

Financial Education

# Workbook

Class: X



# Financial Education Workbook for Class X

## Disclaimer

This book is presented as a reading and teaching material with a sincere purpose of making the reader financially literate. It is not intended to influence the reader in making a decision in relation to any particular financial product/s or service/s.

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National Centre for Financial Education (NCFE)  
Plot no. 82, Sector 17, Vashi, Navi Mumbai - 400703  
Tel: +91 22-66735100 | Fax: +91 22-66735110  
Website: [ncfeindia.org](http://ncfeindia.org)

# भारत का संविधान

## उद्देशिका

हम, भारत के लोग, भारत को एक सम्पूर्ण प्रभुत्व-संपन्न समाजवादी पंथनिरपेक्ष लोकतंत्रात्मक गणराज्य बनाने के लिए, तथा उसके समस्त नागरिकों को:

सामाजिक, आर्थिक और राजनैतिक न्याय,  
विचार, अभिव्यक्ति, विश्वास, धर्म

और उपासना की स्वतंत्रता,  
प्रतिष्ठा और अवसर की समता

प्राप्त कराने के लिए

तथा उन सब में व्यक्ति की गरिमा

और राष्ट्र की एकता और अखंडता  
सुनिश्चित करने वाली बंधुता बढ़ाने के लिए

दृढ़संकल्प होकर अपनी इस संविधान सभा में आज तारीख 26 नवम्बर, 1949 ई० को एतद्वारा इस संविधान को अंगीकृत, अधिनियमित और आत्मार्पित करते हैं।

1. संविधान ( बयालीसवां संशोधन ) अधिनियम, 1976 की धारा 2 द्वारा ( 3.1.1977 ) से "प्रभुत्व-संपन्न लोकतंत्रात्मक गणराज्य" के स्थान पर प्रतिस्थापित।
2. संविधान ( बयालीसवां संशोधन ) अधिनियम, 1976 की धारा 2 द्वारा ( 3.1.1977 ) से "राष्ट्र की एकता" के स्थान पर प्रतिस्थापित।

## भाग 4 क

### मूल कर्तव्य

51 क. मूल कर्तव्य - भारत के प्रत्येक नागरिक का यह कर्तव्य होगा कि वह -

- (क) संविधान का पालन करे और उसके आदर्शों, संस्थाओं, राष्ट्रध्वज और राष्ट्रगान का आदर करे;
  - (ख) स्वतंत्रता के लिए हमारे राष्ट्रीय आंदोलन को प्रेरित करने वाले उच्च आदर्शों को हृदय में संजोए रखे और उनका पालन करे;
  - (ग) भारत की प्रभुता, एकता और अखंडता की रक्षा करे और उसे अक्षुण्ण रखे;
  - (घ) देश की रक्षा करे और आह्वान किए जाने पर राष्ट्र की सेवा करे;
  - (ङ) भारत के सभी लोगों में समरसता और समान भ्रातृत्व की भावना का निर्माण करे जो धर्म, भाषा और प्रदेश या वर्ग पर आधारित सभी भेदभाव से परे हों, ऐसी प्रथाओं का त्याग करे जो स्त्रियों के सम्मान के विरुद्ध हैं;
  - (च) हमारी सामाजिक संस्कृति की गौरवशाली परंपरा का महत्त्व समझे और उसका परिरक्षण करे;
  - (छ) प्राकृतिक पर्यावरण की जिसके अंतर्गत वन, झील, नदी, और वन्य जीव हैं, रक्षा करे और उसका संवर्धन करे तथा प्राणी मात्र के प्रति दयाभाव रखे;
  - (ज) वैज्ञानिक दृष्टिकोण, मानववाद और ज्ञानार्जन तथा सुधार की भावना का विकास करे;
  - (झ) सार्वजनिक संपत्ति को सुरक्षित रखे और हिंसा से दूर रहे;
  - (ञ) व्यक्तिगत और सामूहिक गतिविधियों के सभी क्षेत्रों में उत्कर्ष की ओर बढ़ने का सतत प्रयास करे जिससे राष्ट्र निरंतर बढ़ते हुए प्रयत्न और उपलब्धि की नई उंचाइयों को छू ले;
- (ट) यदि माता-पिता या संरक्षक है, छह वर्ष से चौदह वर्ष तक की आयु वाले अपने, यथास्थिति, बालक या प्रतिपाल्य के लिये शिक्षा के अवसर प्रदान करे।

1. संविधान ( छयासीवां संशोधन ) अधिनियम, 2002 की धारा 4 द्वारा प्रतिस्थापित।

# THE CONSTITUTION OF INDIA

## PREAMBLE

**WE, THE PEOPLE OF INDIA**, having solemnly resolved to constitute India into a '**SOVEREIGN SOCIALIST SECULAR DEMOCRATIC REPUBLIC**' and to secure to all its citizens :

**JUSTICE**, social, economic and political;

**LIBERTY** of thought, expression, belief, faith and worship;

**EQUALITY** of status and of opportunity; and to promote among them all

**FRATERNITY** assuring the dignity of the individual and the<sup>2</sup> unity and integrity of the Nation;

**IN OUR CONSTITUENT ASSEMBLY** this twenty-sixth day of November, 1949, do **HEREBY ADOPT, ENACT AND GIVE TO OURSELVES THIS CONSTITUTION.**

- 
1. Subs. by the Constitution (Forty-Second Amendment) Act. 1976, sec. 2, for "Sovereign Democratic Republic" (w.e.f. 3.1.1977)
  2. Subs. by the Constitution (Forty-Second Amendment) Act. 1976, sec. 2, for "unity of the Nation" (w.e.f. 3.1.1977)
- 

# THE CONSTITUTION OF INDIA

## Chapter IV A

### FUNDAMENTAL DUTIES

#### ARTICLE 51A

**Fundamental Duties** - It shall be the duty of every citizen of India-

- (a) to abide by the Constitution and respect its ideals and institutions, the National Flag and the National Anthem;
- (b) to cherish and follow the noble ideals which inspired our national struggle for freedom;
- (c) to uphold and protect the sovereignty, unity and integrity of India;
- (d) to defend the country and render national service when called upon to do so;
- (e) to promote harmony and the spirit of common brotherhood amongst all the people of India transcending religious, linguistic and regional or sectional diversities; to renounce practices derogatory to the dignity of women;
- (f) to value and preserve the rich heritage of our composite culture;
- (g) to protect and improve the natural environment including forests, lakes, rivers, wild life and to have compassion for living creatures;
- (h) to develop the scientific temper, humanism and the spirit of inquiry and reform;
- (i) to safeguard public property and to abjure violence;
- (j) to strive towards excellence in all spheres of individual and collective activity so that the nation constantly rises to higher levels of endeavour and achievement;
- <sup>1</sup>(k) who is a parent or guardian to provide opportunities for education to his/her child or, as the case may be, ward between age of 6 and 14 years.

- 
1. Subs. by the Constitution (Eighty - Sixth Amendment) Act, 2002

## PREFACE

The CBSE's Financial Education curriculum for classes VI-X, is marked for its strong dynamism, continuous evolution and development. The curriculum has been developed by adopting a functional approach. In the current climate of psychological, social and economic changes, society is influenced by explosive knowledge creation and exponential technology growth.

The need of financial education is to improve understanding of basic financial concepts and using them in our daily life. To know about various financial products and to become more aware of financial risks and opportunities to enable each one of us to make informed choices, and in return we can improve our financial well-being.

The vision of financial education is that it could enable students, at their level of need, to understand the role of money in their life, the need and use of savings, the advantages of using the formal financial sector and various options to convert their savings into investments, protection through insurance and a realistic recognition of the attributes of these options.

This financial doctriation will help us learn more about the importance and advantages of savings, necessity of staying out of unproductive loans that are beyond our capacity to repay, borrowing with formal financial sector, concept of interest and the power of compounding, time value of money, inflation, the need to insure, role of major financial sector institutions such as ministries, regulators, banks, stock exchanges and insurance companies and basic concept regarding relation between risks and rewards. Through this we can help ourselves and others in managing money more effectively by accessing appropriate financial products and services provided by various financial regulators.

Financial education will help especially those who are financially excluded at present.

The objective of this workbook is to create awareness and educate students on access to financial services, availability of various types of products and their features and to make students understand their rights and responsibilities as clients of financial services.

Teachers handling the course need to inform themselves regarding the effective use of course content, teaching methodology, management of group work and independent individual work, management of large classes, appropriate use of assessment tools, grading and record-keeping to benefit their students.

We would like to thank the stakeholders- Reserve Bank of India, Securities and Exchange Board of India, The Insurance Regulatory and Development Authority of India and Pension Fund Regulatory and Development Authority for taking the time and effort in development of these books.

The development of this book would never have been possible but for the sincere effort, devotion and leadership of Ms. Sugandh Sharma, Additional Director (Research & Innovation), CBSE and Mr Sandeep Sethi, Education Officer with his team. Any further suggestions are welcome and will be incorporated in the future editions.

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## ADVISORY BODY

Mr. Y.S.K. Seshu Kumar, Chairman, CBSE

Ms. Sugandh Sharma, Additional Director (Research & Innovation), CBSE

Mr. D.T. Sudarshan Rao, Joint Secretary & Incharge (Academics & Training), CBSE

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Shri Sandeep Sethi, Education Officer, CBSE

Shri A. G. Das, CGM, PFRDA

Ms. Poonam Sodhi, Deputy Secretary, CISCE

Shri T V Rao, GM, RBI

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**Concept and Design by**

: Jeetendrakumar Solanki, NISM

**Poem**

: Tanessa Puri, R.N. Poddar School, Mumbai

**Caricatures**

: Madhav Gupta, Bal Bharti School, Rohini, Delhi

**Script**

: Maharaja Sawai Man Singh Vidyalaya, Jaipur

**Crosswords, Jumbled Words, MCQ's**

: Reshu Singhal, Adnan Kohli, Sadiq Wazir,  
Riya Bhuyan, Divya Aggarwal, Veni Gupta, Mayank  
Pugalia, Satvik Bhatt, Aman Surana, Sanket Sharma  
and Yatharth Sreedharan

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So we have all reached Grade X this year. Apart from our Board Exams, we will still continue to have some fun.

Yes the fun will wear out our exams pressure. I will assist you in opening a Demat Account. And I will tell you about use of Information Technology in the insurance sector, Insurance Ombudsman, shares and IPO.



I will take you over the entire terminology of Stock Exchange like NSE, BSE, etc. and SEBI Grievance Redressal.



We will talk about the economic cycle and situations like employment and unemployment, E-Commerce and role of stock exchanges.



I will take you on a journey across SEBI, IRDAI, PFRDA and many more. And I will make you learn about Commodity Futures Market.



Business  
Cycle

Portfolio

## Shadows of Financial Management

And there all markets are flooded with dot com booms  
Seems like the economic slump brought some gloom  
Equity shares, face value and stock exchange  
Important terms for once we shall arrange

Into the categories of E-Commerce, we shall dive  
The role of stock exchange shall bring the class alive  
What is it that provokes every economy to strive?  
Is it officials- hundreds or five?  
Or is it the ability to connive?

Studying shares of companies and with DEMAT accounts to open  
By then, all our wrong notions about Financial Education would be broken

Current and DEMAT accounts and their difference  
What we take home from class is our personal inference  
Asking questions and conquering any hindrance

For financial freedom we all undoubtedly crave  
And the lessons of this book are we shall have to save  
Because one day when we all grow up to become big and brave  
We all want to be smart with our millions and not someone's slave

The world is expanding, growing and glowing  
Let's find out, at this pace, when can we get going  
Because soon it'll be time for us to tell the world  
all that that we would soon be knowing.

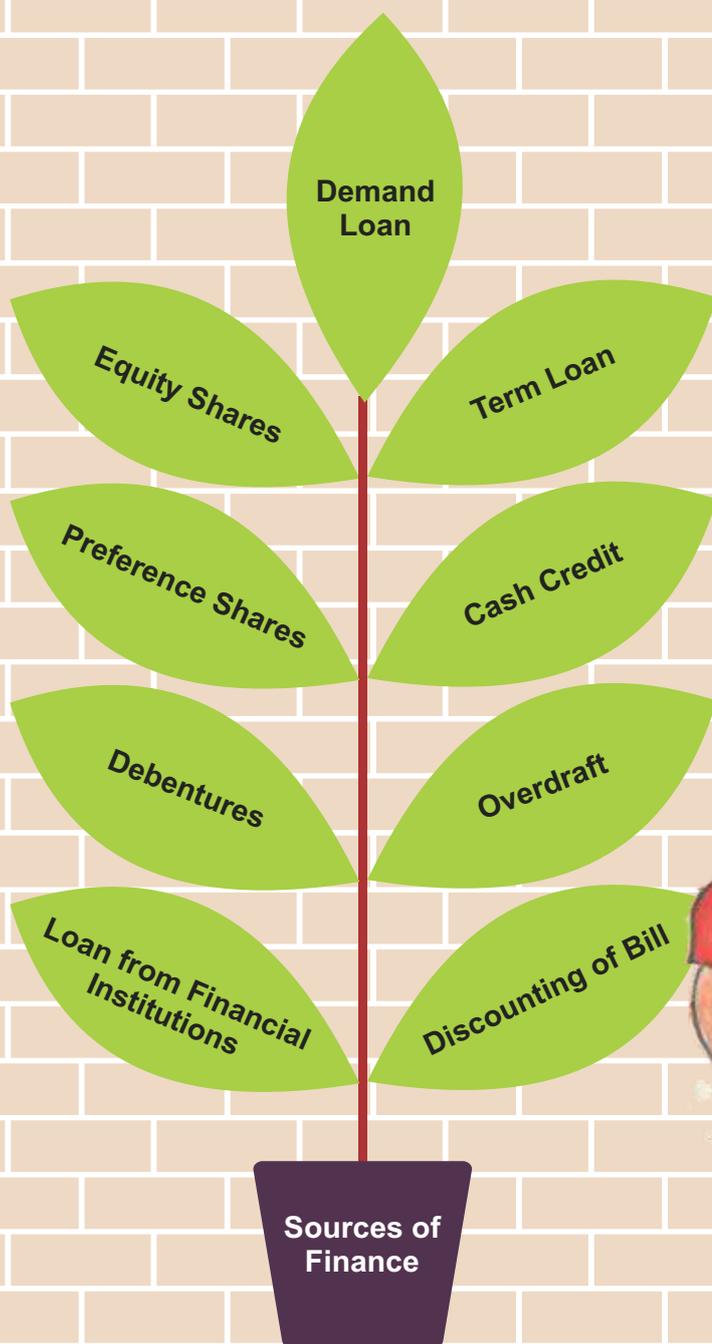
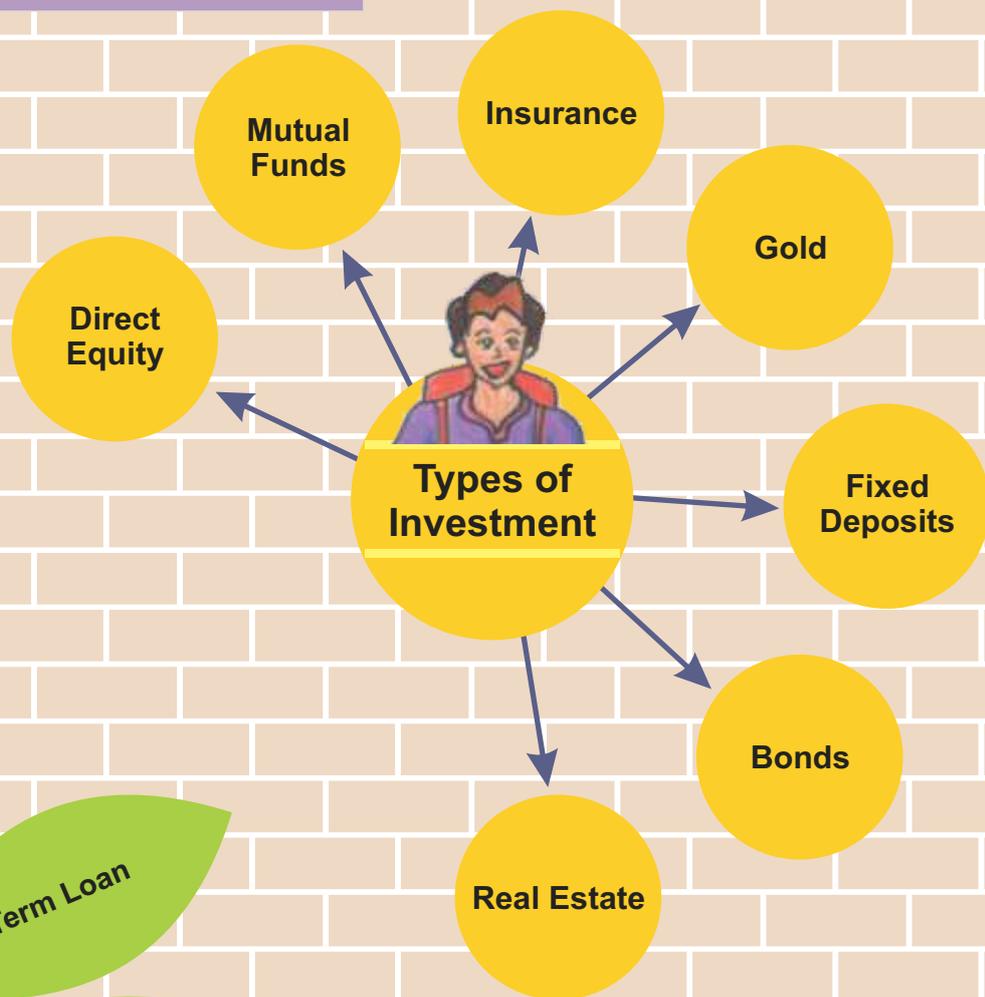
DEMAT  
Account

E-commerce

Employment



# Class IX Review



**Advantages of Debit Card**

- No need to find a bank to withdraw cash
- Can use anywhere
- No interest is charged on usage
- Allows ATM access

## Financial Protection Against Natural Disasters

- Protection for individuals
- Protection for households and business infrastructure
- Public Liability coverage
- Protection for crops & livestock



## Functions

- Issuer of Currency
- Banker to government
- Banker to banks
- Controller of credit and money supply
- Regulator & Supervisor of the banks



## Types of Loans

Home Loan  
Personal Loan  
Vehicle Loan  
Education Loan

Gold Loan  
Agriculture Loan  
Business Loan



Now we will take you to Class X

This was in Class IX

We will learn more...

Yeah, we will have fun.



Shopping through internet... Wow...



# Part I: Electronic Commerce (e-Commerce)

## The 'Dot Com' Boom!



With a lot of expectation, Yash goes to a book shop and enquires about a particular novel. The sales person tells him that the book is out of stock. On enquiring further, Yash gets to know that he can buy the novel online, too! He goes back home, logs on to his computer and accesses an online bookstore website and purchases it for ₹ 250 plus ₹ 40 delivery charge. Yash pays with his credit card and is told his book will be delivered within 3–5 days. This transaction encourages him to find out more about e-commerce applications.

E Commerce is a type of business model, or segment of a larger business model, that enables a firm or individual to conduct business over an electronic network, typically the internet. It can be thought of as a more advanced form of mail-order purchasing through a catalogue. Almost any product or service can be offered via e-commerce, from books and music to financial services and plane tickets.

### Some of the goods and services available:

- Retail stores such as book stores, music stores, toy stores etc. e.g. [www.bookadda.com](http://www.bookadda.com).
- Auction sites using which an individual buyer or seller can buy or sell goods online include [www.ebay.in](http://www.ebay.in)
- Banks providing services to their customers such as deposits, payments and providing information on status of an account. ICICI Bank, SBI etc
- Railways/Airlines/Cinema theatres permitting booking of tickets online and paying for them online using credit cards or electronic-cash e.g. [www.irctc.co.in](http://www.irctc.co.in)

# e-commerce



## True/False

- 1) E-commerce is a segment of mail order business. \_\_\_\_\_
- 2) E-commerce enables a firm or individual to conduct business over on electronic network, typically the internet. \_\_\_\_\_
- 3) Plane tickets cannot be afforded via E-commerce. \_\_\_\_\_

## Jumble Time



Jumbled Words	Clue	Solution
owBers	To look through	
Sechar	To look for something	
nneOli	Connected to WWW	
tLoeac	Find something	
eitS	A place on the internet	
wdKorey	Use these to help find something on the internet	

- 1) By Electronic Commerce we mean:
  - 1) commerce of electronic goods
  - 2) commerce which depends on electronics
  - 3) commerce which is based on the use of internet
  - 4) commerce which is based on transaction using computers connected by telecommunication network.

## Fun Time



- 2) Which of the following is not an e-com activity?
  - 1) An individual purchases a book on the Internet.
  - 2) A bookstore employee downloads a digital copy of the book and prints it along with cover
  - 3) An individual reserves a hotel room over the Internet.
  - 4) An individual transfers funds to a supplier through Real Time Gross Settlement (RTGS).

# Part II: Beware! (e-Commerce)

E-commerce has actually provided **convenience** to all customers specifically to shop in their own effort and time. Nowadays, all things are available on the internet and so anyone can simply look for the items that one desire by exploring the web page. One can easily find the product of choice and can pay by ways of debit/ credit card.

There are certain applications software / devices which have the ability to quickly acquire the details of your credit/debit card which could lead to misuse by anyone and as a result could increase your monthly dues. All that you need to do is take the right safety precautions while transacting online.

1. Select one of your credit cards with very **low borrowing limit** for transacting business online.
2. Be aware about spams (unsolicited bulk business emails)
3. Opt for an online shopping **web site that displays the complete data** pertaining to their business such as the street address as well as phone number.
4. Always have a look at policy before choosing to go shopping there. A few policy claims that your important data would be shared, infringing your privacy.
5. Check out the lock icon in the status bar as well as **select the websites** that get started with "https:" mainly because these sites are the ones with a safe server.
6. Continue to **keep records** regarding all your online transactions.
7. There are actually a lot of internet sites that make false claims.

Do your research and verify if those claims are correct.

## **Advisory**

In order to protect against any fraudulent use of ATM/Debit card and internet banking, the following precautions may be taken:

### **ATM Withdrawals/ATM card exchange:**

1. While making an ATM withdrawal watch out for suspicious devices around the ATM, this may lead to **data leakages**.
2. Do not allow anybody in the ATM room, if only one ATM machine is installed in the room while you are making your transaction.
3. Block the view of the number pad, so that nobody can notice your **ATM PIN**(Secret code) .
4. While doing an ATM transactions if your card is stuck in the machine, inform the guard on duty. Do not get help, if any stranger offers to do so.

## **E-commerce/Point of Sale (POS) transactions using ATM/Debit card and Internet banking**

1. While making transactions at merchant establishment (POS), keep eyes on the person swiping the card, if merchant asks for PIN, please enter the PIN yourself.
2. Avoid public computers like Cyber café for e-commerce transactions/ internet banking.
3. Update your PC with latest antivirus, anti-malware, personal firewall etc.
4. Do not respond to any email asking for your account credentials like card number, validity, PIN, expiry date etc. (Bank does not ask account credentials from the customers).
5. Avoid responding to emails/calls stating you have won a lottery.
6. Erase the Card Verification Value (CVV) number on backside of the card and memorise the same or store it confidentially.
7. Do not use phone banking unless your phone device is secure.

## **Financial Regulatory Bodies In India**

The financial system in India is regulated by independent regulators in the field of banking, insurance, capital and commodities markets, and pension funds. However, Government of India plays a significant role in guiding the financial system in India and influences the roles of such regulators to some extent.

### **The following are four major financial regulatory bodies in India-**

- Reserve Bank of India : Reserve Bank of India is the **apex monetary and banking Institution** of India. It is also the central bank of the country. It was established on 1st April 1935 during the British Raj in accordance with the provision of the Reserve Bank of India Act, 1934. Initially it was constituted as a private shareholders' bank. It was nationalized on 1st January, 1949 and is fully owned by the Government of India.

The general direction and superintendence of the RBI is entrusted with the Central Board of Directors headed by the Governor of the RBI. The central board is supported by four local boards at Delhi, Kolkata, Chennai and Mumbai. The Central Office of the Reserve Bank was initially established in Calcutta but was permanently moved to Mumbai in 1937. The Central Office is where the Governor sits and where policies are formulated.

- Securities and Exchange Board of India: Securities and Exchange Board of India (SEBI) was first established in the year 1988 as an administrative body. It has become an autonomous statutory body on April 12, 1992 as per provisions of the SEBI Act, 1992. SEBI has been established with the prime mandate to **protect the interest of investors** in the securities market. It is also mandated to promote the development of, and to regulate the securities (such as shared bonds, debentures, mutual funds etc.) and commodities markets in the country. The head office of the SEBI is located at Mumbai.
- The Insurance Regulatory and Development Authority of India (IRDAI) is a statutory body which is mandated to **regulate and develop insurance sector** in India. It was established as per provisions of the IRDAI Act, 1999. Its head office is located at Hyderabad
- Pension Fund Regulatory and Development Authority (PFRDA) was established by Government of India on 23rd August, 2003. The Government has, through an executive order dated 10th October 2003, mandated PFRDA to act as a regulator for the pension sector. The mandate of PFRDA is development and **regulation of pension sector** in India. It has been accorded statutory status as per the provision of the PFRDA Act, 2013. Its head office is located at New Delhi.

### True/False

- 1) While transacting online one should select his/her credit cards with very high borrowing limit for transacting online. \_\_\_\_\_
- 2) One should avoid online shopping website that displays the complete data pertaining to their business. \_\_\_\_\_
- 3) One should always have a look at policy before choosing to go shopping there. \_\_\_\_\_
- 4) There are lots of internet sites that make false claims. \_\_\_\_\_

### Jumble Time



Jumbled Words	Clue	Solution
ecemrmoce	Business conducted over an electronic network.	
renitent	A means of connecting a computer to any other computer anywhere in the world via dedicated routers and servers	



- 1) Which among the following is not a financial regulatory body in India?
  - a) SEBI
  - b) RBI
  - c) SBI
  - d) IRDAI
- 2) SEBI was established in the year \_\_\_\_\_ as an administrative body.
  - a) 1998
  - b) 1988
  - c) 1990
  - d) 1992
- 3) \_\_\_\_\_ is a statutory body which is mandated to regulate and develop insurance sector in India.
  - a) PFRDA
  - b) IRDAI
  - c) SEBI
  - d) RBI
- 4) \_\_\_\_\_ acts as a regulator for the pension sector.
  - a) PFRDA
  - b) IRDAI
  - c) SEBI
  - d) RBI
- 5) \_\_\_\_\_ is a regulatory authority overseen by Ministry of Finance (MoF).
  - a) PFRDA
  - b) IRDAI
  - c) SEBI
  - d) FMC
- 6) RBI was nationalised in \_\_\_\_\_.
  - a) 1947.
  - b) 1950.
  - c) 1949.
  - d) 2000.
- 7) The superintendence of RBI is entrusted to:-
  - a) Governor of Reserve Bank of India.
  - b) President of India.
  - c) Government of India
  - d) Prime Minister of India.
- 8) The central office of RBI is located in:-
  - a) Kolkata.
  - b) Mumbai.
  - c) Delhi
  - d) Jaipur

### Fun Time



We need to keep our cards and the information regarding these safe





More about  
insurance

# Part I: Information Technology in Insurance Sector

Improving the quality of service is essential for manufacturers to demonstrate the value of the product and insurance is no exception. Technically, insurance is a financial service where token amount of money is collected for providing risk coverage through insurance contract. The real value of such intangible service will be realized not only at the point of sale but also at the time of delivery of the service throughout the duration of the policy contract to the satisfaction of customers. The Electronic, Telecom and Cyber Platforms (ETC) have changed the dynamics of commerce and industry. After liberalization of financial sector, banking industry, the other counterpart of financial sector has moved briskly towards e-commerce offering paper-less service to the customers. The Pan-India network of Automated Teller Machines (ATMs), Core Banking Solutions facilitating virtual integration of all core banking operations such as recording of transactions, passbook maintenance, interest calculations on loans and deposits, customer records, balance of payments and withdrawal has made people forget the long queues in pre-liberalisation Banking era. Following the trends, after opening of the insurance sector, importance of information technology in its various forms is recognized for increasing insurance penetration by all stakeholders starting with regulator.

## The Regulatory Mandate

The policy makers at the time of opening of the insurance sector have shown considerable agility and foresight in enabling the **integration of information technology** while formulating the regulatory framework. From its nascent days, Insurance Regulatory and Development Authority of India has not only recognised the importance of information technology for supporting sales, operations and services, but also pioneered the concept of usage of Call Centres towards customer service.

Anticipating the **innovative marketing strategies** being brought into the country by the private insurance companies, and balancing the twin objectives of the Mission statement of Regulator viz.

- i) protecting the **interests of the policyholders** and
- ii) ensuring the **orderly growth** of the insurance sector.

Through its various Regulations, the regulator has notified the do's & don'ts for various life stages of insurance business starting from advertising of products till handling of policyholder's grievances. Recognising the importance of advertising on the internet, it is mentioned under IRDAI (Insurance Advertisements) Regulations, 2000 that;

- i) every insurer or intermediary's website or portal shall include **disclosure statements** which outline the site's specific policies vis-à-vis the privacy of personal information for the protection of both their own business and the consumers they serve;
- ii) and display their **registration/license number** on their website.

## New channels of insurance distribution

The private insurance companies have brought global practices of **consumer centric** approaches and innovative forms of distribution viz. tele-marketing, internet channels are identified as the cheapest and the best way to reach the diversified population of this country of more than 1.2 billion population. Simultaneously, manner of **premium payments** included all forms of money including paperless money viz. bank transfers, credit card/debit card, internet and e-transfer etc. Besides having robust IT systems in place for servicing customers in an efficient and effective manner, insurers started soliciting business directly using these alternative forms of ETC channels as cost saving measure to reduce costs of commissions to traditional intermediaries.

## Market driven Interventions

The industry has also witnessed growth of IT adoption in various fields of insurance such as automation of agency licensing process, online examinations for insurance qualifications etc. The Insurance Information Bureau (IIB), promoted by IRDAI provides a bundle of services related to motor insurance to multiple stakeholders such as public, police, transport departments and insurers through its service package titled V- Seva. The services are **call centre-, SMS- and web-based** and provide information regarding insurance status of the vehicle, stolen vehicles, ownership of recovered vehicles, accident record etc. One can know about the insurance status of a vehicle causing the accident by furnishing basic information about the registration number of vehicle, identity details of the person from the web portal of IIB.

## Supply side benefits to the policyholder

### New Products

Using the latest technology and mapping weather data, insurers have developed innovative insurance policies such as **weather insurance**, covering crops which is the requirement of rural India. The rainfall index is created by assigning weights to critical time periods of crop growth. The past weather data is mapped on to this index to arrive at a normal threshold index. The actual weather data is then mapped to the index to arrive at the actual index level. In case there is a material deviation between the normal index and the actual index, compensation is paid out to the insured on the basis of a pre-agreed formula.

### Price

When the client purchases a policy using the internet, the insurer need not pay any **commission** to the traditional agent and therefore, reduces the price of the policy to that extent. With the lower premia against the given Sum Assured, customers can buy life cover with higher coverage at the mere click of a mouse.

### Place

Place is for **accessibility** of service. The internet has changed the definition of place. Sitting in any corner of the world, one can pay their life insurance premium online. The travel insurance can be purchased at the airport kiosk. One can renew their motor insurance sitting at home through internet. So, in a way, internet has removed the barriers of geography. However, the regulatory guidelines stipulate that in respect of policies issued in electronic form, the terms and conditions of the policies need to be drafted in simple and plain language.

## People

Insurance is a very complex subject and needs to be explained in a very simple manner for quick understanding of the busy common man today. The people working at the back-end office, at the Call Centre have necessarily to be trained to provide the **correct information**. There is also tying and bundling of insurance by some of the service providers such as travel agents offering travel insurance, car dealers offering car insurance who use both e-mail, telephone as well as internet for offering sales as well as to track the policy status, renewal of policies etc.

## Process

The **speed and accuracy of service delivery** is a hallmark of customer friendly processes. The introduction of cashless form of claim settlement in health insurance policies is one of the reasons for the growing popularity of health insurance. By having integrated systems in place both at the end of the health care provider, the insurer as well as the Third party administrator the policyholder is able to avail cashless facility in network hospitals in less than 24 hours time which shows efficiency of the processes. In fact, all the three components of E.T.C. are used by the Third Party Administrator (insurers where they do not have TPA) in a well knitted manner to give "WoW" experience to the policyholder.

## Promotion

- **Web aggregators:** To promote on-line sales, a number of websites have emerged as a tool for generating leads of insurance. Some of them started getting data from insurers to enable the buyer of insurance compare the products on-line. In an attempt to bring credibility to the information provided by such players, the licensed **Web Aggregators** are introduced into the market to compile and provide information about insurance policies of various companies on a website in a responsible manner. These entities maintain the website, provide information pertaining to insurance products, carry out price comparisons of products of different insurers and offer leads to the insurer/intermediary.
- **SMS technology:** India is the second-largest mobile phone user with over 900 million users in the world. Recognising the potential to reach out to people and look into the problems associated with the marketing of Unit Linked Insurance Policies (ULIPs), the IRDAI has introduced a **mobile application** through which one can compare the features of ULIPs like premium and benefits etc. By accessing the website [www.m.irda.gov.in](http://www.m.irda.gov.in) with any mobile device, the user can get real-time access to IRDAI's repository of ULIPs where one can view and select various ULIP policies and compare their features such as "Premiums", "Benefits", etc. Options are available to list policies by Company, Policy Type or Search by keywords by Company, by Policy type and by Keyword etc.

## Storage of insurance policies in electronic form

The tangible element of insurance services is the presence of **Policy Bond**. Insurance Repository system will enable policy holders to buy and keep insurance policies in dematerialized or electronic form (e-Policies). e-Policies will eliminate paper and associated risks of storage and loss and provide convenience and safety to the customer. It will also make

an economical proposition for Insurance companies to issue and service e-policies as compared to traditional paper policies. This reduced cost will make lower ticket policies much more viable and is expected to give a further boost to greater penetration of insurance in India.

The e-Policy Repository facilitates

- Maintaining , storing and retrieval of policies and the information in them
- modification with speed and accuracy
- increase efficiency and transparency and
- reduction of the cost of issuing and maintaining insurance policies.

By having an “e-Insurance Account”, it may also be possible for the policyholder to do away with multiple documentation in compliance of KYC requirements of various insurers.

## **Demand side interventions for the policyholder**

### **Handling of grievances**

Grievance redressal is an important component of policyholder protection. The Integrated Grievance Management System (IGMS) offers an **online system** to register the complaints of the policyholder and also to track their status on real time basis. The complaints registered through IGMS will flow simultaneously to insurers' system and also IRDAI repository and any updates of status will automatically get mirrored at the IRDAI Repository.

The IRDAI **Call Centre** provides additional channel for lodging of complaints over phone or e-mail which automatically flows through IGMS. The Call centre also educates the policyholders about the grievance redressal mechanism available such as Insurance Ombudsman etc.

### **Insurance Education**

Harnessing the power of internet to educate the consumers, the regulator has launched an exclusive **consumer education** website [www.policyholder.gov.in](http://www.policyholder.gov.in) which will act as a one point reference to all those interested to know about general insurance. This website has self-explanatory menus and gives information in simple language on topics such as:

- Buying insurance
- Making a claim
- Policyholder Protection and Grievance Redressal etc.

It also contains Handbooks on some of the popular insurance subjects in 13 languages including English and Hindi and these Handbooks provide useful information on buying insurance, standard claim procedures/documentations, Do's and Don'ts for a policyholder and Frequently Ask Questions (FAQs) etc. The handbooks, comic series on insurance subjects, Consumer Affairs Annual Booklets and other important documents are available in Portable Document Format (PDF) giving ease for downloading the same, if any one wants to do so.

To conclude, It is essential for convergence of all available resources to create a demand for financial services from consumers' perspective. Internet in India is still pre-dominantly in English and there has to be accessibility of contents in local languages for wider reach. According to the Joint Research Report of the Wipro Technologies and the Internet & Mobile Association of India (IAMAI), the mobile value added service market will reach \$9.5 billion by

2015 from \$ 4.9 billion in 2012. The report indicates that by service category, nearly 47% of users avail education information and services through mobile internet. The growth so far is incremental process and there is need to reengineer the business processes and convergence of various systems and channels to reap the benefits of technology making affordable financial services / insurance solutions at the doorsteps of millions of Indians who do not have access to formal financial services.

Fun Time



- 1) IIB stands for\_\_\_\_\_ .
  - a) Insurance Information Bag
  - b) Internet Information Bureau
  - c) Insurance Introduction Bureau
  - d) Insurance Information Bureau
  
- 2) ATMs stands for\_\_\_\_\_ .
  - a) Automated Teller Money
  - b) Automatic Teller Machines
  - c) Automated Teller Machines
  - d) Automatic Transit Machines
  
- 3) Insurance Regularity and Development Authority has not only required the importance of IT for supporting, sales, operations and services, but also pioneered the concept of usage of \_\_\_\_\_ towards customer services.
  - a) Service Centres
  - b) Call Centres
  - c) Customer Centres
  - d) Help Desk
  
- 4) Reorganising the importance of advertising of the internet, it is mentioned under
  - a) IRDA Regulations 2000
  - b) IRDA Regulations 2002
  - c) IRDA Regulations 2004
  - d) IRDA Regulations 2006
  
- 5) \_\_\_\_\_ is a financial service where token amounts of money are collected for providing risk coverage through insurance contract.
  - a) Pension
  - b) Mediclaim Policy
  - c) Insurance
  - d) Banking Contract
  
- 6) \_\_\_\_\_ will enable policy holders to buy and keep insurance policies in electronic form.
  - a) Insurance Repository System
  - b) Insurance Depository system
  - c) Insurance Sector
  - d) Insurance Demat Account
  
- 7) \_\_\_\_\_ offers an online system to register the complaints of the policyholder and also to track their status on real time basis.
  - a) IGMS
  - b) IPMS
  - c) SCORES
  - d) RPG
  
- 8) \_\_\_\_\_ provides additional channel for lodging of complaints over phone or email which automatically flows through IGMS.
  - a) IGMS call centre
  - b) IGMS Service centre
  - c) IGMS redressal forum
  - b) IRDA call centre

# Part II: Insurance Ombudsman

The Insurance Ombudsman scheme was created by Government of India for individual policyholders to have their **complaints settled out of the courts** system in a cost-effective, efficient and impartial way. The Redressal of Public Grievances Rules 1998 (RPG Rules) contain provisions in respect of appointment and office term, etc for Insurance Ombudsman and also include stipulations in respect of staffing and administration of Ombudsman Centre, powers of Ombudsman, manner of lodging complaint and disposal of complaint by Ombudsman either by way of Recommendation or Award.

There are 12 Ombudsman Centres, covering the country, established in Ahmedabad, Bhopal, Bhubaneswar, Chandigarh, Chennai, Delhi, Guwahati, Hyderabad, Kochi, Kolkata, Lucknow and Mumbai. Five more locations are identified for having Insurance Ombudsman by the Governing Body of Insurance Council (GBIC), the Governing body established to set-up and facilitate the Institution of Insurance Ombudsman in India under Redressal of Public Grievances Rules 1998.

One can approach the Insurance Ombudsman having jurisdiction over the location of the insurance company office where the complaint was originally filed if

- Insurance company does not resolve the complaint after approaching them.
- The complaint is not resolved to the satisfaction of policyholder or.
- If the insurer has not responded to it at all for 30 days.

The complaint to the Ombudsman can be about

- Any **partial or total repudiation** of claims by an insurer.
- Any **dispute about premium** paid or payable in terms of the policy.
- Any dispute on the legal construction of the policies as far as it relates to **claims**.
- **Delay** in settlement of claims.
- **Non-issue of any insurance document** to you after you pay your premium.

The complaint can pertain to any policy taken in the capacity as an individual and the value of the claim including expenses claimed shall not exceed ₹ 20 lakh.

## **The settlement process**

The Ombudsman acts as counsellor and mediator recommending the full and final settlement to the company which should comply within the terms of **15 days**. If a settlement by recommendation does not work, the Ombudsman will pass an award within **3 months** of receiving the complaint with the detailed reasoning which is binding on the insurance company but not binding on the policyholder. The Ombudsman can also award an ex-gratia payment.

Once the Award is passed, the Insurance Company has to comply with the award within 15 days. Insurance Regulatory and Development Authority of India (IRDAI) does not act as an Appellate Authority on the decisions of Insurance Ombudsmen. However, the complainant has no obligation to accept the decision of Insurance Ombudsman and has option to approach Consumer Forum for disposal under Consumer Protection Act, 1986 or Courts.

### True/False

- 1) The electronic, telecom and cyber platforms (etc) have changed the dynamics of commerce and industry. \_\_\_\_\_
- 2) E-commerce appears paper-less services to the customer. \_\_\_\_\_
- 3) When the client purchases a policy using an internet the insurer need not pay commission to the traditional agent and therefore reduces the price of the policy to that extent. \_\_\_\_\_

### Fun Time



- 1) \_\_\_\_\_ Rules 1998 contain provisions in respect of appointment and office term, etc for Insurance Ombudsman.
  - a) Redressal of Public Grievances
  - b) Redressal of Security Exchange
  - c) Insurance Public Grievances
  - d) Ombudsman Grievances Cell
- 2) \_\_\_\_\_ is the governing body established to set-up and facilitate the Institution of Insurance Ombudsman in India under RPG Rules 1998.
  - a) NSIC
  - b) GBIC
  - c) NSIM
  - d) UPSC
- 3) The \_\_\_\_\_ scheme was created by the government of India for individual policyholders to get their complaints settled out of the court in a cost-effective, efficient and impartial way.
  - a) Insurance Ombudsman
  - b) Insurance Agent
  - c) Redressal of Public Grievances
  - d) Insurance Public Grievances



Now we can get e-policy by opening e-insurance account



Futures market?  
What is that?



# Commodity Futures Market

**A market** is a place where forces of demand and supply operate, and where buyers and sellers interact (directly or through intermediaries) to trade goods, services, or contracts or instruments, for money.

The **commodities market** has two segments. The first segment is where goods/ commodities are traded directly between buyers and sellers. This market is usually prevalent and popular for trading in agricultural commodities and is known as the mandi/ spot market or ready market in India. These markets are established and regulated by the State Government.

The other segment of the commodities market is the **forward market** where buyers and sellers enter into contracts. Contracts are of two types. Ready delivery contract and a forward contract. **Ready delivery contract** is one, which provides for the delivery of goods and the payment of price thereof, either immediately or within such period not exceeding eleven days after the date of the contract. **Forward contracts** on the other hand is a contract for delivery of goods and payment of price after a period of eleven days. Forward contracts are regulated by the Central Government under the Forward Contracts (Regulations) Act 1952.

## The Rationale for Forward Contracts

The demand and supply of agricultural commodities varies according to seasons. The farmer usually finds that the price of the commodities produced by him is at the lowest soon after the harvest time due to supplies being abundant and prices are high during the lean season when supplies are low. This **fluctuation in the prices** of commodities adversely affects the farmers (as they realize lower prices of their produce in the harvest season) and consumers (as they have to pay higher prices in the lean season to meet their requirements). Forward contracts provide a market mechanism to **balance** this imbalance of the supply - demand pattern of agricultural commodities.

## There are different types of forward contracts

Forward contract is a derivative contract. A derivative contract is defined as an enforceable agreement whose value is derived from the value of an underlying asset. The underlying asset can be a commodity, currency, bond, stock, or, indices of commodities, stocks etc. Futures contract is one type of forward contract. Futures contract also known as **hedge contracts** are highly standardised. These contracts are traded on recognised Commodity Exchanges just like stocks are traded over Stock Exchanges. Futures contracts are used generally for protecting against risk of adverse price fluctuation.

## Regulation of commodity futures market in India

India has a long history of commodity futures trading. Commodity futures contracts and the commodity exchanges are regulated by the government under the Forward Contracts (Regulation) Act, 1952. The nodal agency to regulate the future market is the Securities and Exchange Board of India (SEBI), situated at Mumbai. Futures trading is organized for such goods or commodities as permitted by the government. Trading in commodity futures contracts can be done between, with and through the members of the recognised Exchange. At present, 113 commodities are allowed for futures trading under the auspices of the commodity exchanges recognized under the FCRA Act.

## Role of Exchange in futures trading

The Exchange provides a **trading platform** which converges the bids and offers emanating from all over the country. This creates competitive conditions for trading. The Exchange also provides facilities for **clearing, settlement and arbitration**. The Exchange may also provide financially secure environment by putting in place suitable **risk management mechanism** and guaranteeing performance of contract.

## Participants in commodity futures markets

- **Hedgers** enter into futures contract to manage the risk of adverse price fluctuation in respect of his existing or future asset. Examples could be stockists, exporters, producers and farmers. They require some people who are prepared to accept the counter-party position (speculators).
- **Speculators** are those who trade without having exposure in the spot market, with the sole intention of earning profit. They see an opportunity of price movement favourable to them. They are prepared to accept the risk being transferred by hedgers. They provide liquidity to the market.
- **Arbitrageurs** simultaneously purchase and sell in two markets so that the selling price is higher than the buying price by more than the transaction cost, resulting in risk-less profit. Their behaviour helps in removing price imperfections in different markets.

## Benefits of commodity futures market

Forward/ Futures trading performs two important functions, namely, price discovery and price risk management.

### Price discovery

Trading in commodity futures is transparent and a large-scale participation ensures that the most efficient futures price is discovered. Futures prices give an advance forecast of the likely prices at a future point of time. This could be a useful input for the stakeholders in taking business decisions. The **price signals** emanating from the futures market help farmers in deciding the cropping pattern. In the absence of a proper mechanism for forecasting future prices or their dissemination, the farmers have to base their decision on the prices of the last harvest which often leads to a situation of over production followed by a fall in production.

### Price risk management

The need for price risk management arises from price risks in most commodities i.e. the risks of value losses resulting from adverse price variations. One can cover the price risk by entering into a futures contract which would lock-in the price of the commodity (hedging). Producers, traders and processors, exporters/ importers get an online platform through Exchange for price risk management.

Major commodities in which futures trading is being conducted in India.

- Edible oilseeds and Oils- Mustard seed, Soy oil, Coconut Oil, Crude Palm Oil, etc.
- Food grains – Wheat, Gram, Bajra, Maize etc.
- Metals - Gold, Silver, Copper, Zinc, Aluminium, Nickel, Lead, Steel, etc.
- Spices - Turmeric, Pepper, Jeera, Cardamom, Red Chilly, etc.
- Fibres – Cotton, Jute etc.
- Others – Sugar, Rubber, Natural Gas, Crude Oil etc.

### True/False

- 1) A market is a place where forces of demand and supply do not operate. \_\_\_\_\_
- 2) The demand and supply of agricultural commodities varies according to seasons. \_\_\_\_\_

Jumble Time



Jumbled Words	Clue	Solution
utuFser toncarCt	Used for protecting against risk of adverse price fluctuation	
vtvieDrie toncarCt	Type of Forward contract	
CMF	Nodal agency to regulate futures market	
utsoralSepc	Traders who do not have exposure in spot market	
ragsurAeitbr	Help in removing price imperfections in different markets	

1. The mandi/spot market or ready market in India was established and regulated by:-
  - a) Central Government.
  - b) State Government.
  - c) Government of India.
  - d) State Board.
2. Contract which provides for the delivery of goods and the payment of price thereof, either immediately or within eleven days.
  - a) Forward Contract.
  - b) Ready Payment Contract.
  - c) Ready Delivery Contract.
  - d) Ready Delivery Payment Contract.
3. Forward contract is a contract for delivery of goods and payment of price after a period of
  - a) Seven days.
  - b) Nine days.
  - c) Fifteen days.
  - d) Eleven days.
4. \_\_\_\_\_ is a contract of goods and payment of price after a period of 11 days.
  - a) Ready Delivery Contract
  - b) Forward Contract
  - c) Future Contract
  - d) Present Contract
5. Forward contracts are regulated by the central government under the Forward Contracts Act \_\_\_\_\_.
  - a) 1962
  - b) 1972
  - c) 1942
  - d) 1952
6. A \_\_\_\_\_ contract is defined as an enforceable agreement whose value is derived from the value of underlying asset.
  - a) Derivative
  - b) Commodity
  - c) Forward
  - d) Present
7. \_\_\_\_\_ regulates futures market.
  - a) Securities and Exchange Board of India
  - b) Future Markets Commission
  - c) Forward Markets Commission
  - d) Reserve Bank of India
8. \_\_\_\_\_ are those who trade without having exposure in spot market, with the sole intention of earning profit.
  - a) Brokers
  - b) Speculators
  - c) Arbitrageurs
  - d) Traders

Fun Time

Futures market protects us against risk of adverse price fluctuations





Depression... Oh!  
No...

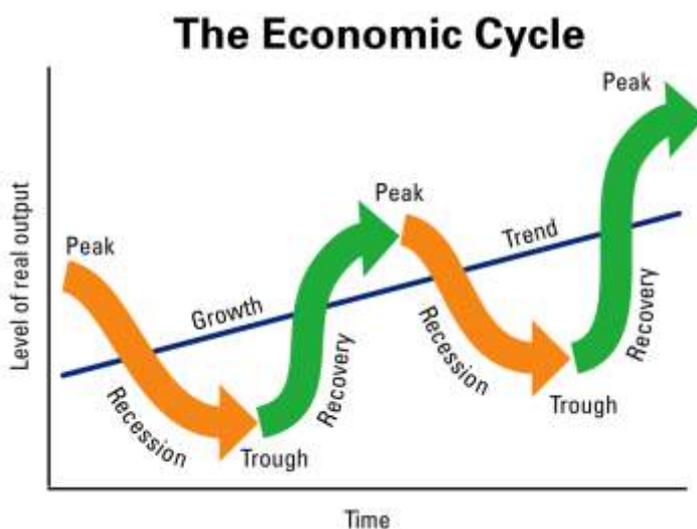
## Part I: Economic Depression

Economists differ in their opinion of what exactly constitutes recession and depression. Many define **recession** as two or more quarters of reduced Gross Domestic Product (GDP). GDP is the total market value of all final goods and services produced in a country in a given year. Per capita GDP is often used to measure the standard of living of the people of the country.

The economic recession means general decline in economic activity. It is a part of business cycle. The fluctuations in economic activity that an economy experiences over a period of time is known as Business Cycle. A **business cycle** is basically defined in terms of periods of expansion and recession. During **expansion**, the economy is growing in real terms reflected by increase in GDP, employment, industrial production, sales and personal incomes. During **recession**, the economy is contracting. Expansion is measured from the trough (or bottom) of the previous business cycle to the peak of the current cycle, while recession is measured from the peak to the trough. The recession is generally characterised by:

- Decline in GDP
- Decline in Industrial Output
- Higher Unemployment
- Decline in spending by the people of the country.

Many people believe that negative growth in GDP for two consecutive quarters is the technical definition of the recession. However, other characteristics mentioned above are equally important.



# Part II: Investing in Shares

Adi wants to start a company M/s Unisev Tattoos Limited, with 6 friends. Adi invests ₹ 10,000 and invites his friends to invest ₹ 1000 each, to which all the friends agree. Thus, the total capital of the company is ₹ 16000. This amount is called the equity of the company.

Adi decides to split the equity of the company into 1600 equal parts so that each part is of value ₹ 10. Each of these 1600 equal parts is called an equity share (or simply, a share of the company). Thus, 1600 equity shares make the total capital of ₹ 16000. ₹ 10 is the **face value** of each share.

As each of the six friends pays ₹ 1000, each of them gets 100 equity shares. As Adi had invested ₹ 10,000, Adi gets 1000 equity shares. All of them become the share holders of the company.

Unisev Tattoos carries out operating for about a year and everyone expects the company to declare some profit at the end of the year.

Pratham, one of the 6 friends wants to sell all 100 shares as he needs money, but Pratham expects little more than ₹ 1000 as the money was invested for a year. Ashtam, another of his friend is willing to pay ₹ 12 per share to Pratham as the company is expected to pay some portion of its profit to its share holders. ₹ 12 is the **market value** of its share i.e. the price at which the shares are now available in the market. Ashtam pays ₹ 1200 to Pratham and buys the 100 shares from Pratham.

The difference between the market value and the face value is the **premium**. If the market value is lower than the face value, then the shares are said to be at a discount. Thus, Ashtam pays a premium of ₹ 2 per share.

For the whole year the company makes an excellent profit of ₹ 5000 and decides to distribute ₹ 3200 to the share holders. The share holders, would each get a share of the profit in proportion to their shareholdings at the rate of ₹ 2 per share. This is called the **dividend**. Dividend is payable on the face value of a share.

Now, answer the following questions.

1. What is the dividend received by Adi?

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2. What is the dividend received by Ashtam?

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# Part-III: Initial Public Offering (IPO)

## Initial Public Offering (IPO)

Businesses usually go public to raise large sums of money in exchange for securities. The initial offering of securities to the public is called the **Initial Public Offering (IPO)**.

### Choosing a Merchant Banker

Tying up with a SEBI registered merchant banker is important for the long term success of the IPO. They are usually the ones responsible for the **buying and selling** of the securities to the public and investigating the company's business to **verify the financial information** given to the investors.

### Filing a prospectus and issue of offer document

A company must file a **registration statement** containing detailed information about the business, its financial history and its future plans with the SEBI. This statement becomes the preliminary prospectus once it's filed with the SEBI and informs the business of any necessary changes. The statement becomes the official prospectus or the offer document once all necessary amendments are made. This **offer document** is issued to the public to help them determine whether they want to purchase the stock on offer.

### Price discovery

IPO issuing company doesn't fix the price in advance, rather gives a price band to the potential investors within which they are entitled to bid. The investors bid for the IPO by stating the quantity as well as the price of the IPO shares at which they are interested to purchase. IPO's final price is then determined on the basis of all the **bid prices**.

### Allotment of Shares

After the share price is determined, **allotment of shares** is made on full or pro-rata basis. The information of allotment is given to the investors through a letter and the IPO issuing company credits the allotted shares in the demat account of each investor. In case of partial allotment or non-allotment, company refunds the money to the investor account. The shares are then available for trading.



Jumble  
Time



Jumbled Words	Clue	Solution
tokcS	Shares, debentures, bonds, etc.	
hesrolckotSd	Holder of Shares, debentures, bonds, etc.	
esensRioc	slowdown in economic activity	
iDeeosprnr	extreme recession that lasts two or more years.	
nBsuseis cCyel	period of expansions and contractions in the level of economic activities around a long term growth trend	
omputneeylm	Situation in which a person who is actively searching for employment is unable to find work	

Fun Time



- 1) Market value of all final goods and services produced in a country in a given year is \_\_\_\_\_.
  - a) DDP
  - b) GDP
  - c) PDP
  - d) PCI
- 2) \_\_\_\_\_ is used to measure standard of living of the people of the country.
  - a) Per Capita GDP
  - b) National Income
  - c) Gross Domestic Product
  - d) Demand Domestic Product
- 3) During \_\_\_\_\_ economy grows in real terms.
  - a) Expansion
  - b) Depression
  - c) Recession
  - d) Increment
- 4) During \_\_\_\_\_ economy contracts.
  - a) Expansion
  - b) Depression
  - c) Recession
  - d) Increment
- 5) If market value of shares is less than face value then shares are said to be at \_\_\_\_\_.
  - a) Discount
  - b) Premium
  - c) At Par
  - d) Buffer
- 6) The initial offering of securities to public is known as \_\_\_\_\_.
  - a) IPO
  - b) BPO
  - c) Public Offer Share Issue
  - d) Share Issue
- 7) There are \_\_\_\_\_ movements in the stock prices.
  - a) Upward
  - b) Downward
  - c) Stable
  - d) Up and down
- 8) Investing all your money in the stock of a single company is very \_\_\_\_\_.
  - a) Safe
  - b) Easy
  - c) Risky
  - d) Moderate



Prices go down when there is economic depression



Time for insurance benefits.



# Benefits of Insurance

## To individual

Insurance is an arrangement through which a person can plan for the continuation of income for the family when uncertainties, such as occurrence of natural catastrophes, and certainties, viz., illness, accident, death or old age, disrupt or destroy one's ability to earn livelihood. These are basic threats that result in cutting off of income or sudden increase in uncalled expenses or losses and property because of the risk. Insurance is related to **protection of human life and assets** which generate benefit and income for the owner and his/her family members. In business, a huge amount is invested in the property, i.e. building and plant and machinery. Insurance reduces the uncertainty of business losses due to fire, accidents, earthquake etc.

## To society

Insurance is a social arrangement where many would contribute to **mitigate losses** of a few. This method of sharing losses of a few by many is the core philosophy of insurance. Insurance inclusion helps in having **better living standards, higher productivity**, and access to quality health care, thereby **greater longevity**, and paves way for social upliftment of the society as a whole.

## To economy

Government needs to finance infrastructure i.e. roads, bridges, communication and railway lines which require huge capital investment. As life insurance contracts are long term contracts, insurers, who receive premium from their many policyholders, have become the principal **source of capital** for the economy by investing their funds. Non-life insurance provides cover to trade and industry against losses due to fire, earthquake, flood, storm, natural calamities, acts of God etc. Therefore, business and economy would be seriously handicapped in the absence of insurance.

### **Difference between banking and insurance**

- Insurance and banking are in fact complimentary in nature. While banks help to save and build assets through loans, insurance provides security required for protecting them on an ongoing basis.
- Banking consists of two major components, lending and borrowing where as the core activity of insurers is risk pooling and risk transfer spreading the risks.
- Banks transmit to the economy the monetary policy of RBI. Insurers, on the other hand, make

an important contribution to economic growth by providing people and their businesses with protection against adverse unforeseen events.

- Insurance is also a means of security for the bank as it provides protection to banker and their financial interest in case of loss to such assets created out of loans. There are a number of loan linked products viz.
  - Home loans
  - Vehicle Loans
  - Industrial Loans
  - Educational loans
  - Small Loans /Micro Insurance and

Deposit Linked – Group Insurance policies

- Personal Accident Cover
- Health Cover
- Package Covers (viz., Shopkeeper's & Householder's Policies).

One has to understand the benefits of insurance to protect oneself from the vagaries of nature and to manage the risks.

**Jumble Time**



Jumbled Words	Clue	Solution
dlginen	Depositing money in bank	
roorwginB	Taking money from bank	
siRk	Chances of loss	
Isurecann	Gives security from risk	

- 1) Banks help to save and build assets through loans, whereas insurance provides \_\_\_\_\_ for protecting them.
 

a) Security	b) Cover
c) Liability	d) Money
  
- 2) Banks transmit to the economy \_\_\_\_\_ policy of RBI.
 

a) Fiscal	b) Monetary
c) Regulatory	d) Securing

**Fun Time**

**Now we have understood, insurance benefits us in many ways**





How can we invest in shares?

## Part-I: Learning to Trade

### Things to know before investing in stocks

#### **Investing in stocks is one of many options for investing your money.**

Just because the newspaper and the financial media talk nonstop about stock investing doesn't mean it's the only way to invest your money. It's merely one option. One could invest in bank fixed deposit or bonds or precious metals or foreign currency. All of these things have some level of risk involved, offer some level of return, and have varying degrees of liquidity.

#### **Investing in stocks comes with risk.**

There are up and down movements in the stock prices. This constant movement in stock prices is a risk that an investor must be willing to take for investing in the stock market.

#### **Open an account with a brokerage.**

For investing in stocks you must open an account with a brokerage. A brokerage firm is normally a company that has access to the stock exchange, so they'll take instructions from you, go to the stock exchange, and actually buy or sell stocks according to your instructions.

When you open an account with a brokerage firm, you usually deposit some money with them by transferring it from your savings account. Once the money is there, you can then ask the broker to buy a certain amount of whatever stock you want. Typically, the broker charges a fee for doing your transactions.

#### **Diversify your investment.**

Investing all of your money in the stock of a single company is very risky. If that stock does



poorly or the company goes bankrupt, you'll probably lose most or all of your money. It's common sense not to put all your eggs in one basket.

**Consider an appropriate mix of stocks to invest.**

One common strategy to reduce risk when investing in stocks is to invest in a lot of different companies. If you buy stock in 10 different companies, you're going to reduce your risk of losing money. Because if few of those 10 company's stocks are not doing well, rest of the good performing companies will make up for that.

**Income from dividends.**

While investors are very interested in the rise and fall of the value of stocks, they're also very interested in the dividends that many stocks pay. Dividends are small payments that companies pay out to each stockholder. That dividend money is in addition to the normal value of the stock.

**Exercise**

1) A person should have a \_\_\_\_\_ account before investing in shares.

2) What is meant by offer document?

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3) Why do companies issue shares?

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## Part-II: Stock Exchange and Economy

Stock Exchanges **provide trading facilities** to investors and traders through stock brokers. The securities traded on a stock exchange include: shares issued by companies, derivatives, debenture, bonds etc. Bombay Stock Exchange (BSE) and National Stock Exchange of India (NSE) are major stock exchanges of India.

Stock exchanges play a vital role in the functioning of the economy by providing the backbone to a nation's economic infrastructure. Stock exchanges help companies **raise money** to expand. They also provide individuals the ability to invest in companies.

**Stock exchanges work as first level regulator for securities market**

Stock exchanges also work as first level **regulator** for securities market and impose regulations for the trading of securities. Further, stock exchanges impose various disclosures

and corporate governance requirements on the companies whose securities are listed and traded on the stock exchanges. It is **clearing house** or clearing corporation that acts as counter party to each trade and not the stock exchanges. If the stock exchanges do not fully carry out their duty of overseeing the stock trading process the investing public will lose faith in the fairness and safety of the securities market. If this happens then all of the economic activity that the stock exchanges create will decrease and this will lead to an overall drop in economic activity. Indian Stock Exchanges are highly regulated by Securities and Exchange Board of India (SEBI). All the Indian stock exchanges are required to be recognised as stock exchange by SEBI. SEBI has put in place various conditions and requirements on the stock exchanges.

### 1. **Business Expansion**

Stock exchanges provide companies the ability to **raise capital** to expand their businesses. When a company needs to raise money they can issue shares of the company to the public. They accomplish this by listing their shares on a stock exchange. Investors are able to buy shares of public offerings and the money that is raised from the investors is used by the company to expand operations, buy another company or hire additional workers. All of this leads to increased economic activity which helps drive the economy.

### 2. **Widespread Investing**

Stock exchanges allow any person to **invest** in the greatest companies. Investors, both large and small, use the stock exchange to buy into a company's future. Investing would not be possible for the average person if there was not a centralized place to trade stocks.

The ability for the average person to invest in these companies leads to increased wealth for the investors. This increased wealth then leads to additional economic activity when the investors spend their money.

### 3. **Increased Investor Class**

The stock exchanges provide **order and regulation** to the process of stock trading. Without the regulations and the shareholder protections that the stock exchanges provide, few people would be willing to invest in stocks. Because of the oversight of the stock exchanges the average person has the confidence to invest in stocks and this leads to more people becoming a part of the investor class. The investor's wealth grows over time, which allows them to contribute more to the economy.



Stock exchanges have multiple roles in the economy. This may include the following:

### Raising capital for businesses

The Stock Exchange provides companies with the facility to raise capital for expansion through selling shares to the investing public.

### Mobilizing savings for investment

Stock market helps mobilize savings from households and redirect it to firms to promote business activity resulting in stronger economic growth.

### Barometer of the economy

At the stock exchange, share prices rise and fall depending, largely, on market forces. Therefore the movement of share prices in general of the stock indexes can be an indicator of the general trend in the economy.

### Exercise

Q1. What is the role of stock exchange in the economy?

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Q2. How do stock exchanges help the companies to expand their businesses?

---

Q3. Direct jobs are provided by Stock Exchanges. Do you agree?

---

Q4. What will happen if stock exchanges do not carry out their duties fairly?

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Jumble Time



Jumbled Words	Clue	Solution
foltpoori	collection of financial assets	

1) \_\_\_\_\_ provides trading facilities to investors and traders.

- a) Stock Exchanges      b) Stock Brokers  
c) SEBI                      d) Government

Fun Time

2) \_\_\_\_\_ works as first level regulator for securities market.

- a) Stock Exchanges      b) Stock Brokers  
c) SEBI                      d) Government

3) Indian stock exchange is highly regulated by \_\_\_\_\_.

- a) CBI                        b) SBI  
c) BSI                        d) SEBI

4) Which among the following is NOT a role of stock exchanges?

- a) Mobilizing savings for investors      b) Raising capital for business  
c) Barometer of the economy              d) Regulate Indian stock market

SEBI regulates securities exchange markets in India





What is GST?

# GOODS AND SERVICES TAX (GST)

## Meaning of GST and its working

GST is one indirect tax for the whole nation, which will make India one unified common market. GST is a single tax on the supply of goods and services, right from the manufacturer to the consumer. Credits of input taxes paid at each stage will be available in the subsequent stage of value addition, which makes GST essentially a tax only on value addition at each stage. The final consumer will thus bear only the GST charged by the last dealer in the supply chain, with set-off benefits at all the previous stages.

## Salient Features of GST:

The salient features of GST are as under:

- (i) GST would be applicable on “supply” of goods or services as against the present concept of tax on the manufacture of goods or on sale of goods or on provision of services.
- (ii) GST would be based on the principle of destination based consumption taxation as against the present principle of origin based taxation.
- (iii) It would be a dual GST with the Centre and the States simultaneously levying it on a common base. The GST to be levied by the Centre would be called Central GST (CGST) and that to be levied by the States [including Union territories with legislature] would be called State GST (SGST). Union territories without legislature would levy Union territory GST (UTGST).
- (iv) An Integrated GST (IGST) would be levied on inter-State supply (including stock transfers) of goods or services. This would be collected by the Centre so that the credit chain is not disrupted.
- (v) Import of goods would be treated as inter-State supplies and would be subject to IGST in addition to the applicable customs duties.
- (vi) Import of services would be treated as inter-State supplies and would be subject to IGST.
- (vii) CGST, SGST /UTGST & IGST would be levied at rates to be mutually agreed upon by the Centre and the States under the aegis of the GSTC.
- (viii) GST would replace the following taxes currently levied and collected by the Centre:
  - Central Excise Duty;
  - Duties of Excise (Medicinal and Toilet Preparations);
  - Additional Duties of Excise (Goods of Special Importance);
  - Additional Duties of Excise (Textiles and Textile Products)
  - Additional Duties of Customs (commonly known as CVD);
  - Special Additional Duty of Customs (SAD);
  - Service Tax;
  - Cesses and surcharges insofar as they relate to supply of goods or services.



(ix) State taxes that would be subsumed within the GST are:

- State VAT;
- Central Sales Tax
- Purchase Tax;
- Luxury Tax;
- Entry Tax (All forms);
- Entertainment Tax (except those levied by the local bodies);
- Taxes on advertisements;
- Taxes on lotteries, betting and gambling;
- State cesses and surcharges insofar as they relate to supply of goods or services.

(x) GST would apply to all goods and services except Alcohol for human consumption.

(xi) GST on five specified petroleum products (Crude, Petrol, Diesel, ATF & Natural gas) would be applicable from a date to be recommended by the GSTC.

(xii) Tobacco and tobacco products would be subject to GST. In addition, the Centre would continue to levy Central Excise duty.



### Rate of GST:

Under GST, goods and services are taxed at the 0%, 5%, 12%, 18% and 28% rates. There is a special rate of 0.25% on rough precious and semi-precious stones and 3% on gold. In addition a cess of 15% or other rates on top of 28% GST applies on few items like aerated drinks, luxury cars and tobacco products.



### The commodities proposed to be kept outside the purview of GST

Goods and Services tax (GST) is a tax on supply of goods or services or both, except supply of alcoholic liquor for human consumption. So alcohol for human consumption is kept out of GST by way of definition of GST in constitution. Five petroleum products viz. petroleum crude, motor spirit (petrol), high speed diesel, natural gas and aviation turbine fuel have temporarily been kept out and GST Council shall decide the date from which they shall be included in GST. Furthermore, electricity has been kept out of GST.

### GST administration in India

Keeping in mind the federal structure of India, there are three components of GST – Central GST (CGST), State GST (SGST)/(UTGST) and Integrated GST (IGST). Tax will be levied on every supply of goods and services. Centre would levy and collect Central Goods and Services Tax (CGST) and States/Union Territory would levy and collect the State Goods and Services Tax (SGST)/(UTGST) on all transactions within a State/Union Territory. Similarly, Integrated GST (IGST) will be levied and administered by Centre on every inter-state supply of goods and services, which is the aggregate of CGST and the SGST of the destination state.

### The benefits of GST

The benefits of GST can be summarized as under:

#### ▪ For business and industry

1. Easy compliance: A robust and comprehensive IT system would be the foundation of the GST regime in India. Therefore, all tax payer services such as registrations, returns, payments, etc. would be available to the taxpayers online, which would make compliance easy and transparent.



2. Uniformity of tax rates and structures: GST will ensure that indirect tax rates and structures are common across the country, thereby increasing certainty and ease of doing business. In other words, GST would make doing business in the country tax neutral, irrespective of the choice of place of doing business.

3. Removal of cascading: A system of seamless tax-credits throughout the value-chain, and across boundaries of States, would ensure that there is minimal cascading of taxes. This would reduce hidden costs of doing business.

4. Improved competitiveness: Reduction in transaction costs of doing business would eventually lead to an improved competitiveness for the trade and industry.

5. Gain to manufacturers and exporters: The subsuming of major Central and State taxes in GST, complete and comprehensive set-off of input goods and services and phasing out of Central Sales Tax (CST) would reduce the cost of locally manufactured goods and services. This will increase the competitiveness of Indian goods and services in the international market and give boost to Indian exports. The uniformity in tax rates and procedures across the country will also go a long way in reducing the compliance cost.

■ **For Central and State Governments**

1. Simple and easy to administer: Multiple indirect taxes at the Central and State levels are being replaced by GST. Backed with a robust end-to-end IT system, GST would be simpler and easier to administer than all other indirect taxes of the Centre and State levied so far.

2. Better controls on leakage: GST will result in better tax compliance due to a robust IT infrastructure. Due to the seamless transfer of input tax credit from one stage to another in the chain of value addition, there is an in-built mechanism in the design of GST that would incentivize tax compliance by traders.

3. Higher revenue efficiency: GST is expected to decrease the cost of collection of tax revenues of the Government, and will therefore, lead to higher revenue efficiency.

■ **For the consumer**

1. Single and transparent tax proportionate to the value of goods and services: Due to multiple indirect taxes being levied by the Centre and State, with incomplete or no input tax credits available at progressive stages of value addition, the cost of most goods and services in the country today are laden with many hidden taxes. Under GST, there would be only one tax from the manufacturer to the consumer, leading to transparency of taxes paid to the final consumer.

2. Relief in overall tax burden: Because of efficiency gains and prevention of leakages, the overall tax burden on most commodities will come down, which will benefit consumers.



Let us open our  
DEMAT account



## Trading and Demat Account



### Case Study

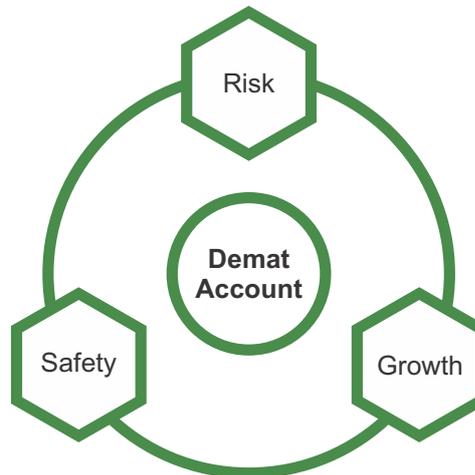
Ravi has ₹ 10000 and he wants to invest this money. He is confused where this money should be invested since he feels that the amount is very less. Then his friend Mohan suggests him to invest the amount in shares. But Ravi doesn't know how to invest in shares and how to deal in the share market. So Mohan advises him to open a trading account with any SEBI registered Stock Broker and Demat account with any SEBI registered Depository participant . He tells him the following facts about Trading and Demat account:

- To trade in stocks, one needs a trading and demat account.
- It is essential to understand the concepts related to trading and demat account before opening one.
- Trading account gives one convenience of buying and selling shares from the comfort of his home/office.
- Demat account allows the investor to retain shares purchased in electronic form.



### Demat Account facts

- You can open multiple demat accounts
- No account opening charges
- Can have maximum 3 account holders
- No changes in account holder names
- Can have nil balance



### Assignment

- 1) To trade in stocks, one needs a \_\_\_\_\_ account.
- 2) Demat account can have \_\_\_\_\_ balance.
- 3) Demat account can have maximum \_\_\_\_\_ account holders.
- 4) To open a demat account requirements are totally different from the normal bank account (YES/NO). \_\_\_\_\_





To whom we can complain?  
Who will protect us against  
any market intermediary?

# SEBI Grievance Redressal

## SEBI Grievance Redressal System

SEBI has developed a centralized web based system for lodging and tracking investor complaints which is known as SCORES (SEBI Complaint Redress System). Any person, who has a grievance against a listed company (e.g. non-payment of dividend or issues related to transfer of securities) or against any market intermediary, can file a complaint using SCORES.

SCORES can accept complaint against any market intermediary that is registered with SEBI. This includes R&T Agents, Portfolio Managers, Depositories and its participants, Debenture Trustees, Credit Rating Agencies, Custodians, Stock Exchanges, Merchant Bankers, Asset Management Companies, Collective Investment Schemes, Bankers to an Issue and Brokers.

A complaint registered on SCORES is scrutinized by SEBI to determine if the subject matter falls under its purview. If it falls under SEBI's purview, it will forward the complaint to the concerned entity/intermediary, with an advice to send a written reply to the investor. The entity or intermediary also needs to file an action taken report in SCORES within a reasonable period, not later than 30 days.

Stock exchanges have been directed by SEBI to resolve disputes at their end within 15 days, failing which the conciliation process of the exchange would start. The Investor Grievance Redressal Committee (IGRC) shall be allowed 15 days to amicably resolve the issue. Else the IGRC will estimate the claim value, in case the claim is admissible to the investor, and the investor will be given monetary relief from the Investor Protection Fund in a phased manner, till the arbitration process opted for by the member is complete.

Jumble  
Time



Jumbled Words	Clue	Solution
ROCESS	SEBI Complaint Redressal System	
IBES	Regulates Indian security market	

- SEBI has developed a centralized web based system for lodging and tracking investor complaints, known as
  - CORES
  - SCORES
  - SEBI Redressal Forum
  - SCORAS
- The entity or intermediary needs to send an action taken report in SCORES within a reasonable period not more than \_\_\_\_ days.
  - 30
  - 40
  - 15
  - 20
- The stock exchange are supposed to resolve disputes at their end within \_\_\_\_ days.
  - 30
  - 40
  - 15
  - 20

Fun Time

We can file our  
complaints on  
centralized web  
based system  
known as SCORES





# Pension

**Retirement:** is a stage in the life cycle of an individual when one stops being an active part of the productive/ working population on account of advanced age.

Every individual aspires to lead a life of dignity and financial independence even after one retires. However, one needs to plan for the same. In fact, one of the most important reasons to save during one's working years is to provide for a financially independent and dignified post retirement life.

**Retirement planning:** Planning for the purpose of achieving financial independence after retirement.

**Pension:** Regular income to the individual after retirement.

Retirement planning requires three basic steps:

1. Determine how much annual income will be needed in each year of retirement.
2. Determine how much corpus must be accumulated in retirement savings by the start of retirement in order to fund the expenditure during retired years.
3. Determine how much must be contributed to retirement savings in each working year remaining in order to accumulate the required amount determined in step #2.

## PENSION

Pension provides regular income to an individual after retirement .The need for pension is uniform across all section of society —the requisite amount of pension will depends on the lifestyle that an individual needs to maintain along with the estimated cost of living during their retirement. Accrued amount of pension is crucial function of savings during the working years as also number of years taken to build sufficient corpus for desired amount of pension.

## TYPE OF PENSION PLANS

### Defined Benefit (DB)

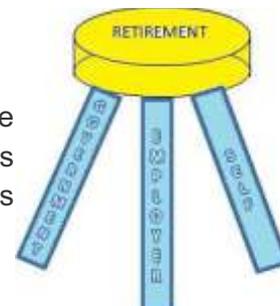
Defined Benefit Pension plan is one in which a specified monthly benefit (payment) is available on retirement. It is predetermined by a formula based on the employee's earnings history, tenure of service and age, e.g. 50% of last pay drawn is paid as pension to central government employees (pre 01.01.2004).

## Defined Contribution (DC)

Defined Contribution Pension plan in which the pension amount is dependent upon the aggregated retirement corpus which in turn is determined by the amount of individual contribution. Individual contributes for her/his own pension & parallelly contribution can also come from employer/Central or State Government in addition to individual contribution. The amount of contribution is predetermined.

## HISTORY OF PENSION IN INDIA

Traditionally, pension schemes in India have primarily been funded by the employer. Government sector defined benefit pension scheme was financed by Government for their employees. This pension system was inherited from the British Administration.



### Indian Pension System has 3 distinct broad groups:-

**Group I** covers citizen of the country through a standardized, Govt. run pension schemes which offers basic coverage and is primarily focused on reducing poverty in old age amongst the most destitute like BPL, widows & disabled.

Govt. financed pension has very limited coverage in our country - It covers persons above 60 years for poor, elderly and persons employed by the Government.

Government of India launched **National Social Assistance Program (NSAP)** w.e.f 15th August 1995 for providing social assistance benefit in the form of pension to the aged, the BPL households, in the case of death of the primary breadwinner and for maternity.

State Governments may also provide the various pension schemes at state level for different target groups( BPL population , farmers, widows and senior citizen etc) e.g. Madubabu Pension Scheme launched by Orissa Government, Destitute Agricultural Laborers Pension Scheme launched by Tamil Nadu Government, Manipur old age pension Scheme, Sanjay Gandhi Niradhar Scheme launched by Govt. of Maharashtra, Sanjay Gandhi Niradhar Scheme launched by Govt. of Maharashtra, Sandhya Surkasha Scheme launched by Govt of Karnataka, Kerala Agriculture Workers Welfare Pension and Kerala Unorganized Retired Workers Pension Fund Scheme etc.

**Group II** is mandatory occupation pension system where employee and employer contribute towards their pension. It covers workers in the organised sector through a Defined contribution-cum-Defined benefit scheme.

Civil Servants' Pension (CSP) is a traditional defined benefit scheme which runs on the basis of pay-as-you-go-system, for employees of Central Government who were recruited up to 31st December, 2003 and employees of State Governments recruited up to the effective date mentioned in notifications issued by those governments.

Employees Provident Fund Organization (EPFO) administers the following two old age income schemes, which are mandatory for all employees in the organized sector, earning a monthly salary of less than Rs.6,500/-

- (a) The Employees Provident Fund (EPF)
- (b) The Employees Pension Scheme (EPS)

The Employees Provident Fund (EPF) Scheme is an individual account defined contribution scheme wherein both the employee and employer contribute to the fund at the rate of 12% of the employee's pay which can be withdrawn at the time of retirement. There are a number of provisions under the scheme for pre -mature withdrawal of accumulation.

The Employees Pension Scheme (EPS) is a defined benefit scheme, based on a contribution rate of 8.33% from the employee to which government makes an additional contribution of 1.16%. EPS was introduced in 1995, and is applicable to the workers who entered into employment after 1995. In case of death of a member the scheme provides for a pension to the spouse for his/her remaining life

**Group III** is a voluntary, private funded system, including individual savings plans, insurance, etc. Purely voluntary schemes are present in a very restrictive form through PPF, superannuation schemes and personal pension plans provided by Insurance Companies.

Personal Pension Plans and Group Pension Products offered by the life insurers are being supervised by the Insurance Regulatory and Development Authority (IRDA). Schemes offered by the Mutual Funds are regulated/supervised by the Security Exchange Board of India (SEBI).

### **Need for pension reforms in India**

India has nearly eighty million elderly people, which is one eighth of world's elderly population. This segment of population is growing at a rate of 3.8% per of 1.8% for the overall population and the existing pension system only covers 12% of Indian workforce.

Non-sustainability of the existing pension system by the sharp increase in financial burden on the Government and the other employers on account of pension liabilities. Challenge is to provide a pension solution for the 90% of the informal sector workers and vast majority of this population is not covered by any formal old age income scheme. They are dependent on their earnings and transfer from their children or other family members. These informal systems of old age income support are imperfect and are becoming increasingly strained.

Increase in life expectancy due to improvement in healthcare facilities ,evolution of nuclear family systems and rising aspirations due to increase in per capita income, education etc. are some of the factors likely to exacerbate the problem of old age income security in future.

### **Pension reforms**

From 2000 to 2007, a marked shift in pension policy in India was witnessed after introduction of a New Pension System. Initial milestones on the road to pension reforms for Government of India was to reduce the burden of providing Defined Benefit pension to Government employees and the provision of pension for un covered population from the unorganized sector respectively.



Jumble Time

# jumble words

Jumbled Words	Clue	Solution
neemtieRtr	Stage in the life cycle of an individual when one stops being an active part of the working population	
nosePin	Regular income to the individual after retirement.	

1. \_\_\_\_\_ Pension plan is one in which a specified monthly benefit (payment) is available on retirement.

- a) Defined Benefit
- b) Defined Based
- c) Contribution Benefit
- d) Defined contribution

2. \_\_\_\_\_ Pension plan in which the pension amount is dependent upon the aggregated retirement corpus which in turn is determined by the amount of individual contribution.

- a) Defined Benefit
- b) Defined Based
- c) Contribution Benefit
- d) Defined contribution

3. Government of India launched National Social Assistance Program (NSAP) w.e.f \_\_\_\_\_.

- a) 15th August 1994
- b) 15th August 1996
- c) 15th August 1995
- d) 15th August 1997

Fun Time





# New Pension System

**Pension Fund Regulatory and Development Authority** was established by Government of India on 10th October 2003, PFRDA to act as a regulator for the pension sector. The mandate of PFRDA is development and regulation of pension sector in India.

The New Pension System, based on defined contribution, gives a direction to the pension reforms for a long term viable model and sustainable solution to the problem of old-age income security.

## YOU ARE GOING TO LIVE LONGER THAN THE LAST GENERATION !!! HAVE YOU PLANNED FOR A LONG RETIREMENT?

### Why retirement planning?

- Because in Your second innings, your medical needs are going to be a very costly affair!
- Because You wouldn't like to be a drain on your kids' finances!
- Because You would like your retirement to be reward for your hard-work, not punishment!
- Because You would not like your retirement to be the end point of your ambitions, but start of new ones!
- Because You would like to retire from work and not from life!

### What is Retirement Planning?

In the simplest sense, **retirement planning** is the **planning** one does to be prepared for life after paid work ends.

Sensible Retirement Planning, calls for Safe, Secure and Early planning to have a post retirement fund that satisfies needs, wants and desires of you and your loved ones.

You need financial planning to arrange for a relaxed retirement.

Consider  
NATIONAL PENSION SYSTEM (NPS)



To know your nearest POP-SP call on Toll Free Number

**1800 110 708**

OR

**SMS  
NPS to 56677\***

\* Standard charges applicable

To know more about NPS and access POP-SP list please visit

PFRDA website

**www.pfrda.org.in**

### What is NPS?

A highly efficient, technology driven system to save small amounts today, to build a fund for life's second innings.

### Why NPS?

- Low Cost Product
- Tax breaks for Individuals, Employees and Employers
- Attractive Market Linked Returns
- Safe, Secure and Easily Portable
- Professionally Managed by Experienced Pension Funds
- Regulated by PFRDA, a Regulator set up through an Act of Parliament

### Who Can Join?

You can join, if you are any or all of the following:

- Citizen of India: Resident or Non-Resident
- Age between 18-60 years, as on date of joining
- Salaried or Self Employed

### Where can I open NPS account?

At any of the Points of Presence-Service Provider (POP-SP), authorized by PFRDA.

A Public awareness initiative  
on old-age income security



पेंशन निधि विनियामक और विकास प्राधिकरण  
Pension Fund Regulatory and Development Authority



**The New Pension System (NPS)** was made operational through a Government of India notification dated 22nd December, 2003. It has been made mandatory for new recruits in the Central Government (except Armed Forces) from 1st January 2004 and Twenty eight (28) State/UT Governments have also notified the New Pension System for their new employees.

It marks a paradigm shift from the defined benefit to a defined contribution regime. It is based on the principles of defining upfront the liability of Government, giving choice to subscribers, facilitating portability of labour force and ensuring transparency and equity in the pension industry.

Later the New Pension System is changed to National Pension System. NPS is also made available to **all Citizen of India w.e.f 1.5.2009** on a voluntary basis and extended its coverage to unorganized Sector (May 2011), corporate sector and caters to economically disadvantaged sector through low cost model. The New Pension System has been designed to enable the subscriber to make optimum decisions regarding his/her future and provide for his/her old -age through systemic savings from the day he/she starts his/her employment. It seeks to inculcate the habit of saving for retirement amongst the citizens.

About 11 Lakh Central Government employees (excluding employees of autonomous organisations) and 16 Lakh State Government employees from 22 States are covered under National Pension System (NPS). Remaining other State Governments has made significant strides in this direction.

**Swavalamban Yojana** is launched by Government of India on 26.09.2010 to support individuals in the unorganized sector in achieving old age security. Any citizen of India, belonging to the unorganized sector, is eligible to open a NPS account subject to the following conditions:

- Should be between 18 — 60 years of age.
- Subscriber should not be covered under any social security scheme.

Government of India will contribute Rs 1000 per annum to all eligible NPS Swavalamban accounts where the subscriber deposits a minimum of Rs 1000 to maximum Rs. 12000/- per annum. The incentive is presently available till 2016-17 and around 16 Lakh subscribers are covered under this scheme till 2012 -13.

### **Atal Pension Yojana**

The Government of India is extremely concerned about the old age income security of the working poor. Given the poor financial education/literacy in majority of the people in the unorganized sector and the fact that contribution to a pension fund is long term commitment, people do take time to understand the basic features of the scheme and then decide about joining it. The Finance Minister has, therefore, announced a new initiative called Atal Pension Yojana (APY) in his Budget Speech for 2015-16 and formerly launched by Honorable Prime Minister of India on 9th May 2015. The Atal Pension Yojana is a defined benefit scheme wherein the minimum defined pension amount is guaranteed by the Government.

The APY is primarily focused on all citizens in the unorganized sector, administered by the Pension Fund Regulatory and Development Authority (PFRDA). However, all citizens of the country in the eligible category may join the scheme. Under the APY, the subscribers would receive the guaranteed minimum pension of Rs.1000 per month or Rs.2000 per month or Rs.3000 per month or Rs.4000 per month or Rs.5000 per month, at the age of 60 year, depending on their contributions, which itself would be based on the age of joining the APY. The minimum age of joining APY is 18 years and maximum age is 40 years. Therefore, minimum period of contribution by any subscriber under APY would be 20 years or more. The APY has been implemented from 1st June, 2015.

APY is being operationalized through CBS enabled Banks. Public Sector Banks, Private Sector Banks, Regional Rural Banks, Apex Cooperative Banks and District Central Cooperative Banks.



Munaf: Hi Saif, look at my new red toy car, my grandfather purchased it for me. Oh! I am so happy.

Saif (Sad): You are very lucky Munaf,

Munaf: Why are you sad? I am sure your grandfather also buys toys for you.

Saif: No, Munaf, he is retired he hasn't got much money.

Munaf: Oh! your grandfather is not getting any pension?

Saif: What is this pension?

Munaf: Pension is the regular income which one gets after retirement. My grandfather has a pension plan and according to that he gets a specified sum of money every month.

Saif: Wow! this means he gets money in his old age for himself. This means everyone should plan their retirement and take pension plan. Now I will ask my father also to take one which will benefit him in his oldage.



Jumble Time



Jumbled Words	Clue	Solution
pAy	Pension scheme, primarily focused on citizens in the unorganized sector	
fardP	Regulator for the pension sector	

- Pension Fund Regulatory and Development Authority was established by Government of India on \_\_\_\_\_  
 a) 10th October 2003                      b) 10th October 2013  
 c) 13th October 2010                      d) 20th October 2003
- Swavalamban Yojana was launched by Government of India on \_\_\_\_\_ to support individuals in the unorganized sector in achieving old age security.  
 a) 26.09.2010                                  b) 26.09.2010  
 c) 26.09.201                                    d) 16.09.2010
- The minimum age for joining APY is \_\_\_\_\_  
 a) 20 years                                      b) 15 years  
 c) 18 years                                      d) 21 years

Fun Time



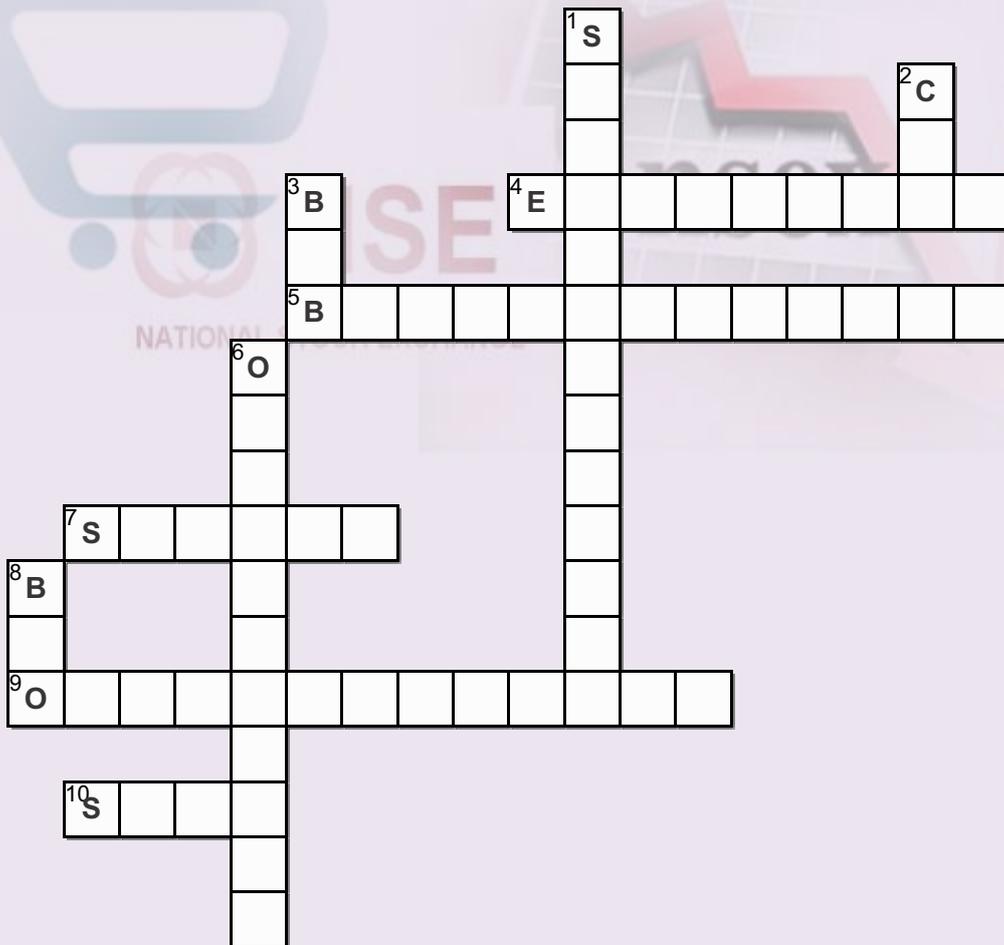


Time to solve crosswords Rashi

Yeah, we will have fun Saif.



## CROSSWORD



### Across

4. Type of business model which enables a firm to conduct business over an electronic medium
5. Fluctuations in economic activity that an economy faces over a period of time
7. Indicator of prices throughout BSE, it is the short form of sensitive index
9. Document launched by a company which invites people to buy its shares
10. All Indian stock exchanges need to be recognized as stock exchanges by this body

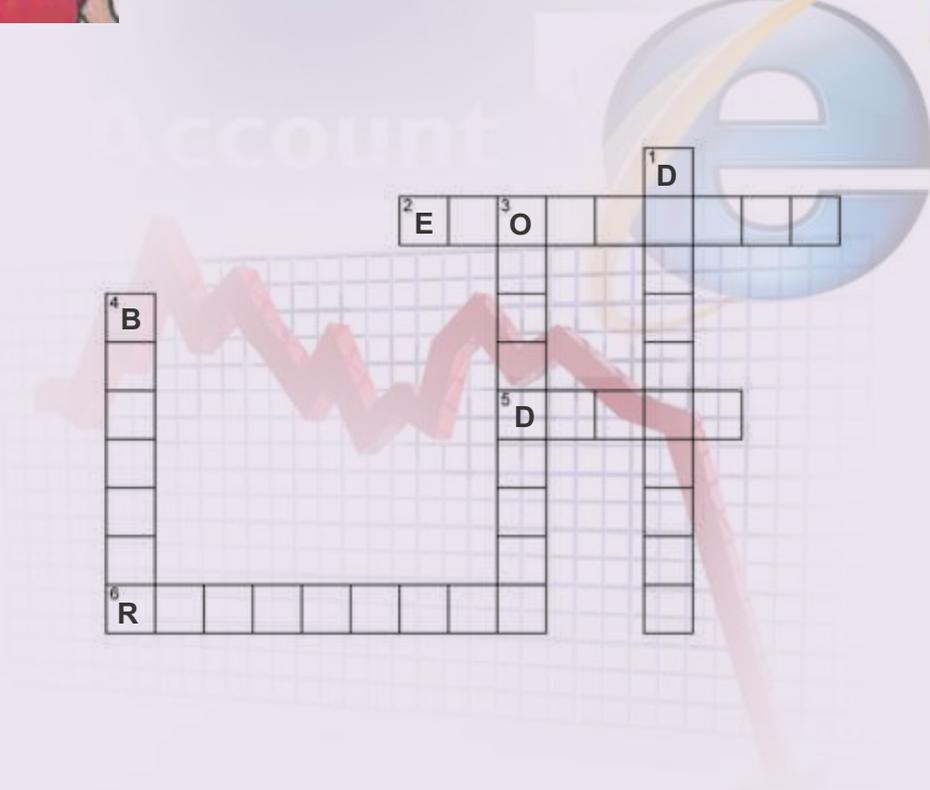
### Down

1. Provides trading facilities to stock brokers
2. E- commerce transactions amongst consumers
3. Branch of e- commerce where manufacturers sell to distributors
6. Process of contracting another company or person to do a particular function
8. This type of outsourcing includes book keeping, drafting, call centers etc.



Time for more crosswords Munaf.

Gaming and learning together, isn't it great?



**ACROSS**

- 2 \_\_\_\_\_ enables a firm or individual to conduct business over.
- 5 To trade in stocks, one needs a trading and \_\_\_\_\_ account.
- 6 \_\_\_\_\_ means general decline in economic activity.

**DOWN**

- 1 \_\_\_\_\_ contract is defined as an enforceable agreement whose value is derived from the value of an underlying asset.
- 3 The Insurance \_\_\_\_\_ scheme was created for individual policyholders to have their complaints settled out of the courts system in a cost-effective, efficient and impartial way.
- 4 \_\_\_\_\_ is used to open websites.

## ABBREVIATIONS

- 1. GDP
- 2. B2C
- 3. PFRDA
- 4. C2B
- 5. IRDAI
- 6. C2C
- 7. SEBI
- 8. IPO
- 9. B2B
- 10. KPO
- 11. BPO

Time for abbreviations



Debit Card

Scripted by:  
Maharaja Sawai  
Man Singh  
Vidyalaya,  
Jaipur

Illustrations:  
Madhav Gupta,  
Bal Bharti School,  
Rohini, Delhi

Credit Card

Tanessa  
Puri

How can we use the deposits once we get a regular deposit?

Yes, I was wondering that is it necessary to carry cash everytime we go shopping?

No, my dad uses a plastic card everytime he wants to make a payment.

It maybe a credit card, or a debit card, with them we can purchase things without cash

The bank issues these cards and stores a value in electronic data. These funds are withdrawn from your account.

How is that even possible?

How is the transaction done to other accounts without the use of money.

Like a cheque! it's interesting to know that in some countries debit card have replaced cheques.

I wonder, can that be a case in a developing country, where the market is dominated by small scale industries

Yes, it must require a certain hardware to be installed by the sellers at their shops.

Who knows maybe in future we just carry a simple card for all the shopping.



## Activities

1. Prepare a poster/ Chart on any one of the following topics:
  - Importance of Savings.
  - Financial sector Regulators and their roles.
2. Survey at least 5 retired individuals and ask them the following questions:

Name :		
Age :		
Gender:	Male/Female	
Occupation/Designation before retirement:		
What is your source of Income after retirement?		
_____		
_____		
How did you plan your savings for retirement?		
_____		
_____		

3. Survey at least 5 working persons and ask for the following information about various pension schemes:

Name :				
Age :				
Occupation/Designation:				
1. Do you know about the following pension schemes				
Please tick the (√) appropriate boxes				
National Pension System				
Atal Pension Yojana				
2. Are you investing in any of these schemes?				
_____				
3. How are you saving for your life after retirement?				
_____				
4. How often do you invest for your retirement?				
Please tick the (√) appropriate boxe				
Monthly	Quarterly	Twice in a year	Yearly	I don't invest

4. Contact any one bank in their Helpdesk/Customer Care number and note down the queries that can be answered on phone?

5. Make a list of 5 e-Commerce websites along with the types of products available in them and pick any 5 products and compare them with the nearest shop.

6. Visit your nearest post office and ask about the procedure for sending a money order.

7. Survey at least 5 people in your neighborhood and ask them about the following Investment questions:

a) Do you invest in shares?

Yes

No

b) If yes, how is investing in shares better than investing in long term bank deposits (like fixed deposits)?

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c) If no, please state the reason.

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8. Prepare a poster/ Chart on any one of the following topics:

a) Inflation

b) Various financial products for long term investment

9. Write an Essay on any one of the following topics: (400 words)

a) Importance of Savings

b) Insurance: A protection against uncertainties

c) Why we need to plan our finances for post retirement?

10. Find out the following information mentioned below:

a) Note down the number of shops that accept ration cards and provide discounted products.

b) Note the number, types and quantity of products available on discounted rates.



**Note:**

## Note:

**Note:**

**Note:**



Prepared by:

