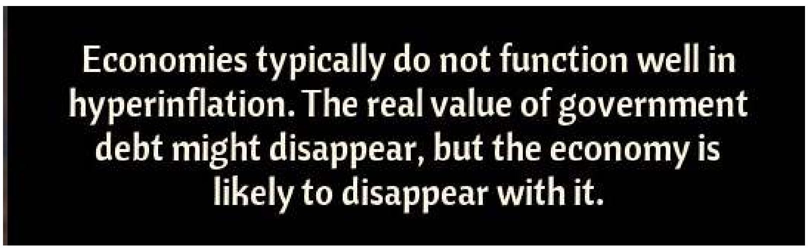
Fama began his research and teaching career at University of Chicago and earned the title of Robert R. McCormick Distinguished Service Professor of Finance in 1993. He was elected as the Felllow of the American Finance Association, the Econometric Society and American Academy of Arts and Sciences. For Financial Economics, he was the first recipient of the Deutsche Bank Prize in 2005.

As the momentum of investments picked up in the past decades and investor's lack of knowledge of financial markets, Fama dedicated his life in studying the movement of financial asset prices so as to contribute in the economic development. His research work led to the development of index funds. For his distinguished work he was honored many a times and in 2013 he was awarded Noble Prize for his empirical analysis of asset prices. He was ranked as the seventh most influential economist of all-time for his academic contributions and the Research Papers in Economics project.

His research work is known as efficient market hypothesis and in the financial world it is widely used to explain the working of stock exchanges and other asset markets. His findings had given a strong information support to the investors and had widened the horizons of business world as the success of any business is dependent on the availability and efficient usage of funds. Fama's findings have given an impetus to the availability and accessibility of funds to the business as the awareness of the investors has risen. He had facilitated investors in stock selection through his studies and findings. Fama has many publications to his credit which include *"The Theory of Finance"(1972), coauthored with Merton H. Miller, "Foundations of Finance: Portfolio Decisions and Securities Prices (1976),* and over 100 research journal articles.

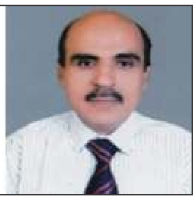
Any nation's economic development is dependent on its industrialization and Fama has contributed significantly towards it through his valuable analytical studies by channelizing the funds of the investors in financial markets.





The Magical World of Finance

Dr. Vijay Kumar Khurana
Professor,
Maharaja Agrasen of
Management Studies



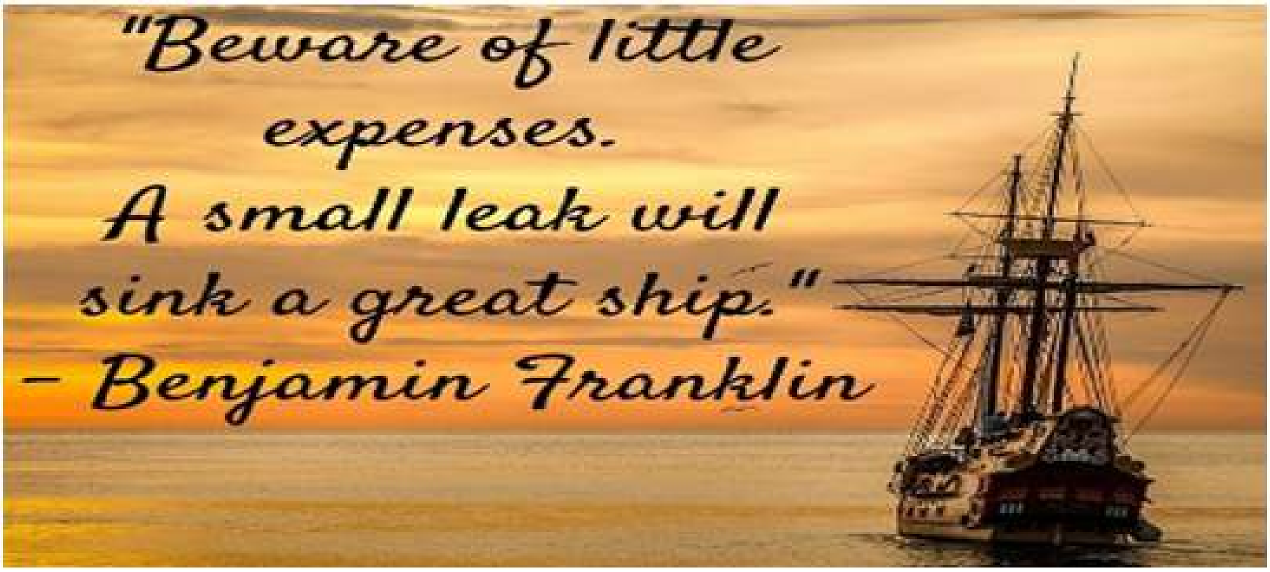
If we trace the origin of finance, it is found to be as old as human life on earth. The word finance was originally a French word, and it was adapted by English speaking communities to mean 'the management of money'. Now the term is widely used across the world.

'Finance' is a broad term that describes two related activities: the study of how money is managed and the actual process of acquiring needed funds. Finance is also considered as a branch of Economics.

One categorization of finance could be - accounting, banking, corporate finance, investment management, personal finance, public finance, taxation and insurance etc. Another broad categorization of finance is as follows:

- *'Public Finance'* deals with the finances of the Government involving public revenue, public debt and public expenditure.
- *'Corporate Finance'* deals with the planning, raising, investing and monitoring the finance of a corporate.
- *'Personal Finance'* deals with the monetary investment decisions of an individual or family unit.

As the economies and organizations are becoming increasingly turbulent with every passing day, importance of good financial management has also increased. It calls for sound financial planning, prudent financial decision-making and flawless execution of financial policies and programmes.



History of Finance

History of finance and banking goes back to the early stage of human civilization, when the early people learned to exchange commodities. In the beginning, the concept of money and short-term loans was introduced by the cultures in the Middle East, North America, Asia, and Africa. Almost 8,500 years ago, in Turkey, people used lumps of copper as money. The leather money, followed by paper money, was invented by the Chinese people. Side by side, the concepts of commodity market were invented by the Phoenician, Artherian, and other Mediterranean civilizations.

Banks were first established in Europe in the fourteenth century. This was made possible by developments of the legal and accounting systems which enabled money-tracking. Italy played a vital role when concepts of corporations, double-entry book-keeping and banks developed there. Establishments of banks encouraged people to share their wealth for huge dealings.

The 17thcentury marked another change when the stock markets started rolling. It also provided the business sector and the governments an opportunity to collect funds by selling equity and the money-borrowing concept was altered. Side by side, the concept of insurance also gained momentum. In 1792, the New York Stock Exchange was created. Almost around the same time, the boards of trades were set up at different places, and subsequently, the modern exchanges with clearing houses came into existence.

During the period 1775-1900, most of the financing centred around construction of railroads and canals and global trade. The period 1900-1940 witnessed the rise of common stock finance and managerial capitalism. During the period 1915-1945 world was devastated by wars accompanied by global financial chaos, leading to birth of IMF with the aim of reconstructing the international payment system and to foster global monetary cooperation.

Onset of Digital Era

The developments in the field of finance from mid-twentieth century onwards have been led by the evolution of computerization and advancement of technologies including ICTs.

- *Growth of Financial Services:* The financial services became more prevalent from 1990s onwards which include all forms of financial intermediation including the distribution of financial products.
- *Emergence of Crypto-currency:* Crypto currency is digital/ virtual asset designed to work as a medium of exchange that uses strong cryptography to secure financial transactions. Bitcoin, first released as open-source software in 2009, is generally considered the first decentralized crypto-currency. Since then, over *4,000 altcoin (alternative coin)* variants of bitcoins have been created.
- *Integration of Global Financial Markets:* Technical progress is continuously increasing integration of global financial markets. Various firms borrow and raise funds and investors directly invest in the international capital markets; cross-border capital flows; and foreign participation in the domestic financial markets.
- Benefits of financial integration include efficient capital allocation, higher investment and growth, and risk-sharing etc. It can also have adverse effects. Recent history is full of such examples when crisis in one part of the world spread to other parts of the world. This is referred to as *Financial Contagion* --- i.e., the spread of market disturbances, mostly on the downside, from one country to the other. Financial contagion can be a potential risk for countries who are trying to integrate their financial system with international financial markets and institutions.

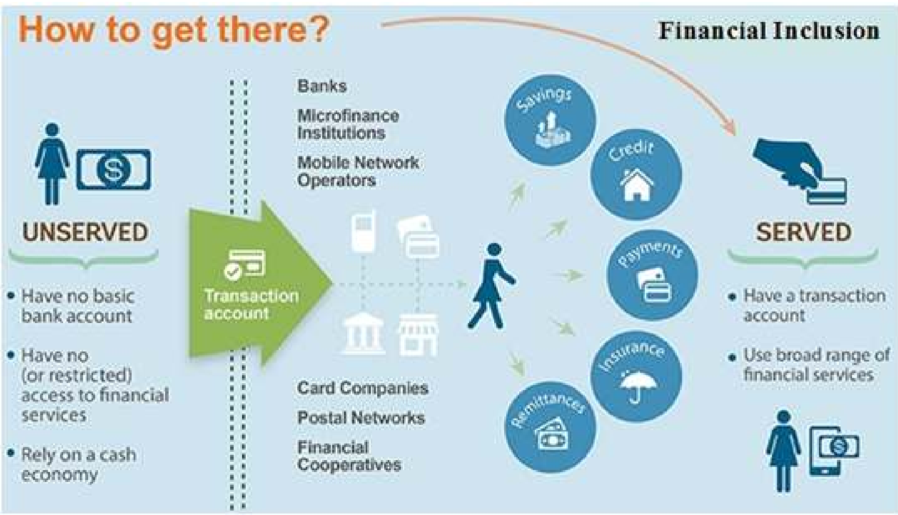
Emerging Areas of Finance

Some emerging areas of finance are - microfinance, peer-to-peer lending, crowd funding, forensic accounting and behavioural finance etc.

- *Micro-Finance* is the provision of a wide range of financial services, including savings accounts, to the poor. Microcredit, a part of microfinance involves the extension of very small loans (microloans) to impoverished borrowers, often with the goal of supporting entrepreneurship and/or alleviating poverty.

- *Peer-to-Peer Lending* over the Internet is another growing development in the financial sector, to which the principles of microcredit have also been applied in attempting to address poverty as well as various non-poverty-related issues. Such efforts also include crowd-funding.
- *Crowd-Funding* is the practice of funding a project or venture by raising small amounts of money from a large number of people, typically via the Internet. In 2015, a worldwide estimate totalling over US$34 billion was raised by crowd-funding.
- *Behavioural Finance* seeks to combine behavioural and cognitive psychological theory with conventional economic theory in order to propose explanations as to why people might make irrational financial decisions. Behavioural finance highlights inefficiencies, such as under- or over-reactions to information, as causes of market trends and, in extreme cases, of bubbles and crashes.

- *Financial Inclusion* has gained importance since the early 2000s. It has been estimated in 2013 that 2 billion working-age adults globally have no access to the types of formal financial services delivered by regulated financial institutions. Financial inclusion is where individuals and businesses have access to useful and affordable financial products and services that meet their needs.



- *Financial Literacy* holds the key to national, societal and individual progress Understanding basic financial concepts allows people to know how to navigate in the financial system. People with appropriate financial literacy training make better financial decisions and manage money better. Spreading financial literacy is one of the key state-run programs in most countries. The Organization for Economic Co-operation and Development (OECD) started an inter-governmental project in 2003 with the objective of providing ways to improve financial education and literacy standards through the development of common financial literacy principles. In March 2008, the OECD launched the International Gateway for Financial Education, which aims to serve as a clearinghouse for financial education programs, information and research worldwide.

The Unfinished Agenda

While finance has always been a focus area of research, still following issues need further investigation:

- *Equity Premium Puzzle:* The equity premium puzzle is thought to be one of the most important outstanding questions in neo classical economics. Over the last one hundred years or so the average real return to stocks in the US has been substantially higher than that of bonds. The puzzle lies in explaining the causes behind this equity premium. While there are a number of different theories regarding the puzzle, there still exists no definitive agreement on its cause.
- *Dividend Puzzle:* The dividend puzzle involves the observed phenomenon that companies that pay dividends tend to be rewarded by investors with higher valuations. However, no explanation is widely accepted by economists.
- *Improved Black-Scholes and Binomial Options Pricing Models:* The Black–Scholes model and the more general binomial options pricing models are a collection of equations that seek to model and price equity and call options. Key limitations of these models include their inability to account for historical market movements and are considered an area open for research.

Conclusion

History of finance runs from time immemorial. Financial world is undergoing changes in line with the changes in human lifestyle and advancements in technologies including ICTs. Financial world is becoming turbulent with every passing day. However, be it micro entity or macro entity, a key aim of financial management has always been wealth maximization. All efforts directly or indirectly involve prudent financial management for wealth maximization. Warren Buffett has suggested some measures for effective financial management.

Robert J. Shiller

American Nobel Laureate, Economist and Academic, currently serving as a Sterling Professor of Economics at Yale University

"Finance is not merely about making money. It is about achieving our deep goals and protecting the fruits of our labor. It is about stewardship and, therefore, about achieving the good society"

Changing Patterns of Financial Theories in Present Scenario

Dr. Sunil Kumari
Assistant Professor
Department of Higher Education
Haryana

As we know, traditional financial theories have again been questioned during the period of global recession. These theories have failed to predict and address recent global financial crisis which has pushed financial professionals and economists to rethink about financial theories to make their disciplines compatible with changing present scenario. No one can deny that there is a gap between theory and practice or there is a fundamental problem in finance theory itself. Even if the problems are only with the practice and not with the theory, finance academicians must revisit how finance is taught so that these problems do not recur. If there are problems in finance theory itself, then finance academics must reflect on the directions that finance research should take to redress these problems.

Certain subfields in finance are required to be better assimilated into mainstream models. However, finance theory itself is upgrading with the incorporation of behavioral finance which integrates the new ideas and insights from several other disciplines and models, but the global recession has demonstrated that many phenomena have their roots in sociological factors. To achieve the optimized point of finance theory, not only sociology but finance professionals must learn from evolutionary biology, neurosciences, financial history, and the multidisciplinary fields of network theory. It can be said that in globalization and increasing complex world, finance theory must be converged with sophisticated mathematical models and statistical tools. Consequently various new financial concepts have emerged to replace theses traditional aspects like behavioral finance, multi-factor and agent based modeling as

Table: Substitution of Aspects of Traditional Financial Theories to Modern Ones

	Aspects of Finance Theory	Move during Global Recession	Substitution in Global Recession
1	Efficient Market Hypothesis	Irrational investment decisions	Behavioral Finance
2	Factor Models	Inadequacy of CAPM	Multi-Factor Model
3	Liquidity	Micro has become macro!	Systemic Risk- non diversifiable risk
4	Risk Free Rate	Mere a useful approximation	Overnight Index Swap
5	Microstructure theories	Heterogeneous Players	Agent–based Modeling
6	Tail Risk – Real Risk	Non-linear dependence	Quantitative models based on non-Gaussian fat-tailed distributions
7	Econometrics	Several possible regimes	Non-trivial Probability

Global recession opposed the two aspects of Efficient Market Hypothesis (EMH). First aspect is that there is no free lunch means it is not possible to beat the market in risk adjusted terms. During recession, low-risk and high return investments turned out to be highly risky that failed the EMH. Second aspect is that prices are "right" in the sense that they reflect fundamentals. The economic slowdown has also denied this claim. Global Recession proved that CAPM should be substituted by Fama-French three-factor model. Further finance researcher should go beyond even to consider liquidity as an explicit risk factor.

During Global Recession, it became clear that liquidity was a systematic risk and not a diversifiable risk. The second key advance was the theoretical linkage that was established between market liquidity and funding liquidity. Market liquidity which is all about market microstructure is intimately related to funding liquidity which is all about macroeconomics – suddenly, micro has become macro!

Post crisis OIS (Overnight Index Swap) is regarded as the closest thing to a risk free rate under the assumption that the probability of default of a highly creditworthy entity over a one-day horizon is negligible. This leads to the well known two-curve discounting model. So risk free rate should be regarded as nothing more than a useful approximation. Agent based models allow arbitrary number of heterogeneous players with different information sets, trading strategies and objectives. If it is true that microstructure theories are relevant for understanding phenomena at macro time scales, then it is necessary to embrace agent-based models in finance theory. Much of the tail risk of diversified portfolios comes not from the tail risks of the individual assets but from common jumps or other forms of non-linear dependence. Quantitative models based on non-Gaussian fat-tailed distributions with non-linear dependence structures (copulas) are hard from the point of view of teaching in the MBA program, but we must not shirk hard mathematics.

Risk modeling using value at risk with Gaussian distributions and linear correlations is no longer defensible after all that we have seen during global financial crisis. A key mistake prior to the crisis was the assumption that the Great Moderation was permanent structural change in the world economy that implied a permanently reduced volatility. The crisis has taught us that the statistical processes that we observe during any particular period should be viewed as just one of the several possible regimes. There is always a non-trivial probability of shifting to a different regime.

Crowdfunding: An Emerging Source of Finance for Start-ups in India


Ravindra Singh
Assistant Professor
Ramjas College
University of Delhi

Silky Jain
Assistant Professor
Sri Guru Nanak Dev Khalsa College
University of Delhi


Start-ups are one of the prime indicators of health of a growing economy. Start-ups generate employment, promote innovation and healthy competition, and create greater value for available opportunities with the given resources over mature businesses. Despite the clear benefits, start-ups face several challenges such as availability of finance and its proper management, mentoring i.e. finding a person with similar business experience to provide help and guidance during initial stages of establishment and operation, hiring employees in right numbers and with requisite competence where one is not sure about the demand of the output, retaining employees who constantly feel insecure to work for start-ups, unclear government policies and regulations, cultural barriers, unpredictable technological changes, determining optimum or near-optimum scale of operations and so forth.

Fund raising Sources for Start-ups

Traditional

Source	Provider	Purpose	Ownership
Personal Capital	Savings or loan on personal collateral	Setting-up business and working capital need	Equity
Love Money	Family and friends	Setting-up business	Equity
Bank Loans	Banks and other financial institution	Capital investments and working capital needs	Debt
Angle Investors	Wealthy & experienced individuals	Capital investment and mentoring	Generally Equity
Venture Capital	Hedge investors, investment banks & other financial institutions	Capital investment	Generally Equity
Micro Finance	NBFCs,	Capital investment for small firms	Debt
Grants and Subsidies	Central government & state government	Welfare	Subsidies
Business Incubators	Banks & other financial institution, government	Solving problem, seed funding, location etc.	Debt/equity/Mentoring
Crowdfunding	Small amount from Public through internet	Setting up new business	Donation/equity /debt

Emerging

Finance is a basic need of every business start-ups, mere potential business idea itself well not work. Fund is required for establishment of business, capital expenditure, working capital requirement, expansion and its proper flow should be maintained so that it doesn't hinder the smooth functioning of the business. According to the '2016 Small Business Credit Survey: Report on Start-up Firms', more than two-thirds of start-up firms faced financial challenges. Not only this, every report states finance and its management as a major challenge for start-ups which includes lack of sufficient fund for capital budgeting and working capital requirement, uncertainty of sales and low profit margin, delay in receiving payments from clients/customers, comparatively high promotional expenditure, not having proper knowledge of available funding options, problems related to maintenance of accounts and cash flow management etc. Due to these challenge many investors show less confidence on start-up firms, which makes fund raising difficult. In recent times Crowdfunding has emerged as new source of funding for start-ups.

Crowdfunding

Crowdfunding is a practice of raising finance for a creative project having benevolent or public interest cause or a business venture, by small financial contributions from people who may number in the hundreds or thousands through an online crowdfunding platform or through social media. It uses the power of the masses to fund the smallest to the largest initiative making sure that the lack of funds does not hinder the conversion of start-up ideas into reality. It leverages the power of Information and Communication Technology (ICT) particularly social media to market the idea, raise funds, providing real time feedback and hold entrepreneurs accountable.

Crowdfunding has emerged in worldwide phenomenon during 2008's financial crisis as new form of capital formation for artisans, entrepreneurs, and early-stage enterprises to whom traditional sources (bank, venture capitalist etc.) were less willing to finance. In less than a decade, crowdfunding has spread across the developed countries including Australia, England, Netherlands, Italy, and USA and is now attracting considerable interest in the developing countries too. As per the Massolution Crowdfunding Industry Report 2015, the Global Crowdfunding Industry expanded from \$6.1 billion in 2013 to \$16.2 billion in 2014 and reached to \$34.4 billion in 2015 which is more than 5 times the 2013 figure.

This rapid growth in crowdfunding was due to two major forces, first is the widespread adoption of ICT, which has provided an infrastructure to reach millions of potential investors and other is the general social acceptance of technology-enabled social networks that allows investors to interact online and build trust among people with whom they are connected. Together these forces are enabling crowdfunding to emerge on large scale as a source of finance especially for start-ups and converts would-be investors into potential investments.

During early stages of Crowdfunding, capital came in the form of donations, but later on it took the form of debt and equity investments targeting high-growth entrepreneurs, and evolving in other models too as awareness spreads. The total crowdfunding market is composed of various subtypes, including lending (debt), equity, and royalty-based models, as well as non-securitized types, such as charitable donations and rewards crowdfunding.

The Various crowdfunding models discussed above can provide a variety of economic and social benefits like, convenience, lower cost and quick in receiving capital, potentially higher risk-adjusted returns for investors compared to traditional finance, wider set of options for investors for portfolio diversification, overcomes systemic biases on the basis of gender and geography in financial services and so on. However, every coin has two sides so do crowdfunding which is not devoid of its challenges, with over 4000 platforms globally and many shutting down annually. Challenges like less access to information than banks, risks of business failures, cyber frauds, lack of liquidity, no proper regulatory framework etc. are faced by investors. The investor quality and inexperience, with a large number of new retail investor entering the market has also been questioned.

Crowdfunding is still largely a developed-world phenomenon but its potential to stimulate innovation and create jobs in the developing world has not gone unnoticed. With support from government (especially for regulatory framework) and development organizations, crowdfunding could become a useful tool in the developing world as well. Developing economies have the potential to drive growth by employing crowdfunding to leapfrog the traditional capital market structures and financial regulatory regimes of the developed world. The rate of growth of crowdfunding and its emergence in developing and developed countries, suggests that this phenomenon can become a tool for innovation ecosystems of most countries.

DONATION- BASED CROWDFUNDING: Works on basic philanthrophy where crowd-funders donate for social or charitable cause without any expectation of fiancial return or gain

REWARD-BASED CROWDFUNDING: The most popular model where crowd-funders transfer funds with the expectation of a reward which may be in the form of a token gift or an early exclusive release of product or service offered by company

MODELS OF CROWDFUNDING

LENDING BASED OR PEER TO PEER: Individuals lend money with the expectation that it will be repaid together with interest. Provides great opportunity for start-ups to acquire financial support outside traditional lending form like banks.

EQUITY CROWDFUNDING: Model that enables investors to fund start-up companies in exchange for shares in that company (i.e. partial ownership). This model is however, illegal in India

Few Notable Crowdfunded Projects

Project	Fund Raised ($ USD)	Platform	Category
Pebble Time: Smartwatch	2,03,38,986	Kickstarter	Design
COOLEST COOLER: 21st Century Cooler	1,32,85,226	Kickstarter	Technology
Pebble Time 2: All-New Pebble Core	12,77,98,43	Kickstarter	Design
Pebble: E- paper watch for I phone and android	1,02,66,845	Kickstarter	Design
BAUBAX: Travel jacket	91,92,055	Kickstarter	Design
Exploding Kittens	87,82,571	Kickstarter	Games
OUYA: Video Game Console	85,96,474	Kickstarter	Games
The Veronica Mars Movie Project	57,02,153	Kickstarter	Filmography
Milltex Engineers's Spero Electric Bicycle Project	1,00,000(approx.)	FuelADream	Technology

Crowdfunding platforms in India

Has Information Technology changed the trading ecosystem : Reference to Algorithmic and High-Frequency Trading in India

Aishwarya Nagpal
Research Scholar
FMS, University of Delhi

In the world of technological interventions and innovations, trading in financial markets has been revolutionized and has witnessed a remarkable transition all over the globe. Ever since the early 1990s, stock exchanges have increasingly embraced electronic trading systems and order books to expedite trading, substituting it for traditional floor trading systems. Rapid computation power, paired with quicker internet access has presented traders with immediate access to developments in market order books. Market makers, in specific, gain from such movements, facilitating them to more closely monitor price fluctuations and mitigate their adverse selection costs. Numerous headways to exchange trading platforms have recently given rise to a fresh breed of traders known as algo traders (AT) or high-frequency traders (HFT).

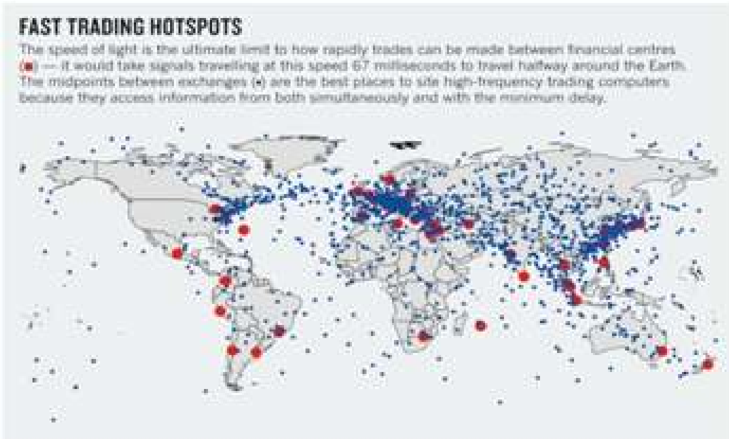
Algorithmic trading (AT) or High-Frequency Trading (HFT) has lately turned out to be a buzzword in the current trading ecosystem. It has also become one of the widely discussed issues in the capital markets debate. In developed economies, the bulk of such technology-driven transactions has significantly increased over the years. The Indian market has also been gradually embracing the Algo or High Frequency Trading since 2009 as more and more transactions are being routed through this platform and India has witnessed rising interest from large domestic and foreign institutional investors, who trade on proprietary books. Algorithmic trading (AT) practices in the global financial markets involve the use of information and communication technologies (ICT), especially the capabilities of high-speed networks, rapid computation, and algorithmic detection of changing information and prices that create opportunities for computers to affect low-latency trades that can be accomplished in milliseconds. AT practices exist as variety of new technologies have made them possible and because financial market infrastructure capabilities have also been changing so rapidly. As per the available and existing data, almost 80% orders are algorithm based, amounting to approximately 40% of the overall market trades. This in itself corroborates the fact that automated trading is speedily emerging owing to its dual attributes of high-speed, i.e., the ability to undertake operations in milliseconds which previously used to consume quite a few minutes and the load-bearing capability, which can execute orders in larger volumes earlier, believed incredible by the conventional floor-based trading.

Algo trades can involve different degrees of manual intervention. In zero-touch algos, programs identify the trading opportunity and execute it too without any manual intervention. Here, the trades may be initiated by pre-set technical levels or quantitative indicators or arbitrage opportunities in the market, depending on the client's preference. But most commonly used algos in India use Application Programming Interfaces (API) that allow investors to select their strategy, program their requirements and then execute it from the broker's end.

While the terms algo trading and high frequency trading (HFT) are often used inter-changeably, they aren't really the same. HFT refers to high-volume orders executed within split-seconds to make immediate gains from market opportunities. HFT trades are often backed by algos, which spot the trading opportunity. The success of most algo trading strategies depends on the speed of execution, which in turn depends on the bandwidth of the connection and also the distance the data packets have to travel. It is for the second reason that institutions eye co-location at the exchange premises — where exchanges allow traders' servers to be right next to theirs.

High-Frequency Trading (HFT) is a subset of algorithmic trading that comprises latency-sensitive trading strategies and deploys technology including high-speed networks, co-location etc. to connect and trade on the trading platform. The evolution and success of the high-frequency trading (latency sensitive version of algorithmic trading) are mainly attributed to their ability to respond to trading opportunities that may persist only for a very minute fraction of a second. Co-location facility has granted the conduit to high-frequency traders to seize such trading opportunities.

Automation of the trading system not only enhances the efficacy of the trading participants, but also improves the overall market efficiency - arbitrageurs exploit automation to fix pricing anomalies; and market makers leverage the power of technology to increase liquidity by rendering uninterrupted buy and sell quotes which spontaneously accommodate to movements and risks in the market.



Algorithmic trading in India across the cash and derivatives market as a percentage of total turnover has fuelled up to 49.8% in eight years from only 9.26% (average) in 2010. In March this year, 44.8% of the cash market volume and 48.2% of the equity derivatives market was propelled by algorithmic trading, exhibited NSE data. On the BSE, 37.22% of trade in March 2018 was boosted by algorithmic trading. In March 2018, algo trading volumes in India across the cash and derivatives market were approximately Rs 7.9 lakh crore, of which roughly 46.5% of volume (around Rs 3.67 lakh crore worth trade across the cash and derivatives market) was furthered by algo trading. It comprises direct market access (DMA) and co-location. The remaining of the volume was impelled by internet, mobile phones, smart order routing and other non-algo methods.

Algo trading is already quite the rage among institutional investors and accounts for 35-40 per cent of turnover on the Indian exchanges. Algo trades help institutional investors ratchet up the efficiency of trade execution and spot fleeting trading opportunities. They also add liquidity to the market. But they have their flip side too. Algo trades have often been blamed for wild swings and flash crashes in the market. When markets or stocks hit key milestones, such as say a 200-day moving average or 52-week high/low, algos may trigger a large volume of trades that magnify the trend. India does have stringent regulations in place for algo trades. The exchanges where algos are used, need to get their programmes approved from the watchdog – SEBI, before they are put to use. SEBI announced new norms to make algorithmic trading more accessible to investors. It also proposed a stricter monitoring of these trades to ensure the smooth functioning of the market. Now, the rules have become tougher. Stock exchanges have to allot a unique identifier to each approved algorithm and ensure that each order is tagged with it. This is expected to help surveillance. To check price swings, SEBI has also said that penalty would be levied on algo orders placed more than 0.75 per cent away from the last traded price.

Every technological innovation is expected to have dual effects, so does AT/HFT. It is this duality that undeniably there are substantial advantages of these trading practices, however, at the same time, there are areas of serious concerns as well, and they may result in market-wide systemic risks, increased volatility besides others. Every information has an underlying cost, AT/ HFT software technology being still in the evolving stage, the obsolescence rate is not only very high besides generally being event-based software, the acquisition cost of the technology is also on the higher side. Though high-frequency trading transmits information more rapidly and it also increases the market quality, but it can also cause higher price instability and increased downside price risk. A technology in financial markets is considered to be good if it helps in increasing the market quality.

You may not personally use algos, but if you are in the market, you need to know how they are used by other investors. A key concern with HFT and algos is that if there is a bug in the programme, it can result in losses to lakhs of investors. In 2010, during the Muhurat trading session, volumes in the BSE derivative segment shot up sharply. This was attributed to an error in the algorithm of a share broker in Delhi, which saw buy and sell orders repeatedly being executed on the derivative platform. Sometimes trader errors or typographical error can cause stock prices to run riot if HFT or algo trades piggyback on the trend.

The world's financial markets are engines of economic growth, enabling corporations to raise funds and offering investors the opportunity to achieve their preferred balance of expected risks and rewards. It is important that they remain fair and orderly. Deciding how best to ensure this, in the light of the huge growth in both the uptake and complexity of high frequency trading that has occurred in the last decade, and which can be expected to continue in the next, requires careful thought and discussion.

Bitcoins

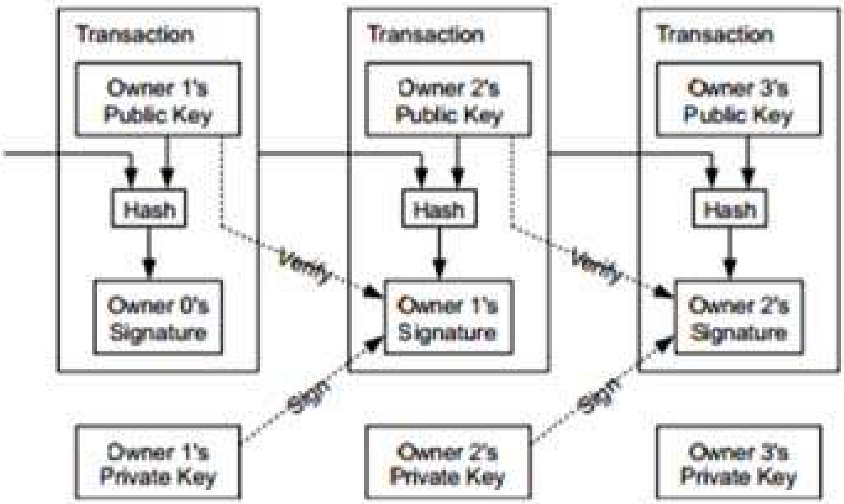
Ethi Jain
Research Scholar,
Jamia Millia Islamia,
New Delhi

Shalini Saxena
HoD (Economics)
Prince Ashokraje Gaekward School
Vadodara Gujarat

Bitcoin (sometimes known by its generally accepted ticker BTC) is an online payment system launched as on open source software in 2009. Its creator (or creators), whose identity to this day remains unknown, goes by the name Satoshi Nakamoto. In many ways it functions as a currency, whereby one party can send a unit of currency (in this case a string of code) to another party in exchange for a good or service. As such, bitcoin is often referred to as a "virtual currency" or "cryptocurrency."

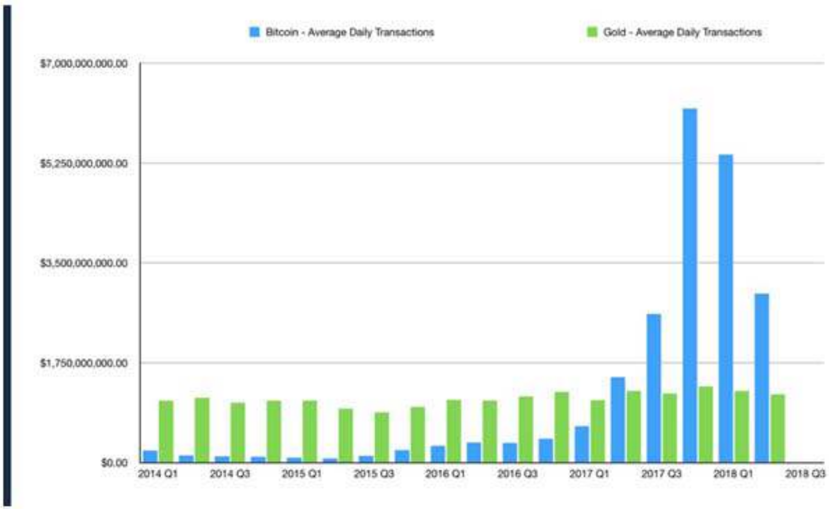
How Bitcoins work

To transact in Bitcoin, one broadcasts to the Bitcoin network, the public key of the payee and the amount of bitcoin one intends to transfer. Every bitcoin address has an associated private key that acts as a password to ensure that all transfers are authorized. The private key is meant to remain secured, and along with one's own public key, it allows one to digitally sign bitcoin transactions. A graphical representation of a series of bitcoin transactions from Satoshi Nakamoto's original paper is reproduced below:



The primary concern of the payee is that the amount of bitcoin being transferred has already been spent, and therefore does not belong to the payer. Another concern is the rate of creation, since a high degree of inflation could reduce the value of one's holdings. What allows bitcoin to be functional is that it overcomes these two major obstacles facing any digital currency: avoiding double spending and controlling creation. Both of these problems are solved in the process of mining.

As the price of Bitcoin has risen above $6,000 recently, the world's largest and most used decentralized cryptocurrency has become a topic of interest among a variety of disciplines – from economics, information systems, and the law. Bitcoin is now being taken quite seriously by academics and practitioners around the globe. Even central banks such as the Reserve Bank of India, Federal Reserve and Bank of England have started to take notice. Indeed, the cumulative value of all bitcoins has risen above $100 billion, with the number of transactions on the Bitcoin blockchain rising exponentially from around 1,000 per day in 2011 to more than 4,25,000 per day in 2017.



The legal status of bitcoin varies substantially from country to country and is still undefined or changing in many of them. Some countries have explicitly allowed its use and trade, others have banned or restricted it. Most countries have not clearly made determinations on the legality of bitcoin, preferring instead to take a wait-and-see approach. Some countries have indirectly assented to the legal usage of bitcoins by enacting some regulatory oversight. In India, bitcoins and other cryptocurrencies are official banned and the government will take all the measures to eliminate the use of these crypto assets in financing illegitimate activities. Japan is the first country in the world to recognize bitcoin as legal tender with effect from April 1st, 2017.The Japan Financial Services Authority (FSA) was granted the ability to both regulate, as well as issue licenses, to virtual currency exchanges in Japan. This cemented bitcoin as an established market in Japan, where the rules are clear and consumers can be protected. At the same time 17 cryptocurrencies were approved to be traded on these exchanges, including the major ones such as Bitcoin, Ether, Ripple, Litecoin, and Monacoin. The FSA approved the operation of 11 cryptocurrency exchanges officially. BitFlyer was proud to be granted one of the first licenses of this sort. More than 30% of the global bitcoin transactions are conducted in Japanese Yen. In less than a decade, bitcoin is already showing it has more utility in the digital age than the precious metals that has been the de facto store of value for thousands of years.

Bitcoin has been criticized for its use in illegal transactions, its high electricity consumption, price volatility, thefts from exchanges, and the possibility that bitcoin is an economic bubble. Some global bankers and experts have warned investors against investing in cryptocurrencies because they are of opinion that it is nothing but a bubble that is just going to burst. The problem is apparent in bitcoins that if global bankers don't understand the phenomena then retail investors might not have much of a chance either. Global leaders have suggested a profound wisdom of Warren Buffett- If you don't understand it, don't invest in it.

The future of cryptocurrency will heavily depend on many factors such as role of government, security concern and stability in the cryptocurrency market. If government looks into the regulation of cryptocurrencies, investors are feeling more comfortable about putting their funds into them. With added regulation, institutional investors will be able to breathe easier and have less anxiety about the uncertainty of the cryptocurrency market. In fact, more investors are seeing cryptocurrency as a viable asset because of their attractive returns. Lack of security has long been one of the biggest concerns for traders and 40% of the investors saw security as major concern. Hackers and cyber criminals have already taken advantage of the lack of cryptocurrency regulation and have made trading in these currencies unsafe for investors. Despite the measures to ensure stability in the cryptocurrency market, still there are many factors keeping the market volatile such as the currencies' lack of intrinsic value, the lack of institutional capital, the implementation of regulations and thin-order books, etc.

Empowering Women through Financial Independence

Prof. (Dr.) Anupama Sharma
School of Management
Delhi Technical Campus

Sudhanshu Yadav
Assistant Professor, SRCC
University of Delhi

Women Empowerment

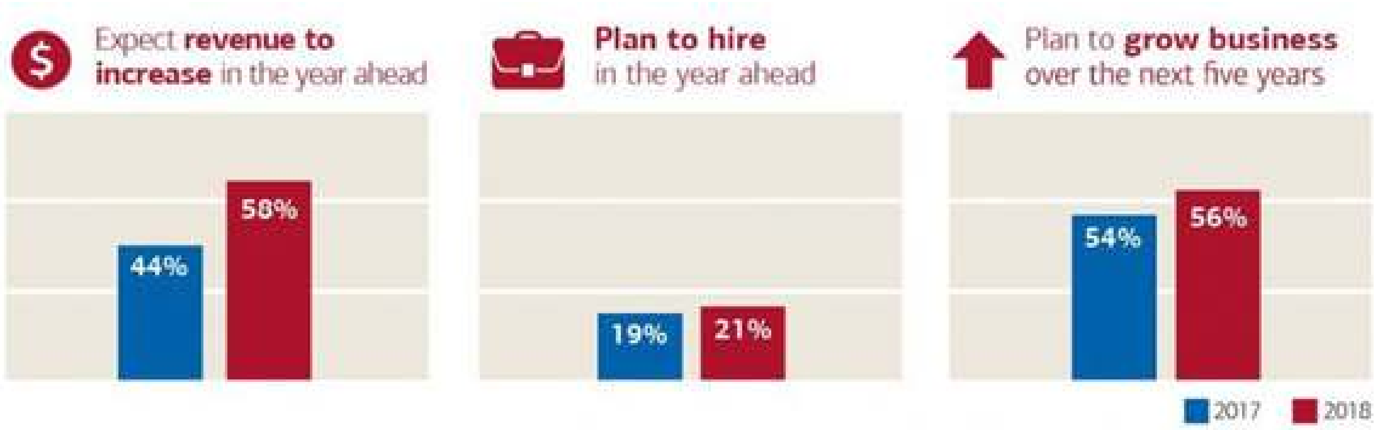
Women constitute about half of the world population, but their contribution is only around 37% on an average to their national income as per McKinsey study in 2017. Indian women have contributed only 17% to the national income which is much lesser than the global average of 37%. Gender inequality has played a major role in passive role of women in economic development. In recent years it has been observed that the trend of women participation in labor force is increasing as compared to the past and the same is good for their financial independence and empowerment. Though the empowerment of women is correlated with their access to money, financially independent women have the potential to contribute towards the economic development through funds mobilization and uplift their status in the society.

As per the reports of the Boston Consulting Group, 2018, lately the global gender gap is gradually narrowing, and more women are coming forward and doing their bit to enhance the GDP of their country. This decreasing gender gap in terms of work has a far-reaching effect on the economy of any country. If the world continues to progress towards the gender parity in labour force, then by the year 2025, $12 trillion could be added to the annual global GDP which is almost at par with the GDP of United Kingdom, Japan and Germany collectively. Between 2014 to 2025, the contribution of women is estimated to become twofold towards the growth of the GDP. A higher growth of 10% in GDP can be achieved only with the increased involvement of women in economic activities of their countries. The highest boost is estimated to be seen in Latin America and India by 2025 GDP projection only with a little change in work force and more active participation of females in economic activities which not only empowers them but gives them more autonomy.

When a country moves towards the path of economic development it not only enables it to close the gap of gender inequality but also lets it grow in terms of education level, digital and financial inclusion, legal protection and unpaid care work. Women participation has lately shown significant improvement in accelerating the growth of economy.

As per the study of Bank of America 2018, it has been observed that more and more women are coming forward as entrepreneur and are adopting digital technologies and solutions at higher rate that shows their optimism about the future of the economy. The study also reported that the past decade has seen a surge of women entrepreneur because of simplified business environment for them. They are launching small businesses and succeeding in start-ups.The report also suggests that women are highly optimistic about the prospects of business revenue in future to 58% from 44% in 2017. They are expecting to generate more employment in the future and increasing it to 21% in 2018 from 19% in 2017 and the probability of growth in business in the next five years to 56%2018 from 54% in previous year.

The optimistic thinking of women has seen an upward surge in the economy. The same is being substantiated by Sharon Miller, head of the Bank of America, who based on the study reports, enunciated that despite disparities still existing in the earnings by women, business ownership is the right solution of gaining equality with men and occupying the executive roles. The belief of women that continual innovation and its adoption is the key to move forward and succeed in business.

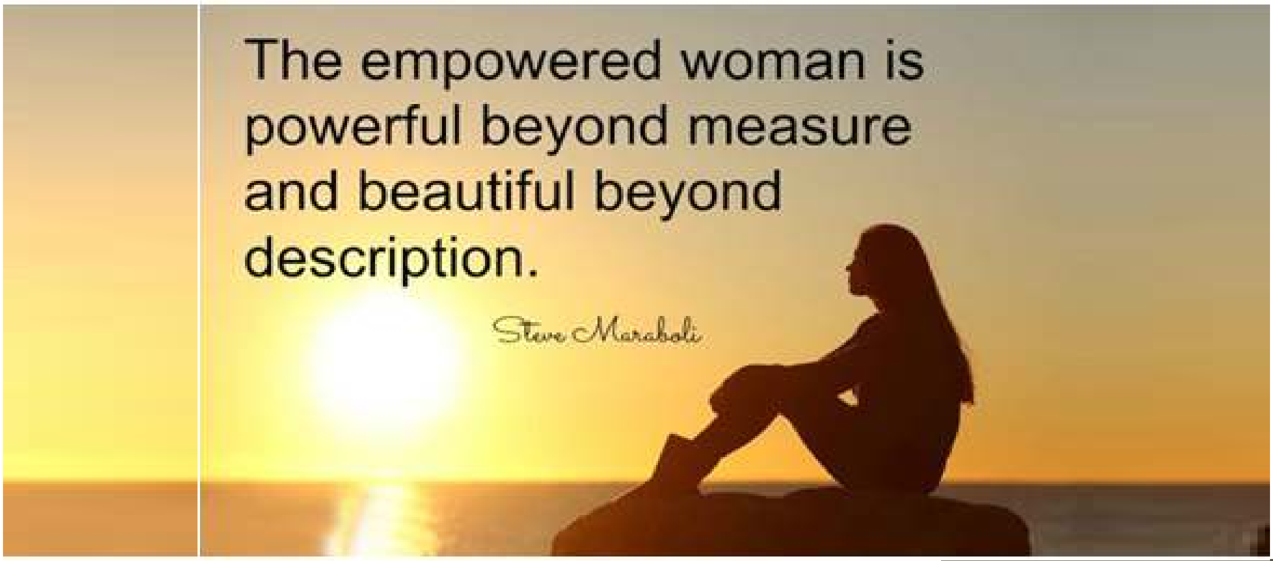


Women entrepreneur expectation relating to growth in revenue, staffing and business growth in 2018. *Source Bank of America 2018.*

To promote women participation in building strong economy, Government of India has taken various initiatives in financially backing and promoting small and medium businesses owned by women which are helping them in growing their ventures which eventually is promoting industrialization of the country. Though gender blind financing fills the gap of government programs, micro loans or angel investors or mentoring but is not adopted by many countries. The access to business funding by women is the key aim of the government schemes which is one of the most challenging issue to the path of ownership of business by women. Such schemes offer specialized financing to women and women friendly terms and conditions which has resulted in the jumpstart by women in the start-up ecosystem of India. Women are even quitting their high-profile job and joining the entrepreneurship world in India. Some of the Government schemes to promote business ownership by women are Bhartiya Mahila Bank which focused on loans to under privileged women and is now merged with State Bank of India. Another scheme is Annapurna scheme to promote women in food business, Stree Shakti to boost the businesses by women is an entrepreneurship development program. Orient Mahila Vikas Yojna, Dena Shakti Scheme, Udyogini scheme, Mudra Yojna scheme for women are some of the small business promotional schemes for women initiated by the Government of India which has shown startling results and has given a boost to the budding women entrepreneurs in fulfilling their aspirations and an impetus to the growth of our economy.

To gain financial independence women have started investing in financial markets as well. As their financial awareness is increasing they are also diversifying their portfolio of investments thereby channelizing their savings and creating new income streams to secure their future financially.

India is continuously witnessing emergence of successful women entrepreneurs like Indira Nooyi, Ekta Kapoor, Shikha Sharma, Naina Lal Kidwai to name a few. These women have contributed significantly in shaping Indian economy and are acting as role models for other women who are budding entrepreneurs who can empower themselves by turning their dreams into reality.



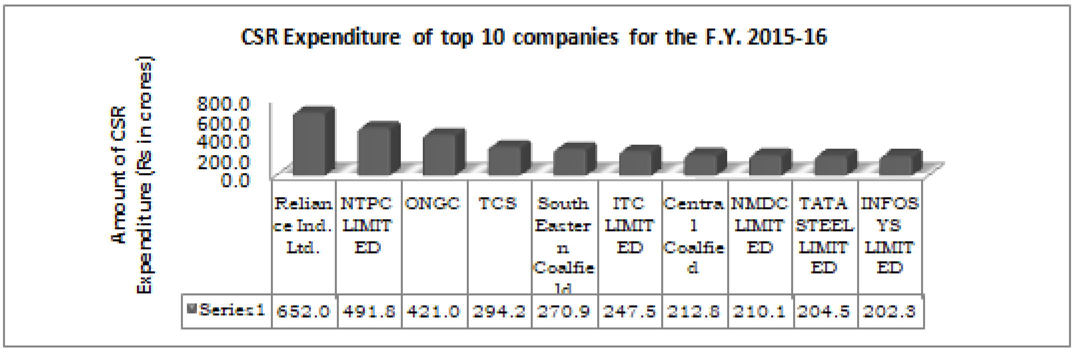
CSR : Impact on Shareholders' wealth

Dr. J.K.Singh
Associate Professor ,
Department of Commerce,
Aryabhatta College,
Delhi University

It is well known fact that finance managers always look for the ways of maximizing shareholders' wealth and keep on exploring new strategies to achieve the same. In the recent past, corporates are adopting this strategy not only through business operations but also by way of adapting the profile of companies as per the practices being followed in international arena. The compliance of corporate governance norms and their popularity in serving the society through CSR activities are helping them to achieve the objective of maximizing shareholders' wealth. The process of globalization which commenced after liberalization in the year 1991 provided opportunities to many Indian companies in expanding their businesses beyond the counters of domestic market. The Multinational Companies were also provided with equal platform and opportunity of setting up their business and manufacturing units in India. This cross border movement of corporate for the sake of raising funds and expanding businesses led to revolutionary change in the profiles of Indian Corporate industry. The regulatory authorities witnessing the change in business environment responded well from time to time and made necessary changes in the regulatory framework governing the functioning of companies. The value of companies will not be solely determined by their ability to generate returns only for shareholders rather, the companies will be valued on various other factors such as commitment of management towards all stakeholders including the society whose resources are used by their companies for their survival and achieving their goals. The term , Corporate Social responsibility , in the United States has been defined in the light of Philanthropic model according to which companies making profit after paying taxes donate part of their profits for social causes. In contrast to this, European model relates the core functioning of the company with the social causes. It asserts that the objective of wealth maximization can be achieved through integration of social responsibility in the core objectives of the business. Encouraged by the style of functioning of corporate in the developed countries, many large corporate houses in India have also started expressing their concern towards society and environment. Various experts and authors have given definition of CSR from their perspectives. There are different opinion with regard to CSR activities of corporate. According to Bowen (1953), "CSR refers to the obligations of businessmen to pursue those policies to make those decisions or to follow those lines of relations which are desirable in terms of the objectives and values of our society." However, according to Milton Friedman, "The Social Responsibility of Business is to Increase its Profits", The New York Times Magazine, September 13, 1970.Carroll (1999) stated, "The social responsibility of business encompasses the economic, legal, ethical, and discretionary expectations that society has of organizations at a given point in time." In India, various corporate were engaged in different type of social activities for last many years. Despite of diverging views of different researcher with regard to CSR, the concept is significantly important for developing countries like India as it can play important role in eradication poverty problems and facilitating inclusive growth. The concept gained momentum since the late nineties and attracted attention of policy makers. As a first steps towards Corporate Social Responsibility , Government of India issued Corporate Social Responsibility Voluntary Guidelines in 2009 which aims to address the interest of stakeholders and provide for ethical functioning of companies besides focusing them to promote social and inclusive development. Subsequently , Securities Exchange Board of India (SEBI) inserted Clause 55 in the Listing agreement of stock exchanges which required the top listed 100 companies to mandatorily disclose their CSR activities in the Business Responsibility Reports (BR Reports) accompanying the Annual Reports . This step of SEBI was considered as a transition from a voluntary CSR regime to a regulated regime and was seen in the larger interest of public disclosure alongwith integration of social responsibility with corporate governance. Finally the enactment of section 135 in the Companies Act, 2013 made CSR spending as well as reporting mandatory for the very first time in India and brought the CSR activities of Indian corporates under the purview of corporate law. The CSR Expenditure of top ten companies for the Financial year 2015-16 is shown below

CSR Expenditure of top ten companies for the F.Y 2015-16		
S.No.	Name	CSR Spent (In Crores)
1.	Reliance Ind. Ltd.	652.0
2.	NTPC LIMITED	491.8
3.	ONGC	421.0
4.	TCS	294.2
5.	South Eastern Coalfield	270.9
6.	ITC LIMITED	247.5
7.	Central Coalfied	212.8
8.	NMDC LIMITED	210.1
9.	TATA STEEL LIMITED	204.5
10.	INFOSYS LIMITED	202.3

Source : CSR data released by Ministry of Corporate Affairs , Government of India.



According to various provisions under Section 135, companies with net worth of rupees five hundred crores or more, or turnover of rupees one thousand crore or more or a net profit of rupees five crore or more, are required

(i) to appoint a CSR Committee of at least 3 directors (one independent director), and

(ii) under the guidance of the CSR Committee, spend in every financial year, at least two per cent of the average net profits of the company made during the three immediately preceding financial years, in pursuance of its Corporate Social Responsibility Policy.

Subsequent to the enactment of Section 135 of the Companies Act, 2013, the Ministry of Corporate Affairs in the Report on the Standing Committee on Finance (LSS, 2010) observed that India became the first country to include provisions on CSR in Company Law and make CSR expenditure mandatory for corporates based on pre-specified criteria. In other part of the world, CSR is still a voluntary exercise left to the discretion of the corporate. Some leniency has been provided in compliance of Section 135 as it allows companies to comply-or-explain, with no explicit penalties for non compliance. Some of the companies which have made significant contribution in this area are listed below:

1) Mahindra and Mahindra
2) Tata Motors
3) Tata Power
4) Tata Steel
5) Tata Chemical
6) BPCL
7) GAIL
8) Infosys
9) Jubiliant

The return offered by these companies to its equity investors may have fluctuated over last three years but they have continued to command significant place in the ranking of companies on the basis of CSR activities. This supports the fact that the CSR theory advocated by Milton Freidman appears to be more justified in Indian capital market. The market capitalization of companies, estimated by their share price and floating stock in the market, is more a function of its financial performance than CSR. The independence between CSR activity and profitability of these kind of large corporate houses further magnifies the fact that best of CSR activity by large corporate houses in India is yet to come as the present CSR activity by the companies is not being factored in by the investors of stock market.

IFRS in India: A Journey from Accounting Standards to Ind-AS

Dr. Aditya P.Tripathi
Assistant Professor, SLC(E)
University of Delhi

Globalization of financial markets has resulted into an increased focus on international standards in accounting and has intensified efforts towards a single set of high quality; globally acceptable set of accounting standards.

In the repercussion of liberalization process initiated in 1991, there was a severe balance of payments crisis in India and consequently, the country had to pledge its gold reserve to the Bank of England to overcome the crunch. The doors were open for the foreign investment in various industrial sectors as the then Government took some steps in context of inviting foreign competition in the Indian economy. Both the industrial and financial sectors were deregulated and rupee was made convertible on Current Account. Corporate houses were permitted to tap the foreign financial markets for their fund requirement. Insurance, banking, telecom, retail, and software, among many others were opened for foreign investments. These developments have encouraged foreign companies to invest in India. These increasing investment trends in India from abroad demanded a corporate financial reporting system fully harmonized with the one being used worldwide. The Indian companies supplemented this demand by either buying foreign companies or entering into joint ventures with foreign companies.

Financial statements prepared in different countries according to different set of rules, mean numerous national sets of standards, each with its own set of elucidation about a similar transaction, making it challenging to compare, analyse and interpret financial statements across nations. IFRS is presented as a solution to this problem.

Defining IFRS:

International Financial Reporting Standards (IFRS) are Standards, Interpretations and the Framework adopted by the International Accounting Standards Board (IASB). IASB is an independent, privately-funded accounting standard-setter based in London, UK.

Salient Features of IFRS :

- Principle-based Standards as compared to the rule based, previously in practice.
- Give more importance to concept of 'substance over form', i.e., economic reality of a transaction.

- Rely more on fair valuation approach, and measurements based on time value of money.
- Require more disclosures of all the relevant information and assumptions used.
- Require higher degree of judgment and estimates.

Brief about IASB :

- IASB founded on April 1, 2001 is the successor of the International Accounting Standards Committee (IASC) founded in June 1973 in London.
- It is responsible for developing the International Financial Reporting Standards (new name for the International Accounting Standards issued after 2001), and promoting the use and application of these standards.
- Many of the standards forming part of IFRS were known by the older name of International Accounting Standards (IAS).
- IAS were issued between 1973 and 2001 by the Board of the International Accounting Standards Committee (IASC).
- On 1st April 2001, the new IASB took over from the IASC the responsibility for setting International Accounting Standards.

Why IFRS:

- A single set of accounting standards would help standardize training internationally and assure better quality at global level,
- It would also permit international capital to flow more freely, enabling companies to develop and apply consistent global practices on accounting problems
- It would be beneficial to regulators too, as the complexity associated with needing to understand various reporting regimes would be reduced.

India & IFRS:

- ICAI (The Institute of Chartered Accountants of India) decided to converge with IFRSs which means in place of adopting the IFRS as it is, we would customize IFRS as per Indian environment. ICAI has converged with IFRS from accounting periods commencing on or after 1st April 2011 for listed entities and other public interests entities such as banks, insurance companies and large-sized entities.

Convergence Approach

The existing Indian accounting standards have conceptual differences with IFRS. Keeping in view the extent of difference between existing IAS and the corresponding IFRSs, the considerable attention has been given to all the above mentioned challenges in the conversion process. By introducing a new company law, the Indian Government has initiated the process to amend the legal and regulatory framework, much needed to adopt IFRS.

The convergence approach has been decided in a manner that the Indian standard setters can review the prevailing IFRS standards. They can also determine whether certain specific provisions under these standards are not adequate for application in India due to the local regulatory requirement or economic condition. 'Carve-outs' (deviations from IFRS) have accordingly been decided where the Indian converged standards would not be in conformity with IFRS.

- The Ind-AS are named and numbered in the same way as the corresponding IFRS. As on date there are 39 Ind-AS which are notified on the website of Ministry of Corporate Affairs (MCA) as well as ICAI.

  http://www.icai.org/post.html?post_id=7543

- MCA has to spell out the accounting standards applicable for companies in India. As on date MCA has notified 39 Ind AS. These have been made applicable to the companies from financial year 2015-16 voluntarily and from 2016-17 on a mandatory basis.

Road Map to implementation of Ind-AS :

- April 1, 2015: Voluntary adoption
- April 1, 2016: Mandatory adoption by companies whose net worth is Rs 500 crore or more

Applicable to holding, subsidiary, joint venture or associate companies of above companies

- April 1, 2017:
- Mandatory adoption for unlisted companies having net worth of Rs 250 crore or more
- Applicable to companies with net worth of less than Rs 500 crore, whose equity or debt securities are listed in India or outside India.
- For commercial Banks (Banks), Insurance Companies (Insurers) and Non-Banking Financial Companies (NBFCs) was announced on 18 January 2016 and implementation schedule is as under :
- (i) Banks (excluding Urban Cooperative Banks and Regional Rural Banks), All-India Term-lending Refinancing Institutions (i.e. Exim Bank, NABARD, NHB and SIDBI) : w.e.f. 01/04/18 for preparation of financial statements.
- (ii) NBFCs with networth of Rs. 500 crore and more : w.e.f. 1st April 2018 onwards for preparation of financial statements.
- iii) NBFCs that are listed or in the process of being listed and having net worth of less than Rs. 500 crore : w.e.f 1st April 2019 onwards for preparation of financial statements.
- (iv) Unlisted NBFCs having net worth between Rs. 250 crore and Rs 500 crore : w.e.f. 1st April 2019 onwards for preparation of financial statements.
- (v) Holding subsidiary, Joint Venture or associate companies of (iii) and (iv) above to adopt Accounting Standards for periods beginning from 1st April 2019 onwards for preparation of financial statements.

The Road map confirms that by April 1st 2019 India will implement IFRS in the form of Ind-AS in all types of institutions.

Conclusively we can say that IFRS has redefined the purpose and existence of accounting at global level and escalated its status from traditional accounting to a more disciplined regime of financial reporting

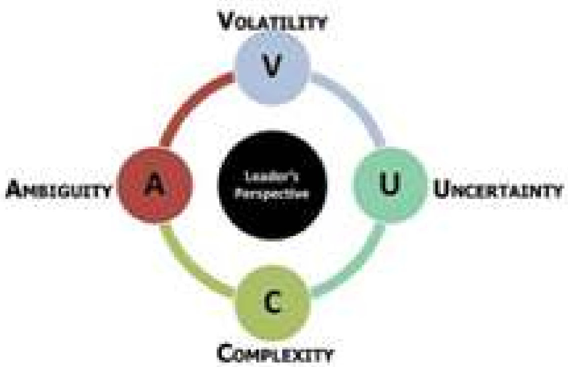
An Efficient Portfolio and VUCA Financial Markets

Mr. MikleshYadav
Area Chair-Finance
Rukmini Devi Institute of Advanced Studies
Rohini, GGSIPU

> ***"A good portfolio is more than a long list of good stocks and bonds. It is a balanced whole, providing the investor with protections and opportunities with respect to a wide range of contingencies."***
>
> *- Harry Markowitz*

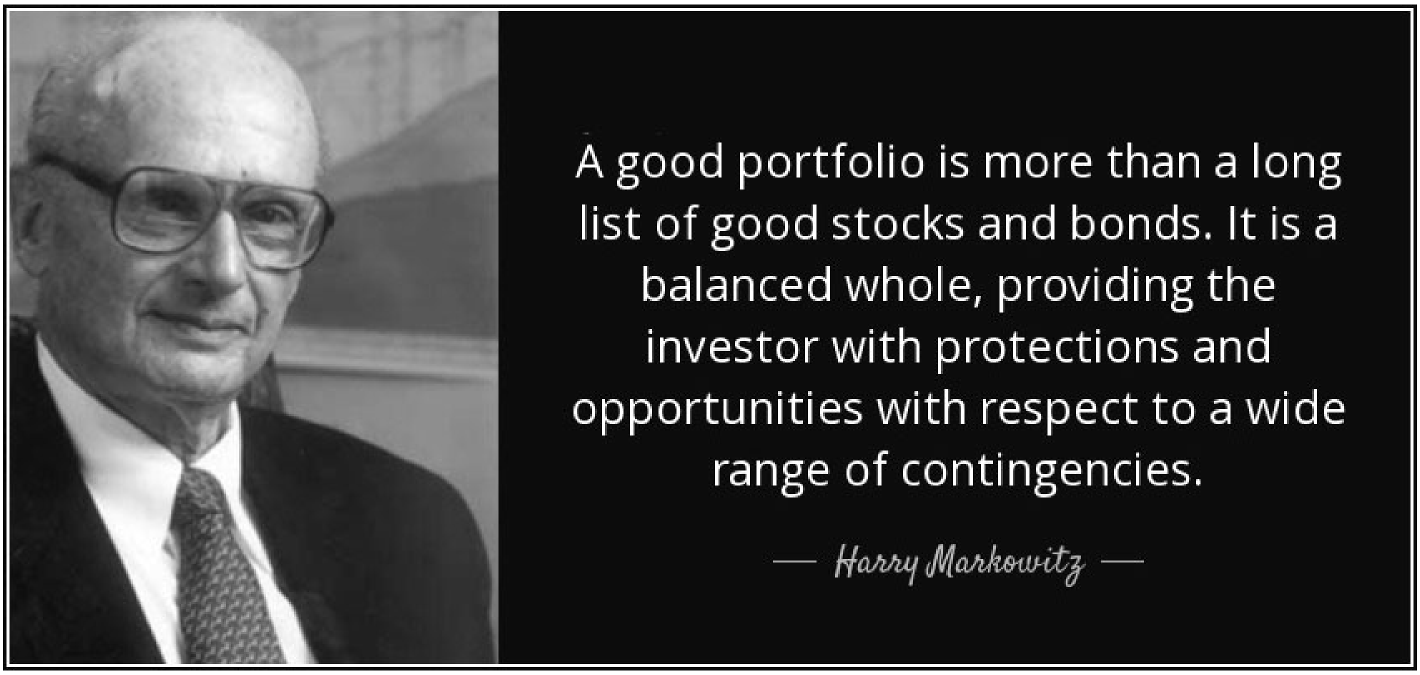
There has to be bubble of optimism and positive sentiments in the mind set of investors for the participation in stock market. For an investor, having efficient portfolio becomes a wow moment. An efficient portfolio provides maximum return at given level of risk and low risk at given level of return. It aims to balance stock having greatest potential returns. There should be perfect balance of risk and return to generate efficient portfolio. Every investor has an appetite to create efficient portfolio through lucrative investment but the investment which you think lucrative may not be necessarily lucrative as it depends on financial market. It is said that market corrects itself. Hence, it is market which helps you to provide a clue for either lucrative or unprofitable investment. History plays an important role to create it as majority of the technical analysts and fundamental analysts engage in such type of activities. When an investor is rushing to invest first time, one has to ponder over the issues related with efficient portfolio and impact of VUCA on it.

It will be gratifying and heart-warming when one puts their hard earned money and find appreciation in their return as well as capital. But, simple question does not always have simple answer. There are numerous influencing factors of efficient portfolio. Volatility, Uncertainty, Complexity and Ambiguity are out of them. In volatile financial market, the stock price can rise or fall in short span of time and trend may be reverse rapidly. It is all about frequent and rapid change. Uncertainty represents here a situation where events or outcomes are not predictable. The term complexity consists of multiple issues and determinants which may be intricately interconnected and ambiguity refers to lack of clarity in understanding the exact situation of anything. These factors can dampen and erode investors' funds in a jiffy. VUCA creates momentum of headwinds due to which all the participants as investors in stock market face the problem creating pessimism in stock market. It means VUCA hinders the growth of portfolio. It becomes very difficult to forecast the stock price of any company. The estimation of technical analysts and fundamental analysts go in vain if cluster of volatility exists in market. Stock market is the pure example of stochastic process where the change of price happens in an uncertain way due to which difficulties are faced by technical analyst and fundamental analyst to provide suggestion to their clients.



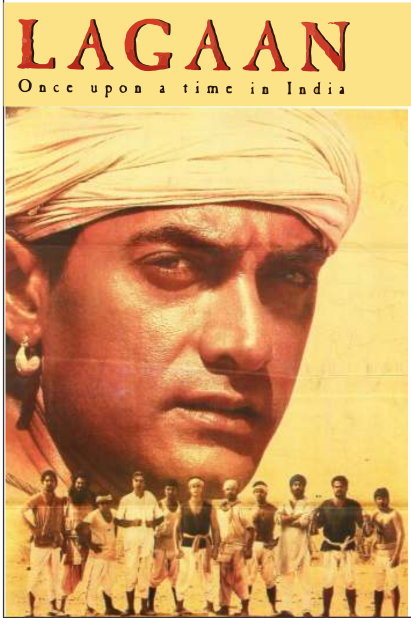
Generally, VUCA generates both systematic and unsystematic risk in stock market that compels investors to reduce it. Now, the question is how to carry on an efficient portfolio in current juncture of VUCA financial market? It requires the expected return, volatility and correlations of securities. On the basis of these variables, Portfolio revision may be done to carry on efficient portfolio identifying the balance between risk and returns of given securities in a stocks. It helps you to remove inefficient securities from the list of your securities and include those which are having high expected rate of return in a portfolio. Another way to create efficient portfolio is to focus on undervalued stocks on the basis of stock exchanges. It is universal fact that stocks always trade at their fair value on stock exchanges. Volatility clustering is also considered as one of the factors to be understood while selecting securities in an efficient portfolio. When the securities are selected in an efficient portfolio, it helps to generate efficient frontier. Basically, the volume of investment depends on the nature of investors and their level of riskiness. If the investors are risk averse, of course, they hesitate to put their hard earned money in any risky investment. Hence, an individual investor can determine how much volatility he or she is willing to maintain in his portfolio. Majority of the investors want the stocks of blue chip companies to create efficient portfolio as there is low risk in investing there because of their national recognition, well establishment and soundness. They believe that these stocks are considered for capital preservation and protect the portfolio against inflationary pressure. It means it is one the best ways to create efficient portfolio because blue chip stocks have been observed least volatile investments consisting of an institutional status in the economy. The dynamics of change, prospects of surprise, confounding of issues and the haziness of reality have compelled investors to be far away from efficient portfolio. Efficient portfolio assumes that return must be normally distributed but it may experience higher than three standard deviation due to which it can be normally distributed. Somewhere, it is VUCA which dampens the stock return and leads to this situation.

One cannot eliminate these issues but one can manage or command them wisely. When the command over these issues is sought out, there will not be scepticism around the earnings growth on securities in a portfolio. Most importantly, the impact of VUCA financial world on efficient portfolio can be countered by understanding and the ability of investors/technical analyst/fundamental analysts to make sense of the multifaceted determinants which drives the return of security on given level of risk. However, risk generated from VUCA is inherent in the market which pushes investors to go one step ahead beyond risk averse.



Events organized by School of Management

JRD TATA Lecture Series



Leadership and Team Building - *The Lagaan Model*

Speaker

Dr. N.K. Kakkar

Professor & Advisor
Maharaja Agrasen University
Himachal Pradesh

24 August 2018 (11.00 am)

Venue: Seminar hall

SCHOOL OF MANAGEMENT

The School of Management organized its first event of current academic session 2018-19 on the topic “Leadership And Team Building – The Lagaan Model” by Prof N. K. Kakkar, Professor and Advisor, Maharaja Agrasen Technical Education Society and former Director General of Maharaja Agrasen Institute of Management Studies (GGSIPU). This lecture was a part of the JRD Tata lecture series which was commenced last year to commemorate the invaluable contribution of JRD TATA. Prof. Kakkar emphasized on the importance of leadership and team building through the movie Lagaan and tried to capture the influential nature of the character Bhuvan. The session motivated students not only to behave like a winner but also emerge out as a winner by relating certain events of the movie to personal life experiences. Prof. Kakkar concluded his lecture with success mantra for students:

“WINNERS NEVER QUIT AND QUITTERS NEVER WIN.”

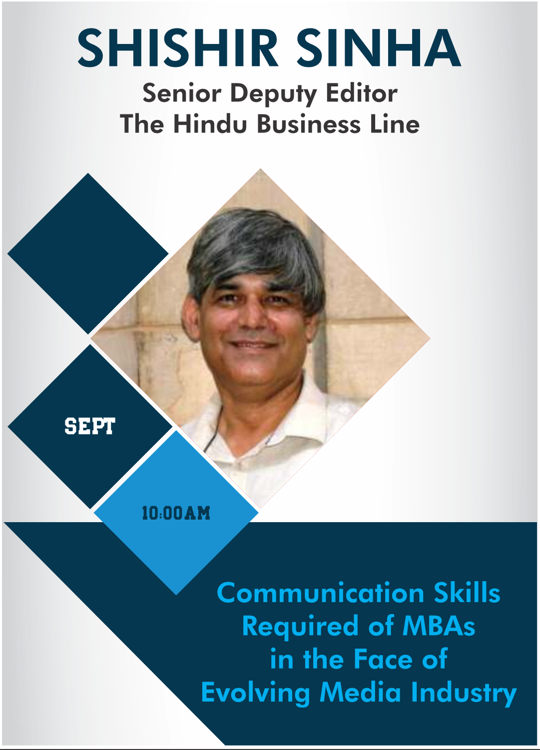
The guest was greeted with ceremonial tika by Sonal of MBA-II year and anchoring of the program was done by Divyanksha Khulbe, Komal Narang, Raveena of MBA-II year and Sniha of MBA Ist year.

Events organized by School of Management

JRD TATA Lecture Series

The School of Management organized second expert lecture under the JRD Tata Lecture Series in the current academic session 2018-19 on the theme **"Communication Skills Required of MBAs in the Face of Evolving Media Industry"**and invited a well-known media personality Mr Shishir Sinha. The objective of the lecture was to emphasize on the significance of communication skills for MBAs for a successful career in media as well as other creative fields. He highlighted how communication skills can be improved through media, be it electronic or print media. Mr. Sinha focused on incredible power of media industry used as a means of communication and numerous career options for MBA students in this industry along with the qualities and skills required for a successful future in it.

Mr. Sinha was warmly felicitated with tilak by Raveena, of MBA IInd year and a planter by Deepanshu of MBA Ist year.



Workshop on

Banking Operations

by

Mr S M Kaushik

Former Deputy General Manager

Punjab National Bank

31 August 2018 (11.00 am)

Venue: Seminar Hall

SCHOOL OF MANAGEMENT

The workshop was intended to give an insight of the banking system and its operations to the audience. Mr Kaushik motivated the students and explained the scope and prospects of MBAs in the banking sector. He apprised students of some government-run schemes such as NABARD, where professionals like MBAs have a vast scope to make significant contribution in improving operational efficiency and managerial effectiveness. The workshop deliberated upon various new concepts of banking services along with the impact of various government policies on the banking sector and its future. The students were guided by Mr Kaushik on making a lucrative career in the banking sector.

The event was organized and conducted by the first and second year students of MBA under the guidance of faculty members. The guest was felicitated by MBA Ist year student, Sunita Sharma and the program was anchored by Divyanksha of MBA IInd year along with Sniha Bhagwati, Ritu Dhania and Saanya of MBA Ist year.

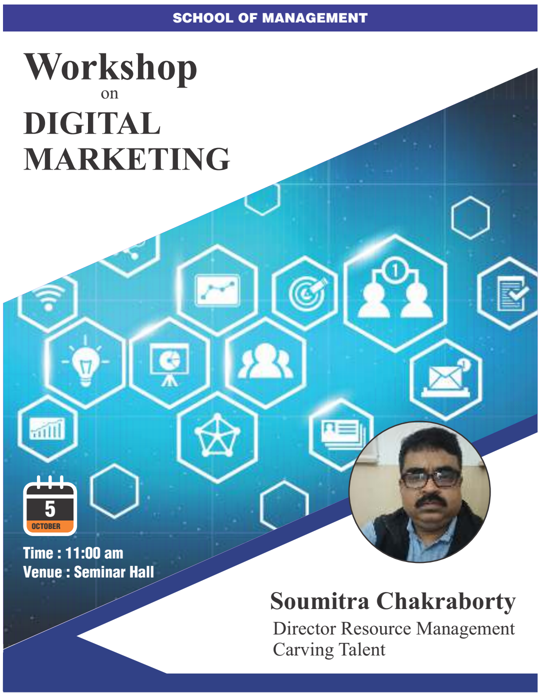
Workshop on MSMEs: Prospects and Challenges

SoM organized second workshop on MSMEs to highlight the need of Entrepreneurship in the present times. Mr Rajnish Goenka motivated our young students to take the entrepreneurial route to make a meaningful living and also become a partner in the economic development of India. He recalled the strength of pre-independent India which was essentially a land of small entrepreneurs and rightfully called“Golden Bird.” Truly, Entrepreneurship has always been in the “DNA of Indians.”Mr. Goenka talked about the challenges of MSMEs and how the same can be met through the innovative ideas of the youth. He narrated his own life experiences to demonstrate how sincere entrepreneurial efforts made him what he is today, a successful business tycoon. The workshop motivated the students in identifying the hidden entrepreneur within themselves by launching an Entrepreneurial Cell (E-Cell) on the campus of the Institute. Mr. Goenka promised all possible help and guidance in making the idea of E-Cell a reality.

Events organized by School of Management

The workshop aimed at apprising the students of unexplored dimensions of digital marketing which has emerged as the latest trend in the field of advertising and marketing. Mr. Soumitra Chakraborty explained its significance and how effectively it can be used as a tool for the promotion of products and services. Mr. Chakraborty emphasized that digital marketing, a cost effective device can be used to reach customers and capture new markets for expanding business horizons. The speaker gave insight of numerous web search engines which can be used in business for analyzing the market and meeting the demands of the customers. He also familiarized the audience about choosing the domain names of their business websites and the importance of wisely selecting the keywords while using the web search engines. The students learned lot of new things about digital marketing from the rich experience of Mr. Chakraborty.

The event was anchored by Ms Chhavi Tyagi of MBA II year, Abhishek Diwedi, MBA II year along with Shewta Bharti and Jenia of MBA I year. The guest was honored with a planter by Divyanksha Khulbe, MBA II year.



Participation of SoM Faculty & Students in Blood Donation Camp organised at Delhi Technical Campus

SoM Newsletter Editorial Committee (2018-19)

It gives us immense pleasure in informing that the School of Management at Delhi Technical Campus has constituted Editorial Committee of the Newsletter, a bimonthly publication. The objective of the committee is to improvise the standard of the newsletter and promote contribution of scholarly articles from academic fraternity and the students. The committee is headed by Professor J P Mahajan, as chief editor, HoD School of Management, Associate Editors as Prof.(Dr.) Anupama Sharma, Ms Sanober Khan, Assistant Professor, Ms Megha Gaur, Assistant Professor and includes Student Members as Ms Chhavi Tyagi and Kriti Bhatia from MBA II year, Shashank Srivastava and Harsha Chaudhary from MBA I year.

Sitting - From Left : Sanober Khan, Anupama Sharma, J P Mahajan, Megha Gaur
Standing- From Left : Harsha Chaudhary, Kriti Bhatia,Chhavi Tyagi, Shashank Srivastava

28/1, Knowledge Park-III,
Greater Noida - 201306 (U.P.)

Phone : +91-120-3123233
Mobile: +91-852-721-5678
Email : info@delhitechnicalcampus.ac.in