

M.L.Dahanukar College of Commerce

THE BAF TIMES

ISSUE I

4 DEC 2021

VOL III

FEATURES

AAJ KI KHABAR | PAGE 3

Weekly updates
about the finance
world

BOOK REVIEW | PAGE 13

A peek into the life of
Rich Dad Poor Dad



FOREWORD



Idea Behind This Weekly Newsletter

Being a Commerce College, students are expected to know the changes in the business world. This weekly newsletter will help the students get acquainted with a glimpse of what happened in the week gone by. It will also have insights into various business and commerce related updates which will help you gain in-depth knowledge. Make it a point to read each and every article in this issue and stay updated so that you don't get outdated.

- DR. D. M. Doke, Principal

TABLE OF CONTENTS

3 Aaj ki Khabar

Weekly updates about the finance world

4 Cabinet Approves Decks For NARCL

Finance Minister Nirmala Sitharaman on September 16, 2021 announced the approval of the Union Cabinet for a Government guarantee of Rs. 30,600 Crore for Security Receipts (SR) issued by the National Asset Reconstruction Company Limited (NARCL).

7 The Hidden Shadow of Inflation

All of us have heard of the term 'Inflation'. It is defined as a rise in the general price level of goods and services in an economy. Inflation causes a reduction in the purchasing power of money, that is, the same amount of money will buy lesser goods or services than before.

9 How Can India get back the PoK?

China Pakistan Economic Corridor (CPEC) and Pakistan occupied Kashmir (PoK). Read more

13 Book Review

"If you work for money, you give the power to the employer, if money works for you, you keep the power and control it."

Rich Dad Poor Dad by Robert T. Kiyosaki

15 Crossword

Increase your finance knowledge while having fun



AAJ KI KHABAR

- Govt sells Central Electronics to Nandal Finance and Leasing for Rs 210 cr.
- Parliament Winter Session 2021
Highlights: Farm Laws Repeal Bill passed in both Houses amid Opposition's demand for discussion.
- Govt to introduce new Crypto Bill in Parliament after Cabinet approval : Finance Minister-Nirmala Sitharaman
- India's GDP expanded 8.4% in July-September quarter, as reopening picked up pace.
- Govt's excise mop-up from petrol, diesel doubles to Rs 3.7 lakh crore in FY21; states get Rs 20,000 crore



CABINET APPROVES DECKS FOR NARCL

Ms. Rutuja Nagare

Alumni

M.L.Dahanukar College of Commerce

Finance Minister Nirmala Sitharaman on September 16, 2021 announced the approval of the Union Cabinet for a Government guarantee of Rs. 30,600 Crore for Security Receipts (SR) issued by the National Asset Reconstruction Company Limited (NARCL).

Let us First understand what “NARCL” or “Bad Bank” is?

We all know that banks accept Deposits and pay a certain rate of interest to Depositors, and charge an interest rate on the loans disbursed. And the interest earned from the loans makes up for the profit of the banks. But when disbursed loans are not repaid on time or within the window of 90 days, the loan which is an asset of the banks turns into a Non-Performing Assets. And then the rising NPA’s leads to a decline in the profitability of the bank. This not a problem exclusive to one particular bank, in fact, the problem of NPA’s has been a formidable challenge for entire Banking Sector.

A “NARCL” or “Bad bank” is a bank that buys the bad loans of other lenders & Financial institutions to help clear their balance sheets. The Bad bank then resolve these Bad Assets over a period of time. It is the entity that has the task to make India’s banking sector, saddled with NPA’s, health.

Why we need Government-backed SR’s?

- In the past, the track record of Private Asset Reconstruction Companies (ARC’s) in repaying SR’s has been very pitiable.
- There are some 28 Private ARC’s but they generally buy Small to Medium size loans.
- They do not take up big ticket assets, therefore there is a need for Government-backed SR’s for Five Years.



What NARCL will do ?

- The NARCL will acquire nearly Rs. 2 Lakh Crore of stressed assets from Banks.
- It will pay banks 15 per cent Cash Upfront for these assets & issue Securitization Receipts (SR) for the remaining 85 per cent of the Asset Value. The Cabinet approved a Rs. 30,600 Crore Guarantee to back these Securitization Receipts.
- This Guarantee will come into play if the asset is not able to realise its value & will be valid for Five Years.

What is India Debt Resolution Company Ltd. (IDRCL)?

Along with NARCL, the government will also set up the India Debt Reconstruction Company Limited (IDRCL). The IDRCL is a Service Company or an operational entity, which will manage assets and loop in market professionals and turnaround experts. It will work like a 'Hafta Vasuli'. The IDRCL will put the Pressure on Company to recover the Assets.

How will NARCL & IDRCL work?

The NARCL will acquire the Assets by making offer to the Lead bank. Once the proposal of NARCL is accepted, IDRCL will be engaged for management and value addition.

Why is a government guarantee needed?

It provides reliability and provides for contingency Buffers. Therefore, the Govt. of India guarantees up to Rs. 30,600 Crore will support Security Receipts (SR) issued by NARCL . The guarantee will be valid for Five Years.

NARCL, in which state-owned banks have a 51% stake, is Currently awaiting the nod of the RBI to operate as an Assets Reconstruction Company. Parallely, lenders have completed the Process of Identifying 'Toxic Assets' that can be transferred to NARCL.



Challenges:

- This will be big challenge for resolution of bad loans in Five Years.
- The private ARC's have been struggling to resolve the issues as there has been a lack of Interest among buyers, then what is the guarantee that NARCL will also able to solve the Bad Debts.

Benefits for Banks :

Finance Minister Nirmala Sitharaman said, "This will free up bank personnel to focus on Lending Activities".

This will be encouraged prompt action on the resolution of Stressed Assets which will help in better value realization. This approach will allow personnel in banks to increase business and focus on credit growth.



THE HIDDEN SHADOW OF INFLATION

Ms. Isha Mahajan,
TYBAF

All of us have heard of the term 'Inflation'. It is defined as a rise in the general price level of goods and services in an economy. Inflation causes a reduction in the purchasing power of money, that is, the same amount of money will buy lesser goods or services than before.

The effects of Inflation are easily felt when we see the cost of 1kg of vegetables hit sky-high prices or the price of our beloved Vada Pav on a constant rise. But what about the less visible effects of inflation? Think of Maggi. About 10 years back, you could buy a 100-gram noodle cake for Rs. 10. Now, not only does it cost Rs. 12, but also weights just 70 grams. The price increase is easily visible but the decrease in weight is not. This sneaky inflation sometimes shows up in shrinking cereal boxes, other times in trimmed-down biscuit packets, and sometimes, it just doesn't show up at all! Your Lays packets might have become bigger but also flush with more nitrogen than before.

Businesses have to devise various ways to cut corners and stay competitive. They cannot hike up the price every now and then. Some creative tweaking with the package size often just does the trick-increase the size of the packet while reducing the actual product. That's because you're much more likely to notice a flat increase in price than the fact that there's more gas inside the chips packet. This phenomenon is termed as Shrinkflation. It is especially prevalent in products with a sensitive price point where absorbing the costs or reducing the quantity are the only way. Shrinkflation has been happening since the 1970s, but it has gotten worse during the pandemic.



This hidden or shadow inflation not only occurs with goods but also in services, where it is termed as Skimpflation. What it essentially means is a drop in the quality of services as businesses struggle to cope with a labour shortage and rising material costs. Imagine you own a restaurant. The costs have increased but less people are visiting, especially after Covid. Now, some of these costs can be passed to the consumers, but not all of them. What about increased staff wages, cleaning costs and other overheads? So, you would have to cut down on inputs. You could either choose to run the restaurant with only 5 waiters instead of 6 or you let go off the extra cook.

These changes may not be seen but they manifest into poor customer experience. People having to wait longer or even having trouble ordering the dish. Sub-par experience because of skimping on quality is exactly what skimpflation is. We see it in many forms – the airline known for serving meals during the flight has stopped the service, hotels skimping on cleaning services or even restaurants reducing their offerings at the breakfast buffet. What's more, is that it's almost impossible to account for skimpflation as its not easy to quantify the quality of services.

Shrinkflation and Skimpflation may not always be noticeable, however, their economic effects in the long term may be severe.

HOW CAN INDIA GET BACK THE POK?

Mr. Sahil Darji
TYBCom

China Pakistan Economic Corridor (CPEC) and Pakistan occupied Kashmir (PoK)

- CPEC is a masterplan by China and a masterplan has many great benefits.
- CPEC is a belt road built from Gwadar port to Kashgar in China
- CPEC is basically covering the whole Pakistan.

Are they fools to say yes to this plan? Yes they are. Pakistan is a country completely in debts and it gave China a perfect opportunity to throw some cash as bones to a dog and make Pakistan loyal for China's benefits. Which is a great diplomacy by Chinese diplomats as its going as planned as this plan seemed so foolish to the world and some Pakistani diplomats and economists.

The government in Pakistan gave a straight away answer to them by saying that a road will be made, our infrastructure will develop. Gwadar port will be developed and upgraded at international levels which will benefit country.

The labour needed to build the road will be Pakistanis and hence the money supply will increase and the economy will suffer less.

So the thing happened is

- China never agreed for Pakistani labour. China sent over 7000+ workers for about 210 projects in Pakistan
- Chinese workers were frequently attacked by terrorists over there so China made Pakistan to develop 2 soldiers for each Chinese worker so 14000+ soldiers were deployed and the cost was increased here

- The Gwadar port will be a Special Economic Zone (SEZ) so basically it will be like a Chinese colony in Pakistan and a port which they can't use.

Ironic! Isn't it?

The Baloch are strongly against this CPEC plan and they also frequently attack the Chinese workers near Gwadar as they don't want to lose a beautiful city like Gwadar due to the foolishness of their government.

Balochs are also strongly revolting against the Government as they want an independent Baloch state and hence the Balochistan Republic party does some anti-national stuff in Pakistan as a revolt.

So what are the benefits of CPEC to China and why it is a masterplan?

Currently for any trade from middle east countries, China has to take a sea route from Indian ocean and it is quite time consuming and costly and if anytime India and Sri Lanka dominates the Indian ocean it would cut off most Chinese trades from sea routes. So the Chinese diplomats came out with CPEC. They made Pakistan their good friend, used veto powers to save them at UN, gave as much loans as they want knowing they won't return any of it and use it a leverage to make Pakistani Government to say yes to CPEC.

So, China decided to takeover Gwadar port as it is closest to middle east countries. from there Chinese can trade with less transportation time and the cost will also greatly reduce.

So, with this CPEC plan being successful, China can have a military influence like US had in Middle East. China can take care of any movements made by India on Pakistan or China and can override this situation whether it's military or navy attack.



So, is this inevitable? No there is way to stop this. Let's see how.

This plan has a major fault that the route is passed through PoK which is an illegally occupied land by Pakistan. Hence India can continuously raise voice against it but taking matters in UN has made no progress in this Kashmir issue so what can we do now, how to stop this Chinese plan of creating CPEC.

To stop this, we need to get our PoK back and it will instantly break the connection between China and Pakistan.

Ok. How do we get our PoK back? What we can do now?

If we go for an attack now at PoK, we can handle the Pakistanis at one hand but PoK is so vital for CPEC, Chinese army won't hold back and we would be at a two front war which would be very much tough for India and we may even lose further more of our Kashmir.

So, when is the perfect time? The Chinese have their eyes on Taiwan for a long time now and China has openly mentioned that by 2024 Taiwan would be captured and taken under China. How is it related to PoK? Let's see.

Taiwan is a critical issue at global level and the US has given words that if China tries to take over Taiwan, the US army will back up the Taiwan Government and attack China with full force. For this event, US has prepared with strong naval hold ready to move any movement to help Taiwan.

To capture Taiwan and with USA helping them would make that task hard for China and with China pushing hard on that battle front it also can't take care of PoK's situation at an intense level and this would be the perfect time to strike from LOC pushing back the Pakistani army from PoK



and defend well at CoK as China will attack, but the force would be drastically low as they also can't take up big battles at two fronts. If they decide to go on then there will be an alliance made with most European countries at our side and some Islamic countries would lean on towards Pakistan, most likely Russia would be neutral and this all combined have a potential of World War 3. I am not promoting wars here but just giving out possibilities if China increased force to protect Pakistan.

What if China didn't attack Taiwan?

It would be like Pakistan getting out of PoK willingly, which is impossible. As we all know the Chinese present themselves as egoistic out there and once, they have openly said that they will acquire Taiwan before 2024 they would definitely attack there giving us a kind of an opening here.



RICH DAD POOR DAD BY ROBERT T. KIYOSAKI BOOK REVIEW

Bhavya Bhat,
TYBAF A

Rich Dad Poor Dad is written by Robert T. Kiyosaki. The book describes how the author learned about money from his contrasting dad's one being his friend's dad, who was one of the richest men in Hawaii, and the other being his father, who always struggled financially. The author explains various things like even after being highly educated it doesn't help a person to manage his wealth but having financial IQ or financial aptitude does, how the rich make money work for them instead of them working for money, and the difference between assets and liabilities.

The author explains how students in college learn how to make money but never learn how to manage money, for that a person needs financial aptitude to understand how to generate wealth or understand wealth management, being a degree student I agree with the statement as we mostly learn theory but we have never had the practical experience. A person can increase their knowledge by learning the four pillars of financial aptitude i.e. accounting, investing, understanding markets, and the law.

We all have heard this statement at least once in our lifetime "Work hard so that you can earn a lot of money" and a lot of us follow this advice which makes us work for money, not vice versa.

"If you work for money, you give the power to the employer, if money works for you, you keep the power and control it." Well, one may wonder how you can make money work for you. Well, the author explains that a person must invest in assets while keeping a daytime job



"Rich people acquire assets, the poor and middle class acquire liabilities that they think are assets "

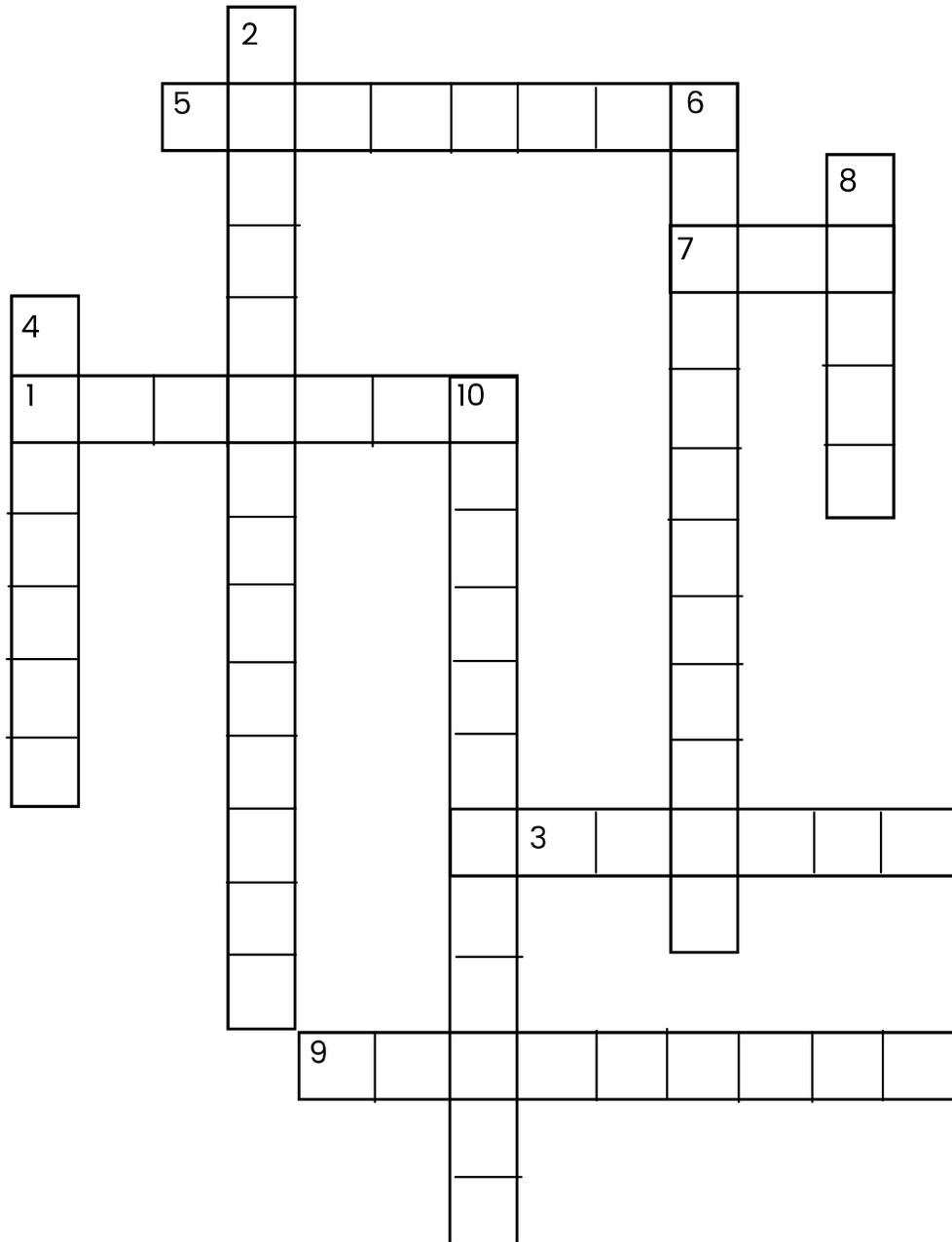
A lot of us have the misconception of considering a car as an asset, well it is not an asset as it gives no return and its value depreciates with time.

A person should know the difference between an asset and a liability. The author explains these concepts by saying that asset puts money in the pocket while liability takes money out of the pocket. Once these concepts are clear a person can invest in assets such as bonds, stocks, income-generating real estate, that generate money which then can be reinvested in other assets.

The author tells us to get over cynicism, like we all want to earn money by investing in stocks but always fear the risk and keep thinking "What if the market crashes?" due to this doubt we fail to act. This doubt or fear we feel is maybe because of our family or friends who keep on telling us how risky it can be, here the author states that "Often in the real world it's not the smart who get ahead but the bold"

The book has been written in such a way that even a layman could understand it, with various explanations of assets and liabilities or various commerce terms. This book truly gives justice to the goal of the author to teach people about money for their financial success.

CROSSWORD



ACROSS:

1. Expenditure shown in Profit and Loss account.
3. Sales - COGS
5. Goods which are fully ready
7. Apex Banking Institution of India.
9. Line of authority.

DOWN:

2. Opposite of macroeconomics.
4. Expenses paid in advance.
6. A non-cash expense.
8. Cost not affected by change in sales.
10. A self-made businessman.

Answers will be given on the last page on the newsletter



Designed by:
Bhavya Bhat, TYBAF

If you wish to contribute your articles to be featured in the next issue, please mail your articles on swapnils@mldc.edu.in or contact on 9987094858 by Tuesday of every week and wait for the issue to be released on Saturday.

All Articles in this issue are the personal views of the authors and the college does not necessarily subscribe to the personal views of the authors.

Editor-in-Chief
CS Swapnil Shenvi, Coordinator – B.Com.(A&F)
M.L.Dahanukar College of Commerce