राष्ट्रीय वित्तीय शिक्षा केन्द्र

National Centre for Financial Education

एक आर्थिक रुप से जागरुक और सशक्त भारत

A financially aware and empowered India

Promoted By :-

Financial Education Handbook

Printed by:
National Centre for Financial Education (NCFE)
Second Edition, 2021

Disclaimer :
This Booklet is presented as a reading and teaching material with a sincere purpose of making the reader financially literate. It is not intended to unduly influence the reader in making a decision in relation to any particular financial products or services. Readers are advised to consult their investment adviser before making any investments.

About NCFE (National Centre for Financial Education)

National Centre for Financial Education (NCFE) is a Section 8 (Not for Profit) Company promoted by Reserve Bank of India (RBI), Securities and Exchange Board of India (SEBI), Insurance Regulatory and Development Authority of India (IRDAI) and Pension Fund Regulatory and Development Authority (PFRDA).

Vision – "A financially aware and empowered India"

Mission - To undertake massive Financial Education campaign to help people manage money more effectively to achieve financial wellbeing by accessing appropriate financial products and services through regulated entities with fair and transparent machinery for consumer protection and grievance redressal.

Indian Financial Sector Regulators:

RBI: The Reserve Bank of India (RBI) is India's central bank, which manages the monetary policy of India and regulates banking and non-banking financial sector in India.
Website:https://www.rbi.org.in

SEBI: Securities and Exchange Board of India (SEBI) is the regulator of securities market in India and is tasked with protecting the interests of investors in securities, promoting the development of, and regulating the securities market.
Website:https://www.sebi.gov.in

IRDAI: The Insurance Regulatory and Development Authority of India (IRDAI) is the regulatory body tasked with regulating and promoting the insurance and re-insurance industries in India.
Website:https://www.irdai.gov.in

PFRDA: The Pension Fund Regulatory and Development Authority (PFRDA) is the regulatory body tasked with promoting the old age income security by establishing, developing and regulating pension sector.
Website:https://www.pfrda.org.in

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Module 1 BASIC CONCEPTS

Income, Expenses and Budgeting

Are you sometimes short of cash at the end of the month? Don't seem to be able to save for the things you really want?

You can learn to balance your income with your expenses – and even have some money left over for savings and extras. Let us show you how to manage your incoming and outgoing finances.

Setting priorities: Needs and Wants

It is very important to know the difference between your needs and your wants. This will help you in setting your priorities so that you know where to spend your money.

1. Need: A necessity, something that is required, something that is essential for life

2. Want: A desire, something that is wished for, something that is non-essential

Using these definitions, "a roof over my head" is a need. So are clothing, food and medications. "Watching movies in theatre" is a want, and so are buying an expensive saree, jewellery, etc.

Income

Most of us have a source of income through our job, business, farming, pension, etc. Many may also be receiving interest income from their investments.

Whatever be the sources of income, you need to know how to keep track of it and manage it to cover your expenses and save for future.

Expenses

It costs money to live. You need to pay for food, clothing, housing, transportation, communication, and a dozen other necessary expenses. Then there are things like vacations, entertainment, gifts for relatives and so on. If you want to reach your goals, there are two things you must do with your expenses:

1. **Know what your expenses are**
2. **Reduce unnecessary spending.**

The first step in controlling your spending is to get in the habit of tracking your daily expenses so that you know how much you spend and what are the details of your expenses.

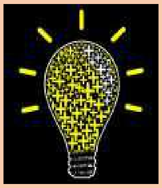
Keep every receipt.	**Record every expense daily**
Total your expense at the end of the month	**Do this for three months**

You will be surprised to know how much you spent and what you spent it on.

Budgeting

Now that you know your income and expenses, you need to put them together and that is called a budget. There's nothing difficult about a budget. It is simply a comparison of income and expenses.

Is the difference between your total income and total expenses a positive or a negative figure?



If it is positive, you have a surplus. Congratulations! With the extra money you must pay off any debt or loan if you have. Otherwise you can increase your monthly savings amount or invest for future.

If it is negative, you have a deficit. You need to increase your income to balance your budget. Reduce your expenses by focusing on what are your needs rather than wants.

Budgeting isn't a one-time thing. To make it work, you need to do it regularly. At first, do this weekly and once you are comfortable you can do it monthly.

<u>What is power of Compounding?</u>

With simple interest, you earn interest only on the principal (i.e., the amount you initially invested); while with compounding, you earn interest on the principal as well as, previously earned interest.

A sum of Rs.100/- invested for 10 years, at 10% rate of interest, amounts to Rs. 200/- with simple interest, and Rs. 260/- (approx.) with compound interest, at maturity.

<u>Rule of 72:</u>

Rule of 72 is a quick, useful formula that is popularly used to estimate the number of years required to double the invested money at a given annual rate of return

Years to double = 72 / Interest rate

An amount of Rs.1000/-, invested at 9 % rate of interest, will double in 72/9 = 8 years

Financial Planning

Financial decisions form the basis of much of what we do in our lives. A poorly thought out personal financial decisions may lead to indebtedness, whereas well thought-out sound financial decisions can lead to financial well-being. That is why financial planning is vital for financial well-being.

Many of us think that financial planning is only about investing for retirement/old age. It is – but it's also so much more. Whether you are a college graduate, a young person, a house wife or a senior person, financial planning is how you think ahead to make sure you achieve your goals.

Begin your financial planning by answering 3 questions:

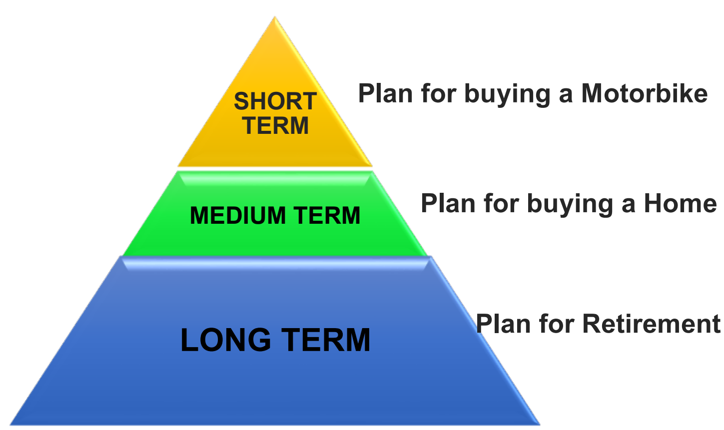
Where am I now?
Where do I want to go?
How do I get from here to there?

A Financial plan can help you to:

- Balance today's needs with your goals for the future
- Make the best use of your financial resources
- Adapt change in your circumstances and needs.
- Save money you need to achieve your goals
- Prepare for unexpected emergencies
- Protect what is most important to you
- Prepare for retirement
- Leave something for your family
- Manage your taxes
- Live your life with a sense of direction and security

Financial Goal Setting

The most important step in Financial Planning is Goal setting. It is essential to set short, medium and long-term financial goals.



Setting SMART Goals

If you want to go somewhere, you need to know the road. It's the same with your money. To manage your money well, you need to know where you want to go. It's important to set short, medium and long-term financial goals.

For an example, “saving for a motorbike” is a vague and hard to measure. How will you know if you are making progress or have achieved it? On the other hand, “saving 50000 rupees for a 100 CC motorbike within 10 months” is **SMART**. It’s **specific** – you know exactly what you are saving for. It’s **measurable** – you know how much you will need. Its **achievable** and **realistic** – you can break the total amount needed into smaller steps (saving 5000 rupees a month) that will be easier to do. And its **time bound** you’ve set a deadline of 10 months.

Saving:

Saving is a key step to make sure your future is financially secure. It will help you **to meet your financial goals** and provide for your own future.

What is Saving?

It would be a good approach to view Saving as follows:

✗ **Saving = Income – Expenditure**

✓ **Expenditure = Income – Saving**

You should set aside a portion of your income **BEFORE** you spend anything.

Why Save?
Without savings, when you want to purchase something, you have to borrow money. Borrowing is expensive, because not only you have to pay it back; you also have to pay interest, often at a high monthly rate. Saving lets you avoid the interest you have to pay while borrowing money.

How to Save?

Now that you’ve decided you want to save, how do you go about it? Keep these tips in mind:

Make a plan for your saving and spending. Reduce unnecessary expenses and put your savings into a separate account. Spend for things you need, but wisely.

It’s usually best to clear up any high-interest debts before starting your savings, because they usually cost more than you can earn with a savings plan. Pay these debts first and then regularly put the money into a savings account.

Pay yourself first. Set aside money from your income before you spend on anything else. Use what’s left after saving to spend on things. Also, if your income goes up, put some of the increase (most of it, if you can) into your savings. It will be easier to do this before you get used to spending the extra money.

Make a regular contribution towards your savings. To make it easy, set up an automatic monthly transfer to your savings account

Make use of tax benefit schemes to maximize your savings. Schemes like, EPF, PPF, NSC, ELSS, SSY, NPS etc are a good way to reduce the taxes you pay on your savings.

Where to save?

You know you can save at least a little every month. What should you do with your savings to keep them safe? There are many options. It can be as simple as a savings account at a bank. It can be recurring or fixed deposits, or post office savings schemes.

Points to be kept in mind when Saving :

- Make sure that your savings are invested in diversified instruments (refer Module on Investments).
- Some portions should be in liquid asset so that you can withdraw money when needed.
- Do not put your money in instruments that are very Risky / Unregulated, you may loose all of it !!!

Module 2 BANKING

A bank is a financial institution that accepts deposits from public and creates credits. In India the Banking Sector is regulated by The Reserve Bank of India (RBI).

Let's understand the various types of Bank Deposits in brief:-

Savings account (Demand deposit)
Savings accounts are handy for short-term savings. You can deposit money into a savings account at any bank. This will keep your savings safe and pay a little interest. You can take your money whenever you need it.

Recurring deposits (Time Deposit)
Recurring deposits popularly known as RD are best if you wish to create a fund by periodically saving for any special occasions such as buying a car. These are suitable for people who do not have large amount of savings, but are ready to save a small amount every month. No withdrawals are allowed.

Fixed deposits (Time Deposit)
Commonly known as FD this is where you can deposit a sum for a fixed period. The depositor is given a fixed deposit receipt, which depositor has to produce at the time of maturity. Withdrawals are not allowed, however, in case of need, the depositor can ask for closing the fixed deposit account by paying a penalty.

Deposit insurance

The Deposit Insurance and Credit Guarantee Corporation (DICGC) insures all deposits such as savings, fixed, current, recurring, etc. Each depositor in a bank is insured upto a maximum of Rs. 5,00,000 for both principal and interest amount held by the depositor.

"Pradhan Mantri Jan-DhanYojana (PMJDY)" under the National Mission for Financial Inclusion was launched initially for a period of 4 years (in two phases) on 28th August 2014. It envisages universal access to banking facilities with at least one basic banking account for every household, financial literacy, access to credit, insurance and pension.

The Government has decided to extend the comprehensive PMJDY program beyond 28.8.2018 with the change in focus on opening accounts from "every household" to "every adult", with following modification:

(i) Existing Over Draft (OD) limit of Rs. 5,000 revised to Rs. 10,000.
(ii) No conditions attached for active PMJDY accounts availing OD uptoRs. 2,000.
(iii) Age limit for availing OD facility revised from 18-60 years to 18-65 years.
(iv) The accidental insurance cover for new RuPay card holders raised from existing Rs.1lakh to Rs. 2 lakhs to new PMJDY accounts opened after 28.8.2018.

For more information visit : https://pmjdy.gov.in/

Banking in India

Traditional Commercial Banks

Public Sector Banks: Government hold majority stakes in public sector banks. In India, the nationalized banks and the regional rural banks come under these categories. Example: SBI, BOB, PNB etc.

Private Sector Banks: Private shareholders hold majority stakes in private sector banks. Reserve Bank of India lays down all the rules and regulations. Example: HDFC Bank, ICICI Bank. Axis Bank etc.

Regional Rural Banks: These banks were established mainly to support the weaker section of the society like marginal farmers, laborers, small enterprises, etc. They mainly operate at regional levels at different states.

Co-operative Banks

Co-operative Banks: The rural co-operative credit system in India is primarily mandated to ensure flow of credit to the agriculture sector. It operates with three-tier system Primary Agricultural Credit Societies at the village level, Central Cooperative Banks, at the district level and State Cooperative Banks at the State level.
Urban Cooperative Banks (UCBs) cater to the financial needs of customers in urban and semi-urban areas.

New Banking Models

Payment Banks: These banks can accept a restricted deposit, which is currently limited to ₹100,000 per customer and may be increased further. Payments banks can issue services like ATM cards, debit cards, net-banking and mobile-banking. Example: Indian Post Payment Bank (IPPB)

Small Finance Banks: Provide basic banking service of acceptance of deposits and basic lending. The aim behind these is to provide financial inclusion to sections of the economy not being served by other banks, such as small business units, small and marginal farmers, micro and small industries and unorganized sector entities.

Development Finance Institutions (DFI)

A development finance institution (DFI), also known as a development bank is a financial institution that provides risk capital for economic development projects on non-commercial basis. Example: Small Industries Development Bank of India (SIDBI), National Bank for Agricultural and Rural Development (NABARD), National Housing Bank (NHB), etc.

Micro Finance Institution (MFI)

Those institutions which have microfinance as their main operations are known as microfinance institutions. These institutions not only offer micro credit but they also facilitate provision of other financial services like insurance, remittance and non-financial services like individual counseling, training and support to start micro-businesses.

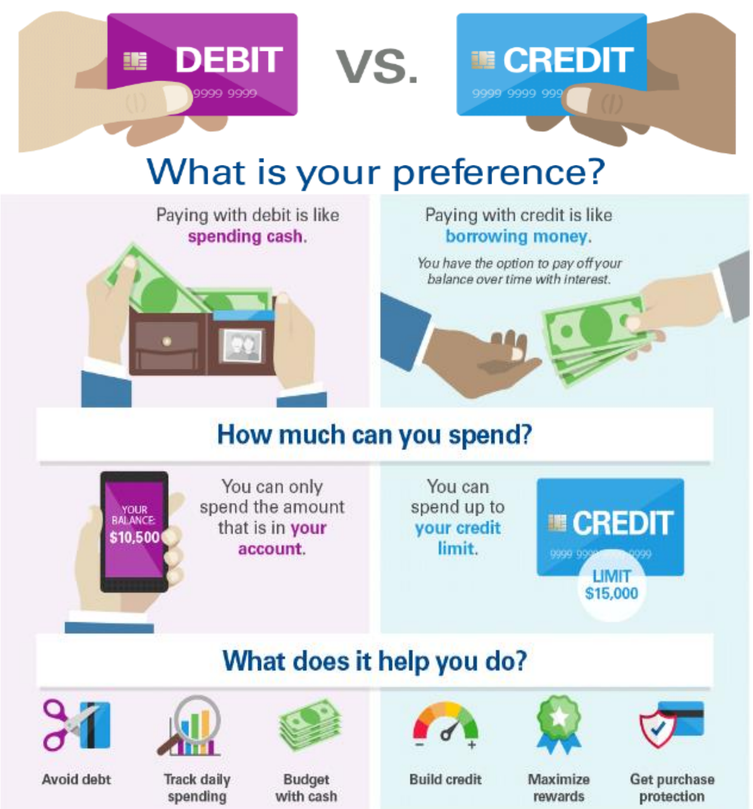
Non-Banking Financial Company (NBFC): A non-banking institutions a company registered under Companies Act 1956/2013 regulated by RBI. NBFC engaged in the business of loans and advances, acquisition of securities, leasing business, hire-purchase, insurance business, chit business etc. They are different from banks, as normally they can't accept demand deposits, and cannot become part of payment and settlement system

Business Correspondent (BC): Banks have been allowed to appoint local individual persons and others as BC to work as agents of the banks. The BC uses Information and Communication Technology (ICT) based devices such as handheld machines, smartcard based devices, mobile phones, etc. BC is a mode of providing banking service at our doorstep as bank branch is far off from our area.

Credit and Debt Management

Many people need to borrow money for buying a house, car or children's education. This is called credit. Financial experts often distinguish between good debt and bad debt. Good debt is an investment in something that creates value or produces more wealth in the long run. Bad debt is debt taken to buy something that immediately goes down in value.

Debit Card Vs Credit Card



Short term Credit
Ex: Working capital, Credit card

CREDIT

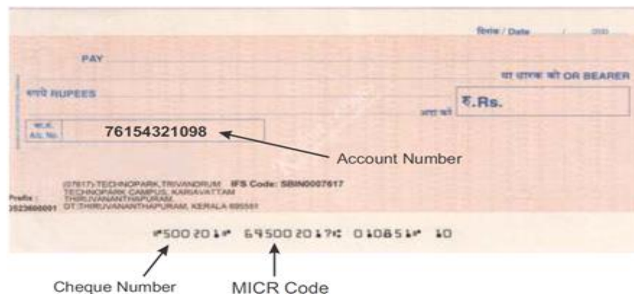
Medium/Long term Credit
Ex: Housing loan, industrial loan

Kisan Credit Card (KCC)

- Reserve Bank of India and NABARD together initiated KCC's conception in-order to assist agriculturalists to have easily accessible cash credit facilities.
- The farmers may use KCC to readily purchase agricultural inputs such as seeds, fertilizers and pesticides etc. KCC helps in short term and timely credit requirements for cultivation of crops.

Cheque

A Cheque is a document that orders a payment of money from a Bank account.



Examples of Government Credit Schemes

Educational Loans through Vidyalakshmi Portal

- Easy and effective system of getting educational loans so that no student leaves his/her education mid-way due to lack of funds
- Common education loan application form is available for students. Visit: www.vidyalakshmi.co.in

Pradhan MantriAwasYojana (PMAY)

- Credit Linked Subsidy Scheme for Lower Income Group/ Economically Weaker section and middle income group.
- Individuals are eligible to avail subsidy when they are purchasing their first house or it is a new construction Visit:https://pmaymis.gov.in

Pradhan Mantri Mudra Yojana (PMMY)

- Government Scheme that offers business loans to proprietors or entrepreneurs of small & medium enterprises
- Loans offered: SHISHU, KISHOR and TARUN depending up on the amount of loan availed
- Key documents required: proof of identity, quotation of items purchased and category certificates Visit: https://www.mudra.org.in

Module 3

DIGITAL PAYMENTS

Digital payments are those payments in which the payer and the payee both use electronic modes to send and receive money.

Advantages of Digital Payments

- Fast, Easy and Convenient.
- Economical and less transaction fee.
- Provides a digital record of transactions that customers can track.
- Gives a one stop solution for any type of payments.

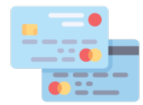
Do's and Don'ts of Digital Payment

Do's	Don'ts
Use password for your Mobile and Computer so that no one else can access your systems.	Never save your mobile banking login and password on the phone. Either memorize it or write it down somewhere else.
Always visit your bank's secured internet Banking site regularly	Never Leave your handset unattended and logged into a mobile banking app.
Log out of your internet banking immediately after you have completed your transaction	Never leave your phone un-attended while carrying out financial transactions through mobile
If you suspect unauthorized transactions in your account, report it to your bank immediately	Never download apps from untrustworthy and dubious sources

Digital Payment Methods

As part of promoting cashless transactions and converting India into less-cash society, various modes of digital payments are available.

(Source: www.cashlessindia.gov.in)

Banking Cards 	Bank Prepaid cards 
Internet Banking 	Point of sale 
Mobile Banking 	Unstructured Supplementary Service Data (USSD) 
Micro ATMs 	Aadhaar Enabled Payment System (AEPS) 
Mobile Wallets 	Unified Payment Interface (UPI) 

Internet Banking

Internet banking, also known as online banking, e-banking or virtual banking, is an electronic payment system that enables customers of a bank or other financial institution to conduct a range of financial transactions through the financial institution's website. Type of transactions are:

National Electronic Fund Transfer (NEFT)
Transfer of funds from one Bank account to a different account of another Bank using Beneficiary's account number and IFSC(Indian Financial System Code).
Minimum Limit: No limit Maximum Limit: No limit

Real Time Gross Settlement (RTGS)
Transfer of funds from one Bank account to a different account of another Bank on a real time basis facilitating high value transactions using Beneficiary's account number and IFSC code.
Minimum Limit: 2 Lakh Maximum Limit: No limit

Immediate Payment Service (IMPS)
Transfer of funds from one Bank account to another facilitating instant Fund Transfer.
For fund transfer through Mobile, Mobile Money Identifier (MMID) issued by the bank is required. Transaction can also be done using Beneficiary's account number and IFSC code.

IMPS, NEFT and RTGS are available 24 x 7

Mobile Banking

Mobile banking is a service provided by a bank or other financial institution that allows its customers to conduct different types of financial transactions remotely using a mobile device such as a mobile phone or tablet.

Mobile Wallet

A mobile wallet is a way to carry cash in digital format. An individual's account is required to be linked to the digital wallet to load money in it. Most banks have their e-wallets and some private companies. e.g. Paytm, Freecharge, Mobikwik, Oxigen, Airtel Money, etc.

Point of Sale

A point of sale (PoS) is the place where sales are made. On a macro level, a PoS may be a mall, a market or a city. On a micro level, retailers consider a PoS to be the area where a customer completes a transaction, such as a checkout counter. It is also known as a point of purchase.

Micro ATMs

Micro ATM meant to be a device that is used by the Business Correspondents (BC) to deliver basic banking services. The platform will enable Business Correspondents (who could be a local retail shop owner and will act as 'micro ATM') to conduct instant transactions.

Aadhaar enabled payment system (AEPS)

AEPS is a bank led model which allows online interoperable financial transaction at PoS (Point of Sale / Micro ATM) through the Business Correspondent (BC)/Bank Mitra of any bank using the Aadhaar authentication.

Unstructured supplementary service data (USSD)

The innovative payment service ***99#** works on Unstructured Supplementary Service Data (USSD) channel. This service allows mobile banking transactions using basic feature mobile phone, there is no need to have mobile internet data facility for using USSD based mobile banking. It is envisioned to provide financial deepening and inclusion of underbanked society in the mainstream banking services.

Unified Payments Interface(UPI)

A system that powers multiple bank accounts into a single mobile application (of any participatingbank), merging several banking features, seamless fund routing & merchant payments into one place.

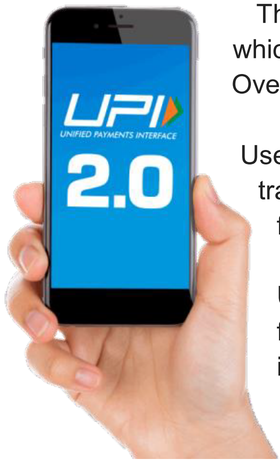
In this system, transactions can be done through any smart phone using VPA (Virtual Payment Address) facilitating 24 x 7 transfer on a real time basis. One needs to download UPI-enabled bank app and login using bank details.

UPI Benefits To End User :

- Privacy- Share only Virtual Payment Address and no other sensitive information
- Multiple Utility – Cash on delivery/ bill split sharing/ merchant payments/ remittances
- One click 2 FA – Authorise transaction by entering only the PIN
- Work across various interfaces – Payment request generated on web interface, Authorised on mobile interface(App)
- Availability 24 x 7 and customer does the transaction on his personel device.

  For Further Information, See the Link: https://www.npci.org.in/product-overview/upi-product-overview

UPI 2.0



This is new version of UPI system, which enables users to link their Overdraft accounts to a UPI handle.

Users are also able to pre-authorize transactions by issuing a mandate for specific merchant.

UPI 2.0 version included a feature to view and store the invoice for the transactions.

Module 4

INSURANCE

No one can plan for an accident or serious illness. The chances of these things happening to you may be very small. So many people put off buying the insurance that they should buy. But mishaps do happen. It's only when the event occurs, we realize that we should have taken the insurance cover for protection. Insurance is a means of protection from financial loss and issued to shield against the risk of a contingent or uncertain loss.

Insurance can be broadly classified into two categories:

1. Life Insurance
2. General Insurance

1. Life Insurance

Life insurance provides a financial payment to your beneficiary upon your death. When you buy a life insurance policy, you name a beneficiary. It is generally recommended to purchase an insurance with coverage worth 7 to 10 times your annual income in order to protect your family.

Life Insurance Types

Term Insurance: This will be Active for a fixed period of time and in the event of your unfortunate event related to life that takes place during the policy term, your nominees will receive the 'Sum Assured'. Although there will be no return of premium, but it provides best risk mitigation.

Endowment Insurance: A life insurance contract designed to pay a lump sum after specific term or on death. Typical maturities are ten, fifteen or twenty years up to a certain age limit.

Whole Life: Types of permanent life insurance that stays in effect for as long as you pay the premiums.

Unit Linked Insurance: Combination of insurance and an investment vehicle, a Portion of the premium paid by policyholder is utilized to provide insurance coverage and the remaining portion is invested in equity and debt instruments

2. General Insurance

Such products include policies which are not directly related to the life of individuals. Such policies insure the policy holder against the risk of wealth and health.

i) Health insurance

In the recent past the cost of treatment has increased many folds. A simple visit to a doctor now costs anywhere between 300 to 3000 rupees, depending on where you live. If your treatment requires you to stay in the hospital for few days, you will end up with a huge medical bill that can severely impact your savings. To avoid such financial shocks, we must insure ourselves. Every insurance company offers a medical insurance plan that covers basic medical care covering costs of hospitalization.

ii) Non-Health Insurance

a) Vehicle/Motor insurance

Vehicle Insurance (also known as Motor Insurance/Car Insurance/ Auto Insurance) is an insurance purchased for vehicles plying on the road. Its primary objective is to provide protection to the vehicle owners against the risk of any legal liability and/or accidental damage to the vehicle. The coverage for vehicle insurance is of two types:

Motor Third Party (TP) Liability Insurance: Third Party Insurance is a statutory requirement and every vehicle plying on the road should mandatorily obtain this insurance. The owner of the vehicle is legally liable for any injury or damage to third party life or property caused by or arising out of the use of the vehicle in a public place. Driving a motor vehicle without insurance in a public place is a punishable offence. The insurance policy covers damage to someone else's property or injury or death of other persons resulting from an accident for which the insured is judged legally liable.

Motor Own Damage (OD) Insurance cover: It covers accidental damage caused to the insured vehicle.

There are policies covering either or both of the above covers. It is important to examine your policy to understand what is covered.

b) Property Insurance

Property Insurance is a very vast category of General Insurance and the type of cover that you need depends upon the type of property you are seeking to cover. The most popular property insurance is the standard **fire insurance policy** and provides insurance protection against Fire and allied perils viz. flood, inundation, cyclone, typhoon etc. The different types of property that could be covered under a fire insurance policy are dwellings, offices, shops, hospitals, industrial/manufacturing risks and contents such as machinery, plants, equipment and accessories; goods including raw material, material in process, storage risks outside the compound of industrial risks; tank farms/gas holders located outside the compound of industrial risks etc

Home/ householders' Insurance is important as it provides a package of wholesome insurance protection for individual's house.

Similarly, **Shopkeepers' Package Policy** is designed to insure all the insurable risks of a large number of shopkeepers. It provides wide coverage against various accidental happenings like fire, earthquake, lightning, flood, burglary etc. The policy gives cover for the building, its contents, money kept in the shop etc.

c) Other Insurances

Travel Insurance

Comprehensive Travel insurance provides:

- Emergency medical cover
- Losses incurred due to unforeseen cancellation or having to cut your trip short
- Death and disability cover
- Personnel liability cover
- Luggage cover

Group Insurance

It covers a defined group of people, for example the members of a society or professional association, or the employees of a particular employer

Crop Insurance

It provides insurance cover to farmers in the event loss or damage to crops due to drought, flood, other natural disasters and infestation of pests etc

Examples of Insurance schemes of Government of India

Pradhan Mantri Suraksha BimaYojana (PMSBY)

- Provides accidental insurance cover of upto2 Lakh to bank account holders in the age of 18 to 70 years
- A fixed annual premium of Rs.20/- is deducted from the bank account through auto-debit facility
- Person would be eligible to join the scheme through one savings bank account only
- Insurance covers permanent and partial disability due to accident (https://financialservices.gov.in/insurance-divisions)

Pradhan Mantri Jan ArogyaYojana (PMJAY) – Ayushman Bharat

- Provides health care facilities targeting poor, deprived rural families and identified occupational category of urban worker's families
- There is no restriction on family size, age or gender
- No money needs to be paid by the family for treatment in case of hospitalization (https://www.pmjay.gov.in)

Pradhan MantriFasalBimaYojana (PMFBY)

- Crop insurance scheme aimed at shielding farmers from the crop failure through insurance
- The scheme insures farmers against a wide range of external risks – droughts, dry spells, floods, inundation, pests and diseases, landslides, natural fire and lightning, hailstorms, cyclones, typhoons etc.
- Scheme covers post-harvest losses up to a period of 14 days (https://pmfby.gov.in)

Pradhan MantriJeevanJyotiBimaYojana (PMJJBY)

- Provides life insurance cover of 2 Lakh to bank account holders (Savings Bank A/c) in the age of 18 to 50 years.
- A fixed annual premium of Rs.436/- is deducted from the bank account through auto-debit facility (https://financialservices.gov.in/insurance-divisions)

Making a claim

When a disaster happens, such as your bike is stolen or you have met with an accident, it's time to make a claim. When you make a claim, you are officially asking the insurance company to pay you for the loss you have suffered under the terms of your insurance policy.
Contact your insurance broker, agent or company as soon as possible. Because most companies have time limits within which you must submit your claim. Also remember to provide all supporting documents needed when submitting your claim

Module 5

INVESTMENT

Investing can be a rewarding activity which can help you meet your financial goals; however, investing can be complex and often comes with risks. With appropriate knowledge, you can choose the level of complexity and risk that you are comfortable with.

Key factors

You need to know at least three key factors about every investment, return, risk and liquidity.

Return is the profit that an investor makes on an investment. It can come in two different forms : income or capital gain.

Risk means uncertainty. You are not sure whether your investments will give high returns or you could also lose your money. Risk and return both go hand -in-hand which means that to get higher return on your investments you will be exposed to more risk.

Liquidity is the ability to cash in or sell an investment quickly at or near the current market price. It affects the value of an investment. Listed stocks and goverment bonds are liquid, because you can usually sell them easily.

Investing goals

Your investment goals depend on which life stage you are in (student, employee, retired, etc.). Your investment goals will be different from those of other people, and the goals will change as you go through your life. Usually, you have a variety of goals at the same time. You may be looking for long-term growth in value and also want a secure and flexible fund for emergencies. Each household will have a variety of objectives, and will need a different investment strategy for each one.

One easy way to see how personal factors affect investment choices is to think about your life stage, the phase of your life that you are in.

Stage 1

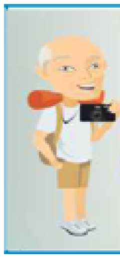
If you are young, you may be willing to take more risks because you are planning for the long term. If the value of your investments goes down, you'll have time to recover and your investments can grow over a long period of time.

Stage 2

If you are starting a new family, you want to provide security. You may still be planning for the long term, but you need to keep at least part of your money available to provide for shorter-term savings goals and emergencies, or to make major purchases such as a family home.

Stage 3

If your family is becoming more independent, you may have less need for short-term savings, and be able to save more for your retirement. You may be at the peak of your earning years, with cash available for investments, but unwilling to invest your money in anything risky.



Stage 4

Once you have retired, you may be relying on your investments to provide a regular, reliable income to add to benefits such as your public or private pensions.

Inflation and its effect on Investment

Inflation refers to rise in price of goods and services. Over time, as cost of goods and services increases, the ability of a unit of money, say one rupee or Rs.100, to buy goods and services keeps declining. In other words, Purchasing power of money decreases. It is important to take into account the effects of inflation on your investments during financial planning.

How does inflation affect my Investment decision?
A Vada Pav costing Rs.5/- five years ago, now costs Rs.10/-. The increase in the price is not as a result of higher quantity or better quality, but due to inflation impacting the prices of the ingredients.

Time Value of Money: The change of value of money with respect to time brings the concept of time value of money. Money available at the present time is worth more than the same amount in the future due to its potential capacity

Diversification

It is never a good idea to put all your eggs in one basket. If you put your money into a variety of investments and one or two lose money , the others may gainto balance your investments. This is known as diversification. It is a way to reduce risk when you are making investments.

Investment in Securities Market

Securities can be broadly classified into two types: Equities and Debts. Securities are sold in the securities market

Primary market: Company directly issues Securities for the first time e.g. IPO (Initial Public Offer) **Secondary Market:** Trading of securities in Stock Exchanges e.g. BSE, NSE, etc.

Know Your Client (KYC): SEBI has prescribed KYC (Know Your Client) requirements for all security market investors. SEBI has allowed the use of technological innovations which can facilitate **online KYC (e-KYC).** The use of technology would facilitate the investors to complete the KYC without the requirement of physically visiting the office of the intermediary.

Equity

Equity is a part of a company, also known as stock or share. When you buy shares of a company, you basically own a part of that company and can expect a share of profit when the company makes profits. For public/listed companies, these shares are traded on stock exchanges which facilitate the buying and selling of stocks, thus providing a marketplace. Investing in equities is riskier and definitely demands more time than other investments.

Debt Securities

Debt Securities are those instruments such as bond, debenture, promissory note etc. with a fixed amount, a maturity date and usually with a specific rate of interest. These are often less risky than equities. When a company or government agency decides to take out a loan, it has two options. The first is to get financing from a bank, the second is to issue debt to investors in the capital markets. This is referred to as a debt issue

Mutual Funds

A mutual fund pools money from many investors and invests in stocks, bonds, short-term money-market instruments, other securities or assets, or some combination of these investments. The combined holdings the mutual fund owns are known as its portfolio. Each unit represents an investor's proportionate ownership of the fund's holdings and the income those holdings generate.

Systematic Investment Plan (SIP): When a fixed amount at a fixed interval of time is invested in a Mutual Fund, it is called SIP, which is now becoming a trending future investment plan.

Equity Linked Savings Schemes (ELSS): These are Mutual Fund investment schemes that help you save income tax (allows taxpayers to invest up to Rs.1.5 lakh in specific securities and claim it as a deduction from their taxable income).

Gold ETF: Gold ETF, or Exchange Traded Fund, is a commodity-based Mutual Fund that invests in assets like gold. These exchange-traded funds perform like individual stocks and are traded similarly on the stock exchange.

Government Securities (G-Sec)

Investments can also be made in Government securities such as Treasury Bills, Dated G-Sec & State Development Loans (SDLs) and Sovereign Gold Bonds (SGBs).Each of these instruments have different maturity, after which full repayment of the invested principal is assured. RBI's Retail Direct Scheme is a one-stop solution to facilitate investment in Government Securities by Individual Investors (https://rbiretaildirect.org.in/). This portal provides the facilities of Open Retail Government Gilt (RDG) account with RBI, Buy Government securities in primary auction and Buy & sell Government securities in secondary market.

Real estate investment trust (REIT):

REITs are entities that own properties in the real estate sector and finance their development. This enable the investors to earn dividends from real estate investments—without having to buy, manage, or finance any properties themselves

Investment in Government Schemes

- National Savings Certificates (NSC)
- Post office Savings/RD Account
- Public Provident Funds (PPF)
- Kisan Vikas Patra (KVP)
- Senior Citizen Savings Scheme (SCSS)

- These schemes are recommended for investors looking for safe and fixed returns.
- The interest rate of these schemes are notified on Quarterly Basis with the approval of the Ministry of Finance.
- The post office schemes carry a sovereign guarantee on the entire amount invested, thus are considered highly safe.
- For further information, see the link https://www.indiapost.gov.in/Financial/pages/content/post-office-saving-schemes.aspx

Sukanya Samrudhi Yojana (SSY) SSY is a government-backed savings scheme for the benefit of the girl child. It can be opened by the parents of a girl child below the age of 10. Parents can open up to two such accounts for girls (they cannot open a third/fourth account etc., if they have more than two girls). These accounts have tenure of 21 years or until the girl child marries after the age of 18.

Module 6

RETIREMENT AND PENSION

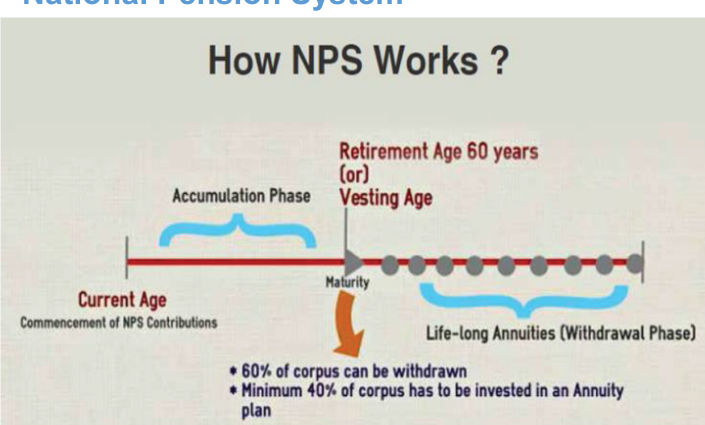
After a full and productive working life, you look forward to having a healthy, active and secure retirement. Whether you retire early or work well into your senior years, you want to know that you will be financially secure in your later life. Will you have enough money for your retirement?

If you're like most Indians, your younger and middle years are filled with numerous demands on your time and finances: raising children, buying and maintaining a home, enjoying festivities. You may be too busy to think about retirement, or you may find it hard to put money aside now for later.

Points to keep in mind for Retirement Planning

Inflation is the rising cost of consumer goods and services. It affects your retirement needs in two ways. First the cost of goods that you buy increases which means for buying the same amount of good you need to pay more. Second, dueto inflation your retirement savings also lose value. The risk of living longer (increasing life expectancy) needs to be taken into account. The life expectancy at 60 is increasing and hence required higher provisioning to take care of after retirement life and also to maintain the same standard of living. All these must be taken into account when you are creating your retirement fund.

National Pension System



NPS is a defined contribution retirement scheme introduced by Government of India and regulated by PFRDA to provide financial security and stability during old age when people do not have a regular source of income. Scheme is voluntary and open to all citizens of the country who are between the age of 18 and 65 years. By subscribing NPS you will be able to save and invest systematically during your working life. A minimum -investment of Rupees 500 per year is required to subscribe the scheme. When you retire, normally after age 60, you will get a part of your money as a lump-sum and the remaining gets invested in any annuity scheme of your choice for providing pension on monthly basis. Your –investments in NPS, up to a certain limit,are also income-tax exempted.

NPS provides combination of various asset classes i.e. equity, corporate debt, government securities and alternative investment class. Thus, helps investors to diversify their investments. Further, subscribers who are having limited knowledge and understanding of investments and asset allocation, may opt for any of the three life cycle funds (conservative, moderate and aggressive) which provides for automatic diversification by distributing the assets across asset classes in pre-defined manner, on the basis of the age of the subscribers.

Exit from NPS is permitted on following 3 conditions:

i) Upon Superannuation of NPS subscriber
ii) As Premature Exit
iii) Upon death of NPS Subscriber.

For more information visit https://www.pfrda.org.in

Atal Pension Yojana (APY)

The Government of India is concerned about the old age income security of the unorganised and working poor and is focused on encouraging and enabling them to save for their retirement. Any citizen of India who is between 18 and 40 years can join APY for receiving a guaranteed minimum pension of 1000 to 5000 rupees per month after the age of 60 years. To join APY you need to have a savings bank account. Contribution to this scheme is as low as Rs.42 at the age of 18 for getting the pension of Rs. 1000. Since the contribution increases with the age, it is always beneficial to join the scheme at early age.

When you join the APY, you are making sure that when old age comes, you are prepared for it as this scheme provides Triple Benefits on attaining the age of 60 years The monthly pension would be available to the subscriber for his/her lifetime, and after demise of the subscriber, same amount of pension will be given to spouse of subscriber and after death of both subscriber and spouse, the pension corpus, as accumulated at age 60 of the subscriber, would be returned to the nominee of the subscriber. In case of premature death of subscriber (death before 60 years of age), spouse of the subscriber can continue contribution to APY account of the subscriber or can withdraw fund accumulated in APY account.
For more information visit https://www.pfrda.org.in

PENSION SCHEMES FOR VARIOUS TARGET GROUPS

Government of India has started pension schemes for various target groups such as **Unorganised Workers**, **Retailers** and **Traders** (self-employed workers) and Land Holding **Small and Marginal farmers.**

i) Pradhan Mantri Shram Yogi Maan-dhan (PM-SYM) Yojana.

This is a voluntary and contributory pension scheme to ensure old age protection for Unorganised Workers.

The unorganised workers mostly engaged as **home based workers, street vendors, mid-day meal workers, head loaders, brick kiln workers, cobblers, rag pickers, domestic workers, washer men, rickshaw pullers, landless labourers, own account workers, agricultural workers, construction workers, beedi workers, handloom workers, leather workers, audio- visual workers and similar other occupations** whose monthly income is Rs 15,000/ per month or less and belong to the entry age group of 18-40 years.

Benefits to subscriber of PM-SYM are:
(i)Minimum Assured Pension: Each subscriber under the PM-SYM, shall receive minimum assured pension of Rs 3000/- per month after attaining the age of 60 years.
(ii) Family Pension: During the receipt of pension, if the subscriber dies, the spouse of the beneficiary shall be entitled to receive 50% of the pension received by the beneficiary as family pension. Family pension is applicable only to spouse.
(iii) **Exit and withdrawal** : If a beneficiary has given regular contribution and died due to any cause (before age of 60 years), his/her spouse will be entitled to join and continue the scheme subsequently by payment of regular contribution or exit the scheme as per provisions of exit and withdrawal.

PM-SYM isa contributory pension scheme on a 50:50 basis where prescribed age-specific contribution shall be made by the beneficiary and the matching contribution by the Central Government. For example, if a person enters the scheme at an age of 29 years, he is required to contribute Rs 100/ - per month till the age of 60 years an equal amount of Rs 100/- will be contributed by the Central Government.

ii) PMLVMY (Pradhan Mantri Laghu Vyapari Maan-dhan, Yojana)

This is pension scheme to ensure old age protection for **retailers and traders (self-employed workers)**

All shopkeepers and self-employed persons, as well as retail traders with GST turnover below Rs 1.5 crore and aged between 18-40 years, can enroll for the scheme.Under the scheme, 50% monthly contribution is payable by the beneficiary and equal matching contribution is paid by the Central Government. Subscribers, after attaining the age of 60 years, are eligible for a monthly minimum assured pension of Rs.3,000/

iii)Pradhan Mantri Kisan Maan Dhan Yojana (PMKMDY)

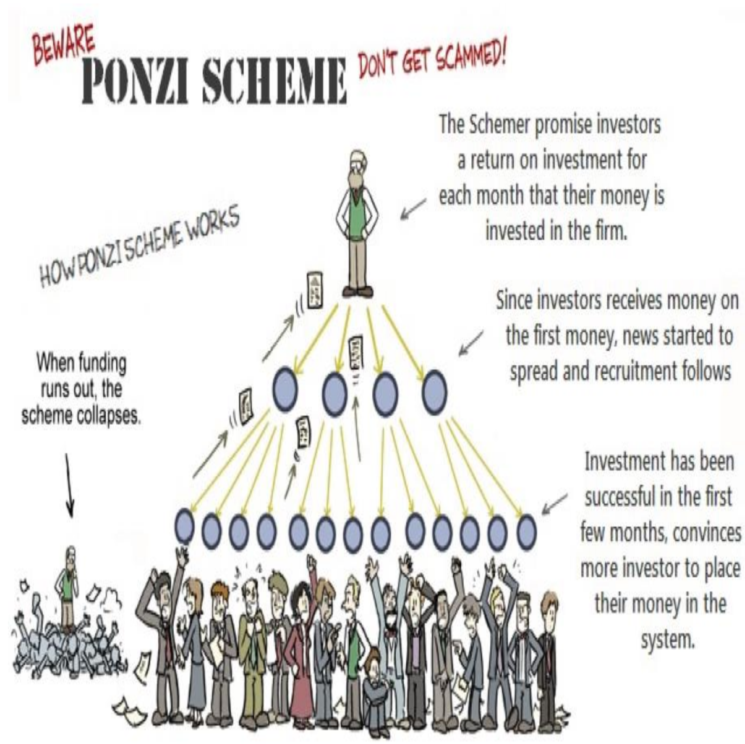
This is pension scheme to ensure old age protection for all land holding **Small and Marginal Farmers (SMFs)** in the country. The scheme aims at providing a minimum assured pension of Rs 3000, to Small and Marginal Farmers (SMFs) in the country after attaining the age of 60 Years.

Other Pension Plans

In India, apart from the Government promoted pension schemes, there are pension plans offered by some **public sector** and **private sector entities** as well. These pension plans along with the retirement planning, provide investment opportunities and other additional benefits. Some of these pension plans are as under:

i) **Pension Plans with Life Insurance Cover** like the ULIP (unit Linked Insurance Plan) are a combination of life insurance and pension.
ii) **Penion Fund Oriented Hybrid Mutual Funds**
iii) **Immediate Annuity Plans** provide annuity payment of a stated amount through out the life time immediately after depositing the amount towards the annuity fund

Module 7 CONSUMER PROTECTION AND GRIEVANCE REDRESSAL



Financial fraud or scam is a growing problem in today's world. Every year we hear new stories about people losing all their money by investing in illegal schemes. But this has not stopped others from falling prey to these schemes. This is because criminals are very creative and they keep changing their tactics to find new victims. You can keep your money safe by being aware of these risks. Do you know someone who is a victim?

The first step in protecting yourself against fraud or scam is knowing what it is and how to recognize various types of fraud or scam.

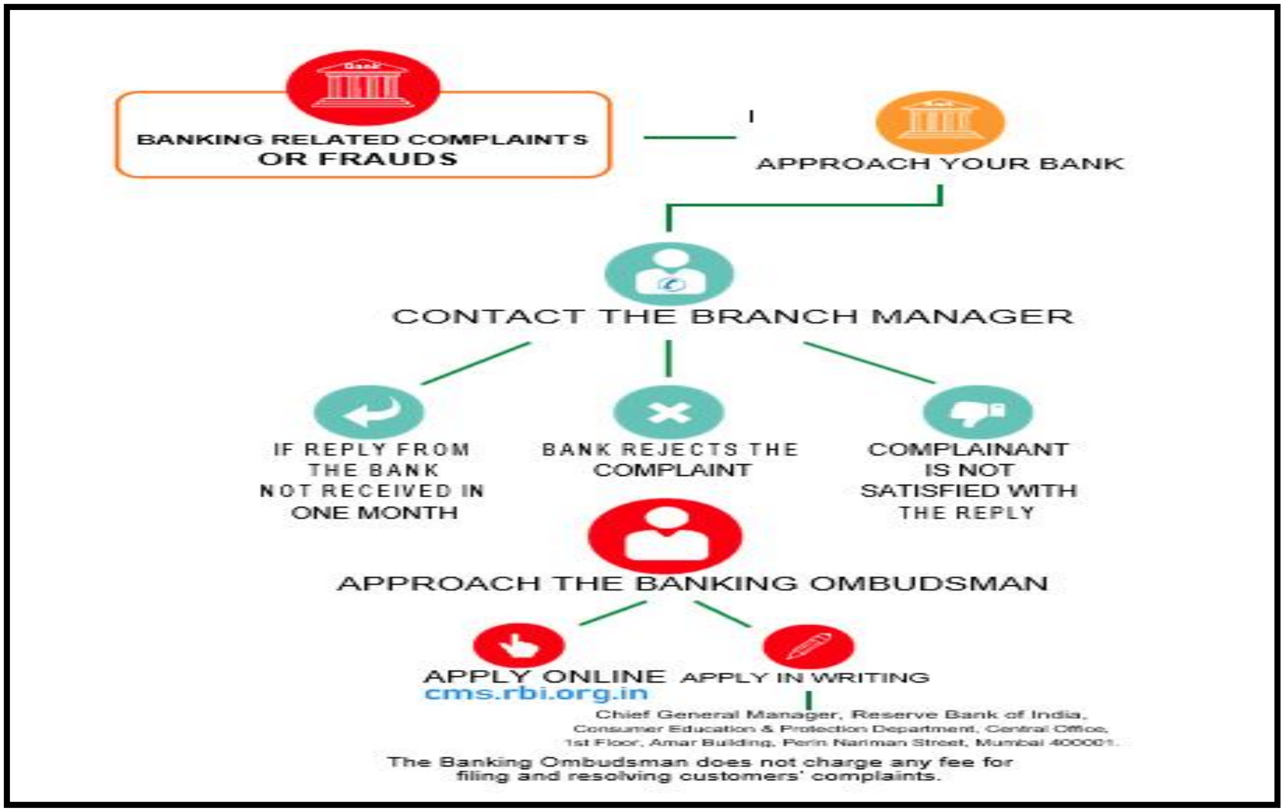
Types of fraud or scam

Fraudsters and scamsters target people in a variety of ways: through email and on the telephone, when victims are making investments or by stealing personal information.

Ponzi scheme, how does it work?

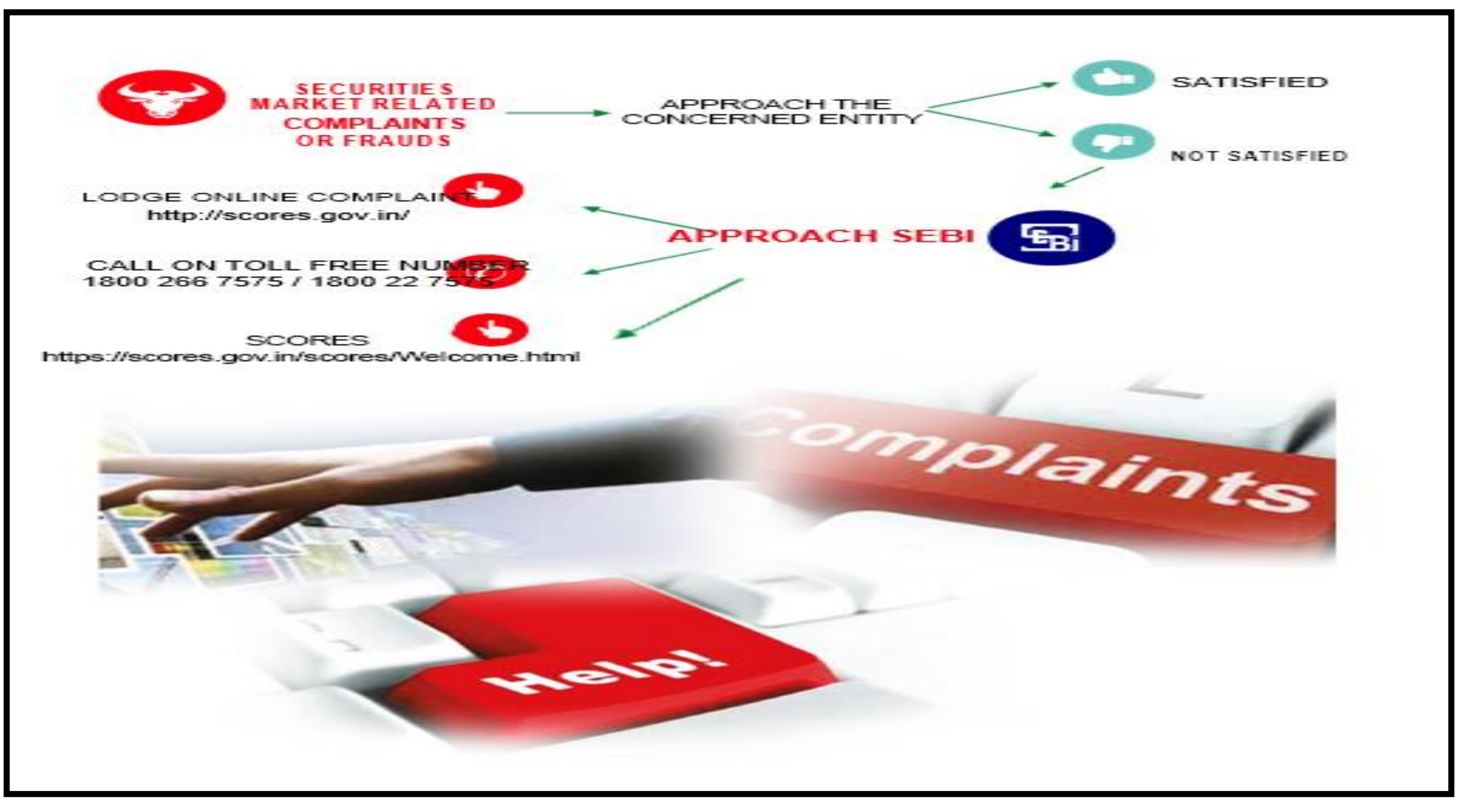
Grievance Redressal – Banking, Investment, Insurance and Pension

Banking - RBI



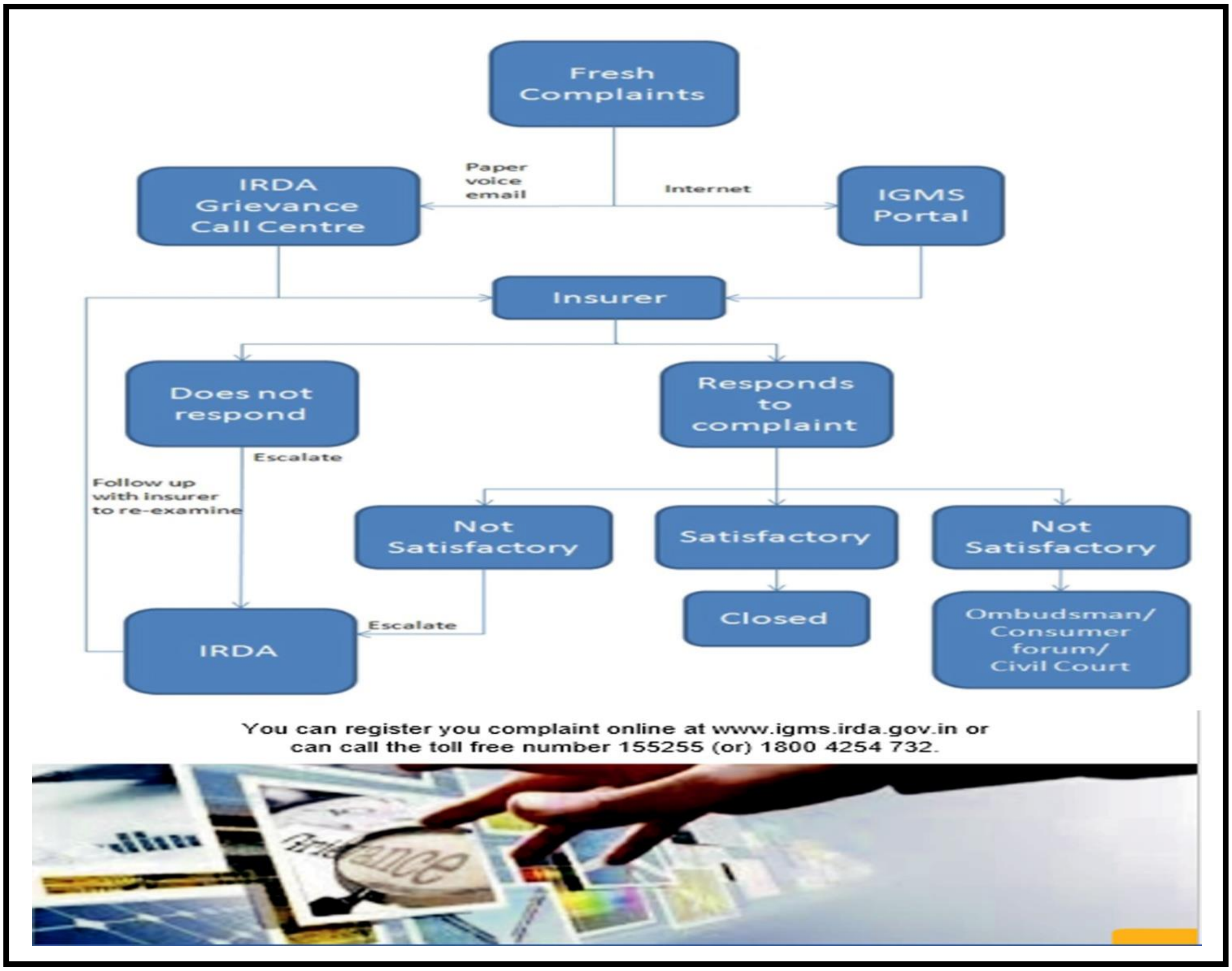
CMS: Complaints Management System

Investments - SEBI



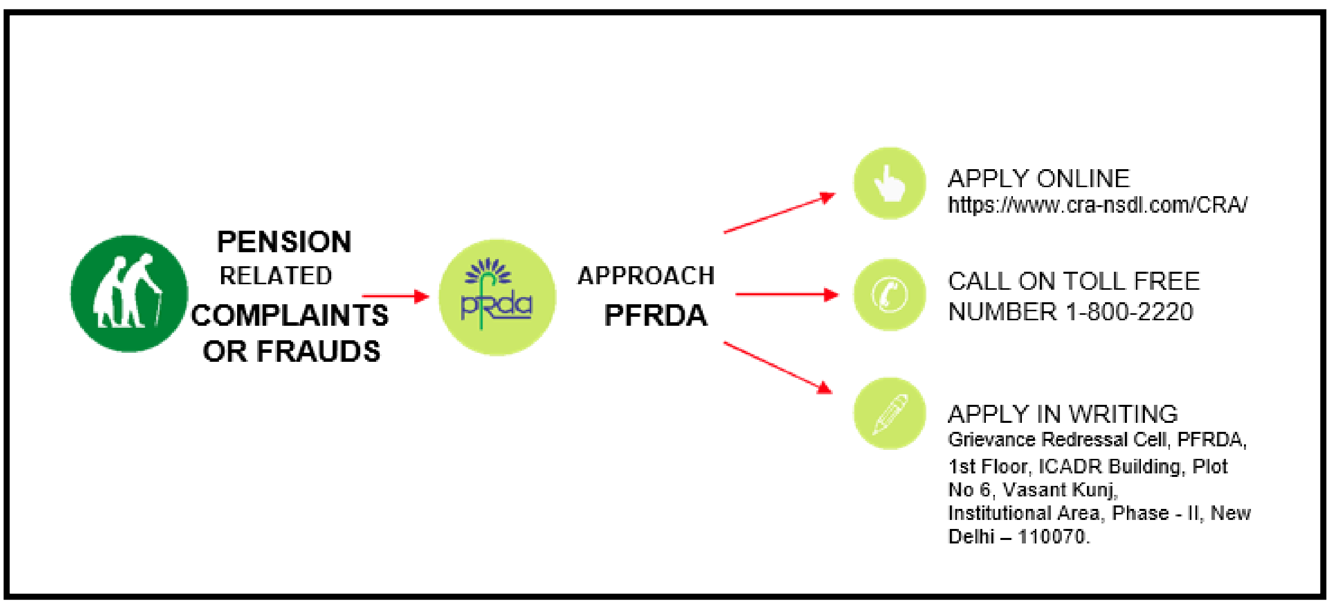
SCORES : Sebi COmplaints REdress System

Insurance – IRDAI



IGMS: Integrated Grievance Management System

Pension



PFRDA Grievance Management System

Notes

Notes

NCFE - FINANCIAL EDUCATION FLAGSHIP PROGRAMMES

Our programmes of financial education cover all segments of society, keeping in mind different age bracket of population.

For school teachers and students, at the level of school – FETP and MSSP
For youth, at the level of college– FACT
For Adults of our society, especially in rural regions – FEPA

FINANCIAL EDUCATION TRAINING PROGRAM (FETP)

FETP is an initiative of the NCFE for providing unbiased personal financial education to people and organizations for improving financial literacy in the country. NCFE has been conducting FETP for **School-teachers**, teaching students of classes 6 to 10 across India. After completion of the training, these teachers would be certified as "Money Smart Teachers" and would facilitate financial education in schools and encourage students to obtain basic financial skills.

NCFE encourages schools to register and facilitate FETP for their school teachers through registration link at our website (https://www.ncfe.org.in/program/fetp)

MONEY SMART SCHOOL PROGRAM (MSSP)

MSSP is an initiative of the NCFE to provide unbiased financial education in schools to improve financial literacy, which is an important life-skill for the holistic development of each student. NCFE invites **Schools** to voluntarily introduce financial literacy, as part of their existing curriculum, for students of Classes VI to X. NCFE and CBSE has jointly developed comprehensive study material for students of Classes VI to X. Schools implementing this programme would be certified as "Money Smart Schools" and rewarded with a Shield/Trophy and an e- Badge after successful completion.

NCFE encourages schools to register for the MSSP programme on our website : (https://www.ncfe.org.in/program/mssp)

FINANCIAL AWARENESS AND CONSUMER TRAINING (FACT)

FACT is a programme launched by NCFE to provide financial education to young graduates and post-graduates, on topics directly relevant to them, which would in turn positively impact their financial wellbeing. This programme aims to make the youth aware of their rights and responsibilities as financial consumers, how to set the financial goals, and where to go for help when they need it.

NCFE encourages graduate and post-graduate colleges to register and facilitate FACT for their students through registration link on our website [https://www.ncfe.org.in/program/fact]

FINANCIAL EDUCATION PROGRAM FOR ADULTS (FEPA)

Financial Education Program for Adults (FEPA) is a Financial Literacy Programme designed and implemented by NCFE to spread financial awareness among the adult population of India. Various identified target groups would be focused for this programme. This programme workshop would equip the participants to manage their own finances in an optimal manner. Also, the workshop imparts basic knowledge regarding financial products and services pertaining to Banking, Investment, Insurance and Retirement planning.

For further information about the FEPA, see the link: [https://www.ncfe.org.in/program/fepa]

राष्ट्रीय वित्तीय शिक्षा केन्द्र
National Centre for Financial Education
एक आर्थिक रुप से जागरुक और सशक्त भारत
A financially aware and empowered India

NCFE - FINANCIAL EDUCATION FLAGSHIP PROGRAMMES

MSSP

FETP

FACT

FEPA

Contact Us :
022-68265115
National Centre for Financial Education
6th Floor, NISM Bhavan,
Sector-17, Vashi,
Navi Mumbai - 400703

www.ncfe.org.in
info@ncfe.org.in
youtube.com/ncfeindia
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instagram.com/ncfeindia