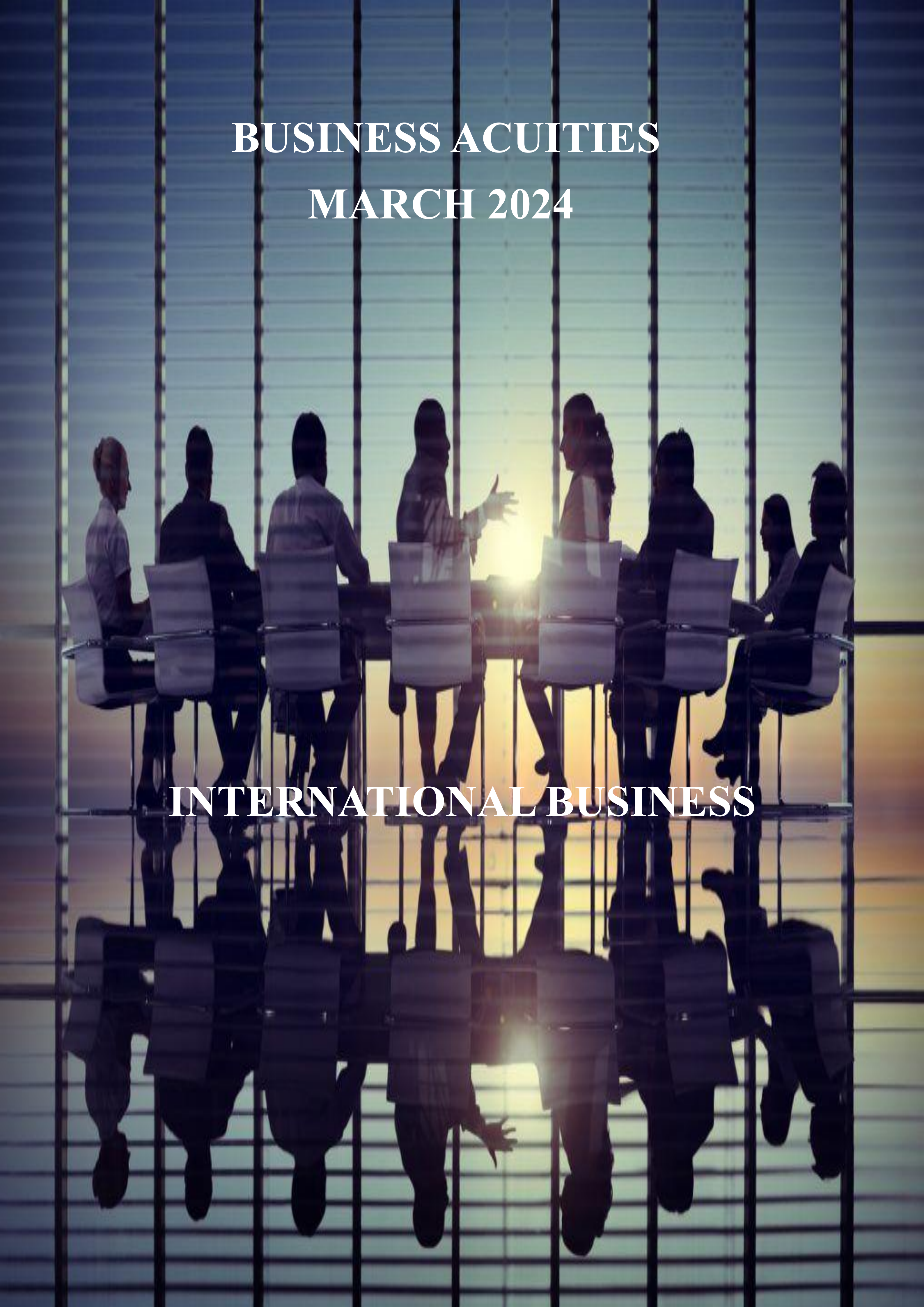
BUSINESS ACUITIES
MARCH 2024



INTERNATIONAL BUSINESS

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EDITORIAL BOARD

STOCK MARKET

The stock market refers to public markets that exist for issuing, buying, and selling stocks that trade on a stock exchange or over-the-counter. Stocks, also known as equities, represent fractional ownership in a company, and the stock market is a place where investors can buy and sell ownership of such investible assets.

An efficiently functioning stock market is considered critical to economic development, as it gives companies the ability to quickly access capital from the public.

PURPOSES OF THE STOCK MARKET – CAPITAL AND INVESTMENT INCOME

The stock market serves two very important purposes. The first is to provide capital to companies that they can use to fund and expand their businesses. If a company issues one million shares of stock that initially sell for $10 a share, then that provides the company with $10 million of capital that it can use to grow its business (minus whatever fees the company pays for an investment bank to manage the stock offering). By offering stock shares instead of borrowing the capital needed for expansion, the company avoids incurring debt and paying interest charges on that debt.

The secondary purpose the stock market serves is to give investors – those who purchase stocks – the opportunity to share in the profits of publicly traded companies. Investors can profit from stock buying in one of two ways. Some stocks pay regular dividends (a given amount of money per share of stock someone owns).

The other way investors can profit from buying stocks is by selling their stock for a profit if the stock price increases from their purchase price. For example, if an investor buys shares of a company's stock at $10 a share and the price of the stock subsequently rises to $15 a share, the investor can then realize a 50% profit on their investment by selling their shares.

HISTORY OF STOCK TRADING

Although stock trading dates back as far as the mid-1500s in Antwerp, modern stock trading is generally recognized as starting with the trading of shares in the East India Company in London.

THE EARLY DAYS OF INVESTMENT TRADING

Throughout the 1600s, British, French, and Dutch governments provided charters to a number of companies that included East India in the name. All goods brought back from the East were transported by sea, involving risky trips often threatened by severe storms and pirates. To mitigate these risks, ship owners regularly sought out investors to proffer financing collateral for a voyage. In return, investors received a portion of the monetary returns realized if the ship made it back successfully, loaded with goods for sale. These are the earliest examples of limited liability companies (LLCs), and many held together only long enough for one voyage.

THE EAST INDIA COMPANY

The formation of the East India Company in London eventually led to a new investment model, with importing companies offering stocks that essentially represented a fractional ownership interest in the company, and that therefore offered investors investment returns on proceeds from all the voyages a company funded, instead of just on a single trip.

The new business model made it possible for companies to ask for larger investments per share, enabling them to easily increase the size of their shipping fleets. Investing in such companies, which were often protected from competition by royally-issued charters, became very popular due to the fact that investors could potentially realize massive profits on their investments.

The First Shares and the First Exchange

Company shares were issued on paper, enabling investors to trade shares back and forth with other investors, but regulated exchanges did not exist until the formation of the London Stock Exchange (LSE) in 1773. Although a significant amount of financial turmoil followed the immediate establishment of the LSE, exchange trading overall managed to survive and grow throughout the 1800s.

The Beginnings of the New York Stock Exchange

Enter the New York Stock Exchange (NYSE), established in 1792. Though not the first on U.S. soil – that honor goes to the Philadelphia Stock Exchange (PSE) – the NYSE rapidly grew to become the dominant stock exchange in the United States and eventually in the world. The NYSE occupied a physically strategic position, located among some of the country's largest banks and companies, not to mention being situated in a major shipping port. The exchange established listing requirements for shares and rather hefty fees initially, enabling it to quickly become a wealthy institution itself.

Modern Stock Trading – The Changing Face of Global Exchanges

Domestically, the NYSE saw meager competition for more than two centuries, and its growth was primarily fueled by an ever-growing American economy. The LSE continued to dominate the European market for stock trading, but the NYSE became home to a continually expanding number of large companies. Other major countries, such as France and Germany, eventually developed their own stock exchanges, though these were often viewed primarily as stepping stones for companies on their way to listing with the LSE or NYSE.

The late 20th century saw the expansion of stock trading into many other exchanges, including the NASDAQ, which became a favorite home of burgeoning technology companies and gained increased importance during the technology sector boom of the 1980s and 1990s.

The NASDAQ emerged as the first exchange operating between a web of computers that electronically executed trades. Electronic trading made the entire process of trading more time-efficient and cost-efficient. In addition to the rise of the NASDAQ, the NYSE faced increasing competition from stock exchanges in Australia and Hong Kong, the financial center of Asia.

The NYSE eventually merged with Euronext, which was formed in 2000 through the merger of the Brussels, Amsterdam, and Paris exchanges. The NYSE/Euronext merger in 2007 established the first trans-Atlantic exchange.

How Stocks are Traded – Exchanges and OTC

Most stocks are traded on exchanges such as the New York Stock Exchange (NYSE) or the NASDAQ. Stock exchanges essentially provide the marketplace to facilitate the buying and selling of stocks among investors. Stock exchanges are regulated by government agencies, such as the Securities and Exchange Commission (SEC) in the United States, that oversee the market in order to protect investors from financial fraud and to keep the exchange market functioning smoothly.

Although the vast majority of stocks are traded on exchanges, some stocks are traded over-the-counter (OTC), where buyers and sellers of stocks commonly trade through a dealer, or "market maker", who specifically deals with the stock. OTC stocks are stocks that do not meet the minimum price or other requirements for being listed on exchanges.

OTC stocks are not subject to the same public reporting regulations as stocks listed on exchanges, so it is not as easy for investors to obtain reliable information on the companies issuing such stocks. Stocks in the OTC market are typically much more thinly traded than exchange-traded stocks, which means that investors often must deal with large spreads between bid and ask prices for an OTC stock. In contrast, exchange-traded stocks are much more liquid, with relatively small bid-ask spreads.

Stock Market Players – Investment Banks, Stockbrokers, and Investors

There are a number of regular participants in stock market trading.

Investment banks handle the initial public offering (IPO) of stock that occurs when a company first decides to become a publicly traded company by offering stock shares.

Here's an example of how an IPO works. A company that wishes to go public and offer shares approaches an investment bank to act as the "underwriter" of the company's initial stock offering.

The investment bank, after researching the company's total value and taking into consideration what percentage of ownership the company wishes to relinquish in the form of stock shares, handles the initial issuing of shares in the market in return for a fee while guaranteeing the company a determined minimum price per share. It is, therefore, in the best interests of the investment bank to see that all the shares offered are sold at the highest possible price.

Shares offered in IPOs are most commonly purchased by large institutional investors such as pension funds or mutual fund companies.

The IPO market is known as the primary, or initial, market. Once a stock has been issued in the primary market, all trading in the stock thereafter occurs through the stock exchanges in what is known as the secondary market. The term "secondary market" is a bit misleading since this is the market where the overwhelming majority of stock trading occurs day to day.

Stockbrokers, who may or may not also be acting as financial advisors, buy and sell stocks for their clients, who may be either institutional investors or individual retail investors.

Equity research analysts may be employed by stock brokerage firms, mutual fund companies, hedge funds, or investment banks. These are individuals who research publicly traded companies and attempt to forecast whether a company's stock is likely to rise or fall in price.

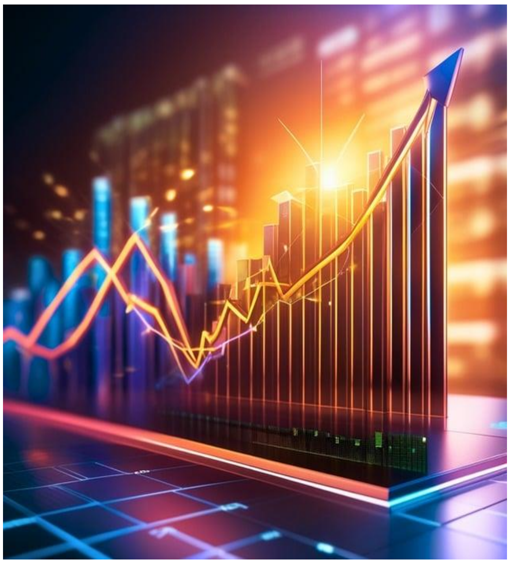
Fund managers or portfolio managers, which include hedge fund managers, mutual fund managers, and exchange-traded fund (ETF) managers, are important stock market participants because they buy and sell large quantities of stocks. If a popular mutual fund decides to invest heavily in a particular stock, that demand for the stock alone is often significant enough to drive the stock's price noticeably higher.

Stock Market Indexes

The overall performance of the stock market is usually tracked and reflected in the performance of various stock market indexes. Stock indexes are composed of a selection of stocks that is designed to reflect how stocks are performing overall. Stock market indexes themselves are traded in the form of options and futures contracts, which are also traded on regulated exchanges.

Among the key stock market indexes are the Dow Jones Industrial Average (DJIA), the Standard & Poor's 500 Index (S&P 500), the Financial Times Stock Exchange 100 Index (FTSE 100), the Nikkei 225 Index, the NASDAQ Composite Index, and the Hang Seng Index.

Nifty50 and Sensex closed at new record highs, with IT stocks leading the gains.
The market is expected to be bullish, with some risks; five midcap stocks are recommended for long-term investors.



- More than half of "Modi stocks" have recovered and may get a boost from the budget.

- The sugar sector is expected to benefit from the budget, with five sugar stocks having upside potential.

Tata Power and Dixon Technologies are among five stocks with a short buildup.

Railway stocks have hit record highs ahead of the budget.

Over 15 mutual fund schemes reduced their holdings in six stocks in June.

IT results are expected to attract more foreign inflows.

Eight Sensex stocks have gained for five days in a row.

Nifty charts suggest a bullish trend, with some weakness.

Mid- and small-cap IT companies may see higher payouts as the sector recovers.

DMart's Q1 results show a 17.5% YoY increase in PAT to Rs 774 crore.

RVNL and Shipping Corporation are among 10 stocks that have rallied over 10% this week.

INFORMATION TECHNOLOGY IN BUSINESS

IT in business exists as the epicentre of the building and maintenance of communications networks for businesses small and large. Not many companies, big or small, could survive without a good IT department making them imperative to a business's day-to-day existence. From sending an email, to changing a password, accessing databases and everything in between IT are there to help every step of the way.

In this article, we are going to look at what is the role of information technology in business and what makes this department so important to have a safe business.

Information technology revolves around how data is made, stored and, most importantly, shared in the realm of computer science. Those looking for work in the IT industry likely have grown up with technical skills in information systems, making them part of the core skills of many. This helps businesses, as the technical understanding of IT aids overall efficiency.

Productivity

Microsoft Excel is considered a very basic tool in today's technology stack. But before its widespread use, there were countless hours devoted to manual data entry. That data would then be kept in filing cabinets. Whenever it was needed, it would have to be looked for, and any changes to the document had to be logged.

And if there was an error, delays would become a factor that you'd have to work around.

In today's business information technology, there's no real parallel anymore. The software handles tasks such as invoice generation, basic data entry and report creation – allowing employees to handle higher-functioning tasks that bring value to the business and develop their core competencies.

Thanks to cloud computing, sharing is easier than ever, and its usefulness has bled into our everyday lives. Communication skills have been improved thanks to software like Teams, which opened up so many opportunities for businesses when the pandemic resulted in a quarantine. Overall, good use of business information technology results in a healthier and much more in-synch business environment.

Safeguarding data and information

The ultimate goal of safeguarding is to protect data from compromise. The IT department will ensure data Safeguarding, meaning industry-standard safeguards are in place company-wide to protect against the destruction, loss, misuse, unauthorised disclosure, or alteration of company-related data or employee confidential information. IT also has to ensure they are abiding by data-protection laws through safeguarding important information from corruption, compromise or loss.

Examples of data breaches could be hackers stealing information or misused/sharing personal data regarding the company of the employees. The consequences of this are huge both financially and through reputation. Only by building trust over a long period can you develop a long-term business relationship with your customers.

Troubleshooting of problems

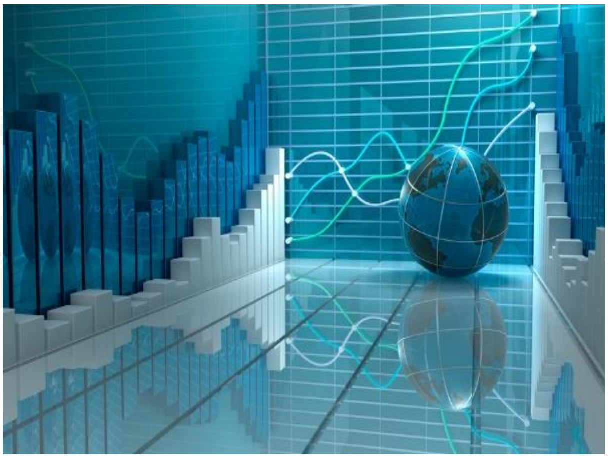
Troubleshooting refers to problem-solving in the digital world. Troubleshooting can be applied to several different things such as the repairing of failed digital products or processes on a PC or a system. When a problem is troubleshot, a systematic and logical search is carried out for the source of a proof-solvi

ng solution making the product or process fully operational again. Troubleshooting is also used to identify the symptoms when something is wrong.

A competent IT department in any business is the first port of call when it comes to an issue or problem with a computer. If an employee has locked themselves out of their computer, forgotten a password or cannot get access to a particular drive, for example, IT is usually a quick call away from getting this issue fixed.

NATIONAL INCOME

The latest national income data released by the National Statistical Office (NSO) last week have generated a fair amount of excitement as well as bewilderment. While the markets have cheered the NSO's estimate of a robust 8.4% year-on-year growth in real gross domestic product (GDP) in the October-December quarter, some economists have been hard pressed to reconcile the sharp differences of well over a 100 basis points between the official estimates and their projections that many of them had made. The release also posits that real GDP grew by 8.2% and 8.1%, respectively, in the first and second quarters of the current fiscal, 40 and 50 basis points quicker than it had estimated earlier. Full-year real GDP growth too is now forecast at 7.6%, 30 basis points faster than the 7.3% growth it had estimated as recently as in January. A factor behind the upgrades in the current fiscal's income estimates is the NSO's revisions to the estimates for 2021-22 and 2022-23. While the revisions to 2021-22 data have resulted in that year's real GDP growth being raised by 60 basis points to 9.7%, a fallout is the consequent scaling down of 2022-23's GDP expansion to 7%, from the earlier estimate of 7.2%. Given that revisions to a previous year's data automatically alter the year-on-year pace of growth, the base effect is a crucial element that has to be factored in while gauging the import of the headline number.



In real productive sectors of the economy, third-quarter gross value added (GVA) growth slowed to 6.5%, from an upwardly revised 7.7% pace in the preceding July-September period, as output in the key rural agriculture, livestock, forestry and fishing sector contracted 0.8% year-on-year and growth momentum slowed sequentially across five of the other seven sectors that contribute to the GVA. That the GVA growth rate is a full 190 basis points slower than the GDP's 8.4% pace is primarily because net indirect taxes are estimated to have surged 32% year-on-year in the last

quarter, largely as a result of subsidy payouts, including on fertilizers, being drastically lower. To that extent, the GVA growth rate presents a truer picture of the health of the economy. And even on the demand or expenditure side, the data on private consumption spending and government consumption expenditure in the third quarter reveal a lack of traction. While private spending grew by a mere 3.5% year-on-year, government consumption spending actually shrank 3.2%. With the general election set to be announced any day now, the headlines around the NSO data serve as a poll-eve talking point. But there must be a sober analysis of the real state of the economy that draws on multiple statistical sets.

BUSINESS ENVIRONMENT

A business can be established, but to successfully sustain a business, the business needs resources like finance, for which it has to depend on financial institutions. Acceptance of social norms, for which it has to depend on society. Proper market conditions, for which it has to depend on the market. The sale of products/services, for which it has to depend on the customers. The labour, for which it has to depend on society.

Then there are natural resources and raw material, for which it has to depend on Nature. Also, the legal support of the government, for which it has to depend on the government. There are many factors and dimensions that affect Business Environment. These factors are many different components of a single concept called **Business Environment**.

These factors which business depends upon aren't standstill, they are very dynamic and ever-changing. For example, trends, the trend of fidget spinners gave the biggest big push the silicone mold industry has ever received.

The changing needs of customers and new innovations in the market are a part of the business environment. The challenge for businesses in this technological era is not to enter the market but to survive in the market. To survive in the market means to adapt to the changes as fast as possible. To adapt to the changes means to be aware of the business environment.

changes in taxes by the government can make the customers buy less. Here the business would have to re-establish its prices to survive the change. Even though the business had no involvement in initiating the change it still had to adapt to it in order to survive or use the opportunity to make profits. Now let us discuss the importance of the business environment.

FINANCIAL SECTORS

The economy is made up of many different segments called sectors. These sectors are comprised of different businesses that provide goods and services to consumers. The variety of services offered by lending institutions, brokerage firms, and other businesses are collectively referred to as the financial services sector.

The financial services sector is comprised of banking, mortgages, credit cards, payment services, tax preparation and planning, accounting, and investing. Financial services are often limited to the activity of firms and professionals, while financial products are the financial instruments these professionals provide to their clients.

The financial services sector provides financial services to people and corporations. This segment of the economy is made up of a variety of financial firms including banks, investment houses, lenders, finance companies, real estate brokers, and insurance companies.

As noted above, the financial services industry is one of the most important sectors of the economy. Large conglomerates dominate this sector, but it also includes a diverse range of smaller companies.

According to the finance and development department of the International Monetary Fund (IMF), financial services are the processes by which consumers or businesses acquire financial goods. For example, a payment system provider offers a financial service when it accepts and transfers funds between payers and recipients. This includes accounts settled through credit and debit cards, checks, and electronic funds transfers.1

Companies in the financial services industry manage money. For instance, a financial advisor manages assets and offers advice on behalf of a client. The advisor does not directly provide investments or any other product, rather, they facilitate the movement of funds between savers and the issuers of securities and other instruments. This service is a temporary task rather than a tangible asset.

EMERGING MARKET INNOVATION

Innovation in emerging markets appears to be skipping one generation of technology and is thus able to adopt newer, more advanced technologies faster. India and Singapore, for instance, are showcasing unique and innovative approaches to payments by enabling cross-border remittance transactions through the UPI-Paynow interlinkage.

This linkage is now also expected to extend to UAE, Mauritius and Indonesia.

Credit card usage varies significantly between advanced and emerging markets. While Americans still prefer credit cards, alternative payment methods like mobile wallets and digital payments are more popular in emerging markets. Europe has robust regulations in place that prioritize privacy and data security. However, these regulations, while protecting banks, can hinder innovation and make it harder for new players to enter the market.

Even in advanced markets, we're seeing some content aggregators take over customers by offering banking services under a bank's name. For example, the Apple Card, the popular credit card that Apple provides is actually issued by Goldman Sachs.

As another example, when a customer in the U.S. wants to buy a house, they may use a popular app like Zillow. The app enables the customer to perform most of the purchasing work themselves. If the mortgage is also "white labeled" from a financial institution, it will make things even more convenient for the customer. However, regulations today prevent banks from investing in ventures like these.

Some regulators have taken note of this. In Singapore, for instance, regulators have relaxed some of the restrictions on banks, allowing banking groups to set up banking subsidiaries that can pursue new business models. This allows banks to innovate and retain ownership of their customers while providing much-needed financial services.

In emerging markets like India, companies such as Paytm, which started out by providing customers with various payment tools, have evolved into banks. The Paytm Payments Bank offers the same services that a bank does but with easier access to services. It is using this banking model to reach customers.

For traditional markets, there is much to learn from the leapfrog approach adopted by emerging markets if businesses wish to remain competitive, maintain market share and, more importantly, innovate.

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WHY INNOVATION?

Strong Innovators grew 13% more quickly and were 3% more profitable than their competitors!

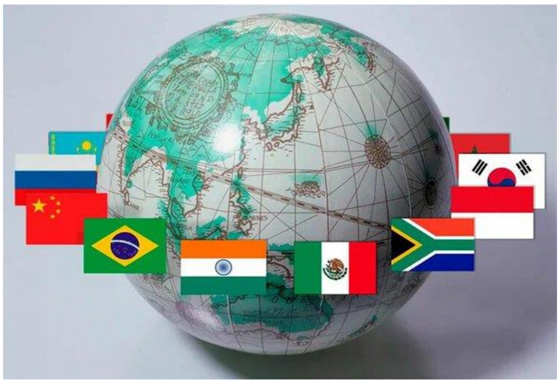
• First, innovation is key to sustainability and progress.

• Second, this impact is magnified because innovation is occurring in every region around the world, at every link in the economic value chain, and at every organizational level.

• Additionally, innovation has become a priority for all businesses at each point in their value proposition and functional structure, driving innovation in every domain from product creation to packaging and delivery.

• Finally, innovation provides the opportunity for market disruption and leapfrogging progress, which could help frontier markets "equalize" or even pass developed markets on a number of fronts.

TYPES OF INNOVATION



- INCREMENTAL INNOVATION
- DISTRUPTIVE INNOVATION
- ADAJCENT INNOVATION
- RADICAL INNOVATION

1. Incremental innovation

Incremental innovation, also known as **continuous improvement**, refers to improving a product or service that already exists. It is less 'spectacular' and disruptive than other types of innovation, but incremental innovation is effective when addressing transformation issues within the company.

Moreover, incremental innovation is especially powerful thanks to its collaborative and collective nature. Value-creating ideas often come from client-facing employees, those who talk with customers daily. In addition, successful human resource development leaders have made it an asset in building a collective culture of improvement. The iPhone is a good example of incremental innovation, going from the iPhone 14 to the 15 and beyond.

To unleash the value of incremental innovation, you must have an idea management solution in place. Our platform helps corporates engage talent, collect and assess ideas in a central hub, and integrate with systems through API.

2. Adjacent innovation

Adjacent innovation is a typical example of a successful expansion. It refers to using existing capabilities (like technology or knowledge) to appeal to a new audience or enter a new market. This provides a competitive advantage to the original product or service that allows it to be differentiated in the market.

3. Disruptive innovation

Disruptive innovation refers to the actions taken by a smaller company to shake up an industry by targeting its large, existing competitors' overlooked segments.

Over time, the disruptive innovation party will accelerate and start taking over the main segments of the industry. When the adoption of the new innovation by the main segment happens, we speak of disruptive innovation.

Netflix is a very good example of disruptive innovation. The company started by targeting a less essential segment of Blockbuster's audience with its relatively unpopular offer of mailing rental DVDs. They then moved on to improve its services while keeping a low price, which appealed to and conquered Blockbuster's main audience completely.

4. Radical innovation

Radical innovation is the "one more thing" of our article. And for good reason, it is the creation of a brand new product or service that nobody expected and that tends to impose itself on the life of users. Television and the smartphone are two typical examples of radical innovations that have changed our daily lives.

Not all the results of an innovation are easily measurable. The method proposed in the Oslo manual from OECD consists of distinguishing the result of innovative activities from the resources invested to carry them out.

It is no longer surprising that, in large companies, the results of an innovation are assessed in terms of accounting and financial indicators. It's measured in profit, revenue growth, changes in share value, market capitalization, or productivity.

Interested in trying out radical innovation? Consider the importance of two things. You need to thoroughly understand, or even anticipate, the market. Secondly, you must be able to develop advanced solutions rapidly. The answers to both can be found in external communities. Agorize has seen many global clients co-create solutions based on customer insights with innovation programs. Whether in IT, HR, Marketing, or CSR, you can build the innovation program that fits your needs.