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Foreword

We, the team at SURESH & CO., are delighted to present the latest edition of "EMERGING THOUGHTS." This publication serves as a compilation of global events and innovative ideas crafted by our dedicated articled assistants—individuals on their journey to becoming Chartered Accountants, as well as our esteemed employees.

Staying abreast of global history, news, and ongoing events is crucial in today's dynamic world. Awareness of the latest developments, whether local or international, is essential as they can have a direct or indirect impact on our lives. The positive response from our readers has been truly heartening, marking a continuous journey of milestones where every learning opportunity has illuminated our path with the essence of knowledge.

At SURESH & CO., we foster an environment where every individual is encouraged to embrace boldness in the pursuit of innovation and wisdom. Our team members are empowered to think beyond their perceived limits, leading to the purification of their thoughts, an enrichment of their vision, and the exploration of realms beyond their academic focus.

In this edition, we share the initial gems of thought conceived by these young minds. It's important to note that these updates may not have undergone a review by senior or technical experts. Therefore, readers are urged to view them as sparks that ignite positive reflections. We advise further research and analysis on topics of interest to ensure a comprehensive understanding.

Thank you for being part of this journey with us. Let the "EMERGING THOUGHTS" inspire and stimulate your intellect as we collectively explore the boundless horizons of knowledge and innovation.

"“Your attitude is critical to success. If you expect things to be difficult, it will always be easier to solve problems, overcome adversity, and have an enthusiastic energy about how you go about and enjoy your work.”

“Beautiful souls are shaped by ugly experiences.”

Update for the day #1891 |2 things about the Digital Personal Data Protection Bill

It all began in the hallowed halls of the Supreme Court in 2017. Nine judges of the highest court in the country passed a landmark ruling and said the 'right to privacy' is a fundamental human right. And since we all live in the digital age with bits of data just floating around everywhere, we needed rules in place to ensure that our data remained private. That we had control over how websites, apps, platforms, and companies collected and stored our data.

So, the folks in the government quickly got to work — they were going to create India's first data protection law. They published the first draft in 2019 and asked for feedback. And there was a whole lot of it. So, they went back to the drawing board and reworked it. Multiple times. In fact, the bill that was passed in the Lok Sabha a couple of days ago is the fourth attempt at getting it right. And it's actually a fairly straightforward 33-page document. There's hardly any legal jargon that'll make you want to tear your hair out.

They're calling it the 'Digital' Personal Data Protection Bill (DPDP). And it'll deal with two types of data—one that's collected digitally as you browse websites and social media platforms. And also data that's collected offline and then fed into a computer.

Now the basic rules here are simple. When someone wants your data, they need to tell you exactly what they're using it for. And then they must seek your consent before collecting and processing such data. They can't use the data any way they like. For instance, if a bank asks for your photograph while opening an account, they need to first seek consent on a separate personal data notice that clearly explains why they need it and how they'll use it.

Also, if a person wants their data to be erased at some point, it should be easy to do that. No questions asked. If the entity responsible for collecting the data doesn't do all this, they'll have to incur heavy monetary penalties. Now there are exemptions to this, of course. But that's the gist of it. And there will be a Data Protection Board too. Think of it as an independent regulator that'll make sure that disputes are handled quickly. All this sounds good and this is something that will definitely get errant businesses to be more mindful of how they handle and process personal data.

Firstly, there's the matter of 'content'.

Now the government already has the power to block content. They just have to cite Section 69A of the Information Technology Act and can order platforms such as Twitter and YouTube to delete content. But the objectionable content first has to satisfy one of 6 criteria—and these primarily involve things like a threat to "national security" and "public order". But they've gone ahead and included a clause about blocking content in the DPDP too—a Clause 37.

Now on the face of it, the wording is quite innocent. It simply says that if the Data Fiduciary, or the folks who're responsible for storing and processing data, flout the rules twice, then the government will step in. It'll allow the Data Fiduciary to give its side of the story. And if the government is not satisfied, it may stop it from conducting business. So it makes sense. After all, the Fiduciary is handling people's personal data. So if they mess up, the government can step in to enforce its content blocking provision.

But there's a problem. See, the IT Act clearly listed out the 6 reasons why content could be blocked. But the DPDP just says it can be blocked 'in the interest of the general public'. And some folks believe that this could suddenly give the government a free rein on censorship. That it may be unconstitutional.

Also, this new clause in the DPDP seems to have come out of the blue. It wasn't a part of earlier drafts. And that means the public couldn't offer any feedback on it as well. The government decided. The government executed. Now technically the decision will be taken by the Data Protection Board which is seemingly an independent entity. However considering all members of the board are appointed by the Central Government itself, you could argue whether they're really independent.

Secondly, the impact on journalism.

See, investigative journalism is hard work. Reporters often spend days poring through documents and convincing people in the know (who often prefer to remain anonymous) to blow the whistle on dubious activities—maybe a businessperson has offshore accounts managed by family members that they route money into secretly? Maybe a politician is playing favourites by handing out projects to his friends and family. These are things the public must know about. But what if this person cries foul? What if they say that the journalist has published private or personal information about them and they didn't consent to any of this?

Now here's the problem. Earlier drafts of the Bill actually exempted journalists from certain obligations. They could go about their investigative work and publish stories without a problem. They just had to make sure it was factually correct. But it seems like that's not the case anymore. There's no exemption even if the story might be in 'public interest'.

Does that mean it'll hurt investigative pieces from now on? Well, that's what the journalists fear. And finally, note that none of the provisions in the act may apply to the Central Government the way the Bill is currently worded. So yeah, you can see why a few people are worried about some aspects of this bill. But nonetheless, this should still set a precedent for businesses to be more mindful while dealing with personal data

By KK Krupa

Update for the day # 1892| Marthanda Varma: Forgotten Indian King

The historical narrative unfolds with the image of Indian kings as defeat specialists, overshadowed by invasions from Arab and Turkish forces since the 8th century. European powers, particularly the Portuguese, French, Spanish, British, and Dutch, later joined the invasion through sea routes in the 16th century. The focus narrows on the Dutch East Indian Company (VOC), which sought control over the Kerala pepper trade but faced a resounding defeat by the young king, Marthanda Varma, at the Battle of Colachel in 1741.

The Dutch East Indian Company's establishment in 1605 and subsequent success in trading, marked by the monopoly over trading rights and control of Jakarta in 1619, is discussed. The Dutch's domination in international trade and warfare, particularly in Southeast Asian countries, is highlighted, leading to the elimination of Portuguese and British settlements by the end of the 1700s.

The establishment of Dutch factories in India, starting from Masulipatnam in 1605, underscores their global influence. The rise of Marthanda Varma to the throne of Travancore in 1729 and his strategic expansion through annexing neighboring kingdoms create tension, especially for the Dutch, who had signed agreements with neighboring powers.

The Battle of Colachel in 1741 becomes inevitable as the Dutch, under Captain De Lannoy, attempt to halt Marthanda Varma's expansionist policies. Despite a fierce encounter and initial siege, the Travancore army, with its special force known as NAIR PATTALAM, decisively defeats the Dutch. Marthanda Varma's chivalrous act in sparing the life of the Dutch Captain De Lannoy sets a precedent.

The narrative emphasizes the historical significance of the Battle of Colachel as the first major defeat of a European power in Asia. The defeated Dutch signed the Treaty of Mavelikkara in 1753, marking the end of their dominance in the Kerala region. The victorious Travancore State commemorated the triumph with the erection of the Victory Pillar near Colachel beach.

The treaty led to Captain De Lannoy joining the Travancore army, contributing to the westernization of the military. In 1750, Marthanda Varma, displaying visionary leadership, surrendered his wealth to Lord Padmanabhaswamy and adopted the title "Servant of the Lord (Sri Padmanabhadasa)," solidifying his legacy as a key figure in Indian history.

By Sai Saran

Update for the day #1893 | NPCI launches new UPI features!!

National Payments Corporation of India (NPCI) on September 6 launched a slew innovative product which will catapult the payments giant Unified Payments Interface (UPI) to achieve 100 billion transactions a month. These products include credit line on UPI, conversational payment mode 'Hello UPI', BillPay Connect, UPI Tap & Pay and UPI Lite X.

This comes a week after UPI achieved the milestone of processing 10 billion transactions in a month in August. The non-profit organisation also revised its target from 30 billion transactions a month to 100 billion on the back of these new features.

The offerings were launched in the presence of Shatikanta Das, Governor, Reserve Bank of India (RBI) and Nandan Nilekani, co-founder and non-executive chairman of Infosys at the Global Fintech Fest in Mumbai on September 6.

Nilekani said, "NPCI is the crown jewel of India's technology sector. The structure of NPCI set up by RBI in 2008 as a non-profit company for payments, far expected expectations. It has set the stage for national information utilities. Using NPCI as the template we have several bodies now of similar structures whether it is GSTM for taxes, Digi yatra app, ONDC. All these other tech companies we have set up in India on non-profit basis to create on digital public infrastructure, use NPCI's model. Hope they too will add value."

"In India, we are going from an offline informal low productivity economy to a online formal high productivity economy as millions of people join society, get digital ids, bank accounts, mobile solutions and use digital capital to get credit. In the next 20 years, we will see huge formalization of India," he added.

"No wonder India accounted for almost half of the real-time digital transactions that happened in the world! Even other countries are keen on associating with UPI, so much so that Indians find themselves having the option of paying through UPI even outside India!" he said.

How these features work

For credit line on UPI, scan the QR code through your UPI-linked app for buying the product you want to purchase, select bank you want, enter amount and choose credit line. It's live with a few public sector and private sector banks at the moment. Payment apps it's live on include Bhim, Paytm, Payzapp and GPay. Hello UPI – the conversational payment mode, understands language

and silence, can convert text into numbers and text to speech.

Meanwhile, feature phone users get an upgrade with UPI Lite X which will let them do peer-to-peer transactions without active network or internet that too with a tap between phones, if they are near-field communication (NFC) enabled. Actual money transfer will happen as soon as either of the phones enter a network zone.

How UPI Tap & Pay Works

UPI Tap & Pay, probably the most interesting of these features involve tiny cards which have near-field communication (NFC) chips within which get linked to the user's unique QR code and UPI id.

To generate these cards, the user has to go to the nearest partner bank to find a contactless UPI card generating kiosk. Once the user picks the card design from the designs provided, they scan their QR code, the UPI id then gets verfied and linked to a card. The card then comes out immediately and can be stuck to mobile phones for tap-based payments.

By Rakshith R Ammati

Update for the day #1894 | UPI crossed 10 billion in the volume of transactions for the month August.

Unified Payments Interface (UPI) is the real-time payment mechanism. The instant payment system allows users to instantly transfer money to any bank account. Run by the National Payments Corporation of India (NPCI), UPI recently achieved a new milestone. UPI transactions in the month of August crossed 10 billion. Data from NPCI shows that **10.5 billion** transactions were recorded on the platform in August. The volumes are mainly driven by three players in the segment -- PhonePe, Google Pay and Paytm. In July last year, PhonePe processed around 4.7 billion transactions, followed by Google Pay at 3.4 billion.

Throughout India's presidency of the G20, it has played up the country's efforts at creating digital public infrastructure — of which UPI is a key part — and has also explored other nations' interest to adopt the underlying technologies that power India's digital public infrastructure (DPI) push, which it brands as the India Stack.

Industry analysts see this as India's bid to set itself up as a nation pioneering digital governance, especially as it aspires to assume a leadership role in the Global South. Within government circles, this is also being pegged as a differentiator from rival China, which is funding physical infrastructure development in other developing countries.

India wants to play a key role in the deployment of digital public infrastructure and plans to build and maintain the Global Digital Public Infrastructure Repository (GDPIR), a virtual repository of DPI voluntarily shared by G20 members and beyond. The repository aims to share the practices and experiences of development and deployment of DPI which may include relevant tools and resources in different countries.

Marketing openness

A model that India has come to pioneer has been to create underlying technology – which remains under the government's control – and allow private entities to use it to offer services and build products. The same is true of UPI, and Aadhaar, two crucial elements of the India Stack.

India Stack is the moniker for a set of digital codes and digital public goods that aim to unlock the economic primitives of identity, data, and payments at population scale. The overall architecture has three key layers – identity, payments, and data management

.

The bedrock of India Stack is a set of digital identity products centered around Aadhaar, India's national identity program. It can be used to remotely authenticate via two-factor or biometric authentication, receive digitally signed records such as driver's licenses, educational diplomas, and insurance policies, and sign documents or messages using a government-backed digital signature service.

UPI forms the second layer, which deals with payments, as it is designed to enable interoperability between money custodians, payment rails and front-end payment applications. The technology, which is in the custody of the National Payments Corporation of India (NPCI), has been licenced to several third-party private entities such as PhonePe, Google Pay and Paytm.

The third and final piece of the India Stack puzzle focuses on creating a new model for data governance. It operates as per a policy called the Data Empowerment and Protection

Architecture (DEPA), which at its core has the institution of a consent management system — which will allow the sharing of the information — with a view to provide better financial, health and telecom-related products and services to individuals and firms.

Aside from UPI, a number of digital solutions that the Indian government has rolled out in the last few years, including CoWin, DigiLocker, Aarogya Setu, and Government e-Marketplace (GeM), among others, all utilise the three fundamental layers of the Indian Stack.

But the Indian government harbours a larger vision for the solution – taking it international, as evidenced by the messaging on its website: "Although the name of this project bears the word India, the vision of India Stack is not limited to one country; it can be applied to any nation, be it a developed one or an emerging one."

Part of India's foreign policy

Since June 2023, India has signed agreements with countries like Armenia, Sierra Leone, Suriname, Antigua & Barbuda and Papua New Guinea to share India Stack, with countries like Mauritius, Saudi Arabia having shown their interest in adopting the model, the government said earlier this month.

Similarly, UPI has also been taken to international markets such as France, UAE, Singapore and Sri Lanka, with countries like Japan having shown an interest in adopting the payments system.
DPI has been a key part of the government's overall narrative about India throughout its G20 presidency. During the G20 digital economy ministers' meeting in Bengaluru earlier this month, Prime Minister Narendra Modi said that India is an "Ideal Testing Lab" for solutions that can be replicated globally anywhere in the world.

The PM also said that the country is willing to share its experiences in the domain of digital public goods, adding that India Stack has been envisaged to ensure "No one is left behind, especially those from the Global South."

By Rachana N

Update for the day #1895 | The G20 Summit

The G20 Summit is poised to begin on September 9 in New Delhi. The event, spanning two days, will witness participation from representatives of both member nations and guest nations. The focal point of the summit will involve deliberations on a range of economic reforms.

What is G20?

Established in 1999, the Group of Twenty (G20) is a consortium comprised of twenty of the world's largest economies. The main purpose behind its inception was to create a platform where significant industrialized and developing economies could convene to engage in discussions about matters concerning global economic and financial stability.The G20 nations collectively account for approximately 85% of the global Gross Domestic Product (GDP), more than 75% of the worldwide trade, and approximately two-thirds of the global population.The G20, consisting of 19 individual nations (Argentina, Australia, Brazil, Canada, China, France, Germany, India, Indonesia, Italy, Japan, Republic of Korea, Mexico, Russia, Saudi Arabia, South Africa, Türkiye, United Kingdom, and the United States) along with the European Union, collectively forms a prominent international assembly.

How G20 Works?

As per the central government website on the G20 Summit, the G20 was upgraded to the level of heads of state, and government in the wake of the global economic and financial crisis of 2007, and, in 2009, was designated the "premier forum for international economic cooperation".

The G20 Presidency oversees the G20 agenda over a span of one year and takes on the role of hosting the Summit. In the year 2022, Indonesia assumed the G20 presidency. Following that, Brazil is set to take on the presidency for the upcoming year.

What is the venue of the G20 Summit 2023?

The G20 Summit will be held in New Delhi at 'Bharat Mandappam' at ITPO Convention Centre, Pragati Maidan. The event will be held on Septemberr 9 and 10. In addition to the primary summit location, foreign delegates are also set to visit key venues of the national capital like Rajghat, IARI Pusa, and NGMA (Jaipur House).

G20 Summit 2023: Logo

The G20 Logo is inspired from India's national flag and contains vibrant colour of the 'Tiranga', ie saffron, white, green, and blue. The seamless combination of lotus coloured in white green and blue with the Earth adds on to the beauty of the logo. At a time, when climate change is causing severe loss of life, property and resources, the Earth in the logo reminds of the urgency to opt for an environmentally conscious approach. Beneath G20 logo, 'Bharat' is written in the Devanagari script.

G20 Summit 2023: Theme

The theme of the international summit is "*Vasudhaiva Kutumbakam*" or "One Earth · One Family · One Future." It is derived from a famous ancient Sanskrit text, Maha Upanishad. The theme, which gives the message of global unity, is a perfect slogan for the international grouping.

By Dhruv Bajoria

Update for the day #1896 | Pyramid Scheme and MLM Scams

A **pyramid scheme** is a fraudulent system of making money based on recruiting an ever-increasing number of "investors." The initial promoters recruit investors, who in turn recruit more investors, and so on. The scheme is called a "pyramid" because at each level, the number of investors increases. The small group of initial promotors at the top requires a large base of later investors to support the scheme by providing profits to the earlier investors.

Multi-level marketing or Network Marketing is a method of selling products directly to consumers without intermediary retail stores. Products are sold through a network of distributors or salespersons set up to resemble a pyramid: each distributor recruits and trains additional distributors and will earn commissions on their sales, as well as on the sales he or she makes. Because of their pyramidal structure, multi-level marketing companies can sometimes be Pyramid schemes.

A legitimate multi-level marketing company emphasizes reliable products or services. A pyramid scheme uses products or services to disguise its quest for collecting money from the investors on the bottom levels to pay other investors further up the pyramid.

Pyramid schemes are doomed to fail because their success depends on the ability to recruit more and more investors. Since there are only a limited number of people in a given community, all pyramid schemes will ultimately collapse. The only people who make money are those who are at the top of the pyramid.

These schemes are illegal in many countries. The pyramid model of profiting from a network of contacts often forces individuals to recruit their family members, friends, and acquaintances. This ultimately can strain relationships.

Bernie Madoff's investment scam is probably the most famous Ponzi scheme in history. Madoff pooled money from over 5,000 investors without ever any of the funds in the market. All in all, he managed to defraud people out of over $65 billion dollars.

Here are four pyramid schemes that Indians have fallen for in recent years:

- The SpeakAsia scam
- The Saradha Group chit-fund scam

- City Limouzines scam
- Amway scam

In India, is multilevel marketing legal?
According to the most recent regulations and legislation, the answer is yes, unless it qualifies as a Ponzi scheme or an unlicensed pyramid scheme business in India. It is lawful to join a pyramid scheme through a network as long as you are not asked to pay a fee to do so.

By Gaurav K Patiyat

Update for the day #1897 | What will the Reliance-NVIDIA and Tata-NVIDIA collaborations do?

NVIDIA has forged two significant collaborations in India, one with Reliance Industries and another with Tata Communications, both with the goal of advancing artificial intelligence (AI) infrastructure and applications in the country.

Firstly, NVIDIA partnered with Reliance Industries to create a foundational large language model tailored to India's diverse languages, ideal for generative AI applications in the world's most populous nation. This collaboration also aims to build a robust AI infrastructure surpassing India's fastest supercomputer.

Reliance Jio Infocomm, a subsidiary of Reliance Industries, will spearhead the project. The plan is to utilize AI to create products and services for its massive consumer base of 450 million Jio users. Additionally, Reliance aims to provide energy-efficient AI infrastructure for scientists, developers, and startups across India.

This ambitious project has numerous potential applications, including providing weather and crop pricing information to rural farmers via mobile phones, offering expert medical diagnosis on a large scale, and improving cyclonic storm prediction using decades of atmospheric data.

The AI infrastructure will be housed in AI-ready data centers with a capacity of 2,000 MW. Jensen Huang, NVIDIA's founder and CEO, expressed excitement about the partnership, highlighting India's substantial data and expertise. He noted that Reliance can harness these resources to create powerful language models for generative AI applications.

Mukesh Ambani, chairman and managing director of Reliance Industries, sees this collaboration as a catalyst for India's technological growth, comparing it to the transformative impact of Jio on the nation's digital landscape.

In parallel, Tata Communications is teaming up with NVIDIA to establish an AI cloud infrastructure that will facilitate AI computing across industries. This collaboration will leverage Tata Communications' global network to make AI cloud services accessible to enterprises worldwide.

Tata Consultancy Services (TCS), a subsidiary of Tata Communications, will utilize the AI infrastructure to develop and deploy generative AI applications. The alliance with NVIDIA will enable TCS to collaborate more effectively with its clients and upskill its vast workforce of 600,000 employees.

NVIDIA's GH200 Grace Hopper Superchip is at the core of these collaborations, offering advanced computing power and memory bandwidth. This superchip is poised to revolutionize computer architecture, making it ideal for AI-related tasks.

In summary, NVIDIA's partnerships with Reliance Industries and Tata Communications represent significant steps in advancing AI infrastructure and applications in India. These collaborations aim to harness the power of AI to benefit various sectors, from agriculture and healthcare to industry and education, ultimately driving India's AI ambition forward.

By Vishnu Bhushan B D

Update for the day #1898 | The index fund attack on Jio Financial Services is over. Almost.

Jio Financial Services can finally breathe. The stock is in the green.
You see, for a few days after this newly demerged Reliance entity hit the stock exchange, things weren't good. It kept dropping 5% every day. And that's due to a simple fact—forced selling by index funds.

Let us explain.

When JFS was demerged from Reliance Industries, it ended up on stock market indices such as the Sensex 30 and the Nifty 50. It didn't really deserve to be there. It didn't meet any of the typical criteria laid out for inclusion in these prime benchmarks. But, a small change in the rulebook meant that it landed up here anyway. The new rule simply said that in case a stock that's part of an index is involved in a demerger, the new stock or the demerged stock will also find a temporary home in the index. And since Reliance Industries was the biggie within the index, its spawn found a place too.

So for a brief period, the Sensex 30 became the Sensex 31.*

Now, for the uninitiated, index funds don't have a fund manager at the helm to pick good stocks and dump bad ones. No one's doing the research and pulling the strings. There's no one behind the curtain who'll dump a stock when a scathing new report alleging misdeeds at a company. Or who'll buy a stock when a company snags a big deal too. Instead, these funds are "passively managed. They simply buy and hold stocks in the same proportion as an index such as Sensex 30. If a stock drops out of the index, they sell too. They copy, they mimic, and they mirror the index. That's it.

So you know what they would've had to do with JFS, right?

If the index was dumping it, they'd have to exit too. They didn't care if the stock had a sound business or not. They'd break up with it once it leaves the index. That's the forced selling we alluded to at the start.

But what if they chose not to sell for a while? What if they took their own sweet time?

Well, they could. But on the flip side, if they didn't sell, it would introduce something called a tracking error. Which, simply put, is the difference between the returns of the index and the fund mirroring it. And investors don't like a large tracking error in these funds. They want it to be as close to each other as possible. So if an index fund begins to exhibit these deviations, investors will lose trust. They'll look for alternatives. And that'll affect its business prospects too.

But what the JFS incident also goes to show is the power of index funds. Even in a nascent market like India, these funds were able to drive down the price of a stock quite easily. No one else stood a chance against the relentless selling pressure. After all, by some estimates, there's over ₹5 lakh crores in funds tracking the various Nifty indices. That's quite a bit of 'mindless' money that's buying and selling stocks without a care in the world.

Now some folks might point to this 'attack' on JFS and remark, "Look at the harm caused by

the mindless mimicry by index funds. It's distorting the market." But what if we told you that these events might actually be good for active fund managers? You know, the ones who spend hours poring through annual reports and speaking to management before making a buy or sell decision.

You see, the breed of active management has been going through some tough times. People are questioning whether the fees they pay for these funds are worth it. And that's because the performance of these actively managed funds has been quite underwhelming. Take this stat for instance—in 2022, 88% of such funds that pick stocks of large companies failed to beat the benchmark. And if you extend the timeline to 3, 5, or even 10 years, you'll see a similar trend. They just can't seem to outperform the index. But think of these situations. Such as when the stock is being deleted from an index. Passive funds have no option but to sell en masse. It could knock down the share price. And if the fundamentals are strong, it gives a perfect buying opportunity for an active fund. They might be able to snag it for a bargain.

Or it could happen in reverse too when a stock is added to an index. Now this addition doesn't happen out of the blue. Investors know about it a few weeks in advance. And active fund managers can start buying the stock in the lead-up to that event. Because they know that passive funds have to wait on the sidelines. They'll take action only once the stock makes its appearance in the index. And once it does, the massive influx of passive fund money can drive up the price. It's called the "Index Inclusion Effect." And the active fund manager who entered earlier benefits. Heck, there are actually funds out there globally that bet on such situations. The active fund manager can basically ride the passive wave for their own benefit. Sure, you could argue that these events don't happen every day. And that's true. But hey, when it does, it's exciting times for sure.

So yeah, the next time you hear a fund manager complain about how passive funds are spoiling their party, maybe think about this story, eh?

*As of 1st September, JFS has been dropped from the Sensex 30. But, it still continues to be part of the Nifty 50 and could exit this week.

By Shanu Jain

Update for the day #1899 | Is Indian Craft Beer Fizzing Out?

There's beer. And then there's craft beer. It's not like the mass-produced beers that you find on most store shelves — like Kingfisher. Craft beers are brewed in small batches. They're like limited edition items. And they often incorporate interesting flavors like mango.

And the posterchild of the Indian craft beer scene has been Bira91. Launched in 2015, it quickly became a viral sensation. In its first year, it sold just 150,000 cases of beer. In the second year, they claim to have sold 700,000 cases. The demand was unprecedented and their beer was almost always out of stock.

They even got the venture capital firm Sequoia to make an investment. Yup, a firm known for its tech bets was dipping its toes in unfamiliar territory - beer. And maybe all this hype prompted others to follow suit. Everyone wanted to get into the craft beer business and brands mushroomed left, right and center. Industry reports flooded in using the same peg — under penetration. Reports back then pointed out that India's per capita beer consumption was just 4.6 liters when compared to an Asian average of 57 liters. Everyone expected this to rise.

But here's the deal. While some folks say that craft beer sales are growing by 20% annually, not everyone seems to think so. Others say that the packaged craft beer industry only sells a few million cases every year and the market share continue to remain in the low single digits.

Now we can't be sure what's the truth here. Because we haven't seen comprehensive reports about the craft beer industry. But it does seem that brands are pulling back slowly. LiveMint says that brands like Witlinger, White Owl, Kati Patang, and White Rhino have either shut down or scaled down their operations.

So, the question is — how did the once vaunted craft beer industry lose its way?
For starters, maybe people just overestimated the market for craft beer in the first place. Even after so many years, it still accounts for a measly 2-3%of overall beer sales. And maybe that's to do with the fact that most people in the country still prefer beers that are stronger in nature. Even Bira91 realized that a few years ago and launched a stronger variant in the lineup.

And not to forget that it's definitely a money-guzzler. Setting up everything can set you back by Rs 70 crores . Then you have to spend massive amounts on brand campaigns too. Since you can't directly advertise alcohol, you have to find other ways to get people's attention. Maybe by sponsoring festivals and stuff. And it just doesn't seem to end. Take Bira for instance. The brewer

has been around for almost a decade. And yet, in FY22 while the revenues from operations grew by 1.7 times over the previous year, its expenses rose by a similar amount too.

Then there's the headache of going pan-India. Because taxes are a state affair. And it can vary tremendously across the length and breadth of the country. The red tape around licenses can be chaotic. On top of that, there's the matter of beer being taxed based on volume. Not on alcohol content. So, a beer with 5% alcohol content is taxed at the same rate as Indian Made Foreign Liquor (IMFL) with over 40% alcohol. You can see why people prefer hard liquor then, don't you?

So, beyond a point, it becomes a tough proposition for craft beer makers to really lower the price. And then came the pandemic and the subsequent liquor ban. Most craft brewers were small players trying to find their footing. And a couple of washout summers meant that it was game over for most of them. And those who survived are now battling inflation. Because as soon as the Russia-Ukraine conflict kicked off, prices of key materials like barley and glass jumped 30-45%. And apparently, liquor companies cannot easily hike prices because pricing is actually dependent on what the state prescribes.

So yeah, put all these together and you'll see why a large section of the craft beer market is struggling. Maybe barring Bira91 which continues to find backing from foreign investors.
But wait…maybe there's still some light at the end of this tunnel. Because we've just talked about packaged craft beer so far. It seems that microbreweries, the OG of pouring fresh craft beer from the tap, are still gaining popularity. And while Sequoia might've not seen microbreweries as a scalable investment, we're seeing more of these local pubs brewing craft beers in-house. So maybe being and staying local is the advantage everyone wants today.
And we'll have to see who emerges on top over the next few years.

By Mohith G

Update for day #1900| How brands can reverse nature loss?

Fashion and consumer care brands are like environmental parasites!

Okay, that's a bit harsh but hear us out.

A basic cotton t-shirt guzzles 2,700 litres of water. A pair of denims need around 40% more water, if not more. And even your shampoo is basically 80% water with chemicals.

Not to forget the amount of trees that are cut to make certain products. For instance, palm oil goes into detergents, chocolates and cookies. Cultivating palm oil has resulted in the razing of massive forest cover. According to the UN's FAO (Food and Agriculture Organization), palm oil cultivation alone caused an average 629,000 hectares of deforestation each year from 2000 to 2018. For context, that's the size of over 11.7 lakh football fields!

Finally, when we dispose of all of these products and their packaging — it piles up in some landfill and pollutes the earth.

Now you probably already know all of this if you're a Finshots regular. We wrote about it in a story about forever chemicals and fast fashion destruction.

But we want to highlight something else. You can make consumer products without affecting the environment as much. Products can actually become nature positive.

You can create new things, regenerate ecology and not destroy what's left.

But to do this you have to identify the problem. And the problem is that we're all good at sucking out resources. Just turn your clothes inside out and look at the white label inside that lists all the materials that went into making it. You'll probably find a lot of polyester and cotton as these are the most widely produced fibres in the world.

But they aren't the most sustainable fabrics.

See polyester comes cheap and easily blends with other fibres. So manufacturers seem to naturally like it. But polyester consumes a lot of energy because it's a synthetic material made from plastic. That's why it has wrinkle-free properties and lasts longer. You may not have to discard it as quickly as a cotton shirt. But when you do, it could actually take anywhere between 20 to 200 years for it to decompose depending on the fabric it's blended into.

On the other hand, cultivating cotton itself is problematic. It chugs water. Over 70% of the world's cotton is grown on irrigated fields. You have to redirect surface or groundwater to grow the crop. And this eventually leads to its own set of problems.

So what's the way out, you ask?

Well, what if brands don't start from scratch every time? Maybe they actually pay more attention to recycling.

You see, less than 1% of textile polyester is actually recycled. Instead, we rely on plastic waste to get the output. Now that still sounds like a great idea. Who doesn't want to recycle plastic? But

the unintended consequence is that it could encourage plastic production. People might think, "Hey, if plastic is being recycled, we can produce more anyway." And that sets a bad precedent.

So companies have to step up recycling used textiles itself.

Fast fashion giant Zara has actually put this into practice. A couple of months ago it launched its new recycled fabric collection. They've rolled out a range of clothes with up to 50% recycled fibre. And this is quite important because every tonne of recycled polyester saves over 11,000 kWh of energy — equivalent to two years of energy consumption for an average household.

Another interesting example is Gucci's new fragrance. This luxury fashion house has used alcohol made out of captured carbon emissions. They decided that ethanol isn't the best choice because it's a derivative of sugarcane. And in parts of Brazil, there has been massive deforestation to make way for sugarcane. So just capture carbon and convert it instead.

But that's not the only way to go about reducing resource consumption.

Because it's not just about how brands make their products, but how you and I care for these products too.

If you've looked at a pair of Levi's jeans, you'll find a Water<Less label on it. That's actually a dyeing technique that uses up to 96% less water in the finishing stages. And the brand claims to have saved about 172 million litres of water that way. And to take it a step further, Levis has been trying to educate customers on how to use less water while caring for their garments too. Now, you might think this is trivial. But incorrect garment care can do a lot of damage. And that's because wearing and washing clothes often releases tiny little threads called microfibres into the environment.

You see, textiles are actually responsible for over a third of the microplastic pollution in oceans, in the form of synthetic microfibres. But when you use a washing machine at its full capacity, opt for shorter wash cycles and lower temperatures it could actually reduce microfibre shedding by up to 30%. So when brands invest in consumer awareness and education, it adds up in helping everyone reduce their environmental footprint.

And we know most of this discussion focuses on textiles. But you could do the same thing with personal care and beauty products as well. Take The Body Shop for example. If you buy a product from them, you can always drop the empty containers at their nearest stores.

It also runs a program that connects the organisation to waste pickers and sources materials from them for recycling. L'Oreal has this too. When brands develop reverse logistics such as recycling and take-back programs, it could prevent nearly half of the annual plastic waste from reaching the ocean. Even if just 10-20% of the packaging is reused.

And just like that, if fashion and personal care decide to source responsibly, reduce water dependence, educate customers and introduce circularity, it could make a huge difference. The unfortunate bit is that only 5% of Fortune Global 500 companies have targets for biodiversity loss.

So maybe it's time to talk a little more about being "nature positive" in the fashion and personal care world. Or else, the way human consumerism is growing, it could be too late to save the planet.

By Hardik S Patel

Update for the day #1901 | Govt tables Nari Shakti Bill for 33% political reservation to women

Twenty-seven years after it was first tabled, the women's reservation bill was introduced in the Lok Sabha on Tuesday as the very first agenda of the New Parliament after Prime Minister Narendra Modi led MPs to the new House following a farewell to the old in an hour- long event at the central hall of old Parliament on Tuesday morning.

"The previous bill was passed by Rajya Sabha on March 9, 2010. The Rajya Sabha reported it to Lok Sabha and the bill became property of the Lok Sabha. It eventually lapsed with the dissolution of the 15th Lok Sabha on May 18, 2014," the home minister said challenging Adhir to prove his remarks.

The prime minister earlier said the bill would strengthen his government's resolve on women-led development.

"Women's contribution in politics should increase, so also their presence in policymaking," said the PM in a move that seeks to woo half the population of the country ahead of the crucial state and Lok Sabha polls.The provisions of the bill are the same as before.

Meghwal said the bill amends four articles of the Constitution — Article 239 AA reserving 33 per cent seats for women in NCT of Delhi assembly; Article 330 A for one-third reservation for women in Lok Sabha, Article 332 A for one-third women reservation in state assemblies and Article 334 A providing for women reservation for 15 years and giving Parliament the power to extend this period.

Once the bill gets passed, it will reserve 181 out of 543 Lok Sabha seats for women candidates.
Key highlights of Nari Shakti Bill

- To come into effect only after the first delimitation exercise post the next Census which won't be before 2026.
- Rotation of reserved seats for women after every delimitation.Quotas likely to be effective only by 2029 Lok Sabha polls once the current cap on delimitation lifts in 2026.
- Bill provides quota within quota: one third seats under 33 pc reservation for women in Lok Sabha and state assemblies to be set aside for SC and ST women

By Karthik A S

Update for the day #1902 - G-20 shown unmistakable symbol of India's rise at group photo

The monsoon rains eased as Indian Prime Minister Narendra Modi welcomed world leaders to the Raj Ghat memorial complex in central Delhi on Sunday, site of the eternal flame that burns for Mahatma Gandhi.

Symbolism is hard to escape in the so-called family photograph. It's a G-20 tradition that offers a rare, unvarnished glimpse of the interaction between leaders — the warmth or chill of greetings, the backslapping, side chats, scowls or moments of awkwardness - and so points to the state of world relations.

Absent from this year's lineup were China's President Xi Jinping and Russia's Vladimir Putin, both of whom skipped the summit amid tensions with the US and its allies. (Mexico's Andres Manuel Lopez Obrador, who rarely leaves the Americas, also stayed away.)

Indian media reported that the picture would not be a traditional family photo due to disagreement over the inclusion of Foreign Minister Sergei Lavrov, who stood in for Putin.

US-China rivalry and Putin's war on Ukraine were never far away from the summit and infused the joint statement. But those global challenges took a momentary back seat as leaders ambled toward the black marble monument to Gandhi for their fam ..

Some, like Germany's Olaf Scholz and Canada's Justin Trudeau, walked barefoot through the wet. President Joe Biden and Brazil's Luiz Inacio Lula da Silva — who assumes the G-20 chair from India - were among those wearing slippers or overshoes.

A moment's silence was held, then traditional Indian music struck up as the G-20 heads made their way out, past a backdrop of Gandhi's ashram that was a centre of the Indian struggle for freedom.

Biden walked beside Modi as the UK's Rishi Sunak reached over to have a word. Japan's Fumio Kishida walked beside South Korea's Yoon Suk Yeol, the recent rapprochement between the two US allies on display. Lavrov, shunned by several leaders, talked with UN Secretary-General Antonio Guterres, who has been pressing for Russia to resume the Black Sea grain deal.

India's chairmanship of the G-20 was perhaps most notable for securing an unexpected consensus among leaders, in particular on the contentious language related to Russia's war, but also on global action to combat climate change and on admitting the African Union as a full member of the group.

By Kishore R

Update for the day #1903 | G20 Summit One Earth, One Family & One Future

Summit Venue: Bharat Mandapam International Exhibition-Convention Centre, Pragati Maidan, New Delhi.

The G20 New Delhi Leaders' Declaration, while garnering attention for addressing the Ukraine-Russia conflict, also emphasized the urgency of addressing the global climate crisis. Here are the top 10 green takeaways from the summit:

Limiting Global Warming to 1.5°C: The G20 acknowledged the Intergovernmental Panel on Climate Change's (IPCC) findings that limiting global warming to 1.5°C would substantially reduce the impacts of climate change. The leaders reaffirmed their commitment to work towards this goal, emphasizing the need for significant emissions reductions.

Mainstreaming Lifestyles for Sustainable Development (LiFE): Leaders pledged to take collective actions to promote sustainable production and consumption patterns and integrate LiFE principles into global practices. This approach is expected to contribute significantly to emissions reduction efforts by 2030.

Circular Economy: The G20 introduced the Resource Efficiency and Circular Economy Industry Coalition (RECEIC) to enhance environmentally responsible waste management and reduce waste generation significantly by 2030. The summit emphasized the importance of zero-waste initiatives.

Clean and Inclusive Energy Transition: The G20 recognized the need for over $4 trillion in annual investments for a high share of renewable energy in the primary energy mix. They affirmed the "G20 High Level Voluntary Principles on Hydrogen" to build a sustainable hydrogen ecosystem and stressed the importance of sustainable biofuels in low-emission strategies.

Green Climate Fund Replenishment: The leaders emphasized the importance of maximizing the impact of multilateral climate funds, including the Green Climate Fund, to support developing countries in implementing the Paris Agreement. They called for an ambitious second replenishment process for the Green Climate Fund.

Scaling Up Climate Finance: Recognizing the financial requirements for both developing countries' NDCs and clean energy technologies, the G20 acknowledged the need for significant funding. They called for the establishment of a New Collective Quantified Goal (NCQG) for climate finance in 2024, starting at a floor of $100 billion annually.

Land Degradation Reduction: The G20 expressed its voluntary commitment to reduce land degradation by 50% by 2040, aligning with the G20 Global Land Initiative.

Biodiversity Conservation: Leaders pledged full implementation of the Kunming-Montreal Global Biodiversity Framework to halt and reverse biodiversity loss by 2030, urging others to do the same.

Combatting Plastic Pollution: The G20 demonstrated its determination to end plastic pollution and welcomed the establishment of the Intergovernmental Negotiating Committee. This committee aims to develop a binding international instrument to address plastic pollution, particularly in marine environments, by the end of 2024.

Disaster Resilience: Leaders called for accelerated efforts to reduce disaster risk and enhance resilience through various means, including strengthening national and local capacities, innovative financing tools, private sector investment, and knowledge sharing.

In summary, the G20 New Delhi Leaders' Declaration placed significant emphasis on addressing environmental and climate challenges, demonstrating a collective commitment to sustainable practices, emissions reductions, and global environmental stewardship. These initiatives represent a significant step forward in the global effort to combat climate change and protect the planet's biodiversity and resources.

By Suhan Bammigatti

Update for day #1904 | India wants a bigger bite of the MICE tourism pie

The festive season is in. Hotels are making sure that they're sufficiently staffed. Airfares are already running uphill. The hospitality industry is on its toes. Everybody knows this is when you make the most money. It makes up for the lean months when people don't travel as much.

But what if there was a way to keep India's travel and tourism business ticking all year round?
We're talking about the government's plan to double down on tourism through the MICE program. What's that? Well, the acronym expands this way - meetings, incentives, conferences and exhibitions or events.

You see, India has less than a 1% share in the estimated global MICE business. But the global MICE industry was valued at over $900 billion in 2019. That's a big market and recent events may have forced us to rethink our approach when it comes to this sector.

Just look at how much the G20 summit and the upcoming ICC Men's Cricket World Cup have positively affected business travel. Delhi for example is too busy to breathe. The travel demand, measured using the travel demand index was 40% higher than usual.

International flight arrivals for business purposes were up 63% Y-o-Y at the Indira Gandhi International Airport. That's what data from Adara, a data collection firm owned by RateGain suggests.

In fact, the average revenue per room sold in Delhi quadrupled over the last year in just 4 days when India hosted the G20 delegates.

Even travel companies like Thomas Cook (India) have witnessed a 289% Y-o-Y growth in their MICE business during the first half of 2023. Put all of this together and you'll understand why India thinks of MICE tourism as an exciting prospect. The opportunity looks so promising that it now wants to double its share in the global MICE business to 2% over the next 5 years.

But here's the thing. ICCA, an association that analyses the meetings industry releases an annual report every year. In it, it ranks countries and cities by the number of meetings they hold. In 2019, India took the 28th spot with over 150 meetings. For comparison, the US was at number 1 with over 900 meetings.

In 2022 though, India slipped down 9 spots and was ranked 37. But according to the Ministry of Tourism, we aspire to be in the top 20 by 2027. So regaining our lost ranking and making it to the top — that's clearly two problems at hand.

How do we solve that, you ask?
Well, the first thing of course is to perk up infrastructure.
If we want more people to meet in India, you have to get the basics right. For starters, you need more hotels that match international standards. And that is no easy feat. It's quite capital-intensive. Hoteliers will need to acquire vast spaces of land. Get all the permits and licenses. And also equip their locations with amenities and services that appeal to both local and global guests alike. And they can only do this if the government gives them a leg up.

But the government has its own priorities. See, they can allot "infrastructure status" to certain

industries. Once they do that, any project within the industry can borrow at attractive interest rates. After all, they are aiding the government's infra push. But currently, the only hotel projects that get this privilege are those that cost over ₹200 crores. And over the last few years, more hotels have asked for this status. It could not only promote infrastructure for MICE but also boost the tourism industry in general.

But hotels aren't the only expansion we need. There's convention centres and meeting halls too. Look, India doesn't really have venues that can accommodate large crowds of about 7,000 to 10,000 people. So, the government has extended the infrastructure status to such large projects too. It could be exhibition centres, convention halls or auditoriums. As long as they meet the minimum floor area requirements, they're covered. And they're actually delivering great results.

We have the government-backed Bharat Mandapam at Pragati Maidan which is the best example of attracting MICE business. That's where we hosted the G20 leaders' summit recently. And the Yashobhoomi Convention Center in Dwarka is set to become one of the largest MICE centres globally. Mumbai's Jio Convention Centre too has already hosted about 800 events in FY23. One of the reasons it has been able to do that is exhibitions, which accounted for nearly a third of the centre's business.

If you think about the big picture, exhibitions can actually be a doorway for India to get ahead in the MICE business race. Because the Indian exhibition industry has grown rapidly at about 8% over the last few years. Trade fairs alone generate a whopping ₹3 lakh crores annually. And they go beyond just bringing in revenues. They generate employment, spark interest in 'Made in India' products and also boost business for others in the sector when they onboard folks like event management companies and caterers.

Now, all these ambitions cannot materialise without giving the whole MICE salad a perfect dressing. We're talking about smoother regulatory processes. The government plans to ease this through incentives like simple single-window clearances for events. Or even reimbursing the bid costs for huge global events to those who bag the tender.

On a lighter note, Indians are popular for their hospitality. So, if marketed well, these strategies could go a long way in getting India closer to its MICE goal. We'll only have to wait and see how it all pans out.

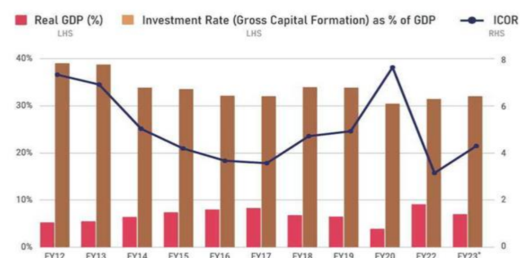
By Chandana K A

Update for the day #1905 | Forget GDP, Look at ICOR (Incremental Capital Output Ratio)

The Gross Domestic Product (GDP) is a powerful tool for assessing a country's economic performance, capturing all its economic activities in one figure. It provides a clear indicator of whether the economy is growing or contracting. However, GDP has its limitations, and one crucial aspect it overlooks is efficiency, productivity, and hustle.

Efficiency is a key factor in sustainable economic growth, and to gauge this, economists use a metric called the Incremental Capital Output Ratio (ICOR). ICOR evolved from the Harrod-Domar Growth Theory in 1939 and measures how much additional capital is needed to generate a 1% increase in output. A lower ICOR suggests that capital is being used more productively, leading to an efficient economy.

In India, the ICOR currently stands at 4.4, indicating that the country is becoming more efficient in its use of capital. To truly understand the significance of this number, it's essential to consider trends over time and sector-specific data. Over the past decade, India's ICOR has dropped from 7.5 to approximately 4.5, approaching the recommended range of 3-4, signifying improved efficiency.



Several factors contribute to this drop in ICOR. After the 2008 global financial crisis, companies in India over-invested, leading to underutilized capacity. However, as the economy recovered, these investments began to pay off, improving efficiency. Additionally, the government's investments in infrastructure projects with quick turnaround times, like roads, boosted productivity and had a multiplier effect on jobs and growth.

Efficiency in capital usage is crucial because it allows an economy to maintain its growth trajectory even with limited capital availability. It ensures that existing investments continue to yield results,

reducing the need for additional capital.

While ICOR provides valuable insights into efficiency, it's not without flaws. It's better suited for manufacturing economies and may not accurately represent sectors where services dominate, like software. To gain a more precise understanding, analyzing ICOR on a sector-by-sector basis, especially in capital-intensive industries, can reveal a country's true productivity.

In conclusion, while GDP remains a vital economic indicator, ICOR offers a more nuanced perspective on efficiency and productivity in an economy. India's decreasing ICOR suggests positive strides towards economic efficiency, fueled by timely investments and recovery from past over-investment. However, a comprehensive analysis, considering sector-specific data, is necessary for a complete understanding of a nation's productivity.

By Suman S

Update for the day #1906 | Sun Pharma partners with USA's Pharmazz to bring an innovative stroke drug to India

Global pharma giant Sun Pharmaceutical Industries Limited announced on Thursday that it had entered into a license agreement with American biopharmaceutical company Pharmazz Inc to commercialise an innovative drug, Tyvalzi (Sovateltide) in India. Sovateltide, developed by Pharmazz for potential global use, is intended for treating cerebral ischemic stroke. Under the agreement, Sun Pharma obtained the rights to market Sovateltide in India under the brand name Tyvalzi (Sovateltide). Pharmazz will receive upfront and milestone payments, including royalties, as part of this collaboration.

The Phase 3 clinical trial for Tyvalzi conducted in India demonstrated statistically and clinically meaningful improvement in neurological outcomes in ischemic stroke. Tyvalzi is a first-in-class innovative drug that can help improve the quality of life of stroke patients. The drug can be administered within 24 hours for the treatment of ischemic stroke.

The current treatment options provide a narrow time window of 4-5 hours, limiting their use in most patients," Kirti Ganorkar, CEO, India Business, Sun Pharma, said.

Sun Pharmaceutical is the proprietor of the brand name Tyvalzi, which is a pioneering drug for treating acute cerebral ischemic stroke, a condition where reduced blood supply to the brain can lead to brain damage, neurological issues, or even death. Tyvalzi has the ability to work on neural progenitor cells.

It encourages the growth of new neurons and blood vessels while safeguarding neural mitochondria and supporting their development.

Dr. B. S. Paul, a neuro-physician at Dayanand Medical College & Hospital in Ludhiana and part of the Tyvalzi (Sovateltide) clinical trials, highlighted the urgent need for new stroke treatments. "For over two decades, no new drug, except rTPA, has been approved for stroke treatment.

The limited 4.5-hour window for rTPA use excludes many stroke patients. Stroke is a major global health issue, and Sovateltide (Tyvalzi), a new drug, can be given within 24 hours of a stroke," said Paul.

Stroke ranks as the fourth leading cause of death and the fifth leading cause of disability in India, according to research studies. Studies within the country suggest that the incidence of stroke varies from 116 to 163 cases per 100,000 people.

Looking ahead to 2050, it's anticipated that over 80% of the projected 15 million new stroke cases worldwide will occur in low- and middle-income countries, according to health

experts. "Clinical trials showed it significantly improves neurological outcomes at 90 days, as measured by various scales. Sovateltide (Tyvalzi) acts by promoting brain cell growth and blood vessel development, offering promise as an effective and well-tolerated treatment for stroke patients,"

By Sree Harshitha S R

Update for the day #1907 | India cracks down on dark patterns

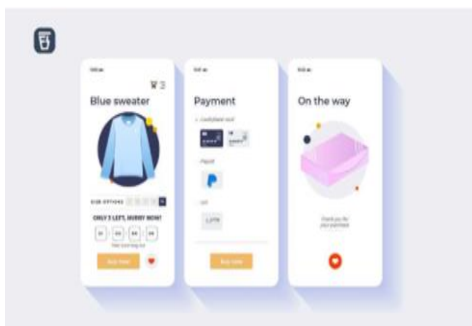
Imagine you're scrolling through an e-commerce website trying to buy some cool sneakers. You're just window shopping because you want the Diwali bonus to hit your account first before you treat yourself. And when you see a really cool one that costs ₹10,000, you add it to your cart. You don't have any intention to buy it just yet. But you do want to make a purchase eventually.

So you just want to leave it there.

But then, you get a pop-up notification. There's a countdown timer and it says, "Buy within 15 minutes and get a 10% discount."

You freak out. You don't know if you'll get that juicy discount again if you wait for a month. And you'll probably grit your teeth and hit buy.

Well, folks, this is what some would call a classic **dark pattern.** In this case, an idea used to generate "false urgency"!



It's what websites often use to nudge you to do something when that something may not be in your best interest. And the term 'dark pattern' is fairly new in our lexicon. It was coined only in 2010 by user experience (UX) designer Harry Brignull when he realized that websites were intentionally confusing users for their benefit. In fact, some studies show that consumers are 2-4 times more likely to be influenced into buying stuff when a website dangles such baits.

And the folks in power in India have been keeping a watchful eye on this. They know these dark patterns are rampant. Heck, even the ASCI (Advertising Standards Council of India) has seen this playing out. They're even calling out influencers who don't disclose that some posts are paid partnerships. It's a part of the dark pattern problem too. They say that 29% of ads they looked at in 2021-22 fell into this category. So that's why a few days ago, the Ministry of Consumer Affairs came up with draft guidelines to put an end to these practices. They want to protect people from these shady nudges. And they've listed out 10 dark patterns in their draft.

Such as "Basket sneaking" — which is when you go to the checkout window and find that the platform has automatically added travel insurance along with your flight ticket. Or "Interface interference" — when they show a small X to close a pop-up ad, but its placement is in such a way that you end up clicking the ad more often than not.
And all this can help companies make a truckload of money.

For instance, look at forgetfulness and digital subscriptions.

Think about all the free 30-day trials that websites offer. They won't let you try it out without you punching in your payment details. That's the entry point of a dark pattern you might not spot. Companies do tell you that they'll charge your card only when your trial expires. But what if you totally forget about it? In many cases, even finding the 'cancel' button is hard. They'll make you jump through hoops just to get there. Or even worse, not have the option to do that online. They force you to call their customer helpline and waste your time – the New York Times has become infamous for this. This tactic is called a "Roach Motel". And when companies rake in the money with this dark pattern, revenues can jump anywhere between 14% to 200%.

Then there are companies that manipulate consumers into parting with their data.
And there can't be a better example of this than Big Tech. In one of many cases against them globally, French privacy watchdog CNIL (Commission Nationale de l'Informatique et des Libertés) fined Facebook and Google a total of €210 million in 2022 for making it hard to opt out of cookie tracking. If accepting it took just one click, refusing all cookies needed multiple steps. Now imagine the money these folks make by handing over data to advertisers.

So yeah, you can see why countries are trying to clamp down on this by issuing regulations or guidelines.

As of today, India is trying to put in place fresh guidelines. The UK has an "Online Rip-Off Tip-Off" campaign that encourages consumers to spot and report misleading selling tactics. And the US has been trying to pass the DETOUR (Deceptive Experience To Online Users Reduction) Act as well.

But here's the thing. It's not always going to be easy to implement. As you can see, it's going to be tricky. And we'll just have to see how the regulators deal with all of this in their bid to protect us.

By Charvika Rathore

Update for the day #1908 | The mystery of Sahara's ₹25,000 crores

If you're a millennial, you probably remember one company's logo splashed on the Indian cricket team's jerseys in the 2000s — Sahara.

This entity was a sprawling business empire that had its fingers in many pies—It was a financial institution, a housing finance company, a media house, an airline, a hospitality business and even a stakeholder in a Formula 1 team. Its assets were worth over ₹2,50,000 crores. At least that's what Sahara's outdated website claims.

But the company that was started in 1978 by a man named Subrata Roy soon turned out to be a bit of a sham. In the 2010s, the whole thing began to come crashing down. But even today, no one seems to have been able to solve a very specific mystery of Sahara's ₹25,000 crores liability.

What do we mean?

Well, we have to rewind to 2010. Sahara Prime City Limited, one of Sahara's group companies, had filed its Draft Red Herring Prospectus (DRHP) with SEBI. For the uninitiated, a DRHP is simply a document that a company files before it goes public on the stock exchange. It lists down all the financials of the company, the prospects and risks, and industry details.

Anyway, Sahara Prime City wanted to use the money from the public issue to finance infrastructural projects like bridges, airports and rail systems. That was its business. But when SEBI went through this document it spotted something unusual. It saw that two other group companies of Sahara — Sahara India Real Estate Corporation Limited (SIRECL) and Sahara Housing Investment Corporation Limited (SHICL) had earlier raised over ₹19,000 crores from more than 2 crore investors.

Now SEBI was quite surprised at this. It asked Sahara why on earth it wasn't made aware of this massive fundraise.

And Sahara had its answer ready. It said that the fundraise wasn't actually open to the public and that it was only meant for friends, workers, employees or other people close to the Sahara Group. Technically, it was a private fundraise. So it didn't need to tell SEBI about it since the bonds weren't going to be listed on the stock exchange.

Now here's the thing. SIRECL and SHICL offered a security called Optionally Fully Convertible Unsecured Debentures (OFCDs). Simply put, an investor lends a company a debt in exchange for a security which they can later convert into company shares. Of course, with a bunch of other conditions. Now, when a company raises money this way from more than 50 people at a time, the rules say that it stops being a private fundraise. It will be classified as a public issue and the fundraise will need the blessings of SEBI.

But Sahara's claim was that it raised the money from its *'pariwar'* (family) of well-wishers. Basically, that's how the group referred to itself, employees, and customers. As one big happy family. So it simply used its network of 10 lakh agents and more than 2900 branch offices to issue an information statement to more than 3 crore people inviting them to subscribe to the OFCDs. It was within the family it said.

Of course SEBI was having none of that. It said that Sahara had put nothing in place to ensure these investors were protected. There was no compliance. There was no legal framework. There was nothing. And so it ordered Sahara to return all of this money back to the investors and stopped Sahara Prime City from going public.

Now Sahara wanted to prove SEBI wrong. So it went to the courts. It argued and argued. But nothing worked. And even the Supreme Court ordered Sahara to deposit the money it had raised through the OFCD with SEBI. The matter was done.

Or so everyone thought. Because here's the thing. Sahara began to claim that it repaid the money in cash back to the investors. That it had already done its duty. But there was really no proof of such an event happening. In fact, the Supreme Court even asked for the source of this refunded money:

"You (Sahara) tell us what is the source of this money? Did you get the money from other companies or other schemes to the tune of Rs 24,000 crore? Or you withdrew it from bank accounts? Or sold property to get it? It should be any of the three alternatives. Money did not fall from the heavens. You have to show from where you have got the money.

Tell us the source of the cash and there will be no need to open the pandora box…You tell us and we will close the case. You tell us how you raised Rs 24,000 crore in cash."

So yeah, without a clear answer, the Supreme Court didn't budge. And SEBI recovered several thousands of crores from the Sahara Group and deposited them in national banks so that it could promptly refund the sum to aggrieved investors. The amount stands at ₹25,000 crores according to SEBI's latest statement.

But here's the mystery now—it has been over 10 years and thus far, SEBI has only received claims for a measly ₹138 crores!!! And that means, thousands of crores are lying idle in SEBI's bank account without a beneficiary attached to it.

Crazy, huh?

So the question is—did Sahara really raise so much money via the OFCD? Or did they simply concoct a tale that would convince more people to part with their money in the future? Because you see, Sahara was allegedly involved in an even deeper sham involving hundreds and thousands of people— through various Sahara Cooperative Societies.

The idea was simple. Sahara would take deposits from people in return for interest. Now you'd think that it was like a non-banking financial company that took deposits, lent them out at higher interest rates and made money from the interest rate difference. But that's not what Sahara did. Instead, it spread the word that if people deposited a small portion of their daily earnings with Sahara, they'd get back double or triple their savings. Even ₹20 wasn't too low to invest in Sahara's schemes. It accepted them all. And Sahara won its investors' trust by giving them the massive returns they were promised.

How did it do that, you ask?

See, the allegations is that Sahara simply used funds from fresh investors to repay old investors with interest when their deposits matured. It's called a Ponzi scheme. This is the money that people say built the Sahara empire.

And yeah, we don't know if Sahara dipped into this 'Ponzi' money to make that deposit with SEBI.

But that's the mystery of the ₹25,000 crores. And it's probably a secret Subrata Roy took with him to his grave.

By Dhanush M

Update for the day #1909 | Can Zerodha disrupt the mutual fund industry?

In 2021, Zerodha* announced that it wanted to set up a mutual fund company. And the plan was clear from the start—they'd launch passively managed funds or index funds. For the uninitiated, index funds don't have a fund manager at the helm to pick good stocks and dump bad ones. There's no one in the background burning the midnight oil to dive into a company's financial statement. They simply buy and hold stocks in the same proportion as an index dictates. This could be the Sensex 30 or the Nifty 500 or something else. If a stock drops out of the index, they'll sell too. They copy, they mimic, and they mirror the index. That's it. And now, we know what Zerodha's entering the stadium with. Two index funds. One of them is an ELSS (Equity Linked Savings Scheme) - a fund that qualifies for tax savings under Section 80C. And both will track the Nifty Large Midcap 250 index. So, you're basically getting the biggest 100 companies in India. And then 150 mid-sized companies too. It'll be an equal split of 50:50.

But why is Zerodha focusing on this index, you ask?
Now we know that the easy thing to do would've been to start with an index fund that tracks large companies. After all, that's the category where active fund management has fallen by the wayside. For instance, over a 5-year period, nearly 94% of actively managed large-cap funds have underperformed their benchmark. But there are quite a few index funds in this category already. Maybe Zerodha wanted to be different.

At least during the launch. And if you take the ELSS category of funds as a proxy for a multi-cap strategy. Then you'll see a similar outcome—nearly 95% of these funds failed to beat the benchmark over a 5-year period. So, this multicap bucket seems like a good place to disrupt with passive funds. Also, the conviction could come from the fact that the index gives you exposure to 87% of the equity universe listed on the NSE. You're basically covering the most "important' stocks that are out there. Sure, you could argue that having 250 stocks is way too much diversification.

That it'll dilute returns. But over multiple time periods, the Nifty LargeMid 250 Index has delivered higher returns than the Nifty 100 Index which just has large companies. And at the end of the day, investors want just one thing—returns. If you tell them that active fund managers are messing up and give them an index fund option in this category, who knows, they might well make the shift. Especially since there's really no competition here. There's really only one fund from Edelweiss that tracks the same index. And this has garnered a measly ₹60 crores since it launched a couple of years ago. So Zerodha has a wide and open field. That is if it can convince people about the opportunity to invest in this index.

But there's still one burning question—what about the money? How will Zerodha rake in the dough?

Well, let's look at the travails of the mutual fund industry first. A year ago, we wrote about why the shares of listed mutual fund companies weren't living up to the hype. See, everyone expected them to do well because of the common refrain—"Under penetration". Because as a percentage of GDP, equity mutual fund assets in India were only at 5%. While peers like South Africa were at 27% and Brazil at 18%. However, investors seemed to be a little concerned. These mutual fund companies weren't able to improve their top/bottom line as expected. In other words, you could argue that they haven't been able to command a higher fee from their customers.

And if you're wondering why that was the case, there are probably two things here.

1. SEBI, the capital market regulator, had started clamping down on the fees that mutual funds could charge. More the money they managed, lower the fees—that was the mantra. That would have an adverse impact on the financial growth of these mutual fund companies. Meanwhile, their fixed costs remained high because most legacy companies had built massive teams with high salaries.

2. Passive funds were slowly beginning to rise and take away market share from active funds. It's still nascent but they make up 10% of the overall equity mutual fund pie right now. And by now you know that the fees that these index funds can charge are abysmally low. There's no fund manager to pay. And the newer set of investors who're dipping their toes in mutual funds have all the information they want at their fingertips. They know that paying a 1% fee to an active fund manager, who may or may not beat a benchmark, may simply eat away a good portion of their gains. So, they'll increasingly prefer to go the passive route.

Now Zerodha won't have to deal with the first problem. They're just setting things up. And they're actually doing this as a joint venture with smallcase, a tech platform that allows investors to pick baskets of stocks. And with index funds, they won't need a massive team of fund managers either. It's mostly tech. Nor will they really have to deal with paying commissions to intermediaries. You know, the third-party distributors who get a cut of the fee as well. And that's because Zerodha has already built its own distribution over the past decade. It's a direct-to-consumer company.

So, it's about tapping into this existing network. But going the passive route does mean that there isn't too much money on offer either. Passive funds are a commoditized play. The only differentiator is the kind of index you track. And then when competition heats up, it's a race to the bottom for fees. Sure, you could argue that Zerodha disrupted the broking industry with extremely low charges. But that's because they realized that most of the revenues come from active traders and the futures & options (F&O) segment. That was the real money spinner. So, they could still do quite well without brokerage from a small subset of investors.

But with mutual funds, there isn't an alternative. There isn't a more lucrative side bet. The only bet here is scale—that Zerodha's existing distribution can help build a large asset base. And that more Indians will embrace mutual fund investing and index funds. Just like they did in the US—a third of BlackRock's $18 billion fee now comes from these index funds. So yeah, even a tiny fee on a large asset base can be quite gargantuan. That's what Zerodha will be hoping for.

By T Ganesh Pai

Update for the day #1910 | Do we need a Global Biofuel alliance

On the 9th of September, India made a big announcement at the G20—the formation of a Global Biofuel Alliance (GBA). India, the US, and Brazil would be the founding members. And 19 other countries would join in to show support too.

Now before we get into why on earth we need an alliance, we need to understand biofuels.

We're talking primarily about Ethanol and Biodiesel.

And they're called biofuels because they can be extracted from plant-based substances. Ethanol can be extracted from sugarcane. Or you could extract it from the likes of corn, rice, and bamboo. Biodiesel on the other hand can be made from animal fat, vegetable oil, soybean oil, and even restaurant grease. Yup, what generally gets thrown can actually be processed into something that's really useful. Some enterprising folks are even converting oils secreted by algae.

And there's a simple reason why India is gung-ho about biofuels. We want to reduce our dependence on importing expensive barrels of oil from the Middle East and elsewhere. We're good oil refiners but not big producers, so, we need an alternative to the black gold. We don't have massive reserves of oil to tap into easily.

With biofuels, there's absolutely no petroleum involved. And in the past 9 years, India has apparently saved a whopping ₹73,000 crores worth of imports by relying on domestically produced ethanol and biodiesel. We're blending ethanol with petrol. Yup, your car is getting a hybrid mix when you go the the fuel pumps. And we're blending biodiesel with conventional diesel too.

So yeah, you see how these biofuels could change our fortunes. It could save precious dollars. It could make the country self-reliant in meeting certain energy needs. And it could get us closer to our Atmanirbhar ideal.

No wonder then that we have a dedicated National Policy on Biofuels (2018). In fact, the policy even got an amendment in 2022. It's not often you see rules being amended for the better so quickly.

And things seem to be going quite well at the moment. We initially had a target of blending 20% ethanol in petrol by 2030. But right now, the target has been revised to 2026. We're more confident. And we have a target of blending 5% biodiesel in conventional diesel by 2030 too.

Now one aspect is saving money by reducing imports of course. But the other aspect is also that biofuels don't contribute to pollution as much. See, 40% of the country's pollution is thanks to vehicles. At least that's what Nitin Gadkari, the Minister of Road Transport and Highways, says. And ethanol burns relatively cleanly and reduces carbon monoxide emissions.

Okay. All this is good. But why do we need another alliance? Why can't we just go at it alone? After all, it's not going to be like OPEC where producers get together and decide how much biofuel to supply or not, right?

Well, the thing is, India has some big ambitions. For instance, to hit the milestones we mentioned earlier, we need 17 billion litres of ethanol. Unfortunately, we currently produce only 10 billion

litres. And at the moment, we actually just account for 3% of the world's biofuel production. Not to forget that we also have plans to install 5,000 plants for compressed biogas in the country. Maybe we need help to pump this up. And maybe having an alliance will help - Not just in improving technical know-how but also in accessing specific international funds set up for this transition.

Kind of like what the International Solar Alliance (ISA) did - a program jointly initiated by India and France in 2015. Apparently, the agreement signed by 114 countries has a financing facility for solar projects. It has something like an incubation centre to guide and mentor solar startups. And they function as advisors for government policies too. Pooling of minds and resources seems to have helped.

And maybe that's what the GBA can do as well.

Because if you're expecting biofuels to help with the global net zero emissions target by 2050, everyone needs to join hands. And we need to get more people excited about using this alternative fuel to achieve the big goal.

Will the GBA help? We'll just have to wait and see now.

By Adithiyya J S

Update for the day #1911 | CCI is getting a makeover. But…

Imagine a big global tech company, a social network, is buying another tech company for a few billion dollars. The other company might be smaller in scale, but, it's a behemoth in its niche domain—it is a messaging platform. You can use it to text friends, family, and even businesses. Now you could argue that an acquisition could result in a dicey situation.

'Messaging' is a form of a personal social network. And it might seem like one entity will come to rule the roost. That entity can now control a lot of things. It can dictate pricing. It can lower product quality without any blowback. There's not much competition or alternatives that people can use.

By now you might've realized we're talking about Facebook and WhatsApp.

And there's a reason why we brought this up because the Competition Commission of India (CCI) wants to tweak the rules. They want such deals to come under their purview.

Wait…that deal happened in the US, so what does the CCI have to do with it, you ask?

Okay, before we get into that, a quick brief on CCI's role.
Now the CCI has a simple goal—make sure that customers are protected at all costs. And that means it has to ensure that no company has any undue advantage when it comes to controlling the supply of goods and services. There has to be free trade and no cartelization. Companies cannot manipulate prices or restrict the growth of other players in any way.

It doesn't matter if you're a giant like Google. If you control an entire mobile ecosystem and use that power to arm-twist phone manufacturers, the CCI will fine you. If you're a dominant Online Travel Agent like MakeMyTrip and you dictate room rates to hotels, the CCI isn't going to be happy. If you're the Tata Group and looking to merge your airlines Air India and Vistara, the CCI might have something to say. It needs to make sure there's no monopoly on the cards.
Anyway, let's get back to what's happening right now.

See, at the moment, the CCI evaluates mergers and acquisitions if it crosses a certain sales threshold. Or if the assets that the company owns are of a certain size. That meant that a deal like Facebook's $19 billion acquisition of WhatsApp wouldn't even have landed up as a file on CCI's desk. WhatsApp had users in India but no tangible assets or sales to boast of.

So, the CCI wants to change that. And it has a proposal. See, the government has already tweaked the Competition Act earlier this year. It said that any deal above ₹2,000 crores will go to the CCI for evaluation. So now, the CCI is figuring out how to determine if the company in question has significant business operations (SBO) in India. And in their own words, this is what they think makes sense:

(a) the number of its users, subscribers, customers, or visitors, at any point in time during a period of twelve months preceding the relevant date is 10% or more of its total global number of users, subscribers customers or visitors, respectively; or
(b) its gross merchandise value for the period of twelve months preceding the relevant date is 10% or more of its total global gross merchandise value; or its turnover during the preceding financial year, in India, is 10% or more of its total global turnover derived from all the products and services.

Now let's just use this as a reference for Facebook's acquisition of WhatsApp in 2014. If this rule had been in place during that time, the CCI might've looked at the number of users in India. And as per news reports from back then, out of the 600 million users WhatsApp had globally, 70 million active users were in India.

That means the CCI might've gotten involved. And maybe they would've objected to the deal.
But let's go back to the first question—can India's competition regulator really derail a global deal?

Well, look at what's happening to the Microsoft-Activision Blizzard deal which is still in limbo. In January 2022, the software giant declared that it would pay nearly $69 billion to buy the gaming company. On paper, both of them are American companies. So, you'd have expected the American antitrust folks to poke their noses into this business.

But the ones who've stalled the deal are actually the British or the UK Competition and Markets Authority (UK CMA) to be exact. They're the ones who felt that it was a threat to the gaming ecosystem. And Microsoft has been forced to make some tweaks just to appease them.

So yeah, competition regulators from around the world can get involved if they think it's detrimental to business. And now, CCI is probably going to be armed with this sort of power too.

But…there's one problem here.
People think that the government isn't paying enough attention to the CCI.
For instance, after the previous chairperson of the CCI retired in October 2022, it took a full 6 months to hire a replacement. This basically meant one of the most important organizations in the country to protect consumer interests was left without a head for way too long.

But that's not the worst part. Because right now, the CCI has become a single-member body after two more top people retired. It's a far cry from the 7-member team it used to have in 2018. And the reason for this is back then, the government decided that the CCI needed just three members plus the chairman and 'right-sized' the organization. Now this became a problem. Because with these retirements and stuff CCI often failed to maintain quorum—basically meaning that it struggled to have enough members to make a decision valid. And without a quorum, all these decisions taken by the CCI can be challenged in the courts of law.

Not to forget that CCI hasn't been able to fill the multiple open positions at the organization on

time—30% of positions have remained vacant in the past few years. And the end result is that the current staff is overworked.

So yeah, arming the CCI with new laws is fantastic. But the organization probably needs more resources at its disposal if it really wants to make a bigger mark.

By Darshan N

Update for the day #1912 | RXIL Global to help MSMEs get early payment on export invoices through ITFS

RXIL, a joint venture between the Small Industries Development Bank of India (SIDBI) and the National Stock Exchange, is promting the International Trade Finance Service (ITFS), an initiative that aims to democratise the trade finance space by providing an electronic platform to connect exporters, importers and financiers across the world. RIXIL Global aims to improve financing opportunities for Indian firms, particularly MSMEs that export. A subsidiary of Receivables Exchange of India (RXIL) — an RBI-regulated trade receivable discounting system (TReDS) platform that facilitates invoice discounting for MSMEs — RXIL Global says this facility will ease the cash crunch small businesses often face.

Ketan Gaikwad, MD and CEO of RXIL Global, says they offer various trade financing products at competitive terms to help exporters and importers convert their receivables into cash, giving them liquidity. RXIL Global IFSC Limited's ITFS is aimed at tapping global financing opportunities to meet India's development needs and provide a globally competitive platform for a full range of trade finance serviceS. ITFS is an electronic platform that offers a transparent, single-window financing solution for trade receivables from multiple buyers. It incorporates a competitive price discovery mechanism through auctions involving multiple financiers, resulting in increased liquidity and lower financing ..India is poised to emerge as a global hub for exports, backed by an increased focus on the growth of the manufacturing sector and the digital economy. The latest government initiatives, such as Make in India and the production linked incentive schemes, show the thrust towards becoming a manufacturing and export hub. In India, MSMEs play a very crucial role by contributing about 34% of the merchandise exports, which stood at $450 billion in 2023.

The country will be a key driver of global trade growth, which will almost double from $17.4 trillion to $29.7 trillion over the next decade. As many as 38% of global corporates plan to manufacture or source from India in the next decade.The ITFS platform will play a pivotal role in addressing the financing gap for exporters and importers based in India and elsewhere. It is important for MSMEs to thoroughly evaluate the terms and conditions offered by fin ..

Financial institutions in India and abroad are actively considering participating on the ITFS platform, considering its regulatory framework and the value addition to the ecosystem. The platform will not only emerge as a financing centre for all cross-border trade with India but also attract financing options for trades happening across all global trade corridors.

By Sree Harshitha S R

Update for the day #1913 | India to become the third largest economy in the world.

India has massive ambitions. It wants to become a $5 trillion economy in the next few years. By 2025, it wants to add over 30,000 km of highways, 400 Vande Bharat trains, over 200 airports and double our port capacity. By 2030, it plans to leapfrog Japan and Germany to become the third-largest economy in the world. However, to get there, the government will need to invest massive sums of money across the board. It needs to spend, spend and spend some more.

Now the government funds its expenses primarily through taxation. But that's not always enough. More often than not, it will have to borrow money from investors to keep things chugging along. For the longest time, the government has raised money by issuing bonds. Bonds are standardised contracts. The government issues these contracts with a little help from the Reserve Bank of India (RBI). Investors buy these bonds by lending money. And after some set period of time, the government redeems the bond by paying investors some extra money on top.

However, most people who subscribe to government bonds in India happen to be domestic investors — people from within the country. And this poses an interesting challenge. If you pool all domestic investors together and put them in a room, you can account for all the capital available. This is the money they can theoretically invest. But if everybody chooses to invest most of their capital in government bonds, what will the private sector do?

They will have to compete with the government and they can only do this if they are offering better returns to investors when they borrow money. This strains their financials. So if the government could borrow from foreign investors, that would help everyone in the ecosystem. It would help the government. It would help the private players. And it could help us boost our credibility in the international financial ecosystem.

So can't foreign investors buy Indian government bonds?

Well, yes and no. For the longest time, the government did allow foreign investors to buy these bonds, but they had restrictions on the amount of bonds they could buy. And there's one other thing. When foreign investors buy government bonds, they have to convert "dollars" to "rupees" and then invest that sum in India. However, the government also controlled this conversion business. So you could say that they couldn't invest freely.

But over the last 4–5 years, there's been a change in thinking. The government has come to realise that foreign investments can greatly help India achieve its massive ambitions. They also recognised an opportunity. Foreign investors don't usually like to invest in individual government bonds directly. Instead, they like to buy baskets. Baskets of bonds from many countries. And there are specialised entities that help these investors track the performance of government bonds across the world.

A couple of days ago, 23 Indian Government Bonds (IGBs) worth about $330 billion made it to JP Morgan's Emerging Market Government Bond Index. These bonds will be included slowly starting June 2024 until they form 10% of the total index 10 months later.

In simple words this means, a lot of foreign fund managers who want to replicate or benchmark their performance against JP Morgan's index will start buying Indian government bonds. And

experts believe this could attract as much as $20 billion in foreign capital. Even more, if other entities like Bloomberg or FTSE Russell start including Indian government bonds in their global index.

The obvious upside is that this makes it easy for the Indian government to borrow money. It could also make capital available for private entities in India since the Indian government won't just have to rely on domestic investors. The flip side is that foreign capital can move out just as easily as it came in. So, if billions of dollars worth of foreign capital moved out in a short span of time it could put the RBI in a vulnerable position since these investors will all want to exchange rupees for dollars. And the RBI has to make sure that nothing bad happens to our currency and through it, the economy.

So yeah, at the moment it seems both the government and the central bank believe that the benefits outweigh the risks and we hope that this paves the way for India's inclusion in the broader financial market.

By Bhavna B V

Update for the day # 1914 | An explainer on Off-Budget Borrowings

When the centre or state governments present their budgets they allocate blocks of money for different purposes. The expenditure list includes food, education, infrastructure, healthcare and a lot more. And this is taken care of by the government's receipts in the form of taxes we pay.

But when these receipts aren't enough to support routine and capital expenditure, governments borrow from the central bank. Or even raise money from the public in the form of bonds. A bond is like a loan you lend to the government trusting it to repay after a specified period with periodical interest payouts.

And this extra spending creates something called a fiscal deficit. The lower the fiscal deficit, the better it is for the government. It shows how prudent it is and also improves its creditworthiness. This means that if the government needs more money it can't simply keep borrowing. So, what does it do?

It resorts to something called an off-budget borrowing. You could think of this as debt which doesn't directly show up in its books. And that's because it doesn't borrow directly at all. Instead, it just asks another public entity to borrow on its behalf while servicing the principal and interest payments from the budget itself.

Just look at the Food Corporation of India (FCI), our country's main grain handling agency. It gets subsidies from the government which go into providing food and grains to over 800 million people. So it's one of the largest users of budgetary revenue. Despite that, it needs a lot more money to keep its schemes running.

For instance, this year the Union Budget allocated ₹1.97 lakh crore to the FCI. Although it may seem like a huge allocation, it's actually about 30% lower than last year. So it may need to go to banks or borrow from the National Small Savings Fund, where all the public money from small saving schemes gets pooled.

On the face of it, it may seem like the government has reduced its expenditure. But if the FCI borrows and cannot repay on its own, the government has to ultimately do it later. And that's likely, simply because the FCI doesn't make enough money to actually repay all of its debts.

And this could spell long term trouble. Because when you have debt and it doesn't show up on the books, it makes things less transparent. Governments could go into a debt spiral, making it a perfect recipe for hindering future growth.

A recent paper by the Centre for Social and Economic Progress (CSEP), throws light on how off-budget borrowings may have gotten states to go off their debt tracks. For context, Andhra Pradesh and Telangana, two southern states are major off-budget borrowers. And their debt-to-GDP ratios for FY21 are mostly underestimated because they only consider direct borrowings. But if you consider off-budget borrowings these ratios go up by close to 10%.

So what's the way out of this hazy problem, you ask?

Well, one way to increase transparency could be by levelling up inconsistent accounting practices. You see, most states address off-budget borrowings by either including them as a part of their total debt or tabling them as a separate statement along with the annual budget. But some state

laws like those in Madhya Pradesh, Rajasthan, Tamil Nadu and Jharkhand have indirect references to off-budget borrowings. So it may be hard to compare where a state stands.

And the central government is actually trying to change this. Starting FY22 it told states to consider off-budget borrowings as a part of their debt ceilings itself. A debt ceiling is how much states can borrow depending on their GSDP (Gross State Domestic Product). This means that states will have a much smaller borrowing window.

Now, this can be hard on them considering that they have to spend heavily on food and power subsidies and infuse capital for infrastructure. But the centre has also tried to make this easier by letting them spread the burden of their off-budget borrowings for the first year over the next four years.

Another solution to help the centre and states quit the off-budget borrowing habit is to actually increase their tax base and bring in more sources of revenue. That's the reason why the centre is actually simplifying tax filing. With the introduction of a new exemption-less tax regime which also has lower tax rates, it hopes that more folks in the tax net come forward to pay taxes. This way the government can actually reduce compliance costs as it won't have to scrutinise thousands of income tax returns to check if taxpayers claimed false exemptions. So they get to keep and utilise tax revenues more efficiently.

But governments also need to rationalise expenditure. Reducing subsidies may not be the most effective way to do this. Because government entities that rely on these subsidies might then resort to external borrowing. Giving rise to a vicious cycle of off-budget borrowings.

Instead, they could focus on judicious spending through programs similar to the Gati Shakti Mission. It aims to try and get different departments to coordinate with each other so that capital is used resourcefully. So, inefficient practices like digging up the same stretches of roads multiple times to lay pipelines and telecom cables take a back seat and save monetary resources.

But until governments fix this, the only prudent way to deal with off-budget borrowings is to address data gaps. A clear reconciliation between how much governments are borrowing versus how much they're disclosing could be the first step towards tackling the bigger problem at hand. With clarity, reducing off-budget borrowings will naturally follow.

By Varshitha S

Update for the day #1915|Putin's bet on Russian Economy, will it prevail or fail?

Let's take a quick glance at the Russia-Ukraine war which seems to have been going on since forever and its impact on the Russian economy.

Vladimir Putin has fully transitioned the Russian economy towards wartime production, betting his country's financial and manufacturing systems can outlast the West's until Russia sees a military victory in Ukraine.

As the Kremlin continues pumping money into its fragile but booming economy, an expert has told that Putin's grip on the financial levers of the country also serves to prevent civil unrest that could lead to his ouster.

Insider previously reported Putin has boosted his country's production of military equipment and subsidized mortgages to keep the economy stable during the first year and a half of the war. In addition, the Russian state has responded to the inflated value of the ruble by raising pensions, salaries and other benefits for people who are not well-off. At the same time, household consumption, real estate, and business activity have fallen in Russia since the invasion of Ukraine began.

Putin said last Thursday the country will continue to increase its production of military equipment "not by some percent, but by several times," indicating the Russian president is settling in for a long war, The Wall Street Journal reported, which some warn will have dire future effects.

"The longer the war lasts, the more addicted the economy will become to military spending, raising the risk of stagnation or even outright crisis once the conflict is over," Vasily Astrov, an economist at the Vienna Institute for International Economic Studies, told the Journal.

While the long-term financial impacts of the war remain to be seen, an expert on Russia says keeping control of the economy now is Putin's best bet at maintaining power and preventing the country's elite and civilians alike from turning on him.

Professor Robert English, an associate professor of international relations at the University of Southern California, who specializes in foreign policy and defense analysis of Russia and the former USSR, told that he's skeptical whether mass disorder or protest will occur unless something "really significant" changes in the Russian economy — but then "all bets are off."

"Putin is kind of an evil genius at having figured out how to keep his country sort of afloat and, I won't say satisfied, but not so deeply dissatisfied that it does descend into rebellion, and so that the military losses are sustainable," English told Insider. "But as far as social stability and socioeconomic unrest, their current state tells us that the status quo is sustainable. That sounds terrible because, of course, Russia is chewing up its future, but I would say that for another year or so the regime can hang on and keep the dissatisfaction down."

As long as the country maintains some semblance of the status quo in the economy, English said he doesn't expect to see things changing.

Eventually, though, English said economic pain will make it impossible to keep civilians satisfied if they face a lack of essential supplies. Living standards will degrade, inflation will skyrocket, the value of the ruble will continue to drop and "then it'll get difficult" for Putin.

"Then we might see some Wildcat kind of action, spontaneous civilian outbursts," English said. "We might see more emigration, more brain drain, all of that will suddenly start spiraling. Then, once it starts snowballing, it won't stop."

By Vishnu Sankar

Update for the day #1916 | A Heroic Journey from Chartered Accountancy to the Army

Colonel Manpreet Singh was martyred on September 13, 2023, along with Major Ashish Dhonchak and DSP Humayun Bhat, in a gunfight with terrorists in the Anantnag district of Jammu and Kashmir. He was the commanding officer of the 19th Rashtriya Rifles unit. Colonel Manpreet Singh was born in a village in Punjab, India. He was a bright student and excelled in his studies. He got a degree in Chartered Accountancy and worked as a Chartered Accountant for a few years. However, he always wanted to join the army and serve his country like his father.

His destiny took a distinctive turn when he successfully cleared the Combined Defence Services (CDS) examination in 2004. This pivotal achievement propelled him into the hallowed halls of the Indian Military Academy, where he underwent rigorous training and emerged as a commissioned officer in June 2015. Joining the ranks of the 12 Sikh Light Infantry, Manpreet embraced a life of service to his nation. His leadership and dedication led him to command the renowned 19 Rashtriya Rifles battalion, a unit that achieved significant recognition for its role in the 2017 operation that resulted in the demise of the notorious insurgent, Burhan Wani, in the volatile region of Kashmir.

Colonel Manpreet Singh always believed in leading from the front, a testament to his courage and commitment. It is rare for a commanding officer of his rank to be physically present at the front during fierce encounters, yet he stood steadfast, leading his troops in the line of duty. Colonel Manpreet Singh's valour and unwavering commitment to duty were not overlooked. In 2021, he was bestowed with the prestigious Sena Medal for gallantry, a testament to his courage and tenacity. This honour was a result of his unwavering resolve in the face of danger, where he displayed exceptional bravery during a harrowing gunfight, eliminating two dangerous terrorists.

Colonel Manpreet Singh's sacrifice underscores the immense bravery and dedication with which army personnel serve our nation. As his mortal remains were brought to Chandigarh, it was not just a family that mourned; it was an entire nation paying homage to a hero. He leaves behind not just a grieving family but also a legacy that will inspire future generations of soldiers. His life story will serve as a testament to what it means to serve with unwavering dedication and unparalleled bravery. In the edifices of India's military history, Colonel Manpreet Singh will always be remembered as a beacon of bravery, leadership, and service above self.

By Dhriti R

Update for the day # 1917 | Asian games 2023

India's Parneet Kaur, Aditi Gopichand Swami and Jyothi Surekha Vennam won gold by beating Chinese Taipei 230-229 in the archery women's team compound event to give India its 19th gold at the Asian Games 2023 in Hangzhou on Thursday.

Rank	Country	Gold	Silver	Bronze	Total
1	People's Republic of China	176	96	53	325
2	Japan	40	51	59	150
3	Republic of Korea	33	47	74	154
4	India	21	32	33	86
5	Uzbekistan	16	16	22	54
6	Chinese Taipei	15	15	22	52
7	Thailand	10	12	27	49
8	Bahrain	10	1	5	16
9	DPR Korea	9	13	8	30
10	Hong Kong, China	7	16	29	52

The Indian squash pair of Dipika Pallikal and Harinderpal Singh Sandhu beat Malaysia in the mixed doubles event to win India's 20th gold at the Hanghzou 2022 games.Later, India's men's compound team of Abhishek Verma, Ojas Deotale and Prathamesh Jawkar secured another archery gold medal after its 235-230 win against South Korea.

In the evening, Saurav Ghosal won silver in the men's singles final in squash before Antim Panghal defeated Mongolia's Bolortuya Bat-Ochir 3-1 to take the bronze. India consolidated its fourth place with 86 medals - 21 gold, 32 silver and 33 bronze.

By Bhuvana S Bharadwaj

Update for the day #1918 | Bengaluru Metro Rail services from Baiyappanahalli to KR Puram, Kengeri to Challaghatta commences

After a long wait, Metro Rail services on two sections of the Purple Line from Baiyappanahalli to K R Puram and Kengeri to Challaghatta commenced its operations without any formal inauguration on Monday, completing metro connectivity between the East and West of Bengaluru.

The Commissioner for Metro Rail Safety (CMRS) had inspected the newly constructed K R Puram Baiyappanahalli and Kengeri Challaghatta line in September. Both Metro stretches on the purple line received the safety nod and an approval from CMRS. In March, Prime Minister Narendra Modi inaugurated the Rs 4,249 crore, 13.71 km Whitefield (Kadugodi) to Krishnarajapura Metro Line here.

The commencement of services on the two sections of the purple line has brought much relief to Bengalureans as they can finally avail Metro services on this line. The extension of metro rail services from Baiyappanahalli to K R Puram was crucial as it offered an uninterrupted transport facility to Whitefield which has become a major IT-BT hub.

In a statement, the Bangalore Metro Rail Corporation Limited said, "BMRCL wishes to inform the public regarding the opening of passenger services on the two sections between Krishnarajapura and Baiyappanahalli, a distance of 2.10 km with one station in between at Benniganahalli and the other beyond Kengeri to Challaghatta a distance of 2.05 km with effect from October 9."

With the opening of these two vital sections, the entire East-West corridor, the Purple Line from Whitefield (Kadugodi) to Challaghatta, will be complete with a total length of 43.49 km and 37 metro stations, it said.
Today, with metro services being operational on that stretch, the distance is being covered within four-five minutes in a continuous manner so it makes a massive difference to people who are using that corridor. Also other people who were not using the Metro because of lack of connectivity on this stretch due to gap may switch over to Metro services.

By Karthik A S

Update for the day #1919 | Is India introducing fractional shares?

What's common between MRF, Honeywell Automation, Page Industries and Shree Cements?

They trade at anywhere between ₹25,000 and ₹1,10,000 which means buying a single share might be well out of reach for most retail investors in India.

But what if it wasn't that hard? What if you could still own these shares without emptying your bank account?

This could be possible as SEBI is considering a concept known as fractional shares. People with ₹1,000 lying around still can buy a part of MRF.

And this could bring a whole slew of benefits.

For starters, it could encourage more people to invest in the markets. As of now only 3% if the Indian population invests in the stock market. That's way behind China's 13% and the US' 55%. But that could change with increased stock market participation owing to fractional shares.

Stocks start looking more affordable and this could aid participation.

There's an added benefit too. Many retail investors simply look at the 'price' to determine whether a stock is expensive or not. So they eschew big names and buy penny stocks that are available for less than ₹10 each. But if high-quality names are easily available, these same retail investors might rethink their strategies and make better choices.

Diversification becomes a whole lot easier too. Imagine someone had ₹5 lakhs to invest. And they had their eye on the MRF stock. Buying just one share would mean that 20% of the portfolio is skewed towards one name. No one wants that. They don't want all their eggs in one basket. Because if something goes wrong with the company, it could have an outsized impact on the portfolio value. So getting fractional shares could mean easy access to more companies and more diversification.

Let's look at how it works in the US — a market where fractional investing has really taken off — to get a better sense of things. See, companies don't really issue tiny bits of shares. Rather, it's the brokers that facilitate these transactions. Now the thing is that brokers in the US can buy and hold shares in their own name. They're also dealers. So when investors ask for a fractional share, the broker-dealer doesn't actually transfer ownership of the share. Instead, they simply jot it down in their books and say something to the effect of "0.25 shares of Amazon to X and 0.10 shares of Amazon to Y." And if there's anything leftover of the share after it's distributed, the broker continues to hold it in their own name.

Basically, companies issue full shares. Broker-dealers buy them. And then divvy it up among investors who want fractional ownership. Easy-peasy.

But the thing is, Indian rules don't allow brokers to also operate as dealers. They can just work as intermediaries to help facilitate trade. So that kind of a model may not really be possible here unless SEBI decides to be quite radical and flip everything upside down.

The other way to do it is if companies themselves will be given permission to issue fractional shares. And for that, the government will have to first tweak the Companies Act which currently states that companies cannot offer investors anything less than one share. Maybe that will allow investors to get a slice of high-priced shares more easily.

By Mohana Priya E

Update for the day #1920 | Can a Tax Solve Bengaluru's Traffic Woes

Remember the massive traffic jam in Bengaluru last week? Comedian Trevor Noah was apparently 20 minutes late to his stand-up show that day. School kids reached home at 9 p.m. People didn't get taxis and even walked 12km to get home.

And now, there are renewed calls to fix this traffic mess. But one thing caught our attention. A tax. So in today's Finshots, we dive into what this is all about. That's roughly how much Bengaluru loses each year due to traffic congestion. You're stuck behind an endless sea of cars and it's wasted time. So researchers took the time lost by being stuck in traffic and converted this into productive or salary hours to come up with a singular number.

And if that number didn't blow your mind, here's something even more damning—in 2005, traffic in Bengaluru moved at the speed of 35 km an hour; in 2014, it had slowed down to 9.2 kmph; by 2016, the speed dropped like a rock to around 4km an hour during peak times in IT zones.
Now we could go on and on about how Bengaluru is one of the most congested cities in the world. But we think we've made our point and you know the extent of the problem by now. And if you think about it, in a sense it all boils down to one thing—population growth. The unsustainable kind. The number of people living in the city has shot up by 2.5x in the past couple of decades.

And this burgeoning population comes with higher disposable incomes and aspirations. Car ownership is still very much a status symbol and that has exploded too. Meanwhile, other than simply stretching the borders of the city further, not much has changed. The urban road infrastructure simply hasn't been able to keep up. Wide roads might seem attractive. Flyovers appear as a credible alternative. But all this offers temporary respite. All it does is attract even more cars onto the roads. And it's only a matter of time before those get clogged too.

So, what's the way out? You can't just put a cap on the number of people who can move to the city every year, right? You can't impose a ban on vehicles, no? These would be too draconian. Well, policymakers think that the magic bean is something called a 'congestion' tax.

Simply put, it means that if you choose to take your car out during peak times, you shell out an extra fee to the government. It's a disincentive to stop you from firing up your car on the way to work. It's a way to get fewer cars on the road, reduce the congestion, and hence the wasted hours.

The legendary FASTag of course. Every car's windshield already features this pre-loaded digital wallet in the shape of a sticker. So it's just about extending it to collect a toll at entry points to major roads. Yup, that means you'll need toll-like checkpoints with roving cameras. So the moment you swerve into a lane which has been flagged for heavy traffic, ping goes the camera and a bit of your money.

Now you can be sure that a lot of people are going to be livid if this plan eventually becomes reality. After all, you've already paid all those gazillion taxes—GST, road tax and even tolls when you are travelling. And now you have to pay another tax? It seems like policymakers are shunning their responsibility and simply masking their incompetence with an additional tax.

But let's suppose you are playing the devil's advocate here. How would anyone justify this? Well, one idea is this—if the roads are overrun by vehicles and congested, you have to inevitably pay for it; you pay for it in terms of lost time. So you could simply pay some money and hope that you save time with fewer people on the road. This is a direct payment of course.

And Bengaluru's not the first city to dream up this stuff. We have some real-world experiments to turn to—notably London and Sweden. And the experiment in London seems to have shown some promise. Between 2002 and 2014, the number of private cars entering these so-called congested zones dropped by 39%. The annual revenues of ~$300 million were directed towards public transport systems. Until ride-hailing apps like Uber popped up and messed it up again. But until then at least the congestion levels dropped.

By Punith B D

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