Financial Literacy.

- Financial Products.

• Savings (Introduction) :-
Saving represents an individuals 'unspent earnings'. It is the amount that remains after meeting the household & other personal expenses over a given period of time.
= Eg = Monthly / Yearly Savings.

• What is savings?
Savings is the balance that remains after meeting of the consumption needs of an individual, people who buy on credit or have incremental EMI's would have little / none to save on a monthly basis.
Savings help in pooling up of funds for the future.

⟹ Importance of Savings:-
- Savings can be as simple as keeping aside money on a monthly basis or even investing small amounts on a monthly basis.
- Savings can help in meeting financial committments at a future date.
Eg = Buying a house.
- Savings can help you to earn more money with investments, even money kept idle in the bank A/c earns interest annually.
- Funds saved / set aside also enables an individual to stand against unforseen contingencies which arises at any time due to any reason.
Eg: Covid-19 pandemic, lockdown.

Eg: A's monthly paycheque is ₹4000.

⟹ Expenses :

Rent payment	=	₹1000
Car payment	=	₹400
Student Loan	=	₹300
Credit Card	=	₹100
Grocesies	=	₹150
Utilities	=	₹50
Cellphone	=	₹25
Gas cylinder	=	₹75
		(₹2100)

⟹ Savings = ₹1900

Meaning :

— Importance of financial literacy.

- Understanding basic financial concepts allows people to know how to navigate in the financial system.
- People with appropriate FL training makes better financial decisions & manages money better than those without such training.
- Prepares people for emergencies.
- FL can help individuals reach their goals, by better understanding of how to budget & save money. People can & create plans to better increase their ~~oags~~ odd's of making it happen.
- FL invokes confidence by making the best life changing decisions.

— Why Financial Literacy is required in India:-

- It is alarming that FL in India lacks behind in comparison to other countries. According to global survey, India, accomodates around '20%' of the world's population, yet only '24%' of the Indian population is aware about basic financial concepts. Since Independence govt has made efforts to promote 'FL' as it is directly related to Financial Inclusion →

which inturn plays a major role in fostering the economic growth of the country.

- Financial inclusion is now recognized by all 'stake-holders', 'policy-makers', bankers, practitioners, researchers & academations accross the globe. So this leads to understanding of FL in India.
- The government must take into consideration that mere access to Financial services does not ~~encourage~~ ensure. promoting financial literacy. It is the knowledge of financial products and its regular application that will bring the desired change.
- In order to promote FL in India, Individuals should be impacted with relevant skills & knowledge ~~or~~ at various levels, mainly in schools & colleges. They should be enabled to put their skills & knowledge into practice through their ability & self efficacy. the basic financial education at college level must include :-

(a) A robust understanding of financial planning.
(b) Knowledge of usage of basic financial products.
(c) Effective money management.
(d) Debt management.
(e) Prioritizing needs over wants (n>w).
(f) Understanding effective investment instrument like [SIP]
(g) Understanding terms of [E.M.I]

discounting factor. ⟵ ⟶ compounding factor (± interest)

⇒ Time Value of Money (TVM).
- Present Value (PV).
- Future value (FV).

- Time value of money is also known as 'time preference.' TVM is a concept that ~~is~~ money you have now (PV) is worth more than identical sum in the future due to its potential earning capacity. This core principle of finance holds that provided money can earn interest, any amount of money is worth more the sooner it is received.

TVM is an important constant to investors because a '₹' on hand today is worth more than a ~~₹~~ '₹' provided in the future. The ~~rup~~ (₹) on hand today can be used to invest & earn interest or Capital Gains (Profits).

Today's '₹' is worth more than tomorrow's because of inflation & compound interest. Inflation ↑ses price overtime, which means that each '₹' you own today will buy more in the present time ~~to~~ than it will in the future.

TVM is important because it allows investors to make a more informed decision about what to do with their money. TVM can help you understand which option maybe the best based on 'Interest, Inflation & Risk and returns'.

⇒ Money has time value because of the following reasons:

★ Risk & uncertainity: Future is always uncertain & risky.

★ Inflation: In an inflationary economy money recvd today has more purchasing power than that to be recvd in future.

* Consumption & investment opportunities : Investment opportunities with respect to intrest rate may either increase or decrease depending on the market situations.

* ~~TVM concept is used~~

TVM concept is used :-

- To compare the ivestment alternatives to judge the feasibility of proposals.
- In choosing the best investment proposals to accept or to reject the proposals for investment.
- In determining the Interest rates, thereby solving the problems involving loans, mortgages, leases, savings & Annuities.
- To find the feasible time period to get bak the Original Investment or to earn the expected ROR (Rate of Returns) (Profit %)
- It helps in wages & price fixation.

Eg: Mr. A invests ₹1000 (PV) for 1 year ~~at~~ @10% P.A then at the end of the year Mr. A would have ₹1100 (FV).

So according to the example ₹1000 (today) is worth ₹1100 a year from today.

PV —@10% p.a— compounding factor → FV

Eg				
	20.7.23	20.7.24	20.7.25	20.7.26
	PV	FV	FV	FV
	(₹1000)	(₹1100)	(₹1210)	(₹1331)

PV ← Discounting factore — FV

- PV (Present Value).
- This is your current Starting amount. It is the money you have in your hand at the Present time, your initial investment for your future.

- FV (Future Value)
- This is your ending amount at a point in future.

- 5 C's of Credit:

1. Character : On the basis of Cibil score, reputation they will give you higher amount of loan. The Lender uses your credentials for reference to access your characte.. Credit report will be accessable while provided loans by lenders.

2. Capacity : Your repayment time. Looks at how capable you are to pay the loan according to your cash flow.
Eg : 50 lakh loan for 5 yrs [+ interest %].
- A topup loan is an additional loan taken to an existing loan,
Eg : Loan of on car of 5 lakh's to pay 5 lakh's bank provids top up for ₹ 1 lakh & make it in total ₹6,00,000.

3. Capital : Lender (Banks / Institutions) want you to add your money to the mix.
Eg: Total capital ₹10,00,000 [wherein ₹6,00,000 is from Lender & ₹4,00,000 is from self].

4. Collateral: Can be used by borrower to help secure a loan. It gives lender an assurance that if the borrower is unable to pay their loan, the lender can get something back by repossessing the collateral.

5. Conditions: lenders take into consideration when determining whether or not to issue a loan is the length of time that you have been at your current job. This not only helps to inform the lender about your income, but also helps them to get a sense of your job stability for the future.

→ Management of spending & financial discipline:-

- Meaning of Management of spending:
→ It is also known as 'Spend Mgt'. Spend Mgt is about maximizing value from company spend, while decreasing cost, mitigating financial risk & improving supplier relationship. Spend Mgt is primarily related to ~~proc~~ procurement & encompasses spend analysis, strategic sourcing & supplier relationship management.

⇒ Importance of spend Mgt.

- Spend Mgt helps to control procurement related cost. It also says that an efficient spend Mgt solution improves the overall

—rationality

procurement process.

⇒ Principles of Spend Mgt:-

- It is a set of process & practices that ensures smart procurement decision & efficient purchasing. It ~~aids~~ aims to manage company purchases & supply based holistically, maximize value, mitigate financial risk & enable the best total cost of ownership.

⇒ Financial discipline & spend Mgt:-

- Financial discipline is the practice of maintaining control over one's financial resources by making informed ~~decesi~~ decisions with respect to spending, saving & investing. It also involves creating a budget, living withing one's means, & avoiding un-necessary expenses.

⇒ Importance of F.D:-

- Financial discipline allows an individuals to plan for unexpected expenses, avoid ~~be~~ debts & maintain a stable financial situation. It also helps individals to build wealth O.T. by making informed decision about saving & investing.

Eg: Preparing a budget, Listing out debts, Provision of emergency fund, Pension plan.

• How to include F.D at organisational level:-

(1) Preparing budgets:
— Organisation can set their goals by preparing budgets w.r.t. allocation of expenses.

(2) Controlling:
— The organisation should list out its expenses & accordingly cut down un-necessary expenses.

(3) Measuring & working:-
— Estimating expenses in advance will help the organisation in appropriate allocation of funds for smooth working of the business.

→ Credit information organisation & credit score.
• Also known as credit bureaus.
These organisations collect, ~~analysie~~ analise & maintain credit data on borrower's, businesses & organisations
These credit companies are licensed by RBI & the top 4 credit companies in India are
- CIBIL (Credit infoⁿ bureaus India Ltd)
- EQUIFAX
- EXPERIAN.
- CRIF Highmark.

→ Credit information Organisations & credit score.

What are credit companies/organizations/Bureaus?
→ These organisation collect, analyse & maintain credit data on borrower's business & organizations

* Functions performed by credit information companies:-
i) To provide credit information to individuals & co-orporate borrowers to its own credit report.
ii) Provides data mgmt. services to the credit institutions who are its members.
iii) Collecting, processing & disseminating data or information related to property mortgage to credit istitutions & information relating to investments made in securities other than those issued by Central Govt. & instructions given by RBI from time to time.

⇒ Credit Score & its importance:-

Credit score is a three digit numbers that shows the credit worthiness of an individual & corporate borrowers. It is the first thing which is checked by the banks or the financial institutions when an individual or a corporate borrower applies loan, such as the interest rate, influences the lenders desires to finance the borrowers. Loans that will be used towards things like a vehicle or home improvement might be easier for a lender to approve because they are loans that serve a specific purpose, rather than a general loan, lenders will also take things like the economy & industry trends into account as well.

Regardless of whether you are applying for a business loan, a car loan, or a mortgage, understanding how your credit factor into your eligibility is incredibly important. Not only will it allow you to get a feel for what you may be approved for but being aware of your credit can also help you to make informed financial decisions that can help you in your financial future.

Advantages:

- Get approved for a higher credit limit on credit cards.

→ With a good credit score one can get approved for a higher credit limit on their credit cards. Banks & F.I^th are likely to lend more money on the basis of good credit scores as the credit worthiness is proven in the credit score report

- Eligibility for a pre-approved loan offer.

→ Borrowers with a good credit score are eligible for pre-approved loan offers. Generally a pre approved loan offer is given by banks to its existing customers who have a good credit history.

I.O = I. Portfolio

— Short Notes —

- Credit information Companies & their process.

1) CIBIL.

- Credit inforⁿ bureau India Ltd.
It came into existence in August 2000, in Mumbai, it is also known as 'Trans-union CIBIL Ltd,' addition to that CIBIL was launched as India's 1st Credit Bureau.
In 2007 'CRISIL' had started launching their credit score termed as "CIBIL SCORE" In 2011 'C.S' CIBIL made their scores available for individuals (consumers).

- Process :-

(a) On the website's 'CIBIL CREDIT SCORE & CIBIL Credit REPORTS' are available for Individuals also.

(b) An indivial can login to 'CIBIL' website & fill the required data in the online form.

(c) An individual can get his or her credit score & report on his or her registᵈ email. Id.

(d) A person can avail annual credit report at the website.

— Investment opportunities & Financial Products:-

- What are investment opportunities?

* Meaning : Investment opportunities means any opportunity in which a the company or any of its affiliates or subsidiaries at any time sought to invest regardless of whether such opportunities was generated in whole or in a part.
* Investment opportunity means anything tangible or intangible that is offered for sale, sold, or traded. It also means a work activity not currently identified in the lifftime plan which if pursued may result in a cost or a schedule which is beneficial for an individual or a company.

— Importance of investment opportunities:-

1) It helps to put money to work.
2) It helps to build potential wealth.
3) —"— outspace inflation & increase in value
4) —"— generate the power of compounding & the risk return tradeoff.

— Investment opportunities in India :-

- In India, there are various investment avenues for investors, understanding the different investment options is important for designing a favourable investment portfolio-mix.

* PF (Provident fund) is an addition to the salary & Deduction to the salary as well.

X Tx.

* 9. Q indemnity

1) Different investment options are:
- Stocks.
- Mutual Funds.
- Term Deposits. (Recurring & fixed term).
- Pension Plans.
- Life Insurance plan.
- Real Estate.
- Commodity trading. [trading in buying & selling primary products like, food, metal, petroleum & energy].
- Money market instruments. [includes short term, highly liquid financial products like commercial papers, treasury bills, gold etc]

- What are financial products?

Financial product is a product provided to consumers (Individual, Salaried) & businessmen or other organisations by financial institutions such as banks, insurance companies, brokerage firms, consumer finance companies & investment companies.

- List of financial products in India.
1) Mutual Funds
2) Rentition Pension Schmes (NPS).
3) PPF (Public Provident Fund).
4) Money market (Stocks).
5) Sukanya Samriddhi Yojana.
6) Fixed Deposit's (FD's).
7) Gold
8) Real estate.
9) Saving's Ac
~~10) Forex.~~
10) FOREX.
11) Post office saving scheme's.

- Insurance:-

1 → What is Insurance?
2 → D/B Life Insurance & Non-Life Insurance (Genl Insce).

1) It is a legal agreement b/w "insurer" & "insured" in which [Insures is the Insurance Company] & [Insured is the Individual] for which insurance premium is paid to the insurance company against financial protection for damage's & loss.

- How does an insurance policy work?

Ans: There are foll^g steps:-
1) Buy the insurance policy.
2) To pay regular premium(s).
3) Event should occur [Accident, theft, fire]
4) Insurance claim.

{Salvage Goods} → goods left out / not burns in fire. {Resellable in ~~market~~}

Points.	Life Insurance	Non-Life Insurance.
1) Meaning.	• It refers to insurance contract in which the life risk of an individual is protected (covered)	• — " — which are not covered under life insurance i.e it covers insurance w.r.t fire, theft, accident, marine etc.
2) Form.	• It is a form of investment.	• It is a contract of indemnity.
3) Term of contract	• Long term	• Short term.
4) Claims payment	• Insurable amount is paid either on the occurrance of the event or on maturity.	• Loss is re-imbursed on the occurrance of the event.
5) Premium	• Has to be paid over the years.	• — " — is generally paid yearly or in lumsum.
6) Policy Value	• Can be done for any value based on the premium the policy holder is willing to pay.	• It is the amount payable under this is confined to the actual loss suffered or liability incurred irrespective of the policy amount
7) Savings Component.	• It has a saving's component	• It has no saving's component.

Types of life Insurance Plan's / Policies:-

1) Term life is also known as term plan.

- This type of plan is long term w.r.t financial protection for family.
- Under this plan death & benefit is given to the beneficiary to the family members.
- If the policy holders posses away during the policy term.
- Term plan has high amount of coverage offered at extremely nominal premium rates.

2) Whole life Insurance Plan :-

- This type of plan provides life cover for the entire life or 99 years of age.
- This type of life insurance offers coverage right until the death of the policy holder.
- In this policy you can opt either participating or non-participating policy as per the your financial need & risk appetite.
- The premium for participating the whole life insurance is higher in comparison of non-participating.
- Under the participative whole life insurance dividend are paid out at regular intervals to the policy holder's such benefit are not given to the non-participative whole life insurance holders.

Friday....

3] ULIP (Unit Linked Insurance Plan).

- ULIP is a type of life insurance product that offers dual benefits of investments & life insurance.
- Under ULIP the portion of a premium is paid is directed toward ensuring insurance coverage while the rest of the premium is invested into a banquet of investments (that include equity markets, debt funds, security markets).
- ULIP in comparison to other life insurance plan has benefits in terms of tax saving because the proceeds. arising out of ULIP is exempted under long term capital gain

4) Endowment Policy.

- This is the type of life insurance Policy with acts as an instrument for insurance & savings.
- This politice aims to provide maturity benefits to the life insured in the form of lumsum payment at the end of the policy tenure.

5) Money back policy:-

- In this type of life insurance policy the policy holder gets a fixed amount at fixed interval in the form of servival benefit.
- In this policy, once the policy holder reaches the maturity, then the remaining amount of the sum assured is the handed over

to the policy holder reaches the maturity, then the remaining amount of the sum assured is handed over to the policy holder. However if the policy dies while the term is on going then the beneficiaries of the policy holder will get the remaining ~~amony~~ amount of sum assured.

(6) Retirement Plan:-

- It is a type of life insurance plan that focuses on providing financial stability & security post retirement.
- Investing in a retirement plan helps to create a stable & regular income.
- Under retirement plan the policy holder requires to invest the certain part of his income → regularly during his working life.
- This type of policy also involves depth benefits.
- If the policy holder dies during the course of the policy then their beneficiaries will be provides with an assured sum.

→ SME's (Small medium enterprises)
→ LSE's (Large Scale — " —)
→ Factories Act 1948.

This type of insurance policy ensures that the business does not face any kind of financial burden bez of any financial & business risk Apart from covering the damage's of the property or employee injury, it also covers employer's liability. This type of policy is taken by commercial & business entities.
Eg: Large business / corporate houses, SME's, LSE's.

Commercial insurance has a number of insurance types based on the type of asset covered.
Eg: ① Liability insurance (injury / damage Cyber Crime
Cyber insurance.
② Marine & Cargo Insurance (Shipment of Imp & Expl.
③ Engineering Insurance (all risk related to machinery & engineering) [Heavy mach]
④ Workmen Compensation Insurance:-
(Covers financial coverage to employees who gets injured / die's due to any mishap during the working ~~hours~~'s hour's.
⑤ Crop Insurance :-
[This insurance is brought by ~~agriculturis~~ agriculturist to cover their financial loss]
FL Like damage due to natural calamities & ~~Pest~~ Pest infestations.
⑥ ~~Acid~~ Asset insurance : This insurance provides financial coverage to your "assets"
↓
Modern day devices that makes our life simpler, richer & smarter.
In case of any damage these types of devices are usually comparative to be repaired so this insurance gives coverage against the same.

(7) Pet insurance :-
This type of insurance provides financial coverage w.r.t pet's health & well-being requirements (Pet surgery, vaccines, medical conditions).

- NPS & Retirement Planning :-

- NPS : National Pension Scheme
Govt of India established pension fund regulatory & Development Authority (PFRDA) on 10th Oct 2003 to develop & regulate pension sector in India. Later NPS was launched 1/1/2004 with the objective of providing retirement income to all the citizens. NPS aims to institute pension reforms so that the habit of savings is for retirement is inculcated among the citizen of India.
- Initially NPS was introduced for the new govt recruits except armed forces.
NPS has been provided to all the citizens including the unorganised (Private Sector) on voluntary basis from 1/5/2009.
- In addition to the above, to encourage the people from the unorganised sector to voluntarily save for their retirement the central govt launched a "Co-contributory scheme". "Swavalamban Scheme".
In the union budget of 2010-11. Under this scheme the govt will contribute a sum of ₹1000 to each eligible NPS subscriber Eligible who contributes a minimum of ₹1000 & maximum of ₹12000 p.a. The scheme is presently applicable upto F.Y. 2016-17.

- NPS offers ~~the~~ foll^n important features to help subscribers save for retirement

(1) Subscriber are alloted a unique 'PRAN' (Permanent Retirement A/c No). This no remains a same for the rest of the subscriber life.

(2) PRAN will provide access to 2 personal A/C's.
Tier 1 A/C — Tier 2 A/c

- T1 - Non withdrawable A/c meant for saving for retirement. (Fixed until 60) (Non taxable, Interest + lumsum).
[withdraw for education housing etc]..

- T2 - The NPS holder is free to withdraw saving from this A/c whenever he wishes (Taxable).

→ Benefits :- of NPS.

(1) A transparent & cost effective system, where in the pension contributions are invested in the pension fund & the employee will be able to know the value of the investment on daily basis.
(2) It is simple because all the subscribers who open an a/c get a unique 'PRAN' for their future access

(3) NPS is regulated by (PFRDA) so it is reliable & transparent w.r.t investment norms & withdrawls.

- **Risk & Returns: (ROI)**

The term return refers to income from a security after a definate period either in the form of interest, dividend or market appreciation in the security value.
[Security = Investment / Asset value.]

- Risk refers to uncertainity over the future to get the ~~to~~ returns. Risk is a ~~propab~~ probability of getting returns on the investment.

- Types of R. & R.
Whenever an individual invest's or saves, there are different types of risk that is involved systematic risk & un-systematic risk.

• **Systematic Risk**
• Risk involved due to influence of complete economic market is known as S.R. These types of risk leads to loss of assets due to economic conditions & political changes. Systematic risk is further classified as political risk

1) Political risk:
- Arises largely bcz of political instability in the country.
Eg: War, Death of the PM

Tourism

2) Market Risk:
- This arises due to shift of investors in a particular product / company.

3) Exchange Rate Risk:
- Arised due to unpredictable change in currency value w.r.t exports & imports

4) Interest Rate Risk:
- Arises due to shift in the market rate interest which mostly affects fixed ~~asset~~ income asset

• **Un-systematic Risk:-**
• A type of risk that impacts only 1 segment or sector or business. It include the danger of loosing money on an investment bcz of a business hazard.
- Eg: During Lockdown tourism / hotels / entertainment industry were badly affected.

- **Returns types.**
• Returns is categorized into 2 types
i) Realised Returns - (Actual).
It refers to actual return on an investment over a specific time period this type of returns is fixed. it provides information to investors to help them to make financial choices much wiser in the future

• Eg:- ₹10,000 (Inv) @ 10% p.a (ROI)(time) = ₹1000/- ~~pa~~ (R.R).

ii) Expected Returns:

It refers to estimated profits or losses that an investor may expect from an investment. ERR (Expected Rate of Return) is a metric used to estimate if an investment will have a +ve / -ve net outcome.

- Eg: ₹10,000 @ 10%. ERR (1.1.22)
  (a) by (31.12.22) @ 8%. = ₹800 [-ve impact]
  (b) By (31.12.22) @ 12%. = ₹1200 [+ve impact]

- Rule of 72 or Power of 72:-

- Meaning:- It is a finance shortcut to quickly establish how long an investment will take to double. The rule of 72 simplifies the calculation by dividing the no 72 by the ROR on an investment; It is the simplest method to know 'n' (no of years) w.r.t twice the amount of investment.

· Eg: ₹1000 @ ROR / ROI is
  (a) 5% $\frac{72}{5}$ = 14.4 yrs.
  (b) 9% $\frac{72}{9}$ = 8 yrs.

· Rule of 72 is applied as a thumb rule to know the no of yrs in which the investment would be doubled.