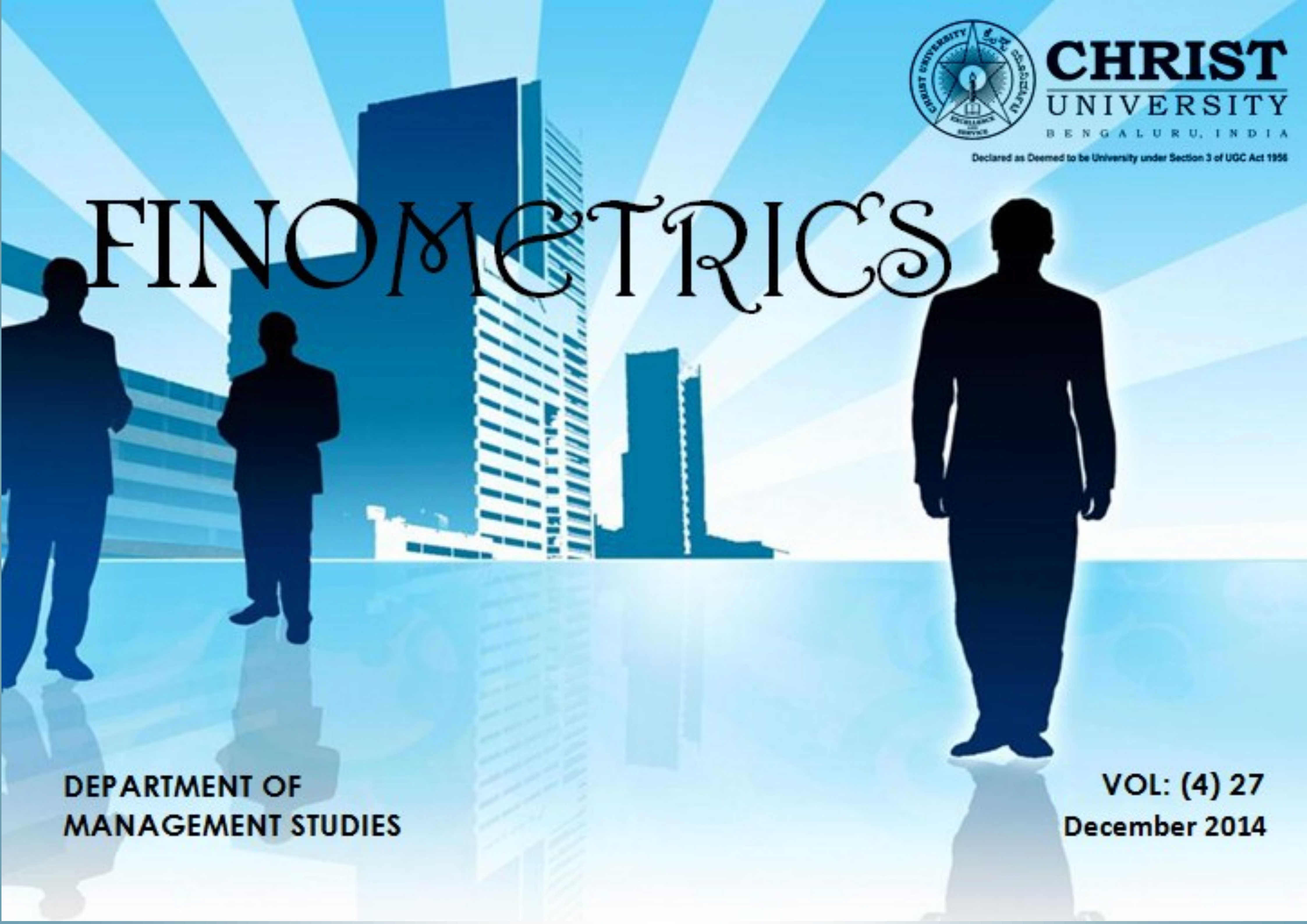

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Is India the next Asian Financial Superpower?

India is back on trajectory to achieve the 5.5 per cent economic growth for the financial year ending 2014. This comes even as the rest of Asia has shown no change in its growth. According to Asian development bank the Indian growth expanded by 5.7% in the first quarter and 5.3% in the second quarter. The growth outlook in developing Asia remains steady despite a slowed momentum in the second half of 2014 but in India several factors contributed to speedy growth. The promise of a stable government which renewed the sentiments on the street, a strong resolve to fight inflation by the Reserve Bank of India and ambitious plans of reforms by the finance ministry is but a few such factors.

The expensive fuel subsidy programs by the government also saw relief as the global oil prices reduced drastically. The reduction in oil prices was also important since the new government decided to peg the diesel to global standards. This is very crucial for several industries. The Indian banking sector has performed better than most Asian counterparts but the threat of Non-performing assets still exists. Even though banks are showing improvement profits, they hardly managed to show marginal improvement in NPA's. At the same time rupee has achieved the much desired stability thus, reducing ambiguity in the export and import business. Information technology companies in general have also benefited from this stability.

Asian development bank said Indian government has demonstrated willingness to tackle contentious reforms by eliminating diesel subsidies, but it must extend its efforts to reach the forecast of 6.3 per cent Gross Domestic Product growth in Financial Year 2015. If India continues at the same pace of growth then it may very well be on way to compete with China 2015, outperforming the expectation of most. But it's important to note that the major factors that have contributed to growth are momentary and not permanent. Macro-economic factors such as oil prices cannot be relied upon in the future to fuel growth and market sentiment needs to be solidified with responsible action.

Hence, it may be considered too early to declare that India is on its way to becoming the Asian financial super power.

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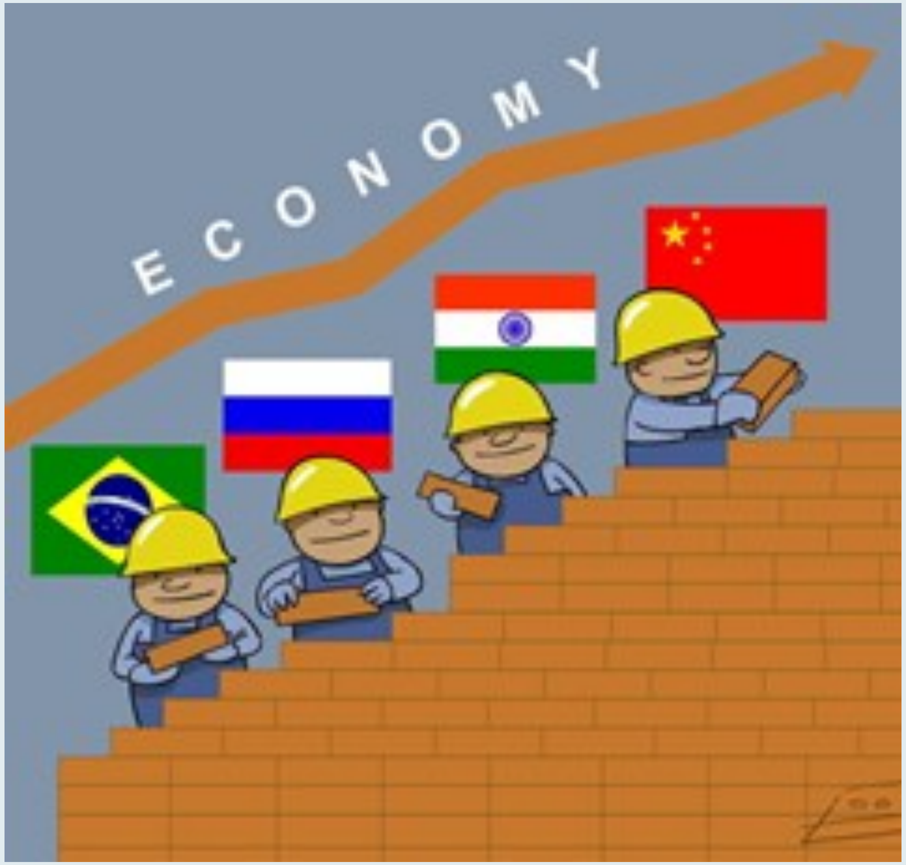

Start-ups hope Silver may lead them to Gold

Every day a new company is born in our country. The young and energetic entrepreneurs are restless with the urge to contribute something big and unique to the people of India. They altogether are fueling India's startup ecosystem. Even though they are unique, they lack experienced hands in the business which in turn affects to nurture their dreams of businesses. Usually to rescue these infant companies, corporate executives join hands with managerial expertise, domain knowledge, experience of structure, process and systems from their previous work experiences which they apply here to accelerate the growth curve. Companies like Flipkart, Commonfloor, Ola cabs and Wingify have hired senior executives. For example, Mitesh Shah, a chartered accountant with 12 years of experience in corporate finance and strategic management is one of the corporate executive who was hired by Ola as chief financial officer a year ago. He's specialized in the areas ranging from fund raising to going public and corporate governance practices. Ola has also hired professionals for marketing, corporate affairs, etc.

"Indian entrepreneurs should look at someone who has aspirations of becoming an entrepreneur" says Krishna Tanuku, executive director, Indian School of Business, Hyderabad. When a startup becomes big, it can't afford many mistakes, they require people who can lead the company in the worst situations and reap fruits to the company.

Property portal Housing.com which was founded by 12 IIT Bombay graduates found themselves difficult to run their company in some areas like registering a company. They felt the need for supervision after raising the first round of funds. "While our investors and advisors helped us take key decisions, we have always believed in getting people better than us to do work that makes everyone feels proud in the company" says Advitiya Sharma, co-founder and board member, Housing.com.

Young entrepreneurs have energy, strong commitment, enthusiasm but very less experience in dynamics of industry. The companies which start with great ideas need to have a mixed human resource with fresher and experienced people. These experienced people lead start-ups to achieve great heights. The benefit of experience can be evidently noticed in Wingify, a Delhi based company. The company hired Tejaswi Chawla as vice president of global sales. This helped the company to increase its annual revenue run rate to $8 million in the last year. She expanded the company's sales team from two to 16 and bought in people with relevant experience.

The combination of young entrepreneurs and the experienced is always a win-win. This will have a holistic experience and a room to function in the business. The collaboration of these will be a process of co-creation, where everyone brings together their contribution and develop strategies as a team.

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Why finance graduates make more money than engineers?

During 1970s and 1980s students graduating from college did not opt for finance jobs. Majority of them opted to either become an engineer, doctor or a business man. The reason was simple because finance job did not pay very well compared to other profession. But now-a-days, things have changed. It may be hard to imagine that first year financial analysts are drawing a 6 figure salaries in terms of dollars whereas engineers are still in 5 figure salary package in terms of dollars. Between 1995 - 2005 finance graduates earned 40% more than any other profession.

Two economists at the National Bureau of Economics Research researched about the above issue. They also found that companies CEO's were earning a lot more that engineers. According to their research finance accounts for 15% to 25% of the overall increase in wage inequality since 1980, that is nothing but there has been a lopsided compensation in the financial sector which has greatly contributed to the disappearance of the middle class people in the US. Because of such lopsided compensation, we have a majority of people with low and high incomes.

The two economist namely Thomas Philippon and Ariell Reshef discovered that there was another time in U.S economy where wage in the financial sector out passed other profession. The period extended from 1909 – 1933. They also discovered the main cause why finance graduates are earning a lot because there was deregulation of industries began in the year 1980's and it has intensified innovation and competition for talent. Similarly during 1930s, 40s and 50s the salaries of finance graduates fell because during that period there was relatively heavy regulation of financial firms and coincidentally much higher tax rates on high income people. This was a blessing in disguise, otherwise many entrepreneurially minded self-starters of that time might have ended up investing in debt instruments instead of starting up manufacturing industries.

But the real lesson learnt from the above results are- if the society wants more engineers, doctors or scientists then the society is very narrow minded. Finance plays a major role when it comes to the payment of salaries to engineers, doctor and other such profession. Finance acts as a life blood in all sectors and thus, they are rewarded more than any other graduate on a general basis.

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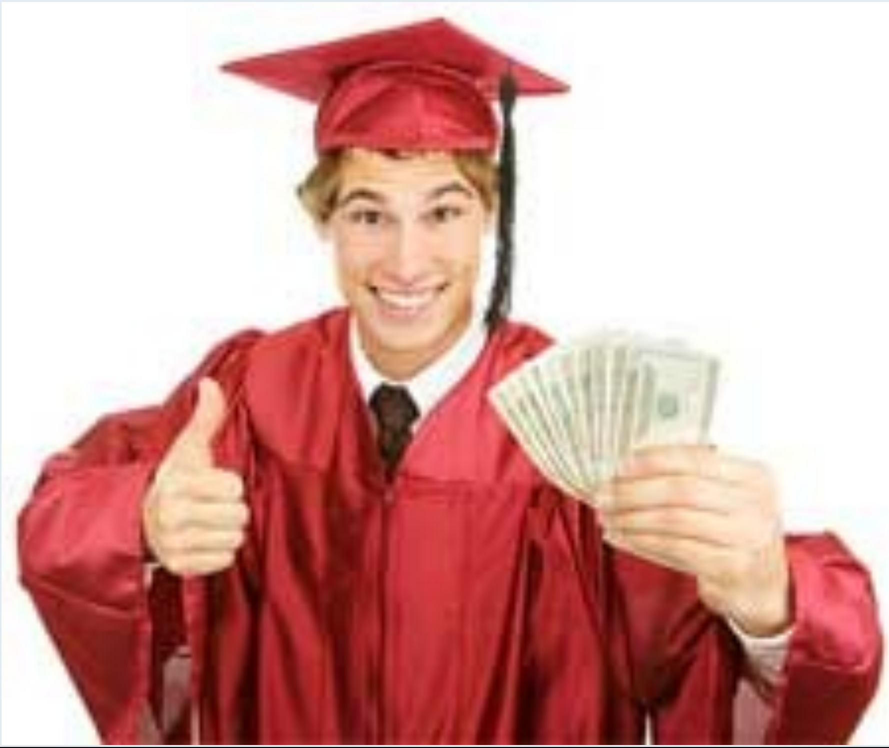

Indian Telecom sector takes a flight towards success

Service sector contributes around 60% of the country's Gross Domestic Product as it's an important part of the Indian economy. It is also the fastest growing sectors not only in India but also in global landscape. During the financial year 2014-15 this sector had a tremendous growth of 5.6 percent according to the National Council of Applied Economic Research (NCAER). There are various ranges of activities in the Indian service sector consisting of transportation, communication, trading, financial, real estate, manufacturing and personal services.

There is a significant growth in the telecommunication sector over the last decade with vast network coverage and tariff deduction in order to get more subscriber base, due to this growth it has attracted many new players in the industry and the intensity of the competition has kept increasing drastically. India being second largest telecom industry after China, involvement of private sector and liberal policy regime has made an important role in transforming this sector. There are around 872.02 million telephones as on 31st April 2013. Due to liberalization, it has helped to maximize consumer benefits and also led to its rapid growth because of the huge fall of its tariff plans. Telecom industry has witnessed tele density due to the increase of subscribers. Tele density refers to more phones than people, which is a good sign for the telecom sector as they will have more sales in their products and services.

Growth of this sector

Telecom sector has launched new technologies such as 3G, 4G and wireless broad band which provides a speed up to 50mbps so that the customers can easily download and access the internet at lightning speed.

The mobile subscriber base has increased by 9% to 696 connections this year and expected to grow up to 72% by 2016. Mobile value added service revenue is generated from the game applications , downloads which the customers make by which the revenue is expected to grow 10.8 million by 2015, also to expand the services in the rural areas. Mobile number portability- if the customers are not happy with the services they can easily change their network connection by just sending message “port to 1900” which would give them a good offer in case the network company is not ready to lose out its valuable customer or it would be ported to an different network. This generated 91.73 million at the end of April 2013. There are various range of handsets for the customers to use touch screen mobile phones with variety of features which posted a revenue of 359.46 billion in 2012 - 2013. The position ‘Second largest mobile handset market’ in the world is occupied by India.

For more than 20 years the telecom sector has a continuous transformation in the technologies and in the near future it will provide even more innovative products and services for its customers for their better satisfaction such as small cells. The beauty of this cell is that the customer’s will have uninterrupted services in an crowded area as the signals will not get jammed and also 4G advanced LTE. Due to this, the sales would increase in the future for their products and services. Now-a-days telecom sector plays an important role in contributing to the economy. Major telecom players like Airtel, Idea, Tata DoCoMo and Vodafone have acquired more market share in India the number of subscribers have been increasing year by year drastically. If the telecom sectors perform well every year then, soon India will be the first largest telecom industry in the world.

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Car Makers ponder over Price Hike in India

Automobile manufacturers in India are set to increase prices for new vehicles from January onwards, if you are looking to buy a new car next year, be ready to pay a little bit extra. Despite the inactive market conditions, the Car Companies would be increasing prices from January to counter-balance the rising raw material costs and the impact of strong dollar rate against the rupee. As we have high imports of material like steel and other alloys, there has been hiked prices in late 2013 and the increase in cost of several commodities has forced to make this unavoidable and the manufacturers are increasing prices after a long time due to poor sales that's hit the market which prevented them from increasing prices for cars.

India's largest carmaker, Maruti Suzuki is increasing their prices after 14 months, whereas Hyundai is hiking prices as well. Mahindra, India's largest effective vehicle maker has already hiked prices. Hyundai is likely to increase prices by 5,000 to 25,000. BMW has decided to hike prices by up to 5% across its BMW and Mini line-up in India. Rupee depreciation pushed prices of super cars up by over 80-100%. One of the main reasons for car makers to raise prices was a 4-6% cut in excise duty announced in February. It was initially valid up to end of June but it was extended up to December. The auto industry in India, has been asking the government to extend the cut in excise duty. The cost for customers would go much higher than the companies are bearing now from Rs. 25,000 to as much as Rs. 5 lakh for imported luxury brands. The industry has been demanding extension of the duty benefit. Many car makers would be hiking prices to sustain operations and maintain financial capability.

VARUN SETTY

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Resulting effect of ING Vysya joining hands with Kotak Mahindra Bank

Now-a-days, even banking institutions are fascinated by the Mergers & Acquisitions which not only includes the synergies which arises as a result of acquisition but the consolidation of the banks also increase the value scale in terms of balance sheet which is a good sign for the banking industry. The merger of ING Vysya Bank and Kotak Mahindra Bank will improve the operating profile of the target entity by enhancing the branch presence. This merger, expected to create multiple synergies for the combined entity. The share deal was agreed to buy the ING Vysya at $2.4- billion dollar. The main challenge for the Kotak Mahindra bank is the way they integrate the work culture as the employees of the merged banks have a unionized pattern of working. ING vysya shareholders will get 725 shares of Kotak for every 1000 shares they own in ING Vysya bank.

The combined entity will be having 1412 branches which will help the kotak to increase their network in the different parts of the country and improve the reach to the customers and reduce the rental costs for establishing new branches. The ING Vysya is going to boost its presence in South India since it has about 28.2% share in the southern region. The value of the deal is fair enough with a price of Rs.790 for each ING Vysya Bank which is based on the average closing price of this month. An increased value for the stakeholders can be obtained by the merger and also a greater product variety.

The merger is not about reducing costs but maximizing revenue. The intention of the Kotak was to increase the growth and utilization of capital. As the credit penetration of India is not up to the mark, this merger can be a huge scope in widening and deepening the credit market. The other biggest challenge for the Kotak is managing the low-cost deposits as it gives an interest of 6% for savings which can overcome by merging. Besides after the merger, Kotak became the fourth largest private sector lender in the country.

The merger will move a positive sign and help Kotak to strategically fill many gaps and also to get about 2 million customers from the merger. Though the mergers in banking are fewer when compared to the other non-regulated sectors, it can be expected to happen more often in the future. This will help in credit availability with ease and limit the growth of bad loans. As India is one of the largest economies in the world, there is need of stronger lenders to circulate the money in the economy.

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Financial Inclusion: A Road map for Banking sector in India

Financial inclusion means to include every individual of a country to participate or be a part of a financial service regardless of being rich or poor. The general objective is to include every individual in the finance bracket of India. Poverty and illiteracy continue to dominate socio-economic and political course of India as they have done for the last six decades. Poverty reduction has been one of the main areas of concern since post-independence. Various anti-poverty and employment generation programmes have been in operation for years in India. In order to curb this problem of poverty and unemployment, the government wants to enable the poorest of the poor families to participate in the financial activities of the country. They need not necessarily be the direct participants they are mostly encouraged to join as beneficiaries to the service.

Although it's a very genius move by the government, it is disheartening to know that the number of people with access to the financial products and financial services offered by the banking system continues to be very limited. The importance of financial inclusion is highly stressed upon after the recent financial instability and crises. As it is very evident that the financial crises affected millions of people all over the world and one of the main reasons was the financial system was only focused on its own interests and only the middle and the rich were the main players. It did not consider society at large to include those below poverty.

Financial Inclusion has the ability to generate positive situations which leads to increase in savings which then leads to investment and thereby, positive economic growth. Financial inclusion provides a platform for inculcating the habit of saving money, especially amongst the lower income category of people who have been living under the constant shadow of financial distress. This occurs mainly because of absence of savings, which in turn makes the situation worse from bad. Financial inclusion through banking services help create various avenues of formal credit to the unbanked population who are mostly dependent on unsecure channels of credit like family, friends and rural moneylenders.

Financial Inclusion has recently been considered as a remedy to plug gaps and leaks in distribution of benefits and subsidies from government bank accounts rather than through subsidizing products and increasing cash payments. On the whole, Financial Inclusion has greatly increased the potential to bring in the unbanked masses of informal banking system to the formal banking system, which help channelize their savings, stock and improve their entrepreneurial ambitions and by making available credit which gives a lift to the economy. The strength lies in the fact that it has created a robust institutional mechanism which will support the role of banking services across the length and breadth of the country. This was a very essential task considering the number of people who are excluded and the geographical size of the country as a whole.

Financial inclusion and inclusive growth both have become an essential part as policy imperatives rather than just policy choices which would pillar the future financial stability and sustainability of economic and social order moving forward. The government need to walk an extra mile to identify the actual ongoing problems and hindrances which are slowing down the growth of financial services among less privileged people. The government and its people need to believe that the rich would not be able to sleep peacefully if the economic and social divide is allowed to grow any bigger.

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Foreign Investments: A Pitching growth for Insurance sector

The insurance sector has come up with a hike in foreign investment limit to 49 per cent which is amounted to Rs 50,000 crore which is considered as a potential to attract up from overseas investors, giving a major boost to the insurance sector where in thereby giving a lift to the industry. The Parliamentary Select Committee have added on to an increase in the composite foreign investment limit in insurance to 49 per cent which gives a new life to this segment, The industry experts have come up to a conclusion that this move could help to facilitate inflows to the tune as Rs 25,000 crores from abroad into domestic countries. The total funds that might eventually come into the Indian insurance sector could be to the order of $7-8 billion, funds by new foreign entities seeking to establish business and including inflows into existing insurance players here after amendment to the Insurance Act. After the Insurance Bill was passed by Parliament, the same norms for foreign investment will apply to the pension sector as well.

I would like to strengthen my points by highlighting that the CEO of PNB Met life, Mr Tarun Chugh addressed that the industry at this stage does need long-term capital for growth and expansion which only FDI can bring into this sector. They all see this as a positive sign and welcome the same. Also, the managing Director of Max life insurance, Mr Rajesh Sud said, “through the portfolio investors along with the Foreign Direct Investments, the recommendation on the rise in foreign capital to 49 per cent, will open up capital coming to country.” The Life Insurance industry alone has potential to attract Rs. 7,800 crore in the present context. The total capital engaged in the private life insurance sector is summed to Rs. 35,000 crore. At FDI 26 per cent, foreign equity is almost to Rs 8,700 crore.

We see that the Foreign Direct Investments not only brings in foreign exchange and capital immediately into the economy but also enables large body of companies to invest further into the technical knowhow- it's about the managerial ability & skills, organization structure & behavior and innovations in products and processes, the well-structured administrative & better marketing strategies, etc. Also through the Foreign Direct Investment route it is obvious it would greatly encourage new entrants and other players desirous of increasing their capital contribution to the sector and thereby bring a drastic boom into this sector.

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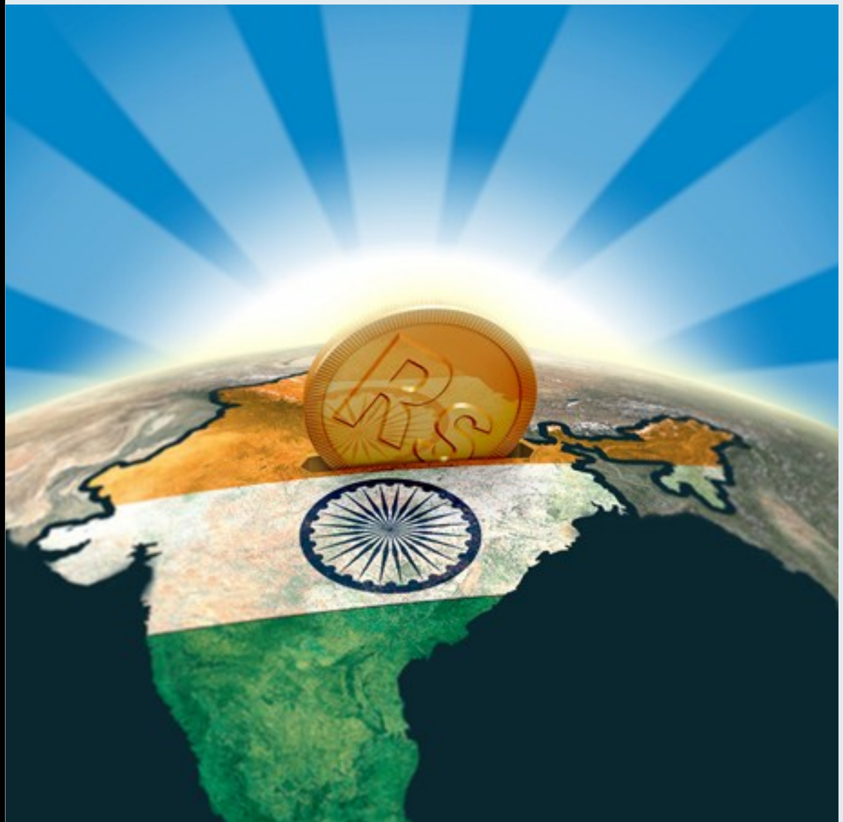

Europe Says ‘No Thanks’ to the 2022 Winter Olympics

Hosting the Olympics has always been expensive, but that has never stopped countries around the world from competing with each other to host the games. As plans get under way for the 2022 Winter Olympics, voters in some countries are expressing doubts about whether spending their budgets on fancy venues is worth the trouble and expense. The latest country to withdraw its candidacy, in October, was Oslo. That leaves Beijing and Almaty, Kazakhstan, in the running.

About a half-dozen countries considering bids was spooked by the record $51 billion the Russian government spent on the Winter Olympics in Sochi, which recently happened. The high-handed demands for the International Olympic Committee were another turnoff. When Oslo backed out, Norwegian newspaper *VG* ran excerpts from the IOC’s manuals for host countries under the headline: “IOC Requires Free Booze in the Stadium and Cocktail Party with the King.”

The article highlights guidelines stating that a full bar must be available in the stadium lounge during opening and closing ceremonies. It’s “OK” to serve only beer and wine on competition days. The head of state must be there for the start of the games. “The ceremony is usually preceded by an aperitif and followed by a reception,” the manual says. It also makes clear that the country’s Olympic Committee should pick up the bar tab for the opening reception. An IOC spokesperson says the manual consists of suggestions, not requirements.

The revolt began way back in 2011 in northern part of Italy and southern Austria, when local assemblies voted against a bid to bring the games to the Dolomites straddling the border. In March 2013, Switzerland withdrew a potential bid to host the 2022 Olympics in Davos, and St. Moritz’s fell apart when funding was voted down in a plebiscite;

Stockholm dropped its bid because it lacked political support; and Munich withdrew after voters said no in several referendums. Krakow in Poland pulled out after a referendum.

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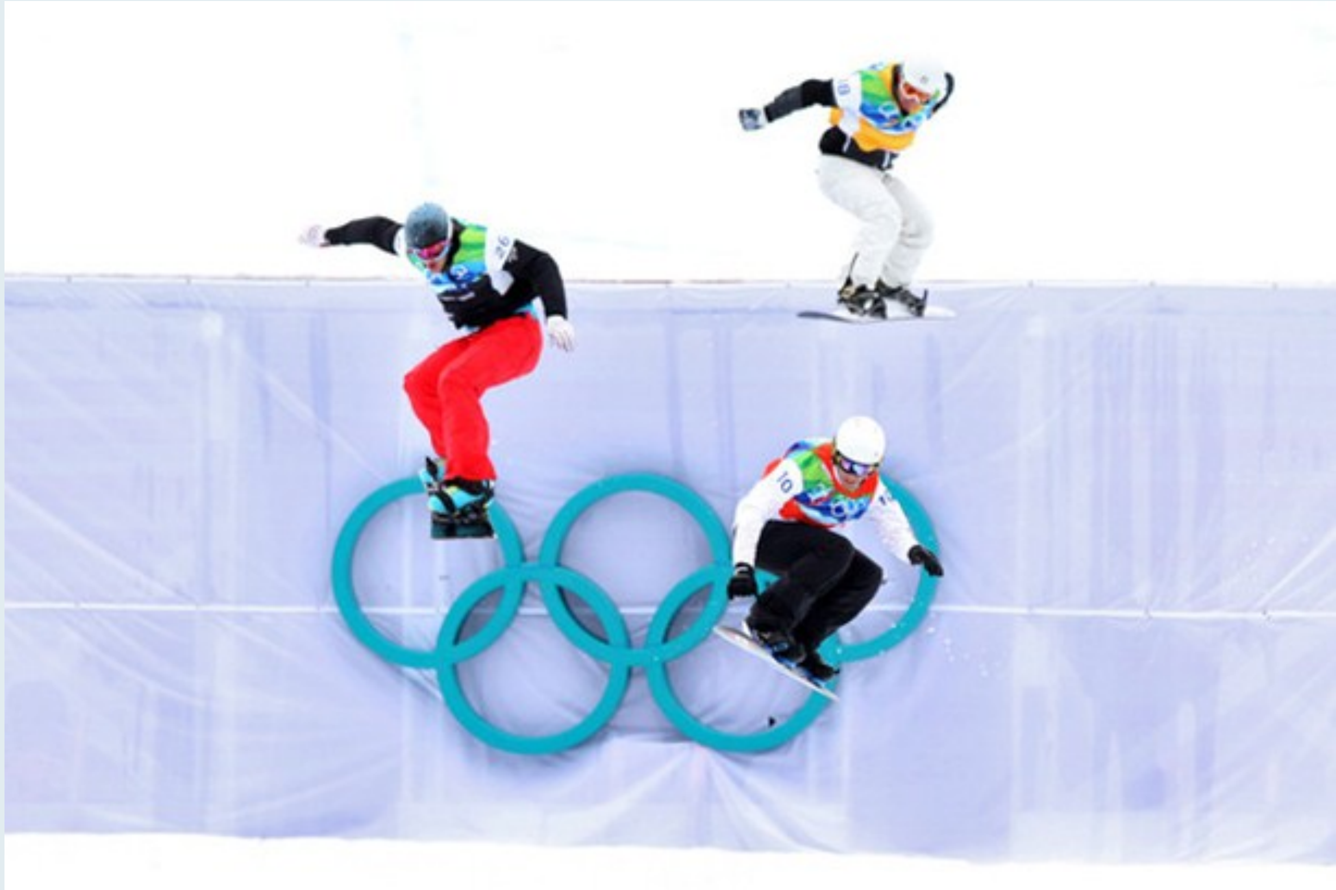

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