UNIVERSITY OF MUMBAI

DEPARTMENT OF COMMERCE

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E-NEWSLETTER

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INDEX

INTRODUCTION

Department of Commerce, University of Mumbai is elated to bring out the very first edition of E-newsletter starting March 2021. The idea to publish a newsletter stemmed from our intention to engage all the stakeholders in discussions pertaining to relevant and contemporary issues in the field of Commerce, Accountancy, Management, Finance, Law, Business and Economics and so on. And making it an ‘E’-newsletter has become a pressing priority.

This E-newsletter is for the benefit of all the students, teaching faculty, research scholars, professionals in industry and business alike. We intend to create a platform for engaging conversations and ideas that will enhance the knowledge base of all the stakeholders and prove to be useful for their respective domain.

Students are especially encouraged to participate and contribute to this initiative as it provides them with an excellent platform to share their ideas while obtaining an experience about how to write and improving their skills thereon.

The contribution of teachers, scholars and professionals is equally important for the success of this initiative as it will enable them to write about current issues and topics in addition to the existing syllabus and benefit the readers particularly students who shall gain the necessary knowledge helpful for academic and professional endeavours.

We are thankful to each member of the team who has contributed to manifest this initiative and to each author who has contributed to this edition.

With this we present to all the E-newsletter for the month of March 2021.

BEST WISHES.

"Rural development and Atmanirbhar Bharat Abhiyan"

By:
Raushan Kumar
(PhD Research Scholar, Mahatma Gandhi Central University)

Atmanirbhar Bharat or Self-reliant India is the next goal for all of us. The Covid-19 Pandemic has resulted massive breakdown and economic losses due to disruption in supply chain management worldwide. The government of India has coined a theme of 'self-reliant India' which focuses on strengthening infrastructure and supporting economy through self-reliance. Union budget 2021 announced more than 27 lakh crore package for "Atmanirbhar Bharat Abhiyan". The scheme will focus on employment, women empowerment, good governance and other development projects. But rural development is one of the key drivers for pushing the idea of "Atmanirbhar Bharat Abhiyan". So, we should also need to focus on rural development to achieve the target of self-reliant India.

The idea of self reliant India is not novel but many philosophers like M.K Gandhi, Ram Manohar Lohiya and Pandit Deen Dayal Upadhyay were the strongest proponent of Self-reliance. These Philosophers believed that the idea of self reliant is unfeasible without rural development. From the time of his return to India from South Africa, Gandhiji propounded his views on "Gram Swaraj" and the motto is to decentralize the political system at village level that makes local people could be employed at village level with rising income and productivity. The massive displacement from rural to urban areas in the name of urbanization and economic development has put pressure on government and policy makers. Primarily, Agriculture was one of the major proponents of rural India for providing employment but today, non-farm sector has also take place. Subsequently, rural land in India holds comprises more than 60% whereas rural economy contributes only 25-30% of Indian GDP. Apart from the farm sectors, there needs to be focus on nonfarm sector and agriculture allied activities to improve rural economy. So, there is a need to improve the farm sector with modern technologies and diversifying crops with linking farm and non farm sector in a single platform to revitalize the rural economy.

In order to make 6, 40,867 villages and around 833 million people self-reliant, technology will play a major role. Unless the rural people are provided with basic infrastructure of financial technologies and achieving the dream of financial inclusion, the vision of self reliant India will remain an unfulfilled dream. Research shows that more than 800 million people are Smartphone users by 2022 and rural India has tremendous rise in Smartphone users from 9% in 2015 to 25% in 2018. Through the help of technology based financial inclusion, the farmers will be able to promote their products globally and able to place order or receive payment on behalf of the order will be much easier and faster which will minimize the time and reduce the transportation costs. With the implementation of financial inclusion we can lead to make our village as a global village. So, therefore there is a great opportunity to tap the undeserved section of the people.

Rural growth and development needs to be driven by agro based industrialization through gradually linking the farm and non farm sector. Farm and Non- farm sector collectively able to generate good employment environment and can reduce farm wastage and cut transportation costs. Huge investments with the help of disinvestment needs to be done on agro processing products that will stimulate the new environment of employment opportunity in rural India. Even with the help of MSMEs, rural products can be achieving a large share in exports and it will also provide an employment generation to millions of people.

Rural India has many challenges since centuries, from not appropriate flow of credit to solely dependent on outdated tools and techniques. The rural people have unaware about policies, programmes and different aid coming from the government. But through the help of mobile banking and fintech companies, we can widen our awareness level of financial literacy. The village panchayats will also play a critical role in widening and spreading of financial programmes which can directly or indirectly benefit the rural people. There is a need to eliminate the division between Bharat and India and this can be achieved through the idea of self reliant India. Rural India has an immense opportunity for contributing to the nation’s GDP. There is need to rejuvenate rural art and craft and redesign the rural India framework for the purpose of development and economic growth.

How to Safeguard Your Investments?

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"Warren Buffett, the world's greatest stock picker, has one rule while investing: Never lose money."

There are different investment assets class available in the market like Gold, Real Estate, Fixed Deposits, Recurring Deposits, PPF, Shares, Mutual Funds, Cryptocurrency etc. and every investorinvests in above assets class as per their short term / long term financial plan / goal.

The journey of wealth creation is wonderful no doubt in it, but as an investor some precautions should be taken to safeguard your investment.In this article author has discussed about three ways through which one can safeguardstheir investment, which is as follows:

1. **Emergency Fund:**
   Ideally investor should have emergency fund equivalent to 3 - 6 months of their monthly expenses. It can be in the form of Bank FD, Short Term Bonds, Debt Mutual Funds, etc. In short, the fund should be invested in liquid assets, which can be easily available as and when required.
   In Normal situation your monthly expenses can be taken care by your income, but in the event or circumstances like job loss, recession, illness, pandemic like Covid 19, etc. if your income stops temporarily it affects your financial plan. If you have an emergency fund at that time, the same can be used for your monthly expenses. But if you don't have any emergency fund in that case investor withdraws money from their long-term investments to survive and ultimately investors financial planning gets affected.

2. **Mediclaim/ Health Insurance Policy:** Another way to safeguard your investment is investor should buy Medical Policy / Health Insurance Policy. We all earn good money, spend and invest money but there might be an unexpected expense like medical emergency (Due to Hospitalization) which may affect your daily routine. In such situation if an investor doesn't have medical policy or health insurance policy, investor withdraws money from what they have invested in past to overcome medical expense (Hospitalization Expenses). But if you have medical policy with an adequate cover the major part of claim or Full claim (Hospital Bill Amount) can be paid by insurance company and by this way investor can safeguard their long-term investments. Premium Paid towards medical policy is eligible for tax benefit under section 80 D of income tax act, so by buying medical policy investor can save tax as well.

3. **Life Insurance Policy / Term Plan:** Investors have financial plans, which may be short-term or long-term depending on theirgoals. Every earner of the family is like an asset for their family till they earn (i.e. till retirement). But due to an unforeseen situation like Death, the financial plan of investor getsdisturbed. To overcome situation like this investor must have a Life Insurance Policy / Term Plan. Term plan safeguards the family of investor after their death. Ideally, theterm plan cover should be equivalent to investors total earning till their retirement. The benefit of having a term plan is that the total amount of cover will be paid to the nominee of investor at the time of their death by insurance company and same can be used by investors' family for their survival. If investor has any loan / liability that can also be paid from the term plan amount received. Premium paid towards term plan is eligible for tax benefit under section 80 C of income tax act, so by buying term plan investor can save tax. This is the third way through which investor can safeguard their long-term investment.

Financial Tip:
Once you start earning and plan about investment / long term financial goal, as an investor one should have the above three things to safeguard their investments.

"The most important investment you can make is in yourself."

Two Approaches to Financial Inclusion.

Ravindra Kumar*

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(A Paper Review Report of Rajaram Dasgupta's Research Article ,June 2009)

Dasgupta, Rajaram (2009): Two Approaches to Financial Inclusion, June 2009, Economic and political weekly 44(26):41-44. DOI: 10.2307/40279775)

Introduction

This review report aspires about the financial inclusion and financial exclusion both the concept are important for development of India. Bothe reports are have successfully got prepared under the chairmanship of C. Rangarajan (CRC) and another reports by Raghuram G Rajan (RRC) and submitted to the Government of India in 2008.This service provides the sustainable and exponential report for especially savings, insurance and remittance facilities. It provides the employment generation ability for Indian through the rural livelihood mission.

According to the Reserve Bank of India there is 95% credit gap occurred in Indian society. While comparing with foreign countries the credit gap are satisfactory like as in UK credit gap is 9%, in Australia Credit gap is 11% and in Italy it is 14% only.

Farmers, schedule caste, scheduled tribe caste and migrants' worker are badly affected population in India. The RRC notified in IIMS survey (2007) that

- Population belongs to migrants' workers, SC & ST have only 14% bank account in India.
- Businessmen have 95% bank Account only.
- Population belongs to lowest quartile who are aware about banking system is 34% only.

Analysis report of CRC observations

CRC describes in his report that the system of financial inclusion is not satisfactory because of the following reasons-

- Lack of education ,health ,sanitation, as well as training.
- Lack of local value addition.
- Agriculture market risk.
- Unorganized sectors,
- Linkages in poor market.
- Very low productivity.
- Absence of effective risk mitigation system in agriculture sectors
- Access to land and titling by distribution surplus land, etc.
- Lack of digital literacy in rural areas.

To overcome of the above problems, the suggestions given by CRC are-

1. Indian government should established LABS i.e. Local Area Banks for Financial Inclusion for empowering microfinance system and it must be under control in regulatory framework.
2. NBFC should comes under the control of RBI , It must providing the financial services to the poor for startup capital.
3. Empowering India through the digital literacy network.

The observations of RRC

Large population of India depend on agriculture activities ,therefore farmers and wage laboures ,SC,& STs must be banefitted by Government of India by providing him banks loans, old age pension, insurance and savings.in urban and rural India as well.
Rural Banks are not supportive and they are not performing their responsibilities and duties .Banks are not supportive to attaracts the poor people in rural India.
The problems are the followings

1. Corruptions are in local level.
2. Adequate loans are not given to poor people.
3. Bribes are very high in RRBs.
4. NCAR survey of world Banks notified that –There is positive co-relation between bribe amount and speed of loan approval.

Suggestions of RRC

These are the following.

- ✓ The functions of microfinance institutions must be focused and do broadly work to raise the finance.
- ✓ RBI must be maintain and developed the management information system for three dimensional development for ruaral and urban India and provide affordable human capital.
- ✓ Mechanism of co-oprative structure for borrowers at all levels.
- ✓ Bank staff should be establish the good behavior with local people of the area and must be very aware with the people.

Integrated Observation Reports

RRC suggested that RRBs and mainstream banks must be very near to the people of local areas to facilitate him the banking services according to the direction of Reserve Bank of India. There should be strong co-relation between main stream banks and SFBS banks with local people of the areas. government must be create and promote the small finance banks.
For economic growth of india, it is mandatory to strong mechanism of banking performance in rural and urban India. These are the following-

- Bank willingness provides the loan to the people
- Strong mechanism of self help group.
- Established the microcredit system,
- Risk perception of the banks.

Therefore finally integrated approach indicates that the
For providing all the amenities to poor people of rural and urban India ,RBI must be take these two actions;

- ❖ Established the good amount of financial markets and penetration markets.
- ❖ RBI must subsidizing the PAN numbers & provide to the poor people to join the financial markets.

Conclusion Remarks

RBI plays very important role for financial inclusion in India. Therefore it is mandatory to have well mechanism of transparency and better communications to the borrowers and all cost public disclosure of margine loans. There should be an effective system of taking grievances. Finally we can conclude that sustainable development and high growth rate of GDP through financial inclusion the following major steps should be taken-

1. Reform in agricultural marketing
2. Revisting the priority sector credit mechanism
3. Immediate legislation of microfinance bill and making necessary amendments to accelerate the growth of LABS
4. Establish the strong network of rural banks by government for micro management of credit business through micro credit system.
5. Governemt should involved itself in policy making, development programmes and the micro markets of India.

Analysis of mentioned above two observations reports by CRC and RRC are very game changing phenomena to face the global challenges successfully towards Resurgent India in modern era.

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Crowdfunding: What is it and how does it work?

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Phoebe is a singer at a coffee house in Central Perk in New York. She is good at her art and her audience just loves it. One evening, at the end of her performance she announces to the audience that if they love to hear her and wish to get updates about her upcoming shows via email they should give her the money so that she can buy a computer.
Definitely, one of the earliest stints in the area of crowdsourcing!

Before Phoebe, Marillion a British rock band in 1997 raised close to $ 60,000 in donations from their fans via Internet to fund their reunion tour. This soon gained pace and opportunists did not miss the bus and many projects and ventures began to gather funding from the public at large. Internet had a major role to play as it made possible to access large pool of investors across boundaries. At present, we have various Crowdsourcing platforms like Kickstarter, Indiegogo, Ketto, Milaap, Fueladream, Fundable and so on that operate via the Internet and help entities raise funds for purposes ranging from donations to businesses.

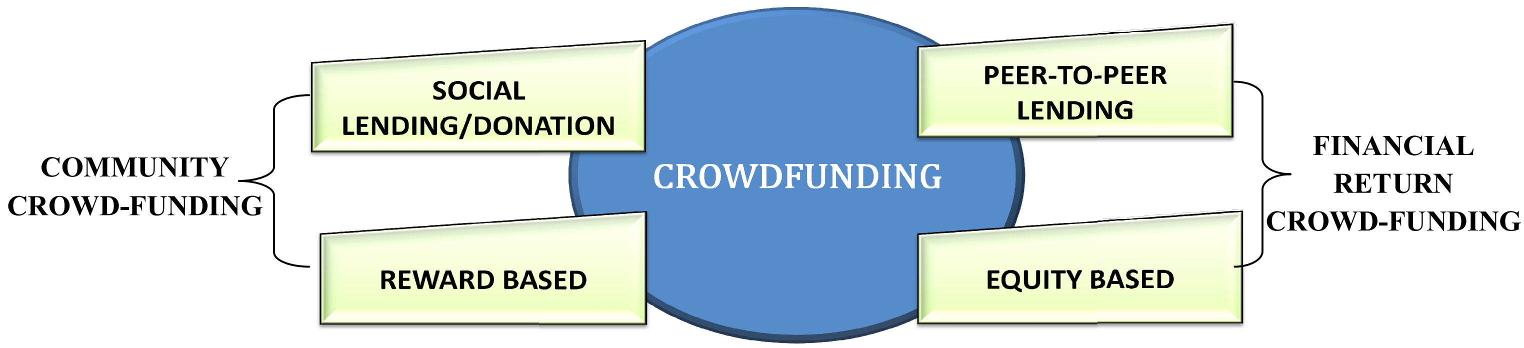
The Definition

When several individuals contribute in small amounts towards building up of capital in order to finance a business or venture or any activity, the phenomenon is known as 'Crowdfunding'. This process of raising finance usually happens over the Internet. It allows new, unheard of businesses gain access to wide networks of investors and thus bridge the gap between providers and users of capital. There is virtually no restriction or mechanism on how Crowdfunding process should be undertaken lest any regulations monitoring it in most jurisdictions across the globe. The general idea of Crowdfunding is that the entrepreneur or user of capital should have an 'idea', next the ability to pitch that idea and finally manage to gather the willing and interested investors who shall invest in the idea.
The Consultation Paper on Crowdfunding in India issued by SEBI defines Crowdfunding as "Solicitation of funds from multiple investors through a web-based platform or social networking site for a specific project, business venture or social cause."
It is in fact an ideal scenario where sourcing and utilization of finance can happen in a seamless way without much hassles.

Global Scenario

The Board of The International Organization of Securities Commissions (IOSCO) had released a Statement on Addressing Regulation of Crowdfunding in December 2015, wherein it was mentioned that owing to the financial crisis of 2008 the traditional credit providers' ability to provide loans even for worthy investment projects was increasingly taking a hit and borrowers suffered due to this especially small and medium enterprises. Policy makers and regulators thus sought ways to encourage investments in small firms and start-ups and Crowdfunding has been one of the ways of making this possible. However, it is pertinent to achieve a balance between economic growth through development of Crowdfunding and need of protecting the investors. IOSCO has not proposed a common international approach to the oversight or supervision of Crowdfunding but laid out arguments for and against the concept to raise awareness regarding some major risks that investors face.

In a presentation titled 'Crowdfunding: An Infant Industry Growing Fast' by Rohini Tendulkar, Economist at IOSCO, Crowdfunding has been categorized into the following:



The regulatory approach across jurisdictions is varied and no standard has been set for monitoring the activities of and related to Crowdfunding. Whereas community based Crowdfunding is not much of a challenge as investors knowingly and willingly forego their money, but financial return Crowdfunding does pose a challenge for the regulators and policy makers. In some jurisdictions like Japan and Israel, there is outright ban on both Peer-to-Peer lending and equity Crowdfunding under legislation, in other jurisdictions like China, Brazil, Egypt, South Korea, the regulation has classified Peer-to-Peer lending as exempt market or not defined under legislation. While in some jurisdictions Peer-to-Peer lending platforms are classified as intermediaries, some treat them as banks. In the US there is a two tier system at federal and state level. It requires registration of peer-to-peer lending platforms with the SEC, as well as applying for license to conduct business on a state by state basis.

With regards to equity Crowdfunding most jurisdictions have exempted it from requirements of prospectus or offer document. Some jurisdictions allow offer to be made only to 'wealthy or informed investors' others levy a capping on the amount that can be raised or amount that each investor can invest.

Indian Scenario

At present, equity based Crowdfunding in India is considered as "unauthorized, unregulated and illegal" by SEBI. However, as a step towards creating a robust and efficient marketplace for raising finance SEBI has proposed norms and mentioned various aspects in its Consultation Paper on Crowdfunding (https://www.sebi.gov.in/sebi_data/attachdocs/1403005615257.pdf).

In it, SEBI restricts itself only to security-based Crowdfunding where money is sought in exchange of equity, debt or fund-based issue. Donation and reward based Crowdfunding lies outside the ambit of SEBI and Peer-to-peer lending shall be taken care of by the Reserve Bank of India. To allow investors benefits of alternate sourcing and yet restricting their exposure to associated risks, SEBI has proposed to permit only accredited investors to participate in Crowdfunding. SEBI in its Consultation Paper on Crowdfunding mentions eligibility criteria for accredited investors, eligible retail investors as well as Investment limits and conditions which also includes the 'fit and proper' requirement for issuing company, its directors, promoters or associates. SEBI also aims to outline appropriate Disclosure Requirements on Issuer which shall enable true and factual information dissemination to investors to facilitate them to make informed decision. Since the funds are raised using the Internet it is felt inevitable that these Crowdfunding platforms be registered with SEBI as such. The Consultation Paper further mentions that 'To prevent fraudulent offering of securities via the internet, it is proposed to provide that no entity can raise funds through Crowdfunding without channeling their issues through a recognized Crowdfunding Platform, subject to the approval of Screening Committee.

In view of lack of regulations at present, SEBI tried to rein in the Crowdfunding platforms citing that they were flouting the norms relating to private placement and acting as unauthorized stock exchanges. As a result these platforms registered themselves as 'Alternative Investment Funds' and accordingly shall be regulated by SEBI (Alternative Investment Funds) Regulations, 2012. Under these regulations AIF can source money only from experienced investor subject to net worth requirements and also place restrictions on the start-ups that can raise funds through this source.

Tax Implications

- It is most likely that donation based Crowdfunding will fall in the list of exempt donations under Section 80G of the Income Tax Act, 1961. Conventionally, not-for-profit organizations have sought donation to operate their entity which is also specifically covered under Chapter III of the Income Tax Act, 1961.
- Reward based Crowdfunding is solicitation of funds in return of some present or future tangible reward as consideration. This may require recognition of such funds as revenue of the business at appropriate time and thus payment of relevant direct and indirect taxes on the same.
- Security based Crowdfunding is practically the same as raising of capital. This may require the income tax act to define Crowdfunding scrip as a 'capital asset' which shall attract capital gains taxation on transfer of the same.
- Further, provisions regarding indirect taxes on exchange of consideration, 'supply of service' by Crowdfunding platforms and other intermediaries, foreign investment in case of cross-border Crowdfunding may require attention and clarification as and when these events materialize.

Imminent Challenges

- One of the issues with Crowdfunding is that there is no secondary market available for such scrip and investors have limited exit routes available. Investors can transfer the securities either back to the issuer (Buyback) or to another accredited investor or to a family member, relative or friend of accredited investor or equivalent. The selling of such security can be possible if only there is sale of company, management buyout, floatation of IPO or listing of company on a recognized stock exchange.

- In case of default in repayment or failure to provide financial returns there is currently no mechanism in place to enforce it from the entities raising funds.
- If the sector remains unregulated it is highly likely that the platform may be used for illicit activities like money laundering and terrorist financing with virtually no trail left behind to catch hold of the perpetrators.
- Investors who lack experience and base their decisions on the 'herd mentality' are subject to immense risk and without proper regulatory mechanism it will become difficult to protect the interest of investors.
- There are also myriad concerns about cyber security pertaining to the Crowdfunding platforms that need to be addressed. Development of robust Business Continuity Plan (BCP) and its implementation being only a stepping stone towards preventing a complete failure of the platform.

Way Ahead

- Policy makers and regulators must seize the opportunity and create an efficient and effective marketplace to encourage the idea of Crowdfunding as the fact that it is a very useful alternative source of finance cannot be denied. The benefits in form of lower costs, convenience, time-saving, alternate investments must flow to the stakeholders.
- There must be mechanism to regulate and monitor the operations of entities seeking funds and the Crowdfunding platforms to achieve the ultimate goal of investor protection. This can be achieved by putting in place reasonable restrictions on all the stakeholders involved. Such restrictions must be subjected to periodical review and necessary modifications must be incorporated.
- Concerns related to cyber security must be addressed by panel of experts and appropriate policies should be drafted and implemented including cross-border security issues.
- Regulators may also conduct periodical enquiry, audit and inspection into the operations of Crowdfunding to ensure vigilance of the sector.
- Investor awareness campaigns and programmes must be conducted to make them aware of the working of Crowdfunding activities and making them understand the risks associated with it.

Crowdfunding is a budding sector which has the potential to change the face of the financial industry. Thus, it is imperative that at the initial stage itself it is paid heed to so that only the benefits could be reaped by all stakeholders thus limiting the associated risks.

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