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PUBLIC & PHILANTHROPIC CAPITAL IS BEING USED STRATEGICALLY TO ATTRACT PRIVATE INVESTMENT

INDEX

- BSE 36,976.85
- NSE 10,948.25
- NASDAQ 7,790.85
- DOWJONES 25,830.44

CURRENCY

- INR/USD ₹ 70.92
- INR/GBP ₹ 86.48
- INR/YEN ₹ 0.67
- INR/EURO ₹ 79.31

Latest By August 6th, 2019

BLENDED FINANCE is an increasingly popular mechanism used to unlock necessary funds from the private sector, and finance projects that would not otherwise be deemed commercially viable. The limited availability of public funds, philanthropic grants, official development assistance in emerging and frontier markets has restricted the implementation of projects that can transform infrastructure and significantly enhance people's lives. The mechanism for this purpose relies on three principles:

1. Leverage
2. Impact
3. Risk–adjusted returns

It leverages public and munificent funds to catalyze private capital , uses capital to fund projects that drive social, environmental and economic outcomes and adjusts risk-return ratios in order to ensure a viable proposition for commercial investors.

An analysis of 67 investment projects that incorporated principles of BLENDED FINANCE, conducted by the International Finance Corporation, found that private investment in the transactions exceeded the so-called concessional funds (financing made on relatively generous terms, often by governments) that were also committed by more than a factor of ten. World Economic Forum identified 74 pooled funds and facilities representing $25.4 billion in blended finance assets, with the funds impacting over 177 million lives. Demonstrating the tremendous potential of blended finance to close the funding gap required to finance the ambitious Sustainable Development Goals (SDGs) agenda and deliver development outcomes.

CHINA IS ALL SET TO FACE TRUMP'S FRESH TARIFF THREAT

After the announcement of 10% tariff on a further $300 billion in Chinese products, China is all set to counter it. This move was implemented by Trump so that he could create pressure on his counter nation and to continue adding one more chapter in the cold war between both the nations.

This move is set to hit American consumers more directly than his other tariffs so far. The new import taxes which trump later said could go "well beyond" 25 percent, will be imposed beginning September 1 on a long list of goods expected to include smart phones, laptops, computers, children's clothing etc.

China's foreign minister Wang Yi made the first official response after this decision. He told that imposing Tariffs in the current economic scenario is absolutely not the right solution for trade frictions.

In his tweet Trump said that China had not lived up to a promise Xi made in Osaka to buy U.S agricultural goods and to halt illegal exports of fentanyl.

China's purchases from U.S farmers have clearly declined over the past year, with buying the soybeans falling in the first half of this year to the lowest level in more than a decade.

At the same time Trump said there were no plans to reverse a decision made in Osaka to allow more sales by U.S suppliers of non-sensitive products to blacklisted Chinese Telecom giant Huawei Technologies Co.

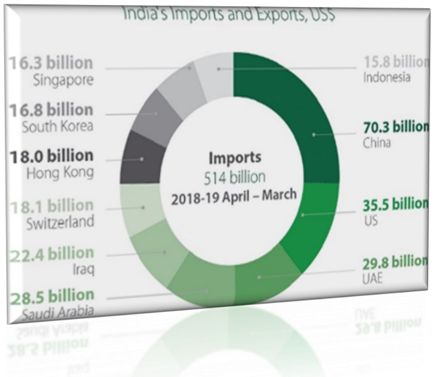
'GAMES ARE WON BY PLAYERS WHO FOCUS ON THE PLAYING FIELD– NOT BY THOSE WHOSE EYES ARE GLUED TO THE SCORE BOARD'

- WARREN BUFFET

WORD OF THE WEEK

WHIPSAW

Whipsaw describes the movement of a security when, at a particular time, the security's price is moving in one direction but then quickly pivots to move in the opposite direction.



Monitoring the evolving nature of India's imports and exports can help investors understand country's trade patterns and identify opportunities in the domestic market. In this article, India Briefing analyzes India's latest export and import trends.

India's Export and Import Trends 2018-2019

In the fiscal year (FY)2018-19, India's total merchandise exports registered a 9.06 percent growth to hit a new high of US$330 billion, surpassing the earlier peak of US$314 billion clocked in 2013-14.

India's total imports grew at a much higher rate at 10.41 percent, amounting to US$514 billion.

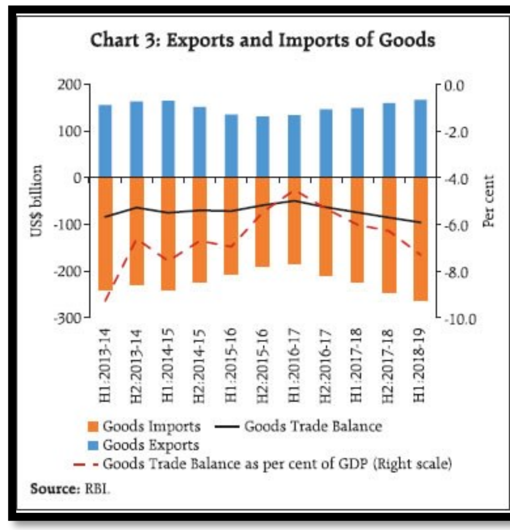
Monitoring the evolving nature of India's imports and exports can help investors understand country's trade patterns and identify opportunities in the domestic market. Below, India Briefing analyzes India's export and import trends in FY2018-19.

Exports to US, Europe rise, while exports to Asia decline

The data from the Export Import (EXIM) Bank of India highlights that the exports to North American and European countries have increased. Although the majority of India's exports continue to go to Asian countries, it has declined in the last five years. Asia's share in India's overall exports fell from 48.52 percent in 2014-15 to 47.62 percent in FY2018-19. While North America share increased from 18.16 percent to 19.49 percent, and Europe's from 15.31 percent to 17.9 in the same period.

Within Asia, India exported less to West Asia in 2018-19, as compared to 2015-14; the region's share in India's exports declined from 19.48 percent in 2014-15 to 15.9 percent in 2018-19. However, the share of exports to ASEAN, South Asia, and North East Asia increased during the same period.

India's key exports in FY2018-19 were petroleum products, followed by pearls, precious, semiprecious stones, drug formulations and biologicals, gold and other precious metal jewelry, iron and steel, as well as organic chemicals. Together, these top ten commodities accounted for about 46 percent of India's total export.



Imports from US, Asia surge

In FY2018-19, India imported 59.3 percent of its total imports from Asian trade partners – this marked an increase of 2.86 percent since FY2014-15. Another 15.8 percent of imports came from Europe and 8.2 percent from exporters in Africa. North America and Latin America supplied 8.1 percent and 4.2 percent of imports to India, respectively.

The country-wise data shows that China's share of India's imports grew from 11.6 per cent in FY2013-14 to 13.7 percent in FY2018-19, while the share of imports from the US grew from 4.9 percent to 6.9 percent in the same period.

PRESENT SLOWDOWN IN INDIAN ECONOMY

INDIA SLIPS TO 7TH LARGEST ECONOMY IN 2018

'GOVERNMENT's view of the economy could be summed up in a few short phrases-

IF IT MOVES,

TAX IT.

IF IT KEEPS MOVING,

REGULATE IT.

IF IT STOPS MOVING,

SUBSIDIZE IT.

QUESTON OF THE WEEK ?

'What is an ECONOMIC MOAT?'

The advantage a company has over its competitors, that allows it to protect its market share and profitability

Much has been written and said about ongoing economic slowdown in the Indian economy. What was being indirectly said about several economic indicators flashing warning signals for the last year or so, something which triggered the present situation is GDP figure for the last quarter which came in at 5.7% and another criticism about Indian has been pushed to the seventh place in the global GDP ranking , data compiled by world bank. So now question arises what are the factors which are degrading the Indian economy, so following are some certain points.

Collapse in Private Consumption

Private consumption has taken a beat due to demonetization as now consumer now prefer to heal cash or keep in bank instead of spending on consumer goods. Moreover, demand also got reduced in rural areas due to cash crunch as rural economy is completely dependent on liquidity.

Too much debt

Most public sector bank are suffering from high NPA (non-performing assets) which further resulted then in tightening of lending generation again or position of cash crunch. We also know that the credit lending of bank is the indicator for progress of any country's economy.

Rollout of GST

Indeed GST has hampered the small business by forcing them to with hold inventory until they migrate to the GSTIN or the GST network and become compliment to the numerous rule and regulations that are part of their tax.

Global Slowdown

Another factor which is included is global economic slowdown. India is a net commodity exporter and due to global slowdown around World Indian Export is facing its harshness and not only this the furry war has fueled it more by hampering exports.

Soaring Inflation

A soaring inflation can be reasonably attributed to the government policies which are more voter centric than citizen centric. Policies like oil prices, LPG gases providing subsidies on these and many monetary measures offered to the citizen where like time bombs waiting to explode, Which explorer leading in cash crunch with government, but after all this government still are inclined towards some other monetary measures to persuade citizen.

Is Gambling Desirable?

Human race has always been fascinated and attracted by the game of chance and probability. Gambling is not a modern affair. Instances of gambling are found in the Mahabharata, Quran and other religious texts as well. With the passage of time, types of betting and gambling have changed from crude die game and betting on animal fights to sophisticated card games, animal racing and other sports. Higher degree of popularity is seen among the youth, men and risk averse people.

Legalizing gambling has always been a debatable topic in the modern world. Despite huge amounts of revenues that are generated and popularity among the masses, policies related to gambling have been unfavorable in most parts of the world. Governments are reluctant to legalize betting and gambling in all forms. Most of the negative impacts are social in nature which makes legalizing gambling undesirable. One of the major problems is problem gambling. It can be explained as addiction of gambling in a person which results in debt, bankruptcy, suicides, divorce etc. The poor get attracted to gambling as it sees it as an opportunity to make fast money and ends up losing major part of earning which in turn leads him to a debt, increases stress and sometimes have serious consequences on mental health. It also has effects on crime levels. It may increase the crime mainly property crimes and stealing money mainly amongst problem gamblers to support their gambling. It may also opportunities for illegal activities like passing counterfeit money, money laundering, cheating-at-play.

Though there are a lot of negative social implications of gambling, there is other side to the coin as well. Gambling has a number of positives to bring in most of which are mostly economic in nature. Firstly, gambling leads to huge revenues for the government which can be used by the government for the benefits of people. Increased government revenue will lead to enhancement of public services like health, education, social security. Secondly, physical assets and wealth increases due to construction of new venue of gambling like casinos though by small amounts. Thirdly, new venues lead to increase in number of people visiting the place thereby stimulating other business like hotels and restaurants. Increased economic activities also lead to employment generation. Fourthly, the property value of the place can also see a rise due to opening up of casinos. Also, gambling brings in a new leisure activity for the people.

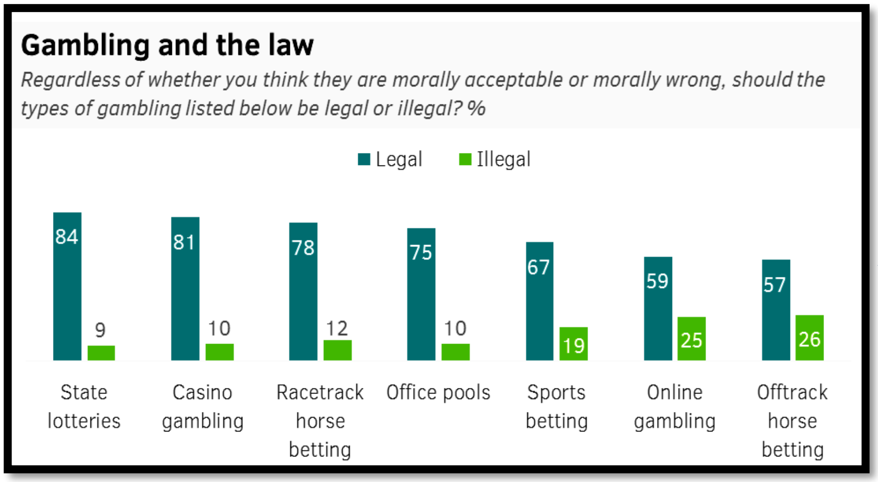
Monaco, a small country has hugely benefitted from legalized gambling in the country. In the year 2005 about 25% of the countries revenue was estimated to arise from the gambling industry of the country. Also due to this, the tourists visiting the country had significantly increased leading to increased business in the country. The tax rate was cut for the citizens due to high revenues from the industry. Employment in the country saw a significant rise leading to high income levels of the economy as a whole.

'The world is like a reverse casino. In a casino, if you gamble long enough, you're certainly going to lose. But in the real world, where the only thing you're gambling is, say, your time or your embarrassment, then the more stuff you do, the more you give luck a chance to find you'.

THE WORLD'S BIGGEST GAMBLERS

Australia is the world's leader when it comes to gambling, spending around $24 billion dollars a year.

That's about 40 per cent more, per capita, than any other nation on the planet.



Though there are a number of positives and negatives, some have measured it to be beneficial and legalized it and others still arguing about it. Some jurisdictions have also experienced huge economic benefits and considered the benefits to outweigh the social losses. Also the attitudes of community leaders and business person have been in support due to huge economic benefits whereas the reaction of general public is negative. Even where gambling is not legalized, people still do it under covers illegally.

Gambling is evident from the time human civilization has existed and people will gamble whether it is legalized or not. The government must understand the potential of its gambling market and take decisions in favor if the economic advantages are huge to outweigh the losses. This will help in overall development of the economy. Although free form of gambling

WILL LOWER RATES SPUR ECONOMIC GROWTH?

Capital, land and labor are three main factors of production, which are critical to the growth of a commercial entity .But capital is only a necessary, not sufficient, condition. Land, unless allocated by the local government, is too costly for investors seeking to set up shop. On labor, even if adequate hands are available for a job, the skill quotient is still low. Training graduates to be job-ready is a form of tax that companies pay. Also to be taken into account is the market environment and demand. If end users are seeing lesser money in hand than earlier, demand will certainly be impacted.

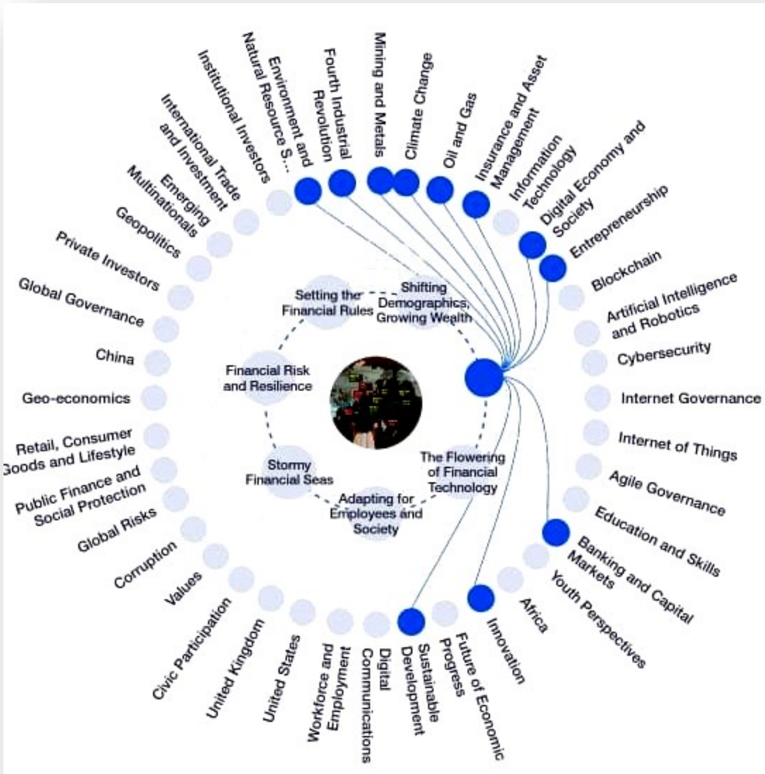
Therefore, in an environment where the other factors of production are not favorable for an investor, low interest rates by themselves may not prove attractive enough. Any revival of economic activity will be contingent on joint efforts by the government on the fiscal front to stimulate demand, and the RBI, to keep interest rates low.

A rate cut in the upcoming monetary policy announcement this week has to be backed with some positive measures from the government. To hope that a rate cut will suffice to re-ignite economic activity would be naive.

KNOWLEDGE FACTS

The RBI uses the repo rate to influence the interest rate structure in the economy and to manage inflation.
Technically, the repo rate is the rate at which commercial banks would borrow from the RBI, and the reverse repo is the rate of interest they would earn when they deposit funds with the central bank.

PRICING CLIMATE IN THE WORLD OF FINANCE



Impacts of climate change are pushing financial firms to get more proactive about related risk.

About one in ten UK banks were taking a long term, comprehensive approach to financial risks tied to climate change by engaging at the board level, publicly supporting more detailed climate-related financial disclosures, and considering how to apply climate related risk analysis to financial portfolios.

The financing required for an orderly transition to a low carbon, resilient global economy must be counted in the trillions, not billions.

- Significant investment in infrastructure is needed over the next 15 years - around US$90 trillion by 2030 – but it does not need to cost much more to ensure that this new infrastructure is compatible with climate goals.

Climate action offers a major opportunity to ensure sustainable global development and boost economic growth. It is already delivering real results in terms of new jobs, economic savings, competitiveness and market opportunities, and improved well-being for people worldwide with even greater investment, innovation, and growth potential ahead.

- The IFC estimates that the NDCs of 21 emerging market economies alone represent $23 trillion by 2030 in investment opportunities.
- Overall, a shift to low-carbon, resilient economies could translate into $26 trillion in global economic benefits through to 2030.

According to a study published in the journal Nature Climate Change in 2018, as much as $4 Trillion in global wealth could be lost as a result of stranded assets– hitting energy exporting countries like the US, Russia and Canada.