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Greetings from Club FinNiche. With the launch of Passion and a host of seminars arranged, a lot has happened over the fortnight. Amongst all the preparation, submissions and practice interviews, we continue to keep you updated with the recent happenings, especially that of the financial world.

FinNiche launches yet another edition of FinXpress with the refugee crisis in Europe and Syria in focus. We also look at the One Rank One Pension scheme recently approved by the government its featured and implications.

The term of the week describes “Non-Performing Asset”, those assets of a bank that fail to bring any returns. With the Stock markets going for a spin across the world, do have a look at the Market section to have an insight.

Club FinNiche welcomes any comments, suggestions or criticism regarding the magazine. Please do write to us and share your ideas.

Best wishes to the Junior batch for their upcoming summer internship interviews.

Happy Reading!

Regards

The Editorial Team

Club FinNiche

SNIPPETS

- **What Is OROP?**
- **Highlights of proposed scheme**
- **Implications**

OROP - One Rank One Pension Scheme

The Union Government on 5 September 2015 announced One Rank One Pension (OROP) scheme for military veterans, expecting to bring closure to the 83 day-old protests at Jantar Mantar in the capital. The scheme was pending for nearly four decades.

The scheme which was announced as early as February 2014 could not be implemented till date as the modalities of the scheme were not finalized.

What is OROP?

OROP implies that pension should be disbursed uniformly to the armed forces personnel retiring in the same rank with equal length of service, irrespective of their date of retirement.

Presently pensions given out to ex-servicemen differ substantially based on their salary at time of their retirement. Frequent revision of pay structure as recommended by pay commissions also contributed to this differential payment.

For example, personnel who retired in 1990 receive fewer pensions compared to their juniors who retired in 2006 though they retired at the same rank with same length of service.

Features of OROP scheme

- Pension will be re-fixed for all pensioners retiring in the same rank and with the same length of service as the average of minimum and maximum pension in 2013.
- The benefit will be given with effect from 1 July 2014 to the ex-service men of all the three forces.
- Those drawing pensions above the average will be protected.
- In future, the pension would be re-fixed every 5 years.
- Arrears will be paid in four half-yearly installments.
- All widows, including war widows, will be paid arrears in one installment.
- Personnel who voluntarily retire will not be covered under the scheme.
- The estimated cost to the exchequer would be Rs. 8,000 to Rs.10,000 crore at present, and will increase further in future.

To address any possible issues related to the implementation of the scheme especially those of inter-service issues of three forces, the government also announced the formation of a one member judicial committee that will give its report in six months.



Implications and the way ahead

Now that the government has introduced OROP 'in principle', as they say; the real challenge now is to quantify the financial effect the scheme could have in future. Even if we keep aside the timing of the announcement, it has to be realized that the demand of an yearly review of the pension can have a cascading economic impact in terms of how much money the government can spend in other activities.

Today if we look at the cost of OROP on the government (which is again, just an estimation done not by the government) it is expected to be somewhere between Rs.8,000 to Rs.12,000 Crore so the first things needed is to calculate the economic effect on the exchequer if the review is done annually rather than every five years, as suggested. Here the government also need to strike a balance between their intentions and how they handle it. For example forming a one person committee would not be seen as a smart move from any aspect.

On the other hand, care should also be taken that the veterans should not become a political tool because the respect which they deserve is not only in monetary terms. Naturally a pension review every year is desirable, but it should be asked if it would really be practical.

Given the complexities involved, the government should first of all consider making an appropriate advisory committee to expedite the process. Moreover, if expenses on one scheme increases then how will it affect the other projects and government's initiatives these are the point pointers on which work still needs to be done before one can actually say that OROP has been successfully implemented. Delayed by many previous governments over the past few decades, it can be said that the current government has at least done a good work by introducing OROP scheme. However, as we all know, a half baked fish is liked by none, meaning work still needs to be done before it can be looked at as a successful step.

SNIPPETS

- **Raise in Investments**
- **Take Greater Risks**
- **Opportunity for investment in Oil Sector**
- **Use MNREGA funds for skill development**
- **Mudra Bank to be used for un-organized sector**

Risk & Investment - Modi advises

Prime Minister Shree Narendra Modi has urged the industries (India Inc.) to raise their investment and take greater risks as industry leaders requested for rate cuts in order to allow them to boost their capital spending by bringing down the cost of funds. They asked more policy action to improve ease of doing business.

Birla, Sunil Bharti Mittal of Bharti Airtel and ITC chief Y C Deveshwar. Reserve Bank Governor Raghuram Rajan as well as Road Transport and Highway Minister Nitin Gadkari, Power Minister Piyush Goyal and Oil Minister Dharmendra Pradhan were also present.

FICCI president Jyotsna Suri raised concerns



According to CII President Sumit Mazumdar the Prime Minister has said that the industry has a greater role to play in strengthening our economy. This was mentioned in a meeting of the Prime Minister with CEOs, bankers, economists and bureaucrats where the agenda of the meeting was "Recent Global Events: Opportunities for India".

The industry leaders who contributed to the brainstorming session with Modi on 'Recent global events: Opportunities for India' were Reliance Industries Chairman Mukesh Ambani, Tata Group head Cyrus P Mistry, Aditya Birla Group head Kumar Mangalam

stating that the cost of capital was too high and that she did not know many people would go ahead to take risk and invest.

Many of the industrialists raised the issue of interest rate. They remained firm with the view that reduction in the rates would help them in the endeavor of increasing their risk taking capacity and allowing them flexibility at taking more risks. They also stressed on the need to create a viable ecosystem for start-ups and self-employment to flourish.

Major emphasis was laid upon improving the credit flow, de-risking and de-stressing public

the need to create a viable ecosystem for start-ups and self-employment to flourish.

Major emphasis upon improving and destressing public sector balance sheets, improving the overall lendable resources of the banking system, innovation and entrepreneurship. As per experts India

Finance Minister Mr. Arun Jaitley confirmed that the Indian economy would be less-affected by the global turmoil, the reason being the strong fundamentals of our policies. He urged the industrialists to consider this as favourable conditions for importers of oil commodities as oil was



remained the chief attraction for investments globally.

Prime Minister Shree Narendra Modi has laid great emphasis on SMEs and has suggested the industries to make use of MNREGA funds for developing skills. He also advised them to use Mundra Bank to support the unorganized sector.

the most affected market globally. Mr Arun Jaitley expressed his hopes of rolling out the implementation of Goods and Services Tax (GST). Those present at the meeting acknowledged that most of their tax concerns had been addressed and that the government was looking forward to taking steps towards GST issue in the near future.

G20 Finance Ministers and Central Bank Governors' meet

SNIPPETS

- **About the G20 meet and agenda of discussion**
- **India's stand in the meet**
- **China's stand in the meet**

Amidst turbulence on global financial markets fuelled by growing fears that the efforts of central banks to prop up the economy with injections of money are being flooded by deflationary trends, the finance ministers and central bankers of the G20 nations met for the third time in Ankara on 4th & 5th September, 2015.

People's Bank of China Governor Zhou Xiaochuan reviewed the massive run-up and crash of Chinese equities, acknowledging its global impact in August. The nations respected "the strengthening economic activity in some economies" however said that global growth was missing the mark concerning their desires. Despite the acceptance of global growth falling short of the expectations and warnings of impact of fall of Chinese market on the emerging markets, the communique declared that the G20 had taken decisive actions to keep the recovery on track and was confident that the recovery will pick up pace. IMF has already acknowledged that all the predictions of growth has fallen beyond the predictions of the US, the Eurozone, Japan and the poorer countries. So, there is in fact no global recovery.

As the financial leaders talked about the slow in growth rates, Finance Minister of India Arun Jaitley commented that the last month has been unstable for the stock markets because of external factors. "But at this stage, one needs

to distinguish between real economy and the impact of currency devaluation on stock markets and our domestic currencies which are transient features. With the transient trends blowing over, it is the real economy that is going to matter. It will dictate the currency valuations and stock market." IMF Chief Christine Lagarde also said that India is among few bright spots in the global economy. He said that at the time when the growth remained weak in developed and emerging countries like China, India continued to grow at a good rate. Referring to the theme of 3 I's of this year i.e., Inclusiveness, Implementation and Investment for growth, Jaitley said, "While we have considerably enhanced our inclusive growth efforts, our efforts related to Implementation and Investment for growth needs to be accelerated in light of the challenges posed by repeated downward adjustments to global growth projections." China joined the world's largest economies with the stand that they will not play with their currency and play so called currency wars to gain a competitive advantage. Zhou Xiaochuan said that the China's currency has stabilized after the country's sudden announcement to revalue the yuan in the month of August, 2015. He said, "At present, the exchange rate of RMB against dollar tends to be stable, and most of the correction of the stock market has taken place, so the financial market is expected to be more stable".

INTERNATIONAL

ALANKRITA

SNIPPETS

- **“When one man dies, that’s tragedy. When thousands die, that’s a statistics”**
- **The crisis will continue till we don't end the war**
- **1951 refugees commission protect refugees.**

Understanding the refugee crisis in Europe, Syria, and around the World

Lets begin by the old saying of Joseph Stalin. "When one man dies, that's tragedy. When thousands die, that's statistics."

The world started recognizing the deep refugee crisis recently after a three year old Turkish boy death got viral on the web.



For the last four and a half years ,there has been a horrific civil war going on in Syria , which began with Arab Spring of 2011.

In spite of the protest, long reigning dictator Bashar-al-Assad has refused to relinquish power and instead has battled the rebellion with astonishing violence. The 2011 population of Syria was 22.4 million which has now decreased rapidly. People have start looking for help from the neighbor countries like Turkey, Jordan, Lebanon and Europe.

The whole refugee process is underfunded by UN 's Refugee Agency as they don't

have money. In the absence of any help to these refugees illegal entities are getting benefitted . In order to enter Europe illegally via boat from Turkey, Morocco, or Egypt they are paying thousands of euros. As they are refugees not migrants , the 1951 Refugees Commission is there for there rescue which gave them the right not to be penalized for entering a country illegally if they request for asylum. The European countries intentionally are making the refugee entering process tough so the number of people entering can be reduced. In the absence of proper method of entering the countries , these unwanted deaths will continue.

Now whom be can blame for this crisis? Pretty much everybody. The Assad regime, Iran , Russia and china who support his regime and doing nothing to help refugees. The Arab states of Gulf who support the refugees financially but have taken ZERO refugees. Australia, Canada. USA are the countries who take very less number. There is racial discrimination also going on various parts of world for these people.

The high time has come now for us to understand that THEY ARE OUR PEOPLE and we need to take care of them. We have both legal and ethical obligation.

TRENDING NEWS

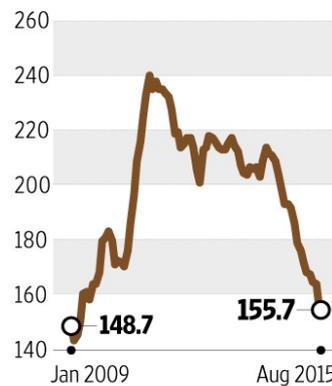
SHILPA KUMARI

More bad news for farmers

The World Food Price Index which is compiled by the United Nation's Food and Agriculture , for the month of August has fell down by 5.2% to 155.7 points from the previous month which is the lowest since May 2009. Farmers will definitely not like this. This fall is good for the consumers

SHARP FALL

The World Food Price Index in August, at 155.7 points, is at its lowest level since May 2009.



Source: Food and Agriculture Organization

which reduces the inflationary expectations thereby providing room for the decrease in interest rates by Reserve Bank of India. The domestic prices are also affected with the change in global food prices especially of the commodities which are traded.

UBI penalized with Rs2 lacs by SEBI

Securities and Exchange Board of India on Thursday penalized United Bank of India,

Kolkata with a penalty of Rs.2 Lac because of breaching certain regulations like it acted as a debenture trustee to one of its own borrowers.

Indigo declares fourfold jump in its profit

India's biggest airline IndiGo on 10th Sept has reported a net profit of Rs. 1304 crore for the fiscal year 2014-2015. It has been making profit since 2009 and currently operates a fleet of 97 planes and offers 648 flights a day. There are various factors which can be mapped with the increase in net profit like increasing passenger traffic in this fiscal year, increasing market share through expansion of capacity, higher seat occupancy and the lower jet fuel prices.

Government approves 100% FDI for White Label ATMS

White label ATMs are operated by non bank companies that allows holders of domestic debit ,credit or prepaid cardholders to make transactions related to withdrawal of cash, make a balance enquiry or enquiry of mini statements. Since its implementation it has been growing at a very slow pace so government on this Wednesday has approved 100% FDI for non bank entities with certain restrictions. This move has been taken by the government with an aim of improving financial inclusion in the country.

MARKET

ABHISHEK GUPTA

INDIAN MARKETS

Indian stock markets continued to face the risk of a further slump as investors fear another slowdown in the global economy. The market is expected to follow the track of US Equities as US Federal Reserve meet for the next monetary policy meeting on September 16, 2015. Domestically, there is not much impact on the stock market except the talks for a parliamentary session on Goods and Service Tax Bill. The weak rupee against the dollar is affecting the IT stocks badly.

3 BEST PERFORMERS

- MARUTI SUZUKI
- TATA MOTORS
- BAJAJ AUTO

3 WORST PERFORMERS

- HUL
- COAL INDIA
- LUPIN LTD.

	Open	High	Low	Close
SENSEX	25,764.78	25,875.96	24,845.77	25,610.21
NIFTY	8,053.70	7,854.90	7,544.40	8,001.95

BSE SENSEX



CNX NIFTY

NPA - Non Performing Asset

SNIPPETS

- **What are NPAs**
- **Classification of Advances**
- **Reasons for NPA occurrences**

An asset becomes a “Non-Performing Asset” when it ceases to generate Income for the Bank.

Banks should not just treat advances as NPA merely due to existence of some deficiencies which are of temporary in nature, such as non-availability of adequate, drawing power, balance outstanding exceeding the limit etc. Where there is a threat of loss, or the recoverability of the advance is in doubt, the asset should be treated as NPA.

On an account turning NPA Banks must do away with recorded accrued income by treating it as loss and stop further application of interest.

Banks classify NPA's as Assets that have accrued Inflows but they have not been realized for a period above 90 days. That is, Installments or Interests overdue beyond 90 days.

Banks generally classify their advances into following

- **Standard Assets: Performing Assets**
- **Substandard Assets:** Assets, which are doubtful beyond 90 days, the recovery of which has become questionable.
- **Doubtful Assets–** They are classified as D1: Doubtful up to 1 year

D2: Doubtful from 1 to 3 years

D3: Doubtful beyond 3 years

Loss Assets

All these classifications are made, to provide ease on recording provisions against the unsecured portions of these assets.

Reasons for Occurrence of NPAs

NPAs result from what are termed “Bad Loans” or defaults. Default, in the financial parlance, is the failure to meet financial obligations, say non-payment of a loan installment. These loans can occur due to the following reasons:

- Usual banking operations Bad lending practices
- A banking crisis (as happened in South Asia and Japan)
- Overhang component (environmental reasons, natural calamities, business cycle, Disease Occurrence, etc.)
- Incremental Component due to Internal bank management, like credit policy, terms of credit, etc.

PERSONALITY

ABHINA PANDA

JANET YELLEN

Janet Yellen sparked off a new era in the history when she was crowned the new head of Federal Reserve on 3rd Feb 2014, nominated by the US President Barack Obama himself. even before adorning this position she was President and Chief Executive Officer of the Federal Reserve Bank of San Francisco & Chair of the White House Council of Economic Advisers.

A leading American Economist, she was the vice chair of Federal Reserve Board of Governors since 2010. She also served as Professor Emerita at the university of California, Berkeley, Haas School of Business.

Born on 13th august 1946, in Brooklyn, New York, Janet Louise Yellen was a very bright student from the beginning. She graduated from Fort Hamilton High School in Brooklyn, where she excelled in many subjects. She also served as editor-in-chief of her school newspaper and became valedictorian of her graduating class in 1963. She graduated summa cum laude from Pembroke College (Brown University) with a degree in Economics in 1967. During her graduation her life changed completely when she made a crucial decision to change her planned major from philosophy to economics.

The credit for this influence is given to her

professors George Borts and Herschel Grossman. After receiving her Ph.D. in Economics from Yale University in 1971 for a thesis titled *Employment, output and capital accumulation in an open economy: A disequilibrium approach*, she served as the assistant professor at Harvard University from 1971-76. From 1977-78, she worked for the Board of Governors as an Economist, before joining the faculty of the London School of Economics and Political Science (1978 - 80).



Yellen is popularly known as the 'dove' of Wall Street since she is more concerned with unemployment rather than with inflation. Hence she is less averse to interest rate hikes as contrast to William Poole , who was known as 'hawk'. However it is opined by many that when economic circumstances compel she may even act like a 'hawk'.

Often categorized as a Keynesian Economist and an advocate of use of monetary policy in stabilizing economic activity over business cycle. Yellen is a staunch believer in the modern version of the Philips Curve (which originally was an observation about an inverse relationship between unemployment and inflation). In her 2010 nomination hearing for Vice Chair of the Federal Reserve Board of Governors, Yellen said, "The modern version of the Phillips curve model—relating movements in inflation to the degree of slack in the economy—has solid theoretical and empirical support."

In a 1995 meeting of the Federal Open Market Committee while serving on the Board of Governors of the Federal Reserve System, Yellen stated that occasionally letting inflation rise could be a "wise and humane policy" if it increases output. At the same meeting she also stated that each percentage point reduction in inflation results in a 4.4 percent loss of GDP (Gross Domestic Product).

Featuring No. 4 in the Forbes list of most

powerful women in the world, Yellen received the Wilbur Cross Medal from Yale in 1997. In October 2013, it was announced that she will receive an Honorary Doctorate from the London School of Economics in July 2014, making her and her husband "the first wife and husband team to hold honorary doctorates from the School".

In 2014, she was named by Forbes as the second most powerful woman in the world. She is the highest ranking American on the list. In May 2015, Yellen received an honorary Doctor of Social Science degree from Yale University.

The Yale economist has barely had a moment's rest since being on the Chair: She took over shortly after the central bank began unwinding its recession era bond buying program and then deftly ushered markets through six cuts that brought monthly purchases to \$0 from a peak of \$85 billion. Now the Fed is on track to loosen the economic reigns further by beginning to hike interest rates as soon as June 2015 - a feat it hasn't attempted since 2004. With so much at stake a single word from Yellen can send asset prices swinging but she received praise in March 2015 when she managed to change guidance without spooking investors. Meanwhile she has been fighting a call to increase congressional supervision of the Fed while pushing to improve the Fed's oversight of big banks.