SAMVRIDHI

FINANCE *frankly*

– MONEY MAKES THE WORLD GO ROUND

All the investments are subjected to market risks, read all the articles carefully.

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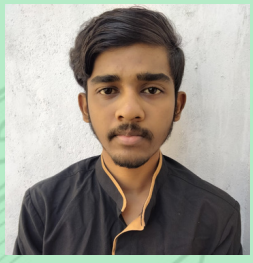
TEAM SAMVRIDHI

Sharvari
BBA 3rd year
STUDENT COORDINATOR

Krishnaprasad
BBA 3rd year
STUDENT COORDINATOR

Taruni
BBA 3rd year
STUDENT COORDINATOR

DESIGNING TEAM



Trikash
BBA 3rd year

Shriya
BBA 2nd year

Ibrahim
BBA 2nd year

Teesha
BBA 2nd year

Bhuvaneshwari
BBA 2nd year

Andrea
BBA 2nd year

WRITING TEAM

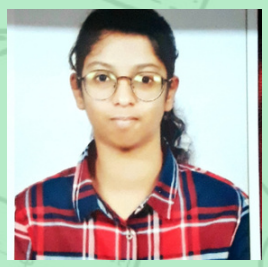
Adiba
BBA 3rd year

Ayesha
BBA 3rd year

Gaurav
BBA 2nd year

Nafisa
BBA 2nd year

Aparna
BBA 3rd year



Samyuktha
BBA 2nd year

Vishesh
BBA 2nd year

Varnika
BBA 2nd year

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FOREWORD

Finance involves borrowing & lending, investing, raising capital, and selling & trading securities. The purpose of these pursuits is to allow companies and individuals to fund certain activities or projects today, to be repaid in the future based on income streams generated from those activities.

This edition of Samvridhi focuses on Finance a very important aspect of every individual and is also termed as life blood of any organisation.

We hope the readers find our edition informative. Your views can be mailed to samvridhibvc@gmail.com

This edition is published to share our views with our readers and is not intended to offend anyone.

HOW WOULD TAX HIKE AFFECT COMMON MAN?

The majority of people in India are from the middle and lower middle classes, where they either work in the service sector or rely on agriculture for a living. The most crucial question in this scenario is what effect GST will have on the average person or a middle-class household. An ordinary man's head is filled with questions these days, such as: Is there anything new for him or is it just old material in a new package? Is there any tax relief for him in the new tax laws, or will it result in higher pricing for goods and services?

Most recent news -

On December 28, 2021, the Indian government updated five significant rules that would take effect on January 1, 2022. LPG cylinder rates, levies on new ATM cash withdrawals, India Post Payments Bank (IPPB) deposit/withdrawal, cash transaction, and ICICI bank service are among the changes.

After GST, the supply chain has a single tax provision where each person can claim a tax credit for all the taxes he has already paid, resulting in lower pricing. He also learned how much tax he had paid on products and what the actual value of his goods was. Again, because GST has a stronger tax administration system, tax manipulation is impossible.

GST has a broader scope, therefore it will benefit the greatest number of assessees at each level of the tax process, and consumers will profit as a result.

The real impact of any economy on the ordinary populace is when the cost of basic necessities change. The economy is excellent for the general public when prices for everyday products and services become low; but, if the inflation rate rises, the general public becomes dissatisfied with the government's reforms.

It is critical for every government policy to achieve public satisfaction, as without it, the policy would not work in the manner in which the government intended.

We're attempting to understand the new GST in the context of India's current taxation system. We used to pay indirect tax on every service we used that was already charged at a separate time under the prior tax system.

The cascade impact occurs when we pay taxes on tax amounts as well. As a result, the burden of the increased price is borne only by the end user, who has no idea how much tax he paid or what the actual cost of the material is.

-SHARVARI AND NAFISA

LEGAL TAX SAVING TECHNIQUES

What would your plight be if, I say you earn about say 1 Crore rupees and you need to close your eyes and pay about 25 lakh, how would you feel, would you not feel frustrated, and have the urge to save all that money and use it for other purposes, would you not be relieved if you could even save some amount from the taxes you pay, that too legally.

There are two ways to save tax in India:

(i) By Claiming Expenses:

You will have to claim the expenses you have made to save income tax.

(ii) By Investing in Tax-Saving Instruments:

The government encourages people to save tax by investing their money in tax-saving instruments listed under section 80C of the Income Tax Act. This way, you can ensure that you have some form of investment and not worry about too much money spent on paying taxes.

WAYS TO SAVE TAX LEGALLY IN INDIA:

(i) **INCOME FROM AGRICULTURE :**

Any kind of income from agricultural land defined as per section 10(1)) is exempted

from tax. Such an income can be related to rent from land, revenue from land, the amount generated through agriculture products, and the amount through a farm building.

(ii) AMOUNT RECIEVED THROUGH INHERITANCE :

The amount received through inheritance in the form of a Will is not taxable in India. Therefore, the amount you receive as per a Will shall not be taxed in India.

(iii) LOAN FOR EDUCATION PURPOSES :

This comes under section 80E of the Income Tax Act. The interest amount paid against an education loan is not taxable. There is no specified limit for such a category.

(iv) DISTRIBUTION OF PROFIT IN PARTNERSHIP FIRM:

No tax shall be deducted from partners in the case where the partnership firm is making profits and the business holders decide to share the profit among themselves.

(v) AMOUNT RECEIVED FROM GRATUITY:

Money received as gratuity is tax-free up to a limit. The limit for tax-free gratuity is Rs. 20 lakhs.

- APARNA

STOCKS

WHAT IS A STOCK?

A stock is a security that represents an ownership share in a company. When you purchase a company's stock, you're purchasing a small piece of that company, called a share. Investors purchase stocks in companies they think will go up in value. If that happens, the company's stock increases in value as well.

HOW STOCKS ARE FORMED?

Companies sell shares in their business to raise money. They then use that money for various initiatives: A company might use money raised from a stock offering to fund new products or product lines, to invest in growth, to expand their operations or to pay off debt.

WHAT IS THE ORIGIN OF STOCKS?

The first modern stock trading was created in Amsterdam when the Dutch East India Company was the first publicly traded company. To raise capital, the company decided to sell stock and pay dividends of the shares to investors. Then in 1611, the Amsterdam stock exchange was created.

HOW STOCK MARKET HAS EVOLVED OVER THE YEARS?

<u>Stock Trading in the Past:</u>

As mentioned, the stock market was established in the 1500s. It was not popular then, and people only started to take it seriously in the 1952s. As of 1952, nearly 6.2% of the U. S population had invested in the stock market.

During that time, the stock investment was seen as an expensive venture. Only the rich could buy and trade shares. Besides, the trading

was quite consuming. The fact that there was no technology means that the trades were made on one on one basis. If you had a broker, it would take an extended period before responding to your trade performance. The investment choices were also few, unlike today.

Stock Trading Today:

Many stock trading aspects have changed. For instance, everyone can trade in the stock market. Stock trading was quite expensive in the past; only people with a higher social class could buy the shares.

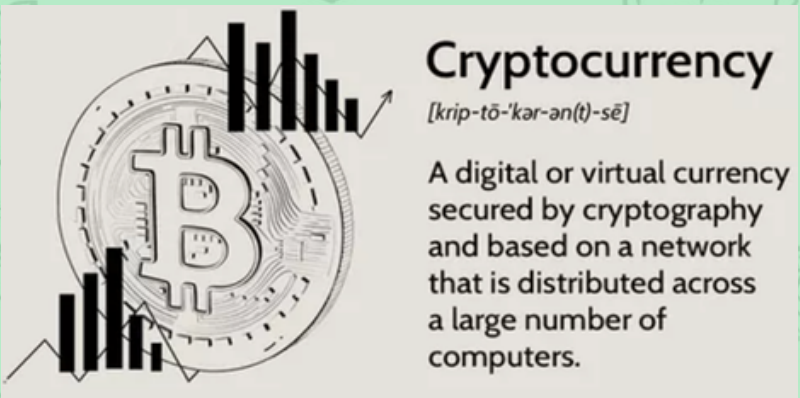
- Trade Has Been Made Easier
- Lower Commissions
- The Market Has Become More Volatile

DIFFERENT TYPES OF STOCKS:

- Large Cap Stocks.
- Mid Cap Stocks.
- Small Cap Stocks
- Preferred & common stocks.
- Growth Stocks.
- Income Stocks.

- TRIKASH

CRYPTOCURRENCY



Cryptocurrency aka crypto we've been hearing this term all around us. It has boomed a lot in the past 5 years. Even our country's Financial institutions have discussed it in the 2022 budget session. So, what is crypto? It is any type of digital or virtual currency that uses encryption to safeguard transactions. These have been dated back to the 1980s when they were known as cyber currencies. With the debut of Bitcoin in 2008, these coins gained prominence. Bitcoin was designed by an anonymous programmer or group of programmers.

The name "cryptocurrency" comes from the fact that it uses encryption to verify transactions. This means that storing and sending cryptocurrency data between wallets and to public ledgers requires complex coding. Encryption's goal is to ensure security and privacy.

These are digital assets that people invest in and are used to make purchases online. The value of virtual currencies, unlike government-backed money, is solely determined by supply and demand. It is a digital means of exchange that uses encryption techniques to manage the creation of monetary units and verify the transfer of funds.

Cryptocurrencies have several advantages, including cheaper and faster money transfers and decentralized systems that do not have a single point of failure.

While securities are in place, that does not mean cryptocurrencies are un-hackable. Several high-dollar hacks

have cost cryptocurrency start-ups heavily. Users might also misplace their crypto's chances of incurring a significant loss. Cryptocurrency has high price volatility and uses large amounts of energy for mining.

Any investor can buy cryptocurrencies using popular cryptocurrency exchanges like Coinbase, apps like Cash App, or brokers. Coin DCX is India's largest and the safest cryptocurrency exchange to buy and sell bitcoin and other cryptocurrencies with ease.

There are more than 4,400 cryptocurrencies traded today, out of all of them bitcoins have been the highest performing and the most stable cryptos of all time. The top 5 performing cryptos as of April 2022 are Bitcoin, Ethereum, Terra (Luna), XRP, BNB.

The Reserve bank of India and the union government have not given any sort of recognition to cryptocurrencies as legal tender and will not be accepted as an official mode of payment in India however the gain on the sale of crypto would be taxed at the rate of 30 per cent. There is neither a ban on the use of cryptocurrencies in India nor a regulation that governs their actual usage.

Crypto is going to be dominant in the next few years but one should invest smartly, one should analyse the trends of different currencies, how they perform in the market and then take a decision to invest as it is highly volatile and also buy crypto from verified apps as there are huge scams taking place. Stay safe. Invest smartly.

- Y.VARNIKA &
IBRAHIM FAKKAD

NFT'S

A Non-Fungible Token is a way of proving that a digital item is the only one of its kind in existence and it cannot be copied without the owner's consent. They are like digital certificate of authenticity. NFT's are modern day collectibles. They are bought and sold online and represent an ownership digitally. NFT's are secured by blockchain technology the same technology which is used by crypto currencies like Bitcoin to keep a record of all the tokens and its owners. Each token is as unique as a human fingerprint.

BEGINNING OF NFT'S

Their history dates back to 2017 when American studio Larva Labs developed CryptoPunks, a series of collectable digital characters traded through NFT's, which serve as a good starting point.
So, crypto currencies were made digitally scarce through use of blockchain technology that keeps track of file ownership through very advanced security protocols. This gives a proof of ownership to each CryptoPunks' holder, meaning there will only ever be one true copy of the 10000 digital characters in the world.

HOW ARE THEY USED?

NFT's main use has been found in digital art world. In the traditional, 'physical' art world, when an artist completes a work, that is the only copy of it. There is only one physical copy of Da Vinci's Mona Lisa for example, a scarcity which helps add to its astronomical value.
Forgeries are difficult when replicating physical art, but when dealing with digital art, pieces can be copied much more readily, usually with just the simple duplication of file. NFT's put an end to that, encrypting the digital source of an artwork with blockchain to ensure it remains the definitive version of that piece.

They are used wherever virtual goods can be collected and sold or traded. NFT's differ from crypto currencies but the only similarity is that, they can be used as a way of doing trade just as if they were money.

WHY NFT'S ARE IMPORTANT?

NFT's are an evolution of the relatively simple concept of crypto currencies. Modern finance systems consist of sophisticated trading and loan systems for different asset types, ranging from real estate to lending contracts to artwork.

The most obvious benefit of NFT's is market efficiency. The conversion of a physical asset into a digital one streamlines processes and removes intermediaries. NFT's representing digital or physical artwork on a blockchain removes the need for agents and allows artists to connect directly with their audiences. They can also improve business processes.

In Theory that artwork could be copied an infinite amount of times, which essentially renders it worthless in a monetary sense. However, the person in ownership of an artworks NFT holds on to something much more valuable; the original piece.

FREQUENTLY ASKED QUESTIONS:

1] What are some examples of non-fungible tokens?

NFT's can digitally represent any asset, including online assets like digital artwork and real assets such as real estate.

2] How can I buy NFT's?

Many NFT's can only be purchased with Ether, so owning some of this crypto currency is usually the first step. NFT marketplaces include OpenSea, Rarible and SuperRace.

3] Are Non-Fungible Tokens safe?

NFT's which use blockchain technology just like crypto currency, are generally secure. The distributed nature of blockchains makes NFT's difficult to hack. One security risk for NFT is that you could lose access to your non-fungible token if the platform hosting the NFT goes out of business.

- SHRIYA AND SAMYUKTHA

WHY DID POST OFFICE SAVINGS DISAPPEAR?

The post office savings account is a deposit scheme provided by the post office throughout India. The account provides a fixed interest rate on the account balance. It is a beneficial scheme for individual investors who wish to earn a fixed rate of interest by investing a significant portion of their financial assets. The central government decides the interest rates on the post office savings account. It is at 4% and it is calculated every month. According to the income tax regulations, if a post office savings account holder generates returns lower than Rs. 10,000 a year through interest, then it is tax-free.

Post-Office savings deposits are negatively correlated to per capita income while bank deposits are positively correlated with per capita income. This indicates that poor people are more reliant on post-offices for their savings and when the income increases they shift to bank deposits first and not to financial products, as per the report put together by SBI's Economic Research Department.
There has been a decline because people are shifting from postal savings to other instruments, which have better returns. Also, because of an increase in investment options under section 80C of the Income-tax Act, people have got more choices. Section 80C of the Income-tax Act, 1961, offers deductions in respect of certain payments in computing the total income of an assessee.

Post office savings have gone down because the bank interest rates are pretty good when compared with post office schemes. So, we can expect people to invest more in post office savings if there is a decline in the interest given by the private banks.

- TARUNI

BONDS

WHAT ARE BONDS?

Bonds are issued by organizations generally for a period of more than one year to raise money by borrowing. Bond markets are important components of capital markets. Bonds are fixed-income financial assets—essentially IOUs that promise the holder a specified set of payments. The value of a bond, like the value of any other asset, is the present value of the income stream one expects to receive from holding the bond.

This has several implications:

1. A bond is generally a form of debt which the investors pay to the issuers for a defined time frame. In a layman's language, bond holders offer credit to the company issuing the bond.

2. Bonds generally have a fixed maturity date. All bonds repay the principal amount after the maturity date; however, some bonds do pay the interest along with the principal to the bond holders.

3. Bond prices vary inversely with market interest rates. Because the stream of promised payments usually is fixed no matter what subsequently happens to interest rates, higher rates reduce the present value of these promised payments, and thus the bond price.

4. The value of bonds falls when people come to expect higher inflation. The reason is that higher expected inflation raises market interest rates, and therefore reduces the present value of the fixed stream of promised payments.

5. The greater the uncertainty about whether the promised payments will be made (the risk that the issuer will default on the promised payments), the lower the expected payments to bondholders and the lower the value of the bond.

6. Bonds whose payments are subjected to lower taxation provide investors with higher expected after-tax payments. Because investors are interested in after-tax income, such bonds sell for higher prices.

WHAT IS A BOND?

A bond (aka fixed income) is an instrument used by governments and companies to raise money by borrowing from investors. Think of them like loans.

TYPES OF BONDS:

- Corporate Bonds
- Municipal Bonds
- Treasury Bonds
- Junk Bonds
- Bond Funds

TYPES OF BONDS:

Treasury, savings, agency, municipal, and corporate, Fixed Rate Bonds, Floating Rate Bonds, Zero Interest Rate Bonds, Inflation Linked Bonds, Perpetual Bonds, Subordinated Bonds, Bearer Bonds, War Bonds, Serial Bonds, Climate Bonds.

Each type of bond has its own sellers, purposes, buyers, and levels of risk vs. return. If you want to take advantage of bonds, you can also buy securities that are based on bonds, such as bond mutual funds.

- AYESHA AND ADIBA

MUTUAL FUNDS

Mutual funds are investment options, through which an investor can put their money in equity, debt or hybrid instruments. There are different funds which are created by Asset management companies of various risks. In simple terms, a mutual fund is an investment option offered by fund houses where they pick top-performing stocks, bonds, etc of various sectors and bring them under one portfolio. It is a combination of securities where the fund manager decides the amount of exposure to equity or debt, depending on the category of fund. Mutual funds are allocated to asset classes differently, and their exposure to equity also varies with each mutual fund. For example, a small-cap mutual fund is heavily exposed to equity and will not have traces of debt. However a hybrid mutual fund will have traces or debt and equity.

SEBI has broadly classified mutual funds into:

- Equity schemes;
- Debt schemes;
- Hybrid schemes.

EQUITY SCHEMES:

As explained earlier, mutual funds invest in a variety of securities. However, the proportion of investment into such securities differs. Hence, those mutual funds that invest at least 65% of their total assets into equity shares of companies are called equity mutual funds.

Under equity schemes, there are further sub-categories of mutual funds, as explained below:

- Large-Cap Funds: Mutual funds that invest in shares of companies with the largest market capitalization, typically ranked 1st to 100th by SEBI, are called large-cap

• **Mid-Cap Funds:** Mutual funds that invest in companies with medium market capitalization, typically ranked 101st to 250th by SEBI, are called the Mid-cap funds.

• **Small-Cap Funds:** Mutual funds that invest in companies with the smallest market capitalization, typically ranked after 250th by SEBI, are called small-cap funds.

• **Multi-Cap Funds:** These mutual funds invest in all market capitalization companies (basically, large, mid and small cap), to attain maximum returns with reduced risks.

• **Sector Funds:** These mutual funds invest in a particular sector such as financial or healthcare and are called thematic funds.

• **Index Funds:** Index funds are created considering the companies in a particular market index where the index and the index fund return will be similar. These funds basically mimic the market. Such funds invest in the same companies as that of the market index.

DEBT SCHEMES:

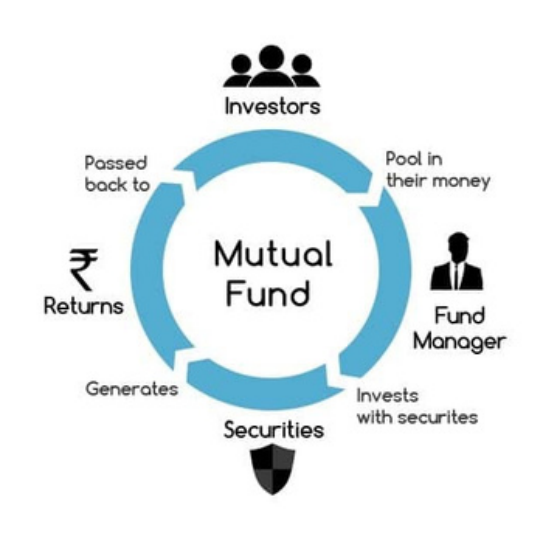
In contrast to equity schemes, debt schemes invest majorly in debt instruments and other safe securities such as corporate bonds, government bonds, etc.
At least 65% of the total investment is allocated to debt and fixed-income instruments.

• **Liquid Funds:** These mutual funds invest in liquid instruments that mature within 91 days. Liquid funds offer higher returns than a savings bank account and fixed deposit.

• **Dynamic Bond Funds:** These mutual funds invest in short-term and long-term bonds and their fund managers generate higher returns by modifying the portfolio based on interest rate fluctuations.

• **Short-term Debt Funds:** These mutual funds invest in debt funds that mature in a short duration, typically one to three years.

• **Fixed Maturity Plan Funds:** Such mutual funds invest in fixed-income debt funds, such as government bonds.



• **Gilt Funds:** Such mutual funds invest in high-rated government securities that offer stable returns with low risk.

• **Credit Opportunity Funds:** Such mutual funds invest in low-rated securities, potentially good return providers.

HYBRID SCHEMES:

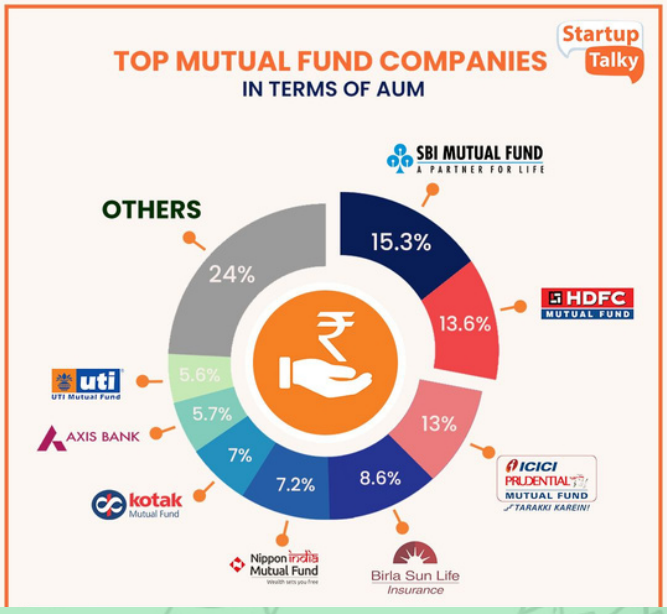
Hybrid schemes invest in equity and debt funds to balance the risk. The motto of hybrid schemes is to invest in equity to attain returns, however balance it out with debt.

• **Monthly Income Funds:** Such mutual funds invest in debt funds majorly and less than 20% in equity funds to offer regular returns monthly, quarterly, or yearly.

• **Conservative Hybrid Funds:** Such mutual funds invest at least 65% in fixed-income instruments, and the balance amount is invested in equity funds.

• **Aggressive Hybrid Funds:** Such mutual funds invest at least 65% in shares of various companies and the balance in fixed-income instruments.

• **Arbitrage Funds:** Such mutual funds offer better returns by buying the securities from one market and selling them at a higher price in another market.



CONCLUSION:

Although mutual funds are safer than stock market investments, their equity involvement makes it risky in the end.

While mutual funds are considered a lucrative investment choice, you must always look to balance your portfolio. Covered bonds offered by Wint Wealth could be a prudent choice for those seeking decent returns as well as investing in an asset which is not as risky as equity mutual funds.

- GAURAV AND TEESHA

By :-
Krishnaprasad
Andrea

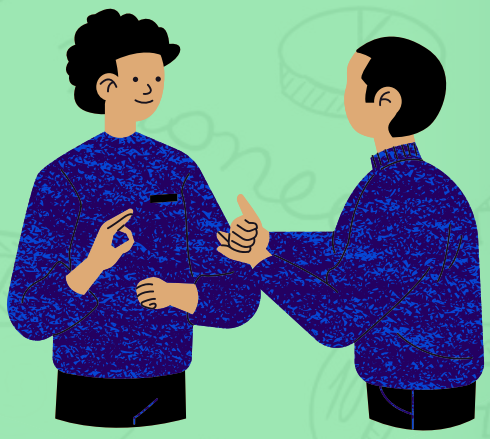
Comic

Hey! I was thinking of investing a chunk of my salary into liquid assets so that I would be able to get myself that dream car someday with all that saved up money.

Dude, seriously? You're speaking as if you're Warren Buffett. YOLO, Bro! Enjoy while you are still alive.

Twenty Years and Hours of Regret Later.....

Hey, Bro! How did you manage to get that car? It looks so classy, I envy your riches, Man!



Hey, Man! Glad to see you here. I invested in BitCoins and after the recent Crypto boom, I got enough to purchase this beauty.

Oh! That's good to hear! Now I seriously regret not taking your financial advice. I should've invested too!

Don't worry, My Friend! Better late than never. Start investing today to take advantage of Compounding.