

THE FINANCE SOCIETY
DEEN DAYAL UPADHYAYA COLLEGE

PRESENTS

FINZINE

Vol.6

2024



What's inside?



Rise in financial literacy

Budgeting for students



The Finance Club of DDUC was established in 2012 with the objective of inculcating Financial Acumen amongst its members and the students of the college, One of the most popular societies in the University of Delhi, it provides a stimulus to knowledge sharing and learning by organising interactive discussions, seminars, competitions and other activities in the area of Finance. We at Fin-S believe that Finance is all about evolution and exchange not just of money but more importantly of ideas and strategies. Our endeavor is to equip students with the financial acumen required to succeed in business by providing them with insights into various aspects of Banking, Insurance, Credit Rating, Financial Services, Portfolio Management and Derivatives.

Fin-S also aims to improve students' understanding of financial aspects of management; to help develop practical knowledge and apply it to the markets and to create superior access to career opportunities available in the financial marketplace. Problems can become opportunities when the right people come together. Hence, the current team of Fin-S is on the path of scaling great heights and imparting financial literacy and bringing many laurels for DDUC for years to come.

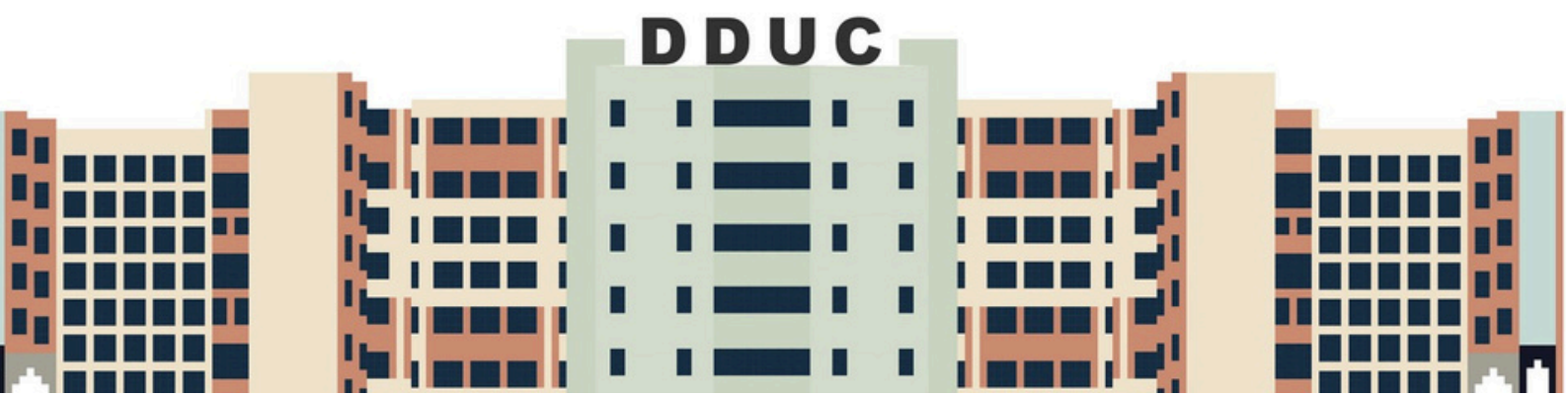


TABLE OF CONTENTS

<i>From the Principal's Desk</i>	i
<i>From the Convenor</i>	ii
<i>Executive Council</i>	iii
<i>Impact of Lok Sabha Elections on the Financial Market in India: Investor Strategy, Sentiment, and Market Volatility</i>	01
<i>Finfluencers: Shaping Finance or Fueling frenzy?</i>	03
<i>Paytm??</i>	06
<i>Demystifying NFTs: Understanding the Rise of Non-Fungible Tokens</i>	08
<i>Algorithmic Trading</i>	10
HOW RBI SAVED INDIA FROM A BANKING CRISIS	11

From the Principal's Desk



I take immense pleasure and pride in introducing you to one of the most dedicated and premiere societies of our college. In this era of cut-throat competition, it is of paramount importance to impart integrated education to future generations. Over the past years, this society has been empowering minds through a perfect blend of classroom knowledge and the practical approach to utilize it. This society has been fruitful in empowering the students with all the knowledge and guidance that they need to become worthy finance professionals, grooming them to become truly and globally well-equipped to deal with the modern world and its challenges, and being conscious of their societal responsibilities. The society has dedicated and hardworking office bearers who have effectively conducted events, competitions, and seminars to enrich the students with financial wisdom and have successfully established their name in the Delhi University circuit. We are happy to bring out the fourth edition of the Finzine, which encompasses all the activities that help in the holistic development of students retaining their beauty and, intellect.



From the Convener



Learning gives creativity, creativity leads to thinking, thinking leads to knowledge, and knowledge makes you competent. It is a matter of delight to be a part of the Finance society of Deen Dayal Upadhyaya College that contains myriads of wonders.

Through Finzine, we instigate the ever-evolving process of learning. This conversant magazine will facilitate students with intellectual growth and at the same time expose them to the declined World of Finance and Economics. With zeal, the probing minds have left no stone unturned in moulding mindsets and taking un-swerving cognizance of their responsibilities. We aim to empower students to nurture & broaden the horizons of their knowledge, to inspire the young mindsets and bolster their understanding.



Mr. Rakesh Kumar
Convener

Executive Council



Yashesh Tambi
President



Bhavya Mahajan
Vice-President



Anshika Razdan
Vice president



Sanchit Aggarwal
General secretary



Utkrisht Rai
Joint Secretary



Divyasha Dureja
Technical Head



Diya Ojha
PR Head



Shaurya Gauniyal
Website and tech head

IMPACT OF LOK SABHA ELECTIONS ON THE FINANCIAL MARKET IN INDIA: INVESTOR STRATEGY, SENTIMENT, AND MARKET VOLATILITY

OVERVIEW

The Lok Sabha elections in India have a significant impact on the financial market, with political uncertainty often leading to increased volatility. Here, we will explore the historical trends of market performance during election years, discuss how investor sentiment is influenced by pre-election policy pronouncements and exit polls, analyse the influence of economic policies on different sectors of the market, and consider other factors that can affect market performance. Additionally, we will provide insights into investor strategies during election seasons and emphasise the importance of long-term investment horizons.

PAST TRENDS

As the nation gears up for the impending general election, investors keenly observe how electoral outcomes could sway market sentiments. Historical precedents underscore the significant impact of elections on market movements. For instance, in 2004, the market experienced a dip following the BJP's loss of power, whereas in 2009, it surged as Congress retained power. Similarly, in 2014, anticipation of Modi's leadership resulted in a pre-election market rally.

Potential Impact

Recent developments suggest a similar anticipation in the market ahead of the upcoming general election. Initially, there was apprehension before the results of the five assembly elections were announced, with concerns that Rahul Gandhi's campaign might bolster Congress's electoral prospects.

The formation of the INDIA bloc raised concerns that the BJP would face challenges in increasing its vote share and consequently, its number of seats. However, the BJP's strong performance in the state elections, retaining power in Madhya Pradesh and regaining it in Rajasthan and Chhattisgarh, alleviated market concerns. Since then, the Nifty has seen a surge of nearly 10 percent.

Further boosting market confidence was Modi's assertion in February 2024 that the BJP and its alliance were poised to secure over 370 and 400 seats, respectively, in the upcoming election.

1. Political Uncertainty and Market Volatility: During the period leading up to the elections, political uncertainty can create a sense of instability in the market. Investors may become cautious and adopt a wait-and-watch approach, leading to increased market volatility.

2. Historical Trends of Market Performance: Historical data reveals that election years in India often witness increased market volatility. However, the impact on market performance varies depending on the election outcome. For instance, markets have generally reacted positively to stable governments with a clear majority, while hung parliaments or coalition governments have led to uncertainty and market fluctuations.

Conclusion

3. Investor Sentiment and Pre-election Factors: Policy announcements related to economic reforms, infrastructure development, and fiscal policies can create optimism or uncertainty among investors. Exit polls, which provide an indication of the election outcome, can also impact investor sentiment and market movements.

4. Policy and Reforms: The economic policies of the winning party can significantly influence different sectors of the market. For example, a party focused on infrastructure development can benefit sectors such as construction, cement, and steel.

5. Sectoral Performance: Different sectors of the stock market may react differently to various election outcomes. For instance, sectors like infrastructure, healthcare, and renewable energy may benefit from policies focused on development and sustainability. On the other hand, sectors dependent on government subsidies or facing regulatory challenges may experience short-term volatility due to policy uncertainty.

6. Beyond the Election Results: While Lok Sabha elections play a crucial role in market performance, other factors such as global economic conditions and domestic reforms also influence the financial market. Global economic trends, trade policies, and geopolitical events can impact investor sentiment and market movements.

7. Investor Strategy: During election seasons, investors may adopt specific strategies to navigate market volatility. Some strategies include focusing on defensive stocks, increasing portfolio diversification, and maintaining a long-term investment horizon. It is essential for investors to avoid making drastic decisions based on short-term election noise and instead focus on the fundamentals of the companies they invest in.

The Lok Sabha elections have a profound impact on the financial market in India. Political uncertainty, investor sentiment, and market volatility are interconnected factors that shape market performance during election years. Understanding the historical trends, policy influences, and sectoral reactions can help investors make informed decisions. By adopting a long-term investment horizon and focusing on fundamental analysis, investors can navigate the complexities of election-related market fluctuations and achieve their financial goals.



-Saanvi Khanna

Finfluencers: Shaping Finance or Fuelling frenzy?

“The market is a place where people are constantly trying to guess what other people are going to guess.” - John Maynard Keynes

Introduction

In recent years, a new breed of influencers has emerged in the financial world - Finfluencers.

These individuals use their platforms to educate and engage with audiences on topics related to personal finance, investing, and economic trends. However, their increasing popularity has sparked a debate on whether they are truly shaping finance for the better, or simply fueling frenzy in the market. Today, almost everybody's decisions, whether holidays, fashion, electronic gadgets, cars, etc. are all based on reviews of some influencer.

A recent survey by the Indian Social Media Exchange (ISMX) found that 72% of Indian millennials and Gen Z investors use social media to obtain financial information and 63% of them have acted based on information from social media. This indicates the growing influence of finfluencers in shaping financial decisions among young Indians. These finfluencers can be primarily classified into three types- Personal Finance Finfluencers, Stock Market Finfluencers and Trading Finfluencers. While some of them function with the

main aim of spreading financial awareness to help their viewers, others operate with the sole

purpose of selling their products or courses to their customers.

Rise of finfluencers

The rise of finfluencers can be largely attributed to the digital age, with social media

providing a platform for individuals to share their financial knowledge and expertise. With the

decline of traditional financial advisors and the distrust in financial institutions, more people are turning to finfluencers for financial guidance. These influencers often share relatable

stories and practical advice that resonate with their followers, making complex financial

concepts more accessible and engaging.

They use platforms like Instagram and YouTube to share tips, recommendations, and

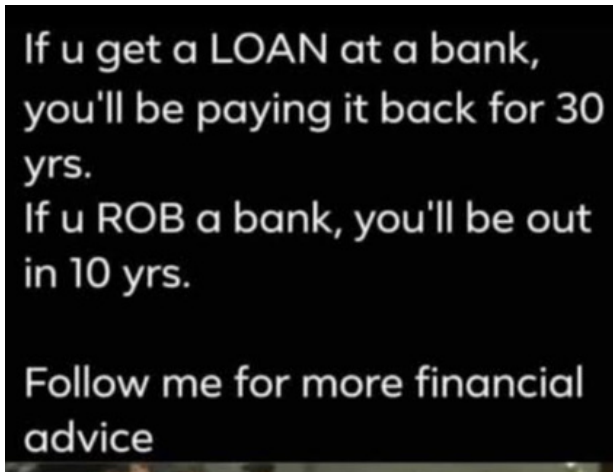
strategies for managing money and building wealth.



Positive impact on society

The impact of Finfluencers on financial literacy cannot be denied. Finfluencers have a broad reach, with followers spanning various age groups, income levels, and backgrounds. Their content is accessible to anyone with an internet connection, allowing them to connect with a global audience and influence a wide range of individuals. By leveraging the power of social media, finfluencers can reach millions of people with a single post, making them a potent force in shaping public perceptions and attitudes towards finance, especially younger generations who may not have access to traditional financial education. Finfluencers have helped break down barriers to finance by making it more accessible and understandable to the average person. They have encouraged conversations around important financial topics and motivated individuals to start saving, investing, and planning for the future. Additionally, Finfluencers have raised awareness about the importance of financial independence and long-term wealth building. Finfluencers have had a positive impact on many individuals, especially younger generations who may not have access to traditional financial resources. By providing free and easily digestible financial education, they empower their followers to take control of their finances and make informed decisions.

Additionally, finfluencers often challenge the status quo and encourage their followers to think critically about their financial goals and habits.



If u get a LOAN at a bank,
you'll be paying it back for 30
yrs.

If u ROB a bank, you'll be out
in 10 yrs.

Follow me for more financial
advice

Criticism of finfluencers

Despite their positive impact, Finfluencers have faced criticism for potentially fueling market frenzy and promoting risky investment behaviors. Some skeptics argue that Finfluencers

may not always have the expertise or qualifications to provide sound financial advice, leading followers to make uninformed decisions. Additionally, the quest for viral content and engagement can drive Finfluencers to prioritize entertainment over accuracy, flashy lifestyle

choices over prudent financial strategies, potentially leading to misinformation.

Finfluencers also face criticism for potentially encouraging reckless financial behavior or promoting unrealistic expectations. For example, in 2021, a few prominent finfluencers were paid huge amounts for promoting Vault, a Singapore-based crypto platform, and it was marketed as a safe and great investment that could give returns higher than the stock market. However, only a few months later the company suspended all transactions and investors lost lakhs of rupees, due to the carelessness of finfluencers. Further, several trading finfluencers charge subscriptions or premium from the viewer and add them to groups on Telegram and WhatsApp. These communities are used to share stock market advice, such as which shares are best to buy or sell. The investors are assured of guaranteed returns, but they lose money due to wrong tips, pump-and-dump schemes or manipulative practices. Finfluencers are unregulated, which exposes the investors to a higher level of risk when dealing with them.

The future of finfluencers

In recent times, India's securities market regulator, the Securities and Exchange Board of India (SEBI) has cracked down on cases wherein these so-called Finfluencer first buy shares of a company and thereafter, circulate favourable messages about the same scrip through social media (via bulk SMS, YouTube, Instagram, Telegram Channel, etc.) among their thousands of subscribers, thereby inducing them to purchase those shares, artificially driving up the volume and prices of the said scrip. These financial influencers then sell their pre-acquired shares, thereby pocketing large amounts of profits for themselves. Finfluencers? Not just stock tipsters. They reel you in with short videos, then make money through ads, sponsorships, and selling their own courses (keeping the good stuff hidden!). They're less risky than investors, since their income relies on audience, not the market.

Regulations for finfluencers

As the influence of finfluencers continues to grow, regulators are beginning to take notice and consider the need for stricter guidelines on financial advice shared on social media. It is essential for finfluencers to be transparent about their qualifications, disclose any affiliations, and provide accurate and unbiased information to their followers. While a decade-old regulation exists to govern investment advisors, Presently, there are no specific laws or regulations governing Finfluencer, though SEBI has indicated that it is working⁵ on a draft regulation for those providing financial advice on social media platforms.

Looking ahead, the future of finfluencers is likely to involve continued growth and evolution. As more individuals turn to social media for financial advice, finfluencers have the opportunity to shape the financial habits of a new generation. However, they must also navigate the challenges of maintaining credibility, avoiding conflicts of interest, and adapting to changing regulations in order to sustain their influence and impact. In the upcoming future, it is crucial for influencers to uphold ethical standards and prioritize the well-being of their followers

Navigating the World of Finfluencers

From my standpoint, Finfluencers have reshaped the way we think about finance and investing, bringing valuable insights and education to the masses. However, it is important for both Finfluencers and their followers to approach financial advice with caution and critical thinking. By striking a balance between entertainment and education, Finfluencers can continue shaping finance for the better without fueling frenzy in the market. As long as finfluencers continue to prioritize transparency, integrity, and responsible financial practices, they have the potential to positively influence a new generation of financially savvy individuals.



- Samarth
Dawar

Paytm??

Paytm was once the poster boy of India's Fintech Revolution. As of January 2024, Paytm Payments Bank was the third-largest platform for UPI payments, after PhonePe and Google Pay. The platform processed 1,570 million transactions amounting to Rs 1,92,614 .crore during the month

Due to persistent non-compliance and serious misconduct, the RBI banned Paytm ,Payments Bank on January 31 from taking deposits or top-ups in any customer account ,prepaid device, wallet, FASTag, or NCMC card after February 29, 2024. Later, the deadline .was moved to March 15

Even though it was said that PPBL only held 15% of customer accounts, One 97 Communications Ltd.'s share price fell by 54.86%, from ₹720 to ₹325 in just over two weeks after the revelation, severely harming the company's reputation and investor relations.

The New Reality for Paytm

Deposits Halted: Paytm Payments Bank will no longer be able to accept deposits from new or existing customers in PPBL. This severely limits the bank's capacity to function and provide essential banking services.

Onboarding Freeze: There has been an indefinite halt to the onboarding of new users for PPBL accounts. This restricts Paytm's capacity to develop its user base and can impede its future expansion.

Nodal Account Closure: All PPBL-related nodal accounts will be shut down. Closing these accounts could provide operational challenges for Paytm's payments business, as they are essential in enabling merchant settlements. Paytm will have to find a different Nodal Bank to seamlessly continue online transactions on their app.

Reliance Jio Financial Services: A Potential Thorn in Paytm's Side

Reliance Jio's entry into the financial services market with Jio Financial Services (JFS) throws a curveball at Paytm, already grappling with its recent crisis. This is how Paytm can be affected:

Increasing Competition: JFS will take on Paytm head-to-head in the fight for the same customer base. Reliance's enormous network of retail locations and enormous customer base (more than 420 million Jio customers in India) may provide JFS with a considerable competitive edge in the client acquisition market. Paytm's market share may be eroded by this, particularly in sectors like digital wallets and mobile payments.

Price Wars: A price war for financial services including money transfers, bill payments, and recharges is probable given the two large firms fighting for market share. Paytm's profit margins

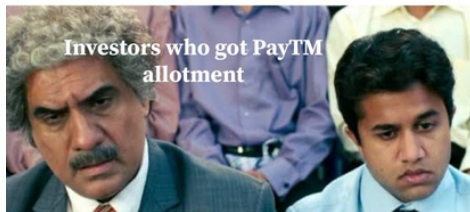
may be impacted by this, particularly if it finds it difficult to draw in new users as a result of its persistent problems.

Innovation Push: Paytm may be forced to innovate and set itself apart by JFS's arrival. In order to maintain its current user base and draw in new ones, Paytm will need to concentrate on creating distinctive features and value propositions.

Paytm's current financial position



Hum log dukhi the lekin



Humse jyada dukhi do aur log the

In FY 2023, Paytm's revenue grew significantly at a 69% CAGR to ₹7,990 Cr, but the company still incurred an EBITDA loss of ₹176 Cr and a net loss of ₹1.85 Cr. Despite strong revenue growth, Paytm is not yet profitable. The negative EBITDA signifies that the company is not generating enough cash flow to cover its operating expenses.

Paytm's market valuation stands at \$3.13B while competitor PhonePe's valuation is approx. \$12B.

Paytm commands a strong Merchant base of over 32.8 million, quarterly growth rate for the same is 4.5%

The Road Ahead for Paytm

For Paytm, the current scenario poses significant challenges. Regulators, investors, and users must all trust the corporation again. This entails fixing the KYC errors, bolstering compliance protocols, and finding alternative solutions for its payments ecosystem. Whether Paytm can navigate this crisis and emerge stronger remains to be seen. The coming months will be crucial in determining the company's future trajectory.



- kashvi batra

Demystifying NFTs: Understanding the Rise of Non-Fungible Tokens

Jack Dorsey's first 15 year old tweet -

- "just setting up my twttr" -- which became a tweet that is now being sold at auction with bidding reaching \$2.5 million. In February, a 10-second video clip known as "Crossroads" by the digital artist Beeple sold at auction for \$6.6 million. A video of a LeBron James dunk sold for a mere \$200,000. What do all these have in common? All of these are examples of NFT or Non-Fungible Tokens. In an era where everything is digital and socially friendly, people are making maximum use of these technologies. We share so many jokes, memes, infographics, etc. with many people for entertainment or informative purposes, but have you ever thought about how these digital properties are created or from where do they originate? The answer to all such questions is a single term – Non-Fungible Tokens or NFT.

Now the question arises what does Non Fungible Tokens actually mean? Let us first define the term Fungible. In economics, fungibility is the property of a good or a commodity whose individual units are essentially interchangeable, and each of its parts is indistinguishable from another part. For example, if I lent somebody \$10 by giving her a ten-dollar bill, I do not mind whether she pays me back with the same bill, another \$10 bill, or two five-dollar bills. Now talking about does the time of purchase matter in fungible goods? If I bought ten Microsoft shares in 2006, another ten in 2007, and another ten in 2008, I bought them at different times. They are all fungible, regardless of when I bought them.

Non-fungible tokens or NFTs are a blockchain entry or cryptographic assets that have a unique identity where each item can be traced to its original developers. Unlike cryptocurrencies, they cannot be traded or exchanged at equivalency. This differs from fungible tokens like cryptocurrencies, which are interchangeable and do not have a unique identity, therefore, can be used as a medium for commercial transactions. NFTs shift the crypto paradigm by making each token irreplaceable and having its own unique identity of the original developer at square one, thereby making it impossible for one non-fungible token to be equal to another.

How about we dig deeper and educate ourselves with the History of NFTs, that will help us complete our first level in the world of NFT. The first one-off NFT was created on May 3, 2014, by Kevin McCoy and Anil Dash. In October 2015, the first fully-fledged NFT project, Etheria, was launched and demonstrated live at DEVCON 1. In 2017, the Ethereum blockchain started to gain prominence over bitcoin based token platforms, due to Ethereum having a system for token creation and storage built right into its blockchain thus eliminating the need for third-party platforms like Counterparty, and was the company to coin the term non-fungible token. Whatever the hazards, NFTs have a bright future ahead of them, since the overall market reached \$100 million by the end of July 2020. Experts in the crypto business even predict that NFTs will be the entrance point for 40% of new crypto users.

Talking about the NFT buying "Frenzy", according to the data In 2021 interest in NFT continued to spike, and a number of high-profile sales were made just in the first few months. The speculative market for NFTs has led more investors to trade at greater volumes and rates. The

buying frenzy of NFTs was called an economic bubble by experts, who also compared it to the Dot-com bubble. NFTs offer digital artists a way to better monetize their works at an even higher and more profitable rate. Some versions of NFTs even extend the artist's ownership beyond the original sale and to resales, which allows artists to continue to make a profit, regardless of if and how many times the NFT is resold. The advantages of NFTs can be encapsulated in 6 simple terms: indivisible, limited, unique, easily transferable, trustworthy and maintains ownership rights.



How are NFTs created?

The process of the creation of non-fungible tokens is called minting. It refers to the creation of a physical coin. NFTs are developed in an NFT marketplace, where a creator uploads a digital file and determines if it is a one-of-a-kind item. It comes in a large number of copies or is part of a series. NFTs are interesting, there's no doubt about it. But there are some serious drawbacks to sinking your money into them. The environmental price of NFTs is in question. Minting of NFTs requires a high level of computing power and energy, similar to cryptocurrencies such as Bitcoin and Ethereum. For example the energy utilized to mine bitcoin has hit the equivalent of Argentina's annual carbon footprint. So, widespread trading in NFTs and other blockchain-based assets isn't necessarily an environmentally friendly process. Even for experts, NFTs are -confusing assets. When you purchase one of these non fungibles, you're not necessarily purchasing the copyright to the art. People are still able to find copies on the Internet of the art for which you own the token, and there's nothing stopping them from copying and pasting these files on social media essentially showing off and sharing what you may have paid millions of dollars for. When you buy these assets, all you really own is a record saying you own the token behind the original .asset. You don't know the real value of the assets that you hold A question that is yet to be answered is, Will this Transformation of Art Collection Last? Although there's a real possibility these digital tokens will maintain their value, there's also a real possibility that investors are going to have a "slam on the brakes" moment, sending the values of these tokens to the bottom. Just as everything has its pros and cons, NFTs also have the same. NFTs are fun. They offer you a way to own something on the blockchain that's not a cryptocurrency. But as an ,investment, they should be looked at as highly speculative extremely risky assets. If you want to take part in the blockchain ,and see these tokens as your opportunity to do so, by all means go for it. But do so responsibly. Buy low-cost NFTs with a mindset that you're enjoying it and not with a mindset to get .richer because the floor might fall off anytime



-Kshitij Sighroha

Algorithmic Trading

Algorithmic trading, also known as algo trading or automated trading, is significantly impacting the Indian stock market in several ways:

1. **Increased Efficiency:** Algorithmic trading allows for faster and more efficient execution of trades, leading to improved liquidity and lower transaction costs in the market.

2. **Reduced Human Error:** Algo trading minimizes the risk of human error in trading decisions, as trades are executed automatically based on pre-defined criteria and mathematical models.

3. **Enhanced Liquidity:** With algorithmic trading, there is a higher volume of trades occurring throughout the day, leading to increased liquidity in the market. This benefits both individual investors and institutional traders.

4. **Market Microstructure Changes:** The rise of algorithmic trading has led to changes in market microstructure, including shorter timeframes for trades, increased volatility, and the prevalence of high-frequency trading strategies.

5. **Access to Global Markets:** Algorithmic trading allows investors in India to access global markets and diversify their portfolios more easily. This has led to increased cross-border capital flows and greater integration with global financial markets.

6. **Regulatory Challenges:** Regulators in India are faced with the challenge of ensuring fair and orderly markets in the face of algorithmic trading. There have been efforts to implement regulations to address issues such as market manipulation and systemic risk associated with algo trading.



Overall, algorithmic trading is transforming the Indian stock market by increasing efficiency, liquidity, and access to global markets, while also presenting regulatory challenges that need to be addressed to maintain market integrity and stability.

Benefits and Drawbacks of Algorithmic Trading

Benifits

Speed: Completes deals more quickly than people.

- Accuracy: Lowers the possibility of human mistake.
- Efficiency: Able to trade nonstop without becoming tired.
- Emotionless: Steers clear of emotive trading choices.
- Backtesting: Outside of actual trading, traders and academics can test a variety of situations.

Cons:

System Failure: Losses may result from technical issues.

- Over-optimization: May provide unreal outcomes.
- Possible problems with liquidity.
- Market manipulation: This tactic might be applied with evil intent.
- Complacency: Not modifying an algorithmic system in response to changes in the market or in laws

Yashesh Tambi-



HOW RBI SAVED INDIA FROM A BANKING CRISIS

During the Covid pandemic and Russia-Ukraine war the world witnessed failure of numerous banks in the European Union and The United States with the closure of Silvergate, Silicon Valley Bank (SVB) and Signature Bank in the Silicon Valley which triggered banking crisis all across the European Union and United States. Due to which the Swiss National Bank (SNB) was forced to assure emergency liquidity measures. After the 2008 crisis along with all the scams that were happening, India was also witnessing a banking crisis and all of this came to surface in 2018 with the Punjab National Bank Crisis as the Nirav Modi Scam. The question is suddenly from 2018 to 2024 how did India go from facing a banking crisis to becoming an expert in avoiding a banking crisis. While so many banks all across the world were failing, how did Indian Banks stand strong during this period and what did the Reserve Bank of India do to protect the Indian banks. If we analyse from macro perspective, many loans were given when our economy performed well, then when they turned to bad loans, they were hidden by Asset Forbearance Rule due to which Non-Performing Asset started rising to scary levels as the loans which were to be marked as 'High Risk' were labelled as 'Restructured' and as a result the banks keep on lending and they got into even deeper trouble. This is how slowly India was inching towards a banking crisis. To help the public sector banks get strong financially, firstly the Indian Government and Banks added a huge amount of money to their funds from 2015 to 2019 which stood at ₹3.19 trillion rupees (\$38 Billion) so the banks could have real cash to sustain their existence in case of economic slowdown and scams. Secondly the government merge the weak public sector banks with the stronger banks. This is the reason why the number of public sector banks dropped from 27 in 2017 to just 12 banks after the merger. This way the banks could utilise their resources, operate with better efficiency and they are able to reduce their expenses. The government introduced Prompt Corrective Action (PCA) framework. The PCA framework set guidelines based on bank's financial health indicators which includes capital ratio, asset quality, profitability and leverage. So now if any bank crosses any of these thresholds, then RBI could immediately take action to prevent that bank from failing. The RBI monitors every important bank in the country so that India does not face a banking crisis. RBI issued guidelines for implementation of BASEL III framework. BASEL III is a set of rules which tells a bank that how strong and high their safety wall needs to be. It took India 6 years from 2013 to 2019 for complete implementation of BASEL III. If the BASEL III says that banks need to have 9% of their risky loans in their reserves, the RBI says banks need to have 11.5% of their risky loans in reserves. This way the RBI has a double layer protection for the banks as it regulates banks to have 2.5% more cash in reserves.

We need to note that the banks that failed in the United States did not have a BASEL III framework so because the RBI sets the rule BASEL III rules with some necessary changes for the Indian Banks, our country did not face a banking crisis.

Before 2016 there were three entities the Civil Court for customers and employees, the Company Law Board for investors, the Debt Recovery Tribunal for banks and there were 7 acts that could be used to solve specific problem in the company. All three entities work individually in different angles but no entity focus on root cause of problem, which is the financial distress of the company.

This problem was so critical that it would take about 4.3 years to resolve an insolvency with the recovery rate of just 26% of the amount and the rest 74% amount just go down the drain. To address this issue, the union government and RBI came up with Insolvency and Bankruptcy Code (IBC) in 2016.

The Insolvency and Bankruptcy Code allows the company to be in Moratorium Period of 180 days in which no legal action can be taken against the company, during this period an Interim Resolution Professional is appointed by the National Company Law Tribunal (NCLT) presides over the resolution and forms a Committee of Creditors who then appoints Resolution Professional.

The Committee Creditors and the Resolution Professional make sure that they pay all the salaries and will keep the operations of the company running so that company keeps on generating revenue. This proved to be a game changer because since the company is running, the company could be sold to another company to recover the debts of creditors. Tata Steel acquiring 72.65% stack in Bhushan Stell for ₹35200 crores in 2017 is a classical example for this.

The IBC acted as a saviour for banks as now banks will not loose the entire amount they have given as loans to the companies in case of bankruptcy. With the implementation of IBC,

the recovery rate improved from 26% to 71.6% and the time taken for resolving an insolvency improved from 4.3 years to just 1.8 years. This not only saved the banks but also improved the ease of doing business in India.

By:- Pratyut Prakash





**Deen Dayal Upadhyay college,
Delhi University, Dwarka sector 3
New Delhi - 110078**



WWW.FINSDDU.IN



FINSDDUC

DDUC

