Vidya Vikas Education Trust's
Universal College of Engineering
Kaman - Bhiwandi Road, Vasai, Maharashtra
Accredited with 'B+' grade by NAAC, approved by AICTE, DTE
Recognised as Gujrati Linguistic Minority

CURRENT WAVES

The Official Newsletter of Dept. of EXTC, UCOE
SEPTEMBER 2020, VOLUME 3, EDITION 4

College Profile

Everything you need to know about us.

Embraced by lush greenery and scenic beauty, Universal College of Engineering is a treasured place for aspiring engineers to leave their imprints towards success.

As a college within the wider network frame, we are one of the fastest growing institutions in India. Our institute has been accredited by National Assessment and Accreditation Council (**NAAC**) with **B+ grade** in the first cycle of accreditation. Times of India Survey **Ranked No. 1** in India among Top Emerging Private Engineering Institutes for 5 consecutive years 2015, 2016, 2017, 2018 and 2019 and the saga of accolades still continues.

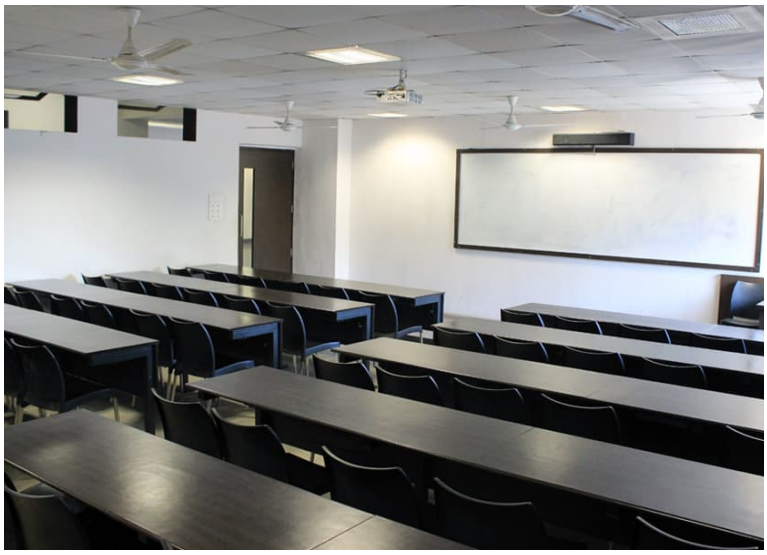
In response to the expectations of quality technical education, our college is approved by the All India Council for Technical Education (**AICTE**), New Delhi; recognized by the Directorate of Technical Education (**DTE**), Government of Maharashtra; affiliated to Mumbai University.

Our college is also associated with professional bodies like IEEE, IETE, ISA and CSI to update the revolutionary technological advancements.

ARTICLES INSIDE THIS ISSUE:

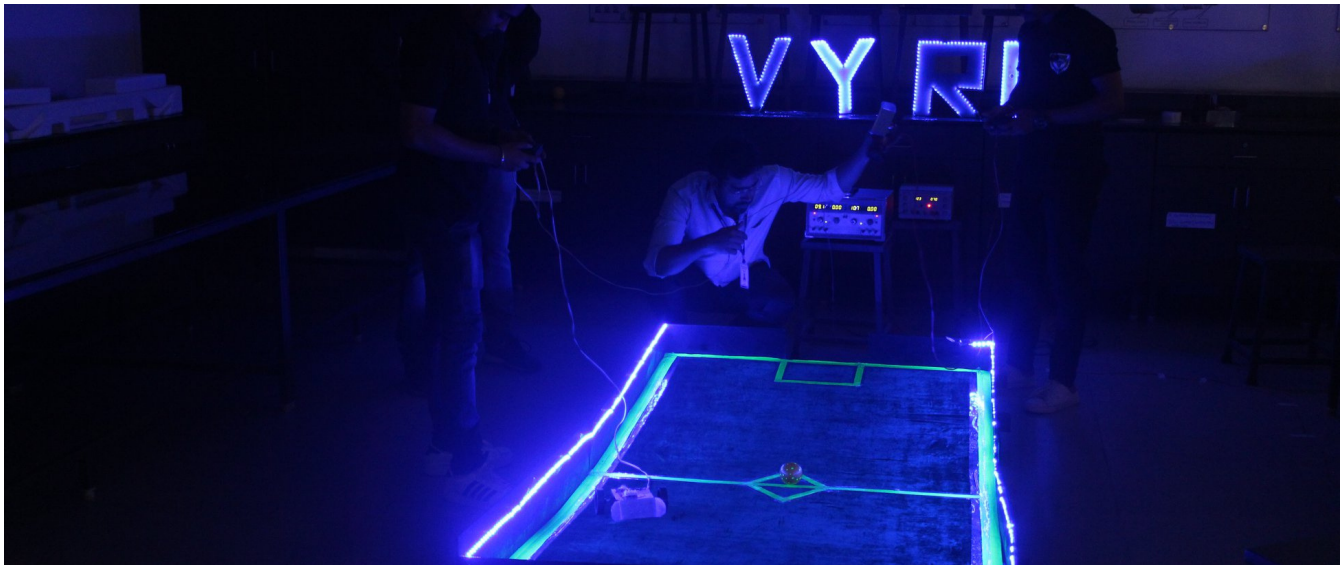
We offer 4 years full-time Bachelor of Technology in Computer Engineering, Civil Engineering, Artificial Intelligence & Machine Learning, Information Technology Engineering and Data Engineering.

The unique state-of-the-art facility of the institute has been carefully designed to accommodate the needs of the students. Laboratories are equipped with world-class facilities based on the latest technology of different sectors. Our smart classrooms are well ventilated, spacious and equipped with overhead and LCD projectors along with the public address system. College library provides a rich collection of specialist library resources and services to support students' academic work and enrich their research skills.



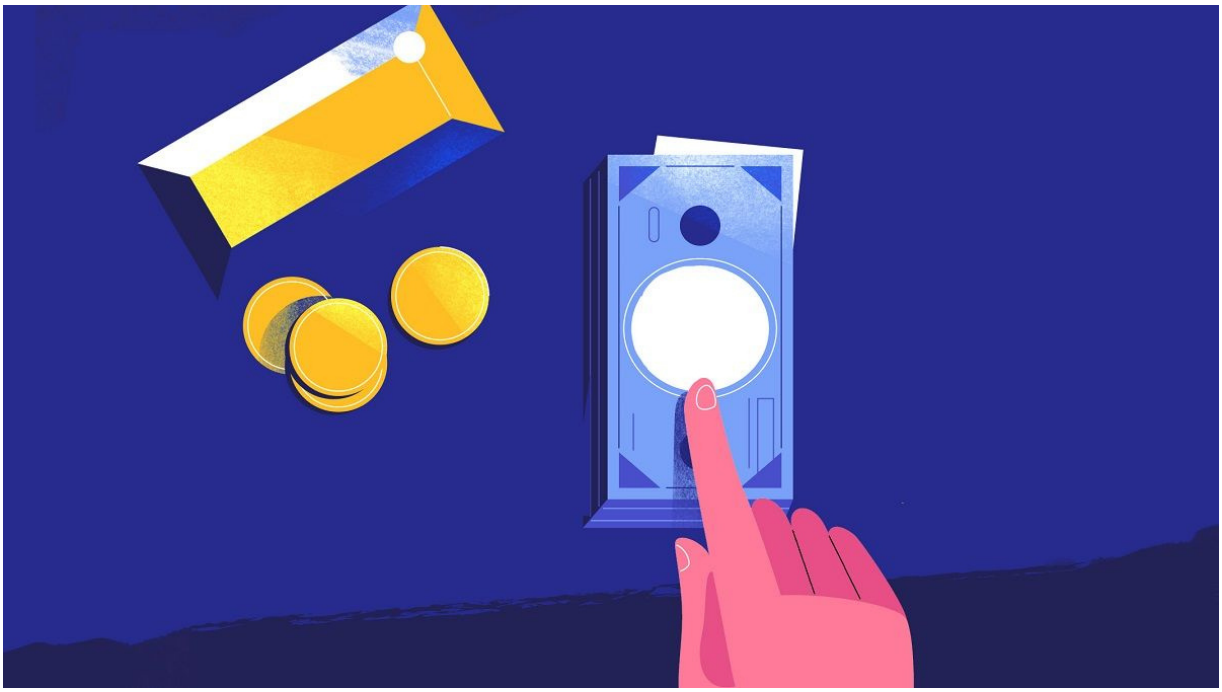
We are obliged to equip our students to get placed in highly reputed companies by mentoring their necessary skill set for cutting-edge technologies. The core highlighted areas are helping students with their technical competency, communication skills along with career guidance and counselling.

Universal College of Engineering has produced a large number of successful alumni who are working in reputed organisations in India and abroad and have contributed immensely to the cause of nation-building and society. We welcome all engineering aspirants to create an incredible legacy in the field of engineering.



Why India can't monetise its gold?

In this newsletter, we talk about the Gold Monetization Scheme and explain why it's failed to fully take off



Policy

The Story

India is obsessed with gold. It's always been obsessed with gold. The ancient Roman author Pliny the Elder called India the sink of all gold. However, this obsession with gold doesn't always bode well for us. You see, India doesn't mine a lot of gold. Instead, we import it from other countries. As we wrote in one of our issues last year—

"You can't buy gold from foreign countries using rupees. You have to pay for it with the dollar. So when there's a disproportionate demand for gold, there is a disproportionate demand for the dollar.

Everybody rushes to exchange their rupees dumping it like an ex they never wanted to talk to and start courting the dollar. The value of the dollar rises and the value of rupee tumbles. And as the rupee loses its value it becomes more expensive for us to import other stuff, like oil. Unlike Gold, we actually need oil. So, it makes sense for us to cut down on gold imports.

But you can't force people to stop consuming gold. That won't work. What you could do however is try and source gold from within i.e. simply mobilize and monetize all the idle gold in this country and get people and institutions to make money off of it, instead of tucking it away in a locker.

So the government launched the Gold Monetisation Scheme back in 2015.

The premise was simple. You go to a bank. You deposit gold. You agree on a time frame and depending on when you're expecting to redeem your deposit, you'll be offered interest payments in line with your commitment. It's like a fixed deposit. The only difference here is that you receive gold on the day of maturity. If you can't wait till then, you can pay a fine and redeem your gold deposit earlier. But obviously, that's a sub-optimal solution. Anyway, once the banks take possession of your gold, they'll ship it to a Collection and Purity Testing Centre. Once they figure out what it's worth, they'll put pen to paper. But here's where things get interesting. Banks can't sit on this gold and expect to pay you interest every year. They need to monetise it and put it to good use. So they'll ship your gold to a refiner. The refiner, in turn, will melt and convert it into standardized gold coins and they'll ship the gold back to the bank. And herein lies the first problem. Once you deposit jewellery, you're not going to get it back the same way you last saw it. This isn't a very appetizing proposition for most Indians since we have deep emotional ties to our jewellery. Think Temples. Hindu temples are believed to harbour a good chunk of the country's private gold reserves. However, melting all this jewellery in a bid to monetise gold would never sit well with donors or devotees and it's a big problem.Anyway, once banks get their hands on these gold coins, they try and make some money off it by lending it to jewellers. The jeweller borrows this gold by paying interest rates of ~6.0–6.5%. And since banks pay depositors only 2.5% under the Gold Monetization Scheme, there's definitely some money to be made here. Unfortunately, it doesn't always fully cover the logistic expenses of running the scheme. There's insurance cost, transportation cost, processing fee, and other transaction charges. Think about all the money banks would have to spend in safely moving this gold between purity centers, refiners and the jewelers. It's a nightmare. Banks could very well deploy their resources elsewhere and extract a better margin. And as such, they don't really have a lot of incentives to pursue this scheme either. Which kind of explains why we've been able to monetise just 20 tonnes of gold since the scheme launched back in 2015. That's roughly 3% of India's annual demand for gold. Not stellar numbers by any stretch of the imagination.But perhaps the real problem isn't our obsession with gold. Maybe it's something else altogether.Indians believe in gold because it's always served as an effective hedge against inflation. Despite the volatility in price movements, gold has almost consistently kept pace with the basket of goods and services that most Indians consume on a daily basis. It's also the most accessible investment option available and you certainly don't need to read offer documents carefully before you invest in gold. It's gold for Christ's sake. It's always worth something. So perhaps the best way to reduce our dependency on imports is to look inwards. Alongside programs like the Gold Monetisation Scheme, we ought to be looking at social protection. If people have better avenues to limit their downside including insurance, fixed deposits, or even a savings account for that matter, maybe people wouldn't turn to gold as much.

What happens to Co-Working companies now?

In this newsletter, we talk about the co-working industry in a post-COVID world.

Business

The story

The prediction has been made — "Co-Working is Dead"

Offices across India are empty. Work from home is gaining traction. Co-working companies are already piling on unsustainable levels of debt and with threats of a recession looming large, it's only logical to presume that the industry might not survive for long.

However, this is a rather simplistic prognosis. Industries don't disappear overnight. They simply evolve.

In the short term, co-working spaces will have to make a few adjustments. Clients may no longer prefer working in densely packed office spaces anymore and co-working companies might have to reorganize their office space (wherever possible) to reassure customers. They might also have to look at other things like ventilation, best sanitary practices and hot-desk policies. Earlier you could waltz into a room, pick a desk and start chugging along in your safe space and nobody would bat an eyelid. But since people are particularly sensitive about touching foreign objects these days, maybe the ground rules will have to change a bit.But changing ground rules isn't all that simple.

As an article in the Vox notes—

"That effort could include everything from higher-quality air filtration systems to more-powerful cleaners. Every surface—including door handles, light switches, countertops, copy machine buttons, AV equipment, coffee makers, and many more—will have to be dealt with. This shift could also include the addition of things like copper fixtures, fabric that retains fewer germs and can more easily be cleaned, more space in kitchens and bathrooms, as well as more attention paid to how far liquids can splash. Some companies could even use UV lighting to disinfect offices at night or meeting rooms in between uses, a practice that's increasingly common in hospitals."

And these things cost money. But it won't stop there.

Right now most co-working companies work on a rather simple premise. They lease buildings after tying themselves into multi-year contracts and then rent out small office spaces to prospective startups on a short term basis. This isn't a problem so long as you have new customers walking in the door all the time. However, during a pandemic, your short term cash flows dry up and those long term lease arrangements devolve into major liabilities—both literally and figuratively.

Most companies take on more debt to tide over the crisis. But this only bloats your interest expense. And if you can't secure funding from some of your early backers, you'll be in a tight spot. So in effect, tweaking your business model in a post-COVID world can be challenging as well.

And that leaves us with a rather sombre reminder—"Maybe co-working is going to die"

However, optimists disagree. A recessionary environment often means companies will have to downsize or liquidate their office space completely. They'll want to move into a flexible co-working space until they can shore up cashflows. For instance, a startup we spoke to terminated their lease agreement and confessed that they'd be working out of a co-working space soon enough. As the founder succinctly put it—"You can't get work done at home, bro. You just can't"

So even though, co-working companies might see many clients move out permanently, they might also see an influx of new clients who'll be looking to survive.

Besides, not all co-working companies are made equal. Some adapt quickly. Some take time. Some are too big to move. Some, very nimble. To club them all together and make bombastic predictions about their future without considering other events might not serve you well. If history is any reminder, co-working companies like other companies elsewhere will emerge from this crisis one way or another. It's quite possible that some of them will go bankrupt during this time. It could be that most companies might not bear the same look two years from now. It's also possible that they might halt expansion and focus on the bottom line. But the industry, in all likelihood, will survive.

What if we abolished the Income Tax?

In this newsletter, we talk about the abolition of income tax.

Policy

The story

Yesterday, we noticed a rather interesting comment on our article about the new faceless assessment program. It went something like this—*"Why can't we just eliminate income tax altogether and compensate it with a higher GST? Shouldn't this ideally expand the tax base and improve collection overall? Think about the benefit of not having to go through the whole charade of filing your IT returns"*

The logic is very compelling. The argument does sound foolproof. After all, if you have an opportunity to compel people to pay taxes based on their consumption pattern, that should solve most of our problems.

People who earn a king's ransom will likely splurge and a consumption-based sales tax (like GST) will capture this information i.e. A higher GST should get them to cough up more money. On the flip side, somebody who manages to barely make ends meet won't have to worry a lot since their consumption levels are already moderated. They will pay GST in line with what they consume. This shouldn't be too much of a burden.

But what if it is? What if the poor end up shouldering a higher tax burden? In fact, all evidence points to this eventuality. Upon the abolition of the income tax, regular Joe's will end up paying much more than they would have otherwise, while the rich get off much easier.

That's what the data keeps telling us. This is completely antithetical to the idea of a progressive tax regime—where you impose a higher tax rate on the rich based on their income level and offer people with little to no income additional respite. With a flat consumption-based tax rate, this premise isn't feasible anymore.

But what if we switched it up a bit? What if the government compensated those living near the poverty line and offered them extra leeway. For instance, one idea that's gained significant traction in the US is the idea of implementing a fair tax regime. At its core, a fair tax is a consumption-based tax (like GST)—fixed at 23%. However, to make it more progressive, the fair tax act proposes to offer some people money upfront—equal to the 23% tax on the monthly cost of living at the poverty level. So if you are a family of 4 and you're living near the poverty line making, $24,000, you'll be offered $5520 upfront (paid on a monthly basis of course). This alleviates the burden at the bottom of the pyramid and makes the whole system more equitable.

So why not just implement a similar system and abolish income tax altogether?

Well, you could. But doing so would mean pushing GST rates higher across the board. This translates to expensive healthcare, expensive bread, expensive rotis, expensive education (if it's not considered an investment). So the government will have to offer exemptions on some products or risk facing public wrath. However, offering exemptions would inevitably mean extracting a higher sum elsewhere. So GST rates on other taxable products and services will rise exponentially. Also, replacing income tax with a consumption-based tax doesn't necessarily mean tax evasion disappears overnight. With high GST rates, people will have every incentive to report their transactions as business transactions. And a business expense isn't taxed for the obvious reason that the company doesn't consume the product itself. In most cases, it adds value and passes it on to the end consumer who's responsible for shouldering the tax burden.

And as more people resort to these shenanigans the government will have to offset these losses by pushing GST rates higher. One could also contend that marking these transactions as a business expense is no easy task for a middle-income consumer. The only people who could get away with this stuff are probably sitting at the top of the pyramid.

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