

(A) FINANCIAL SERVICES

Definition :-

Financial services means mobilising and allocating savings and transforming them into investments

Mobilizing &
allocating
savings

Transformation →

INVESTMENTS

In general terms, all types of activities which are of financial nature can be termed as financial services.

Financial service can also be called financial intermediation

- E.g. :-
- loan service
 - Plastic money service
 - Insurance
 - Banking
 - wealth & fund management
 - discounting service, etc.

Financial intermediaries provide different type of financial services.

Eg :- NBFCs, Bank, financial institution
(Non banking financial companies)

Types and Examples

Equity Market :-

A place where equity ^{share.} ~~market~~ are traded is called as Equity market

Money Market :-

It is a place where money market instrument like treasury bills, certificate of deposit, commercial paper, bill of \downarrow exchanges etc. are traded (commercial bill)

Bills of exchange are also called commercial market

Debt Market :-

A place where debenture and bonds are traded is called as Debts Market.

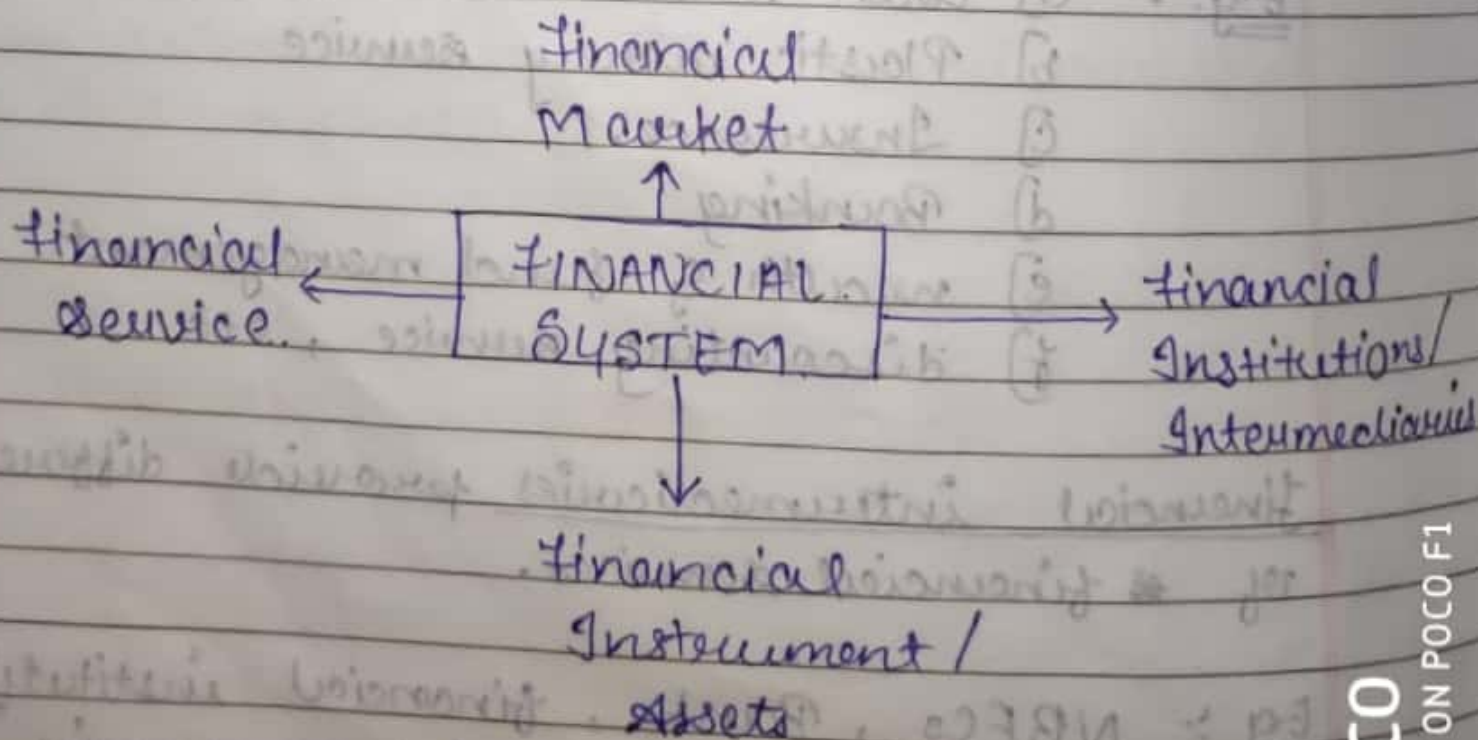
Commodity Market :-

A place where commodities like food grains, cotton, metals, bullion - gold and silver etc are traded is called a commodity market

Importance of F.S / Role / Need

- (i) Capital formation
- (ii) Promotion of savings
- (iii) Creation of employment opportunities
- (iv) Economic Growth
- (v) Provision of liquidity (conversion cash into saving)

Component of F.S.



6. Derivative Market :-

A place where derivative contracts like forward contract, future contracts, option contract etc are traded.

January 2019

* Financial services → Types
financial institution

1. Merchant Banking :-

A merchant banker is financial intermediaries who helps to in transfer of capital from those who have surplus to those who need it. A merchant banker provide ~~us~~ issue management services along with other services like, portfolio management underwriting project counselling.

E.g. HDFC → leading loan from home.

HDFC security → acts as merchant banker.

ICIC security, JP Morgan

2. Loan Syndication :-

It refers to loan arranged by the ~~one~~ a bank called lead manager for the borrower (a large corporation or company or government department). where in other banks who are willing to lend can participating in the loan. by contributing a certain amount. Since a single bank cannot provide a huge sum a loan a number of banks join together & form a syndication.

POCO
SHOT ON POCO F1

3. Leasing :-

A lease is an agreement under which a company or a firm acquires a right to use a capital asset like machinery against a sum of money ^{collected} in instalment charges.

E.g. Bank locker, lease land for social activities.

4. Factoring :- ^{असली}

It refers to process of managing the sales ledger of a client by a financial service company. The entire responsibility of collection the ^{looked} debts of its client is with the financial intermediaries.

14th Jan, 19

5. Forfaiting :-

Forfaiting is a technique by which the forfaiter ^{discounts} (finance agencies) discount & export bill & pays ^{to give} ready cash to the exporters. This helps the exporter concentrate on the export activity and not worry about collection of export bill. [ESAC]

^{And provide money}

6. Venture Capital :- ^{तक़्त के समय का पूंजी}

It is another method of financing where in the financing is the form of equity participation. In simple words a venture capital is finances new and innovative business ideas. (It is the form of capital.)

Global finance crisis

7. Securitization:-

Securitization is a technique whereby a financial company converts its illiquid, non-negotiable, high value financial assets into securities of smaller value which are more tradable and transparent.

Securitization - liquid, ^{easy converted into cash} non-negotiable, high value assets → tradable securities
money out off them → Expenses

8. Bill discounting:-

It refers to discounting of commercial bills (bills of exchange) by banks and finance companies in order to provide liquidity to the companies.

9. Credit rating:- bonds / debts market

Credit rating is a process by which used in rating agencies (CRA's) provide rating to financial instruments / securities. The rating can be alpha numeric AAA, BBB, CEE, AA1 etc.

bond → default → not pay money return

* Growth of financial services in India
(open to change)

1. Conservatism to Dynamism
2. Concept of credit rating.
3. PROCESS of globalization → (freely economic trade to participate national world)
4. PROCESS of liberalization
5. Indian demographics → study of population
6. 20-20 customer perspectives } increasing in the people in starting business
7. Financial inclusion

* Challenges in Financial services sector

1. Lack of qualified personnel.
2. Lack of investor awareness.
3. Lack of transparency.
4. Lack of specialisation.
5. Lack of recent data.
6. Lack of efficient risk Mgmt system.

* Regulatory Framework for financial service sector
→ (Securities & Exchange Board of India)

SEBI, regulate financial market or securities market.

MOF (Ministry of Finance).

IRDAI is the (Insurance regulatory & development Authority of India).

insurance regulatory officer.

AMFI regulates mutual funds.

* Banking vs NBFC's

Banking

(→) Meaning -

accepting deposits & lending loans to the public.

(→) The term bank or banking company should be present in its name.

(→) Bank are registered under banking regulation act

(→) Bank can issue negotiable instrument like cheques & DD's.

(→) The deposits with the bank are insured by the deposit insurance and credit corporation (DICGC).

(→) HDFC, SBI, ICICI, Bank of Baroda etc.

NBFC's

(→) Meaning -

Accept deposits, provide credit & range of other services.

(→) Cannot use the term bank or banking co. in their name.

(→) NBFC's are registered under company act.

(→) NBFC's cannot issue cheques & DD's.

(→) The deposits with the NBFC's are not insured.

(→) Bajaj Finance, JP Morgan, HDFC, ICICI, IDBI, SBI, Muthoot Finance, etc.

(B) FACTORING & FORECASTING

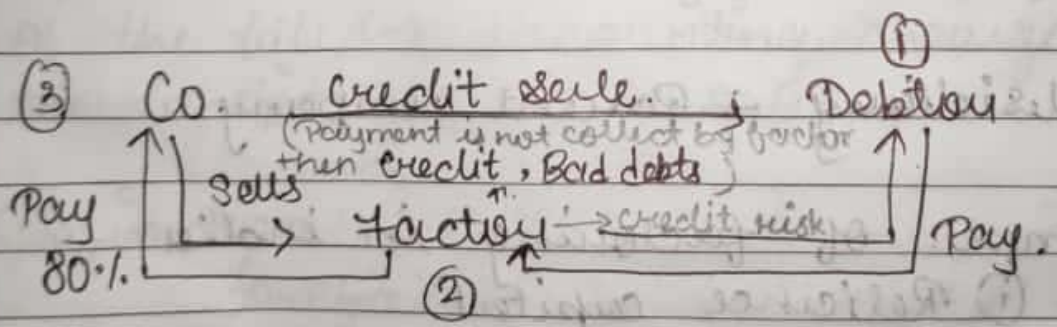
→ Definition & Meaning of factoring.

* Advantages of factoring:-

1. Helps the company to manage their credit risk.
2. Receivable management become efficient.
3. Creates liquidity.
4. Working capital requirements are met.

* Disadvantages of factoring:-

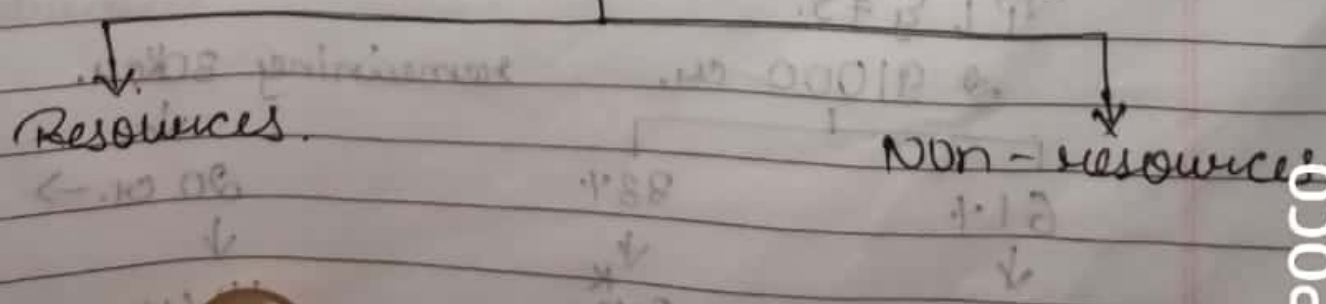
1. Credit risk to the factor.
2. Lack of proper legal framework.
3. Lack of professionalism.
4. Difficulty in proper financial evaluation of the client. It means risk.



Mechanism # → Working /

Theoretical framework

Types of factoring



ADVANTAGES OF FACTOR

1. Creates employment opportunities
2. Scope of business
3. They earn fees for factoring

18th Jan, 19

* Factoring Cost \rightarrow remaining is 20%

Types:

↓
Opportunities cost

of interest earned ₹1

↓
fees

* Factoring in India

Kalyana Sundaram \rightarrow chairman

↓
Bank

Subsidiary \rightarrow Parent company

example of factoring in india

① Reliance capital

② SBT Factor

③ ECGC (Export)

₹ 1 L & 75.

₹ 91000 cr.

remaining 80 cr.

61%

33%

20 cr. \rightarrow



because of risk. \rightarrow Im or Ex

(Impor - pur & Exporter - seller of finances)

* Forfaiting / Forfaiting \rightarrow Exporter \rightarrow the bill transaction. credit risk or Forex risk & currencies risk value fluctuate. \rightarrow that is called forfaiting.

\rightarrow Introⁿ :-

Forfaiting is another form of financing against ^(in facture) receivables. This technique is mostly use by exporters for financing the goods exported. The term forfeit is the french word which means to give up something or relinquish your rights to someone.

\rightarrow Mean^g :-

Under the forfaiting scheme the exporter gives up his right to receive payment to the future under the export bill for immediate payment by the forfaitor. The exporter ~~is able~~ to get 100% of the amount of the bill. (-) discounting charges and get the benefit of cash sales.

\rightarrow Defination :-

Forfaiting is defined as the non-recovers purchase by a bank or other financial institution of the receivables arising from an export of goods or services.

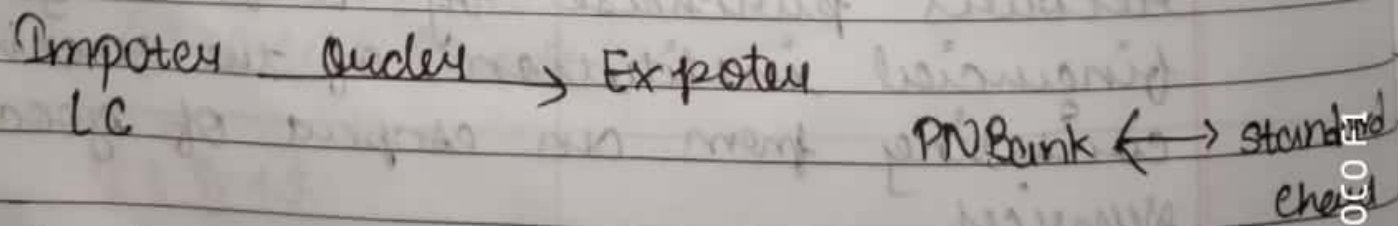
POCO
SHOT ON POCO F1

* Working Of Forfaiting \rightarrow full 100%

In a forfaiting transaction the exporter is a client & financial institution is called the forfaiter while the importer exporter called debtor.

* step: 1) An exporter receive an order for goods from an importer
2) when the exporter ~~intends~~^{tends} to take the order he first approach the forfaiter to discuss an agree. engage upon the full term of finance company

- 3) If it is acceptable ~~same~~^{the sale} contract signed between the importer & exporter
- 4) The exporter delivers the goods the importers banks, sense. the exporter bills guaranteed by ~~the~~^{it} to the exporters bank
- 5) All the documents along with the bill are forwarded to the forfaiter by the exporters bank.
- 6) The forfaiter gives readily cash after deducting discounting charges.



only few people provide this work.
for. e.g. EXIM
FC&C.

POCO SHOT ON POCO

* ADVANTAGES.

1. Provides liquidity
2. It is simple & flexible.
3. Confidentiality & Safety ^(security) → guarantee payment
4. Helps avoid foreign exchange risk.
5. Helps avoid export credit risk.
6. Helps avoid credit insurance cost ^(Payment of insurance) in foreign countries ^{Indian}
7. Suitable for all kind of export.
8. 100% financing (only discounting charges deducted)

* DISADVANTAGES.

1. It is not available for very short & long period (minimum is 3 yrs) (book say 7 yrs)
2. This services are ~~unavailable~~ available for financially weak country
3. It is difficult to get international bank guarantee

28th Jan, 19

* Distinguish between :-

Factoring ^(available to seller)	Forfaiting
1) Factoring services are available for domestic as well as export receivables.	Forfaiting services are usually available for export receivable.
2) Factoring cost is ^{borne} borne by seller.	Forfaiting cost is borne by buyer.
3) Factoring provides upto 80% of financing	Forfaiting provide 100% financing minus discounting cost.

Risks

i) In factoring only credit (commercial) risk is involved

Importing covers credit risk, foreign exchange risk & political risk.

ii) Factoring is for short term financing that is between 90 to 180 days.

Forfeiting is a medium term that is from a few month upto 7 yrs.

28 January 2019

(C) BILL DISCOUNTING

* Types of bill

1. Usance / Time bill -
for the specific period of time.
 2. Demand bill -
Pay whenever you will
 3. Clean bill -
NO documents are attached
 4. Documentary bill -
when the documents are attached like,
bill of lading, railways receipts etc.
 5. Inland bill
 6. Foreign bill
 7. Import bill
 8. Export bill
- } Extra knowledge

* ADVANTAGES :-

- less risk
- liquidity
- short term financing
- Helps company's managing their receivables.

* DISADVANTAGES :-

- Bad debts
- Discounting charges are deducted which become the loss for the client

* Distinguish Between :-

Factoring

Bill Discounting

Converge.

1) Factoring is a broader term covering the entire trade debts of a client.

Discount covers only those bills which are presented for discounting.

2) Factoring facility can be for multiple debtors at a time.

Bill discounting is done for individual bills.

3) Parties involved in factoring are client, debtors & factor.

Drawer, Drawee & Payee.

4) Factoring service cannot be transferred or rediscounted.

Bills can be rediscounted or sold.

Rediscounting

Types.

5) Recourse & Non recourse are two type of factoring.

Bill discounting is always recourse.

6) services under factoring involve purchase, collection of debts, management of sales ledger, assumption of credit risk & financing.

It is only providing finance.

11 Feb, 19

remaining collect 9,99 crore

10 crore issue 10 LK

authorised capital with the RUC → state MOU

before the issue of manuscript book

Issue Management Process

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Pre-issue activity

Post issue activity

1. Preparation of documents
2. Obtaining approvals → SEBI/SEx./RUC
3. Finalizing agencies → underwriter, depository, broker, legal adviser, etc.
4. Drafting & approvals of Prospectus → distribute among govt. & institutions

1. Issue subscription
2. Allotment of shares
3. Refund
4. Periodical reports to SEBI

(actual called document / book level invitation)

given an application, offer

only 50 sh. → get co. → 15 ESU/1000 etc

13th Feb

Trading hrs → 9.15 am to 4.00 pm
IFIL → Broker

20th Feb

(middleman) commission charge (on both sides)
(only clearing help) **STOCK BROKING SERVICES**
membership cannot be done / member of the stock exchange

→ Meaning: i.e. change only stock brokerage.

Stock Broker is a member of recognized stock exchange to buy, sell or deals in securities on his own accounts or on an account behalf of his client. They are SEBI registered market intermediaries to can be individual partnership firm, companies & institution. member

→ Functions

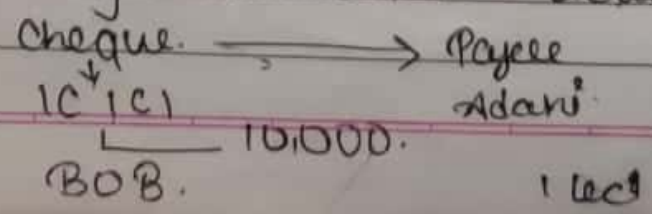
1. Buying & selling security
2. Acting as a middleman for client or investor
3. Helps in the clearing function of a stock exchange
4. Provide portfolio management service ^{consolidation of the investment}
5. Act as a agent.
6. Issues contract note.
7. Advise ~~to~~ to client

18th Feb, 19

* Membership

- 1. Trading Member (TM)
 - 2. Trading Clearing Member (TCM)
 - 3. Self Clearing Member (SCM)
 - 4. Professional Clearing Member (PCM)
- (transaction by 2.)

* Eg → clearing → calculation → actual paying



POCO SHOT ON POCO F1

min \rightarrow 3 & max \rightarrow 7 days.

1. Underwriting is optional for a public issue.
2. There can be multiple underwriters for one public issue.
3. Underwriters must be registered by SEBI.
4. Underwriter commission is payable at the rates prescribed by SEBI.

* Banker to an issue is a Escrow a/c.

1. One of the most important intermediary for collection of subscription or application money.
2. ~~collected~~ The transmitted the amount for investors to the company.
3. They are registered with SEBI to provide this services.
4. They have to maintain the records & books of account for at least 3 years after the closing of public issue.
5. SEBI can ~~cancel~~ & suspend their registration.
6. 250000 \rightarrow 1 year.

* Stock Broker to an issue.

1. Stock broker play an important role in an public.
2. The broker to an issue is selected in consultation with stock exchange.
3. Broker have large network of sub-brokers of the company spread across the country.
- 4.

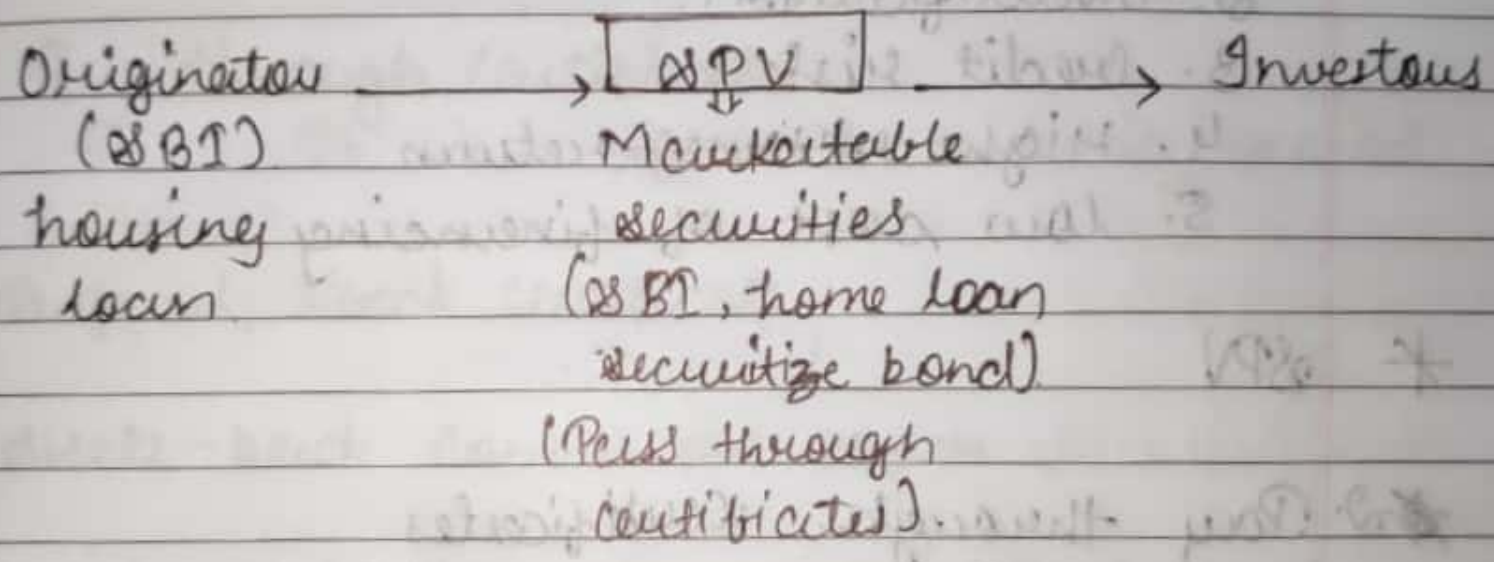
(Lower than price given)

IPO — FPO — Right — Bonus
↓ PO issue share

Underwriter

An underwriter is a bank & financial institution or merchant banker to provide guarantee for the successful completion of a public issue.

Example: (Process).



Process of securitization:-

Types of Securitization

1. Pass through Certificate

They have ^{the} single maturity. ^{The} cash flow on the securitized assets which are received on regular interval passed on to investor.

E.g. T L & FS. (Infra) has created an SPV & sold its 10 year lease agreements on machinery to the SPV. The income generated from these lease agreement (leasing charges) will be passed on to the investor by SPV.

2. Pay through Certificate

It is a different maturity period.

3. Preferred stock certificate

4. Asset-back Commercial paper

* Securitization

- Assets of finance co.'s & Bank
- Loans & receivable.
- Merchant banker.
- long term security
- cannot be recourse.

Factoring

- Assets of manufacturing & trading cor.
- trade debts & receivable.
- Factor, company & debtor
- short term & long term
- It can be recourse.

Benefit of Securitization

1. illiquid asset convert into liquid assets
2. Diversification.
3. Credit risk
4. High ~~return~~ return
5. low cost of financing

SPV

Pay through certificates

It is a the originator's sold sold ~~the~~ transferable assets having varied maturity; hence the securities which are create have multiple maturities (short term, medium term & long term).

Preferred stock certificate

100 F1

01st March, 20

MODULE - (3)

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(A) LEASING AND HIRE PURCHASE

⇒ A leasing is a contract between lessor & a lessee which grant a right to use an assets to the lease for a consideration to be paid which are called lease rental.

→ Owner of assets is called lessor.

Types of Lease

↓
Finance lease

for eg 10 yrs

↓
Operating lease

Hire Purchase

→ Principle + Interest are Hire charges.

→ Transfer of ownership only after the payment of last installment

→ In case of default owner reposses the asset

→ Forfeites the amt already paid

→ The Hirer has right to terminate the contract

POCO
SHOT ON POCO F1

Stages of financing

Seed finance (R&D)



Start-Up finance / First stage

(Initial Business needs)



Second Round financing (after exp. break even capital)

(Expansion)



Later stage financing (Establishment)

Investment Process

Generating New Deals



Due Diligence



Investment valⁿ



Pricing & structuring



Value soldⁿ & monitor



Exit

Disinvestment Mechanism

Robentime & also security

1. Buyback (Promoter buy the sth.)

2. Public Issue

3. Sale to other VCF

4. Mgmt. buyouts

POCO SHOT ON POCO F1

market access

* regulatory maneuver

(P, R, D) - initial phase



initial phase - no finance / first stage



(initial phase)

second stage financing



(Expansion)

later stage financing (Establishment)

Disinvestment
Monitors

* Performance Process

1. Development

generating new ideas



2. Public

Disinvestment

↓ ↓ ↓ ↓ ↓ ↓ ↓ ↓
IDFC NABARD SIDBI TDBT ICICI IDFC NHB HUDCO.

HUDCO. → 1970 → Housing & Urban Development Co.
Housing Development Financial Corporation → 1977
National Housing Bank → 1988 → started by RBI
to ensure ~~afford~~ to ensure affordable housing

Document require for taking loan.

- Income st.
- IT Return
- ID proof + Photographs.
- Property Documents

s. advisory function to

* Example of housing finance company,
Bajaj Finance Co.

ALM :- Asset Liability Management.

* Fair trade practices Code :-

1. It applies to all production service of HFCO.
2. and subsidiary
2. The laws are to be followed in letter & spirit.

(C) CREDIT RATING

- 1. Meaning
- 2. Agencies — origin

19th March 2019

(B) PLASTIC MONEY

* Features of PM.

* Parties involved in a card

- 1. Issue.
- 2. Card holder
- 3. Acquirer / Merchant.
- 4. Merchant acquirer
- 5. card institutions

* Growth. Economic Services.