

## **Unit 1: Introduction to Financial Literacy**

Introduction:



Financial literacy assumes much significance in today's world. Financial literacy, as a life skill, is to be imparted to every individual for management of their personal finances. People face various issues like complexity of financial products, prevalence of fraudulent and Ponzi schemes, need for funds to get a better quality of life after retirement etc. These issues have generated need for a better management of personal finances with proper management of income and expenditure.

Financial education helps people in being financially literate and develop a positive attitude towards managing their income, expenditure, assets and liabilities properly, which would lead to better financial well-being.

Financial planning is a must for every household. Financial planning goes beyond savings. It is an investment with a purpose. It is a plan to save and spend future income and should be carefully budgeted.

Financial literacy refers to the knowledge and understanding of various financial products. It helps individuals manage their money, personal finances, investment, and tax planning. Its primary purpose is safeguarding individuals from financial frauds and scams.

It is crucial for the realization of long-term goals—a child's higher education, buying a house, or establishing a business. It highlights emergency funds, retirement funds, insurance, and estate planning. Educating one individual creates a chain reaction—creating awareness among friends, family, colleagues, neighbours, clients, etc.

Financial literacy is the cognitive understanding of financial components and skills such as budgeting, investing, borrowing, taxation, and personal financial management. The absence of such skills is referred to as being financially illiterate.

Financial literacy consists of several financial components and skills that allow an individual to gain knowledge regarding the effective management of money and debt.

Below are the fundamental components of financial literacy that should be learned.

### **1. Budgeting**

In budgeting, there are four main uses for money that determine a budget: spending, investing, saving, and giving away.

Creating the right balance throughout the primary uses of money allows individuals to better allocate their income, resulting in financial security and prosperity.

In general, a budget should be composed in a way that pays off all existing debt while leaving money aside for saving and making beneficial investments.

### **2. Investing**

To become financially literate, an individual must learn about key components in regards to investing. Some of the components that should be learned to ensure favorable investments are interest rates, price levels, diversification, risk mitigation, and indexes.

Learning about crucial investment components allows individuals to make smarter financial decisions that may result in an increased inflow of income.

### **3. Borrowing**

In most cases, almost every individual is required to borrow money at one point in their life. To ensure borrowing is done effectively, an understanding of interest rates, compound interest, time value of money, payment periods, and loan structure is crucial.

If the criteria above are understood sufficiently, an individual's financial literacy will increase, which will provide practical borrowing guidelines and reduce long-term financial stress.

### **4. Taxation**

Gaining knowledge about the different forms of taxation and how they impact an individual's net income is crucial for obtaining financial literacy. Whether it be employment, investment, rental, inheritance, or unexpected, each source of income is taxed differently.

Awareness of the different income tax rates permits economic stability and increases financial performance through income management.

## 5. Personal Financial Management

The most important criteria, personal financial management, includes an entire mix of all of the components listed above.

Financial security is ensured by balancing the mix of financial components above to solidify and increase investments and savings while reducing borrowing and debt.

Achieving an in-depth knowledge of the financial components discussed above guarantees an increase in an individual's financial literacy.

### Importance or Benefits of Financial Literacy



### 1. Personal Financial Planning and Management

Individuals who gain financial knowledge develop various sources of income. They prepare a monthly budget and borrow carefully. Financial knowledge ensures diligent financial management—enough savings for a rainy day.

### 2. Identify Fake Schemes

Contemporarily, financial fraud is on the rise—chit funds, pyramid schemes, Ponzi schemes, carding, etc. A financially literate person will evade shady schemes. It is the perfect antidote to get-rich-quick schemes.

### 3. Spread Investment Awareness

Financial education does not occur in a vacuum. It is not an isolated incident. Educating one individual creates a chain reaction. Such an individual would make efforts to educate family, friends, students, colleagues, etc. A financially literate individual may conduct seminars, teach in colleges, write articles and books, mentor students, etc.

Everyone is interested in finance; everyone is a stakeholder. Therefore, financial literacy is a movement; “FIRE” is a good example.

#### **4. Succession Planning**

It is often said that the poor plan for Saturday night whereas the rich plan for three generations. By being financially prudent, individuals impart valuable knowledge to their children. Moreover, they plan their succession and leave sufficient money for their successors.

#### **5. Refrains from Herd Mentality**

The financially literate don't follow random public opinion. They get to the bottom of every financial trend. They are more immune to incorrect market speculation. They make cautious investors, but in the long run, the profits add up.

#### **6. Financial Planning and Decision Making**

It is very important to set up an emergency fund and a retirement plan—the earlier, the better.

### **Basic Concepts**

#### **Income, Expenses and Budgeting**

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

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

Setting priorities: Needs and Wants

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

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

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

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

#### **Income**

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

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

#### **Expenses**

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

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

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

### **Budgeting**

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

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



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



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

### **What is power of Compounding?**

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

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

Year	Principal	Rate of return	Return earned	Principal + return
1	1,000	9%	90	1,090
2	1,090	9%	98	1,188
10	2,172	9%	195	2,367
20	5,142	9%	463	5,604
40	28,816	9%	2,593	31,409

**Rule of 72:**

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

Years to double =  $72 / \text{Interest rate}$

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

**What is Financial Planning?**

Financial planning is the process of estimating financial need of a person and to implement comprehensive plan to meet those financial need during his or her lifetime. for eg. Birth of a child, Purchasing House, Marriage, to meet emergencies etc.

Financial planning is the process, which provides you a framework for achieving your life goals in a systematic and planned way by avoiding shocks and surprises.

Financial planning is the practice of putting together a plan for your future, specifically around how you will manage your finances and prepare for all of the potential costs and issues that may arise. The process involves evaluating your current financial situation, identifying your goals and then developing and implementing relevant recommendations.

**Here are eight common services that are generally offered as part of financial planning:**

**Tax planning:** Financial planners often help clients address certain tax issues. They can also figure out how to maximize your tax refunds and minimize your tax liability. Certain advisors may also be able to actually help you with preparing your taxes and filing your annual taxes.

**Estate planning:** Estate planning seeks to make things a bit easier for your loved ones after you die. Preparing a will may be part of a financial planner's services. Estate planning also helps prepare for any estate tax you may be subject to.

**Retirement planning:** You presumably want to stop working someday. Retirement planning services help you prepare for that day. They ensure that you've saved enough money to live the lifestyle you want in retirement.

**Philanthropic planning:** It's always nice to give something to people who need it or help a cause close to your heart. Financial planning can help you ensure you're doing it efficiently and getting all the tax benefits you're eligible for.

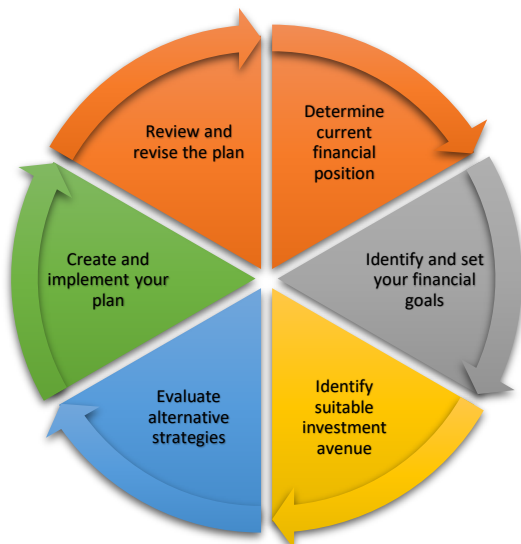
**Education funding planning:** If you have children or other dependents who wish to pursue a college degree, you may want to help them to pay for it. Financial planning can help make sure you are able to do so.

**Investment planning:** Though financial planning doesn't include the actual management of your assets, it can still help with your investment portfolio by mapping out how much you should be investing and in which types of investments.

**Insurance planning:** A financial planner can help you evaluate your insurance needs. Some financial planners are also licensed insurance agents and can sell you insurance themselves. However, they'll likely earn a commission, which would create a conflict of interest.

**Budgeting:** This is perhaps the cornerstone of financial planning. A planner can make sure you are spending the right amount given your income and can also make sure that you aren't going into debt.

### Financial Planning Process



#### 1. Determining current financial position:

If you want to plan for the future, you need to understand your current financial position. What are incomes, expenses, assets and liabilities/ debts? Your net worth is simply assets you owned minus liabilities you owed. The networth is calculated as under :-

Assets		Liabilities	
Particulars	Amount in Rupees	Particulars	Amount in Rupees
Car	25,000	House Loan	20,00,000
Bank Balance	5,00,000	Car Loan	10,000
House	50,00,000		
<b>Total Assets</b>	<b>55,25,000</b>	<b>Total</b>	<b>20,10,000</b>
		<b>Liabilities</b>	
<b>Net-Worth (Assets-Liabilities)</b>	<b>₹ 35,15, 000/-</b>		

#### 2. Identify and set your goals:

Your financial goals can range from acquiring assets, saving for emergency as well as investment for your future financial security. The financial goals of an individual can be categorized as below:

- a. Basic financial goals (food, clothing, shelter etc.)
- b. Secondary or advanced financial goals (education, house, marriage, etc.)
- c. Estate planning (Retirement planning)

Individuals can use a variety of investment, risk management, and tax planning strategies to meet their financial goals. These goals change over an individual's lifetime, and accordingly the financial plan should be reviewed on a regular basis for any modifications as per change in circumstances.

A Good Financial Goal must be SMART.

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



		<b>Incorrect Approach</b>	<b>Correct Approach</b>
<b>Specific</b>	You need to know exactly what you want to achieve and when you want it.	I need to set aside money for my grand daughter's birthday next year.	I need to set aside ₹10,000 for my grand daughter's birthday next year.
<b>Measurable</b>	A goal should be measurable so that you know when you will achieve it.	I will pay off most of my credit card debt soon.	In the next six months, I will pay thereof my two credit card bills in full.
<b>Achievable</b>	Your goal should be within reasonable reach.	I will save money	I will save ₹ 48,000 each year by putting aside ₹ 4,000 a month.
<b>Realistic</b>	Your goal need to be based on resources and task that you reasonably accomplish.	By saving regularly, I will become a millionaire.	By saving regularly I will be debt free by next year and will have saving equal to six months of my living expenses by next December.
<b>Time Bound</b>	Goals with timelines allow you to track your progress and encourage you to keep going until you reach your goal.	I will save money for my daughter's marriage	I will save ₹ 50,000 a year for next 10 years for my daughter's marriage.

### **3. Identifying Suitable Investment Avenue:**

#### **STEP 1: Identify specific financial goals**

It is important to chalk out a proper plan to earmark each investment with a specific goal. It is crucial to prioritize goals and aspirations and estimate the amount of money it would take to fulfil them.

#### **STEP 2: Classify goals into short-term, medium term or long term**

Short-term goals are typically financial requirements that are expected to arise in time period ranging from a few months to one year. Goals like buying property, starting your own venture, or getting enrolled in a professional course can be a medium-term financial goal. Long-term goals may have a time horizon of eight years or more for example child's marriage or retirement course.

#### **STEP 3: Decide upon asset-allocation**

It is a strategy for investing your money into various asset classes such as equity and debt that would suit an investor's income and risk appetite. It is an investment strategy that aims to balance risk and reward - in the form of returns - by dividing a portfolio's assets according to an individual's goals, risk tolerance and investment horizon.

#### **STEP 4: Choose the right investments and diversification (within asset classes)**

Arriving at the right risk-return combination and choosing the right asset allocation can seem difficult. For a longer term goal, it is advisable to focus on maximizing returns with diversified asset allocation.

#### **Diversification:**

It is a tool which reduces risk by allocating investments among various financial instruments, industries, and other categories. It aims to maximize return by investing in different assets, investments and areas that would each react differently to the same event such as those relating to the economy or markets.

Although diversification does not provide guarantee against loss, it is the most important component for reaching long-range financial goals while minimizing risk.

#### **STEP 5: Review and revise financial plans**

To stay on track, regularly review the progress towards your goals and investments. Review the investments like stocks and mutual funds in your portfolio. Certain products may seem tailor-made for specific needs, but they may not be actually useful for one's portfolio. Be aware of such investment options.

### C. Choosing Investment Options & Understanding Risk

The investment avenues before the investor are fixed income securities, equity investments, mutual funds etc. Every asset class has its own risk and returns. Investments in equities are considered as higher risk investments as their returns are subject to performance of individual companies and general economic scenario. On the other hand, investments in the asset class of debt are relatively considered lower risk. For instance, Government bonds are considered to be effectively "risk free" due to the trust that government will not default on the repayment to investors.

**Three pillars of investment** - The investment decision by an individual is influenced by safety, liquidity and return. They are called the three pillars of investment.

1. Safety
2. Liquidity
3. Returns

### D. Returns from Investment

Returns from Investment can be described as a gain made by an investor on the investment he or she has made. The returns can be in two forms:-

(a) Regular income (b) Capital appreciation.

**Regular Income** - This type of returns generally comes in the form of dividend received from:

**1. Equity Investment** - You get dividends when buy and hold equity shares of a company and units of equity mutual fund.

**2. Fixed Income Investments** - This emanates from interest bearing Investments.

**Capital Appreciation** – When the value of initial investment gets enhanced over time and the investor benefits by selling part or whole of the investment at the enhanced value or price.

### E. What are Risk and Returns

Risk can be defined as probability of loss occurring in relation to your expected returns from any particular investment. It is measure on the basis level of uncertainty of achieving the returns as per investor expectation. Risk and investment go hand in hand. The risk comes with potential for reward from investing – which is what make the whole process worthwhile.

Risk V/s Return

- No such thing as risk free investment.
- Risk and Return relation is tradeoff.
- Risk can not be eliminated but can be managed.
- Manage risk with diversification.



## **Savings Related Products**

Here will discuss various types of saving related products available to the public. These includes deposited schemes offered by Banks, Government deposit scheme, Public deposit schemes issued by companies.

Why to keep money in Bank?

- Unsafe to keep at home
- Loss of growth opportunities
- No Credit eligibility

## **What is Bank?**

A bank is a financial institution that is licensed to provide loans and receive deposits from its customers. Banks also provide various financial services such as currency exchange, wealth management, and safe deposit boxes, etc.

Broadly, banks can be categorized into retail banks, corporate or commercial banks, and investment banks. In most countries, banks are regulated by the central bank or the government. In India, the central bank, the Reserve Bank of India (RBI), is entrusted with the responsibility to regulate all the banks across the country.

## **Banking:**

A bank is known as a financial institution responsible for accepting deposits from the public and creates a demand deposit while simultaneously providing loans to its borrowers. Banks can perform these lending activities either directly or through capital markets.

After the country got independence, the government took steps to regulate the banking and business sector in India.

For that, the government brought in a law, in which, the banking and banking business in India has been clearly defined. This law changed to an Act named the Banking Regulation Act (BR Act) of 1949.

As per the BR Act, Section 5 (c), “a banking institution is a company that transacts the business of banking in India.”

Section 5 (b) of the BR Act also describes the banking business as “accepting for the purpose of lending or investment of deposits of amounts from the public, repayable on demand or otherwise, and withdrawal by cheque, draft, and order, or otherwise.

## **Structure of Banking System in India**

The Banking System in India has a hierarchical structure consisting of various types of banks. Here’s an overview of the structure of the banking system in India, which also includes legislation under which each type of bank operates:

**Reserve Bank of India:** Central bank and apex regulatory authority for the banking system in India. Reserve Bank of India Act, 1934

**Scheduled Commercial Banks:** Refer to banks that are listed in the Second Schedule of the Reserve Bank of India (RBI) Act, 1934.

**Public Sector Banks (PSBs):** Owned and controlled by the government of India. Banking Companies (Acquisition and Transfer of Undertakings) Act, 1970 and 1980

**Private Sector Banks:** Owned and operated by private entities or individuals. Banking Regulation Act, 1949

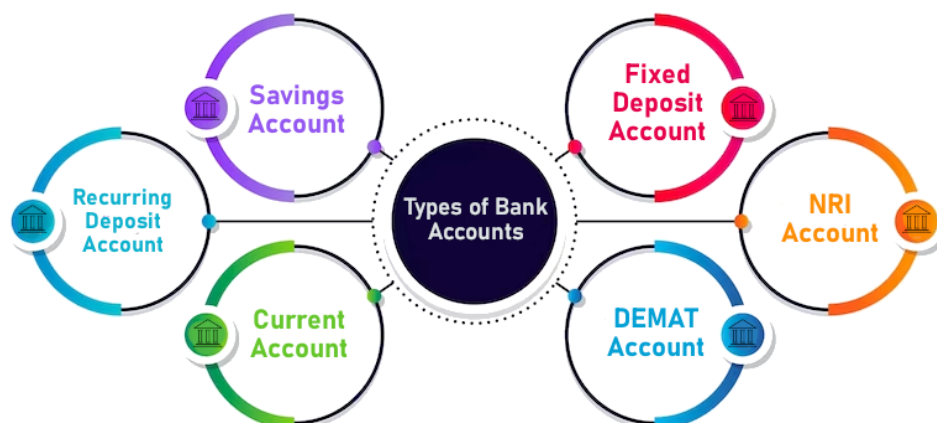
**Foreign Banks:** Bank with headquarters outside India but operate branches in the country. Banking Regulation Act, 1949

**Regional Rural Banks (RRBs):** Specialized banks providing services to rural and agricultural sectors. Regional Rural Banks Act, 1976

**Cooperative Banks:** Financial institutions are owned and operated by cooperative societies or groups of individuals. Banking Regulation Act, 1949 (for urban cooperative banks) and State Cooperative Societies Acts (for rural cooperative banks)

**Non-Banking Financial Companies (NBFCs):** Institutions providing banking and financial services without holding a banking license. Reserve Bank of India Act, 1934 and the Companies Act, 2013

## Types of Bank Accounts



### 1. Savings Account

As we see, the savings account can be opened either by an individual or jointly by two individuals with a prime objective of saving money.

The main advantage of opening a savings bank account is that it pays the customer a sum of amount in the form of interest against opening this type of savings account.

Features of Savings Bank Account:

- No limit of the number of times the account holder can deposit money in the account. However, there is a restriction on the number of times money can be withdrawn by the account holder.
- The rate of interest varies from 4% to 6% per annum
- No minimum balance required to be maintained.

- Internet bank service is provided
- Account holders are provided with an ATM/ Debit/ Rupay Card
- Savings bank account is further categorized as Basic Savings Bank Deposit (BSBDA) and Basic Savings Bank Deposit Accounts Small (BSBDS)

## 2. Current Account

Current Account is the second type of bank account. Such an account is not used for the purpose of savings. It is only opened by businessmen who have a larger number of general transactions with the banking organization.

Features of Current Account:

- Apart from businessmen, current bank accounts are opened by associations, companies, institutions, religious institutions, etc.
- There is no fixed number of times that the current bank account holders can deposit or withdraw money from it.
- Internet banking feature is available.
- It does not have any fixed maturity
- Overdraft facility is provided
- There is no rate of interest paid on current bank accounts.

## 3. Fixed Deposit Account

Fixed Deposit or an FD account is the third type of bank account customers can open in any public or private sector bank. It provides investors a higher rate of interest than the regular savings account on the given maturity date. It may require the creation of a separate account altogether.

Features of Fixed Deposit Account

- It is a one-time deposit and take away account.
- The account holder needs to deposit a fixed amount of funds for a fixed period of time.
- The amount deposited in a fixed deposit account is withdrawable just once and not anytime as per the account holders' requirements.
- A certain amount of interest is paid on the fixed deposit account
- The rate of interest of a fixed deposit account depends on the amount deposited and the time duration for which the amount is deposited.
- The bank is liable to repay the full amount deposited in the FD before the maturity date.

## 4. Recurring Deposit Account

Recurring Deposit or RD account is a type of account in which the account holder is required to deposit a fixed amount of money every month till the time it reaches the fixed maturity date. The account is an investment tool that encourages people to make regular deposits and receive decent returns on their investment.

Features of Recurring Deposit Account

- It is the regular deposit factor and the interest aspect that the account provides flexibility

- and ease of investment to the account holders.
- The RD account can be opened by any individual or an institution either jointly or separately
  - Regular monthly instalments to be added can range from as low as INR 50 to any amount from one bank to another
  - The account can be opened ranging from 6 to 120 months.
  - Its rate of interest varies from bank to bank
  - The Recurring Deposit Account provides the nomination facility as well, Account holders are issued passbooks to know their account summary on a regular basis
  - The bank can deduct a sum of the amount as a penalty if premature withdrawal of the amount is made.

## 5. DEMAT Account

The DEMAT Account constitutes the shares and securities held in electronic form. The DEMAT account stands for Dematerialization Account. Such accounts are maintained by two depository institutions, the National Securities Depository Limited and the Central Depository Services Limited.

Features of DEMAT Account

- Such accounts help easy trade of share and securities
- They facilitate conducting stress-free transaction of share
- Opening of the DEMAT Account requires the KYC procedure
- The transaction cost is reduced
- Traders can work from any location
- The transfer of securities can be done with less paperwork

## 6. NRI Account

The option of the NRI Account is provided by both public and private sector banks to fulfil the banking requirements of a non-residential Indian or a person of the Indian origin. An NRI account allows overseas transfer of funds to India and holds the funds in Indian rupees.

Features of NRI Account:

- NRI account enables free repatriate of funds without any restrictions
- It also allows easy investment in the Indian investment instruments like FDI, FPI, FII, etc.

Types of NRI Accounts

Non-Resident Ordinary Rupees (NRO) Account: It allows transfer of foreign earnings easily to India. This account can be opened in the form of Savings/ Current/ FD/ RD account. NRO accounts can be opened by an individual or a group of persons

Non-Resident External Rupees (NRE) Account: This account comes into existence when an Indian citizen moves abroad for employment. Their existing bank accounts are then converted into NREs. It can be jointly opened with an Indian resident as well.

Foreign Currency Non-Resident (FCNR) Account: This account can be opened to manage an international currency. FCNR can only be in the form of Term deposit and can be withdrawn after its maturity.

### **7. Senior Citizens' Account**

People above 60 years of age are considered as senior citizens as per the government's directives. Senior Citizens' accounts are normal savings accounts with the difference that an interest benefit ranging from 0.25% to 0.50% p.a. Is decided by the respective banks from time to time for the beneficiary account holder.

The Senior Citizens' accounts are opened as joint accounts, the first name in the account should be that of a senior citizen only then the benefit of the same goes to the senior citizen. The accounts under the senior citizen scheme are applicable to only those senior citizens who are residents of India.

### **8. Salary Account**

A salary account is a type of bank account designed to facilitate the smooth transfer of monthly salaries from employers to employees. Salary accounts offer a financially convenient environment for both employers and employees.

Features of Salary Account:

- Primary features of a salary account is the direct credit of monthly salaries by employers.
- Salary accounts generally have low or no minimum balance requirements

Benefits of Salary Account:

Salary accounts usually come with minimal or no fees for account maintenance, transactions, and ATM withdrawals. This helps employees save on banking costs and ensures that the bulk of their salary remains accessible for personal use.

A salary account offers opportunities to access financial products and services offered by the bank like personal loans, credit cards, or investment options.

- **E – Banking / Digital Banking**

<b>Mode of Transfer</b>	<b>Key Features</b>
NEFT (National Electronic Fund Transfer)	<ul style="list-style-type: none"> <li>- Transfer of funds from one Bank account to a different account of another Bank using beneficiary's account number and IFSC Code (Indian Financial Services Code, a unique code assigned to each bank branch)</li> <li>- Charges for transfer may differ from bank to bank.</li> </ul>
RTGS (Real Time Gross Settlement)	<ul style="list-style-type: none"> <li>- Transfer of funds from one Bank account to a different account of another bank on a real time basis facilitating high value transactions using beneficiary's account number and IFSC Code (Indian Financial Services Code, a unique code assigned to each bank branch).</li> </ul>
IMPS (Immediate Payment Service)	<ul style="list-style-type: none"> <li>- Transfer of funds from one Bank account to another facilitating instant fund transfer.</li> <li>- For transfer through internet banking, beneficiary's account number and IFSC Code (Indian Financial Services Code, a unique code assigned to each bank branch) are needed and through mobile banking beneficiary's MMID (Mobile Money Identifier is a 7 digit number issued by bank to the customer) is needed.</li> </ul>
Unified Payment Interface (UPI)	<ul style="list-style-type: none"> <li>- Transactions to be done through any smart phone using VPA (Virtual Payment Address) facilitating 24 x 7 transfer on a real time basis.</li> <li>- One needs to download UPI-enabled bank app and login using bank details.</li> </ul>

### **Digital Payment Do's & Don'ts**

<b>Do's</b>	<b>DON'Ts</b>
Use a password for your computer, laptop and mobile so that no one else can access your systems without consent. Change your passwords and security settings regularly.	Never save your mobile banking login and password on the phone. Either memorize it or write it down somewhere else.
Always visit your bank's secure Internet Banking site directly.	Never leave your handset unattended and logged into a mobile banking app.
Log out of your Internet Banking immediately after you have completed your transaction. Do not close the window without logging off.	Never leave your phone un-attended.
Avoid using Internet Banking on unsecured WI-FI networks such as railway stations, airports and cybercafés.	Never ignore your account balance statements and transaction history.
Update the mobile banking app as and when a new version/ or upgrade is released. Also update your phone with latest security patches.	Don't keep your PC or laptop it lying around when not in use or trust a stranger to use it.

If you suspect unauthorized transactions in your account, report it to your bank immediately or at least within three working days, so that your complaint or grievance is addressed in your favour.	Never download apps from untrustworthy and dubious sources.
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#### ❖ Credit card and Debit card

Debit card is issued by banker to account holders for withdrawing money from ATM and make payment at point of sale.

Credit card holder gives benefit of availing certain period of credit.

Particulars	Credit Card	Debit Card
Source of funds	Lending bank provides the credit facility	Linked to one's own account maintained with the same bank
Interest	If outstanding amount is not paid on time, interest is levied	No interest is levied
Credit History	Relevant for issuing a credit card	Not relevant for issuance of the debt card.
Relationship with the issuer	No compulsion to have account with issuing bank	Having an account with the issuing bank is a pre-requisite

#### Insurance Related Products

Insurance allows individuals, businesses and other entities to protect themselves against significant potential losses and financial hardship at a reasonably affordable cost. Insurance is a form of risk management, **primarily used to manage the risk of an uncertain future loss.**

Thus, insurance is a promise of compensation for specific potential future losses in exchange for a periodic payment called premium. An entity which provides insurance is known as **insurer**. A person who buys insurance is known as an **insured or policy holder**. The insured receives a contract called the **insurance policy** which details the conditions and circumstances under which the insured will be financially compensated.

Life Insurance - Term Insurance	<ul style="list-style-type: none"> <li>- In the event of your unfortunate demise during the policy term, your nominees will receive the 'Sum Assured' which you had selected while purchasing the plan.</li> <li>- Active for a fixed period of time (popularly referred to as the "term").</li> </ul>
Life Insurance - Endowment Insurance	<ul style="list-style-type: none"> <li>- A life insurance contract designed to pay a lump sum after a specific term (on its 'maturity') or on death.</li> <li>- Typical maturities are ten, fifteen or twenty years up to a certain age limit. Some policies also pay out in the case of critical illness.</li> </ul>
Life Insurance - Whole Life	<ul style="list-style-type: none"> <li>- Type of permanent life insurance that stays in effect for as long as you pay the premiums.</li> </ul>

Life Insurance - Unit Linked insurance	<ul style="list-style-type: none"> <li>- Combination of insurance and an investment vehicle</li> <li>- A portion of the premium paid by the policyholder is utilized to provide insurance coverage to the policyholder and the remaining portion is invested in equity and debt instruments.</li> </ul>
Personal Accidental cover policy	<ul style="list-style-type: none"> <li>- Plan which provides monetary compensation in the event of bodily injuries or disability or death caused solely by accident.</li> </ul>
Health Insurance	<ul style="list-style-type: none"> <li>- Insurance coverage that covers the cost of an insured individual's medical and surgical expenses.</li> <li>- The "insured" is the owner of the health insurance policy or the person with the health insurance coverage.</li> </ul>
Motor Insurance	<ul style="list-style-type: none"> <li>- Also known as vehicle insurance, car insurance or auto insurance.</li> <li>- Insurance for cars, trucks, motorcycles, and other road vehicles.</li> </ul>
Travel Insurance	<ul style="list-style-type: none"> <li>- Insurance for covering against travel risks such as lost or stolen luggage, cancellation cover (should you not be able to travel due to unexpected medical reasons) and most importantly, unexpected medical costs abroad.</li> <li>- Comprehensive travel insurance policy will provide: <ul style="list-style-type: none"> <li>• Emergency medical cover</li> <li>• Losses incurred due to unforeseen cancellation or having to cut your trip short</li> <li>• Death and disability cover</li> <li>• Personal liability cover</li> <li>• Luggage cover</li> </ul> </li> </ul>
Property Insurance	<ul style="list-style-type: none"> <li>- Policy that provides financial reimbursement to the owner or renter of a structure and its contents in the event of damage or theft.</li> <li>- Property insurance can include homeowners insurance, renters insurance, flood insurance and earthquake insurance.</li> </ul>
Group Insurance	<ul style="list-style-type: none"> <li>- Group insurance is an insurance that covers a defined group of people, for example the members of a society or professional association, or the employees of a particular employer.</li> </ul>

## Borrowing Related Products

Borrowing is an act of taking money and paying it back over a period of time. In meeting financial goals, in case the savings is inadequate, one resorts to borrowing. Borrowing provides the flexibility of repaying in small instalments over time called Equated Monthly Instalments (EMI).

### List of Documents required for obtaining Loans:

- ✓ Proof of Identity:- Passport, / Driving License / Voters ID / PAN Card (any one)
- ✓ Proof of Residence: - Leave and License Agreement / Utility Bill (not more than 3 months old) / Passport (any one).
- ✓ Latest 3 months bank statement (where salary or income is credited).
- ✓ Salary slips for last 3 months.
- ✓ 2 passport size photographs.
- ✓ Collateral proof

**Collateral** is a property or other asset that a borrower offers as a way for a lender to secure the **loan**. If the borrower stops making the promised loan payments, the lender can seize the **collateral** to recoup its losses. A lender's claim to a borrower's collateral is called a **lien**.

Different Types of loans provided by Banking institutions to Individuals and Business community as follow.

Scheme	Key Features
<b>Personal Loan</b>	- The loan can be utilized for any purpose, for example, paying debt, marriage expenses or vacation expenditure. No collateral security is required for this type of loan.
<b>Vehicle Loan</b>	- This loan is issued for the purpose of purchasing new or second-hand vehicles for personal and commercial uses.
<b>Education Loan</b>	- Education loan is required for students and family to meet the financial goal of higher education. - Students should have an admission offer from an institution before they apply for education loan.
<b>Gold Loan</b>	- Gold loan is given only on providing gold as security to a bank or any other lending institution.
<b>Housing Loan</b>	- Housing Loans are taken by people for a variety of home-related purposes such as construction of home, home renovation, home extension, buying of property or land etc.

### 5Cs in credit – to get loan sanctioned.





Credit Information Bureau (India) Ltd (CIBIL) is India's first credit information company, also commonly referred as a credit bureau. CIBIL collects and maintains records of individuals' and non-individuals' (commercial entities) payments pertaining to loans and credit cards. These records are submitted to CIBIL by banks and other lenders on a monthly basis; using this information a Credit Information Report (CIR) and credit score is developed, enabling lenders to evaluate and approve loan applications. A credit bureau is licensed by the RBI and governed by the Credit Information Companies (Regulation) Act of 2005. The Reserve Bank of India requires all credit bureaus to give one free full credit report, every year, to all consumers.

## Investment in Securities Market



Before making investments in securities, it is better to understand the market and be fully aware of the risks. Be aware of your capacity to handle risk and invest accordingly. Generally, you can evaluate a potential investment by analyzing six key risks – market risk or systematic risk, unsystematic risk, inflation risk, liquidity risk, business risk and volatility risk.

### i. Market risk or Systematic Risk:

An investor may experience losses due to factors affecting the overall performance of financial markets. Stock market bubbles and crashes are good examples of heightened market risk.

### ii. Unsystematic Risk:

Unsystematic risk can be described as the uncertainty inherent in a particular company or industry. Types of unsystematic risk include a new competitor in the marketplace with the potential to take significant market share from the company a investor is invested in, a regulatory change, such as one that could drive down company sales, a shift in management and a product recall.

### iii. Inflation risk:

Inflation risk, also called as purchasing power risk, is the chance that the cash flows from an investment won't be worth as much in the future because of a decline in its purchasing power due to inflation.

### iv. Liquidity risk:

Liquidity risk arises when an investment can't be bought or sold quickly enough to prevent or minimize a loss. You can minimize this risk to a great extent by diversifying your investments.

### v. Business Risk:

It refers to the risk that a business might stop its operations due to any unfavorable market or financial situation.

### vi. Volatility Risk:

Even when companies aren't in danger of failing, their stock prices may fluctuate. key risks – market risk or systematic risk, unsystematic risk, inflation risk, liquidity risk, business risk and volatility risk.

### How to mitigate the risk?

The investors can try to mitigate the risk by different means. Asset allocation is one strategy through which an investor can benefit from diversification into various sectors and companies and mitigate the risk. Volatility risk can be managed by investing through SIPs of Mutual Funds or buying equities directing from the market in smaller lots over a period of time. A good understanding of the fundamentals of a company can help one make an appropriate judgment about the health of a company. Of course, investors should move away from rumors and unsolicited messages.

**Investments in securities market** are done through the primary market as well as the secondary market. The difference between the primary market and the secondary market is that in the primary market, investors are allotted securities directly by the company, while in the secondary market investor's buys securities from the existing investors through their stock broker. Investments in securities market are subject to taxation which includes short term and long term on capital gains as well as dividend payouts.

**Regulation of securities such as shares, units of mutual funds, derivatives, bonds, etc. comes within the purview of Securities and Exchange Board of India (SEBI).**

### What are the pre-requisites to invest in securities?

In order to invest in equity shares, an investor should have three accounts viz.

- a) Saving bank account with a commercial bank,
- b) A trading account with a SEBI registered stock broker of a recognized stock exchange to buy or sell securities on the Stock Exchange.
- c) Demat account with a SEBI recognized Depository Participant (DP) of Depository for holding securities in dematerialized / electronic form. The demat account can be opened with depository participant (DP) of any of the Depository. National Securities Depository Ltd. (NSDL) and Central Depository Services Ltd. (CDSL) are two depositories registered with SEBI.

The list of SEBI registered stock brokers and depository participants may be obtained from SEBI's official website ([www.sebi.gov.in](http://www.sebi.gov.in)) or from the websites of the respective stock exchange & depository.

## Primary Market

When a company publicly issues new stocks and bonds for the first time, it does so in the primary market. In many cases, this takes the form of an initial public offering (IPO). SEBI vets the prospectus issued to the public for subscription of shares to see that it meets with the requirements of the SEBI Regulations. Companies issuing securities via the primary market hire merchant bankers who, on behalf of the company, prepare prospectus and ensure related compliance for the issue of shares viz. finalization of allotment process, listing of shares in the stock exchanges etc.

### Application Supported by Blocked Amount (ASBA) for Shares

Instead of applying through an application with a cheque, an investor can now apply for shares through ASBA. ASBA means "Application Supported by Blocked Amount". In public issues w.e.f. May 1, 2010 all the investors can apply through ASBA. ASBA is an application by an investor containing an authorization to bank to block the application money in the bank account, for subscribing to an issue. Blocked amount continues to earn interest. If an investor is applying through ASBA, his application money shall be debited from the bank account only if his/her application is selected for allotment after the basis of allotment is finalized. The investor need not have to bother about refunds as money to the extent required for allotment of securities, is deducted from the bank account.

## Secondary Market

The secondary market is where securities are traded after the company has issued the stocks and bonds in the primary market. The shares are listed and traded on stock exchanges which facilitates the buying and selling of stocks in the secondary market. Major SEBI recognized stock exchanges in India are Bombay Stock Exchange, popularly known as BSE and the National Stock Exchange of India, popularly known as NSE.

Anyone can purchase securities on the secondary market as long as they are willing to pay the price at which the securities are being traded. Investment in securities market should be done after carrying out research on the background of the company, future prospects and financial strength of the company.

Once you have opened an account with a stock broker, you can buy or sell shares of a company through a stock broker of the recognized stock exchange where the shares are listed and traded. You can place order for buy or sell with your broker using the online trading account by visiting broker's website, mobile trading app of broker, through the phone using Call & Trade facility or physically visiting their office.

## Modes of placement of Order:



### **Word of caution:**

**Buying or selling of shares shall always be done through a SEBI registered stock broker.**

### **Trading days and Trading & Settlement Cycle**

Trading on the stock exchange takes place on all days of the week (except Saturdays and Sundays and holidays declared by the Stock Exchange in advance).

In case of purchase of shares, investors are required to make payment to the bank account of your stock broker prior to the pay-in date for the relevant settlement. Once payment is made by the investor, the broker would credit the shares in the demat account of investor after pay-out day date.

Similarly, in case of sale of shares, investors are required to deliver the shares to demat account of broker prior to the pay in date for the relevant settlement. Once the shares are delivered by the investor, the broker would credit the funds in the bank account of investor after pay-out day date.

**What is the pay-in day and pay- out day?** Pay-in day is the day when the brokers shall make payment of funds (in case of purchase of shares) or delivery of securities (in case of sale of shares) to the stock exchange. Pay-out day is the day when the stock exchange makes payment of funds (in case of sale of shares) or delivery of securities (in case of purchase of shares) to the broker. Settlement cycle is on T+2 rolling settlement basis w.e.f. April 01, 2003 (where T stands for the trade day). For example, trades executed on a Monday are typically settled on the following Wednesday (considering 2 working days from the trade day). The funds and securities pay-in and pay-out are carried out on T+2 day.

The exchanges have to ensure that the pay out of funds and securities to the clients is done by the broker within 24 hours of the payout.

### **Contract Note**

A Contract Note is evidence of trade done by the stock broker to the investor and is a legal document which contains details of the transaction such as securities bought/sold, traded price, time of trade, brokerage etc. Contract Notes can be issued in physical form or in electronic form. In case investor opt for electronic contract note, a specific authorization needs to be given to the stock broker along with the details of email of investor. Such electronic contract notes shall be digitally signed, encrypted and non-tamperable.

## MUTUAL FUND

A mutual fund pools in money from many investors and invests the money in stocks, bonds, short-term money-market instruments, other securities or assets, or some combination of these investments. All mutual funds are required to be registered with SEBI before they launch any scheme.

Salient features of mutual funds are:

- **Professional management** - Money is invested through fund managers with proven expertise in the field of investment.
- **Diversification** - Diversification is an investing strategy that can be neatly summed up as investing small amounts of your money in different investment options like different schemes of mutual funds and holding shares of multiple companies.
- **Economy of scale** - A mutual fund buys and sells large amounts of securities at one go. This makes its transaction costs lower than what an individual would pay for securities transactions.
- **Liquidity** - Just like individual shares, mutual fund units can be converted into money through sale in the market or through redemption.
- **Simplicity** - Buying a mutual fund unit is simple and the minimum investment amount required is small.
- **Tax Benefits** - Different mutual fund categories are subjected to different tax treatments. It is important to understand the tax benefits of a fund before you invest in it.

Mutual funds are segregated in different categories based on the objectives of the mutual fund scheme. The schemes are designed to keep in mind the needs of various types of investors, risk averse investors (basically a conservative investor who does not want to take high risk), moderate investors (investors who can take some amount of risk) and aggressive investors (investors who is willing to take risk in search of higher returns).

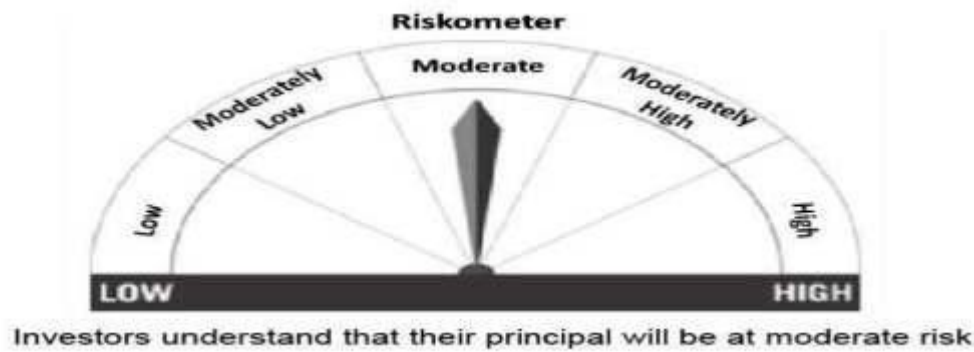
### Categorization of mutual funds:

Mutual funds are now be broadly categorized into 5 schemes mentioned as below:

- a) Equity Schemes: Mutual funds which principally invest in stocks.
- b) Debt Schemes: Mutual funds which principally invest in fixed income securities like bonds and treasury bills.
- c) Hybrid Schemes: Mutual funds which invest in two or more asset classes.
- d) Solution Oriented Schemes: Mutual fund schemes which make their investments as per the goals of individuals like retirement and child education planning etc.
- e) Other Schemes

### Product labelling of mutual funds:

As per SEBI guidelines, mutual funds are to be labelled according to the level of risk involved and the same is to be depicted on the riskometer. The different labels and riskometer are mentioned as below:



- a) Low: Principal at low risk
- b) Moderately low: Principal at moderately low risk
- c) Moderate: Principal to moderate risk
- d) Moderately High: Principal at moderately high risk
- e) High: Moderately at high risk

### What is Systematic Investment Plan (SIP)

An SIP or a Systematic Investment Plan allows an investor to invest a fixed amount regularly in a mutual fund scheme. It lets you set aside a fixed sum of money at regular intervals (weekly, monthly, and quarterly) with an objective to generate capital appreciation in the longer run. SIP investment inculcates the habit of savings. Instead of trying to time the market, by investing on a regular basis, the investor benefits from the rupee-cost averaging factor. As the investments are done over different market cycles, the investor benefits from the market volatility by getting to buy more units of the same fund when the markets are low and buying lesser when the prices are higher.

An investor can invest a pre-determined fixed amount as low as Rs500 in a scheme every month or quarter, depending on convenience through post-dated cheques or through ECS (Electronic Clearing Service) facility. Investors need to fill up an application form and SIP mandate form on which they need to indicate their choice for the SIP date (basically when the pre-determined amount will be invested). Subsequent SIPs may be auto-debited through a standing instruction given or post-dated cheques.

### Advantages of SIP

- 👉 Disciplined approach to investments
- 👉 No need to time the market
- 👉 Rupee Cost Averaging - Benefit from Volatility
- 👉 Power of Compounding - Small investments create Big Kitty over time
- 👉 Lighter on the wallet

## Commodity Derivatives Market

### What are commodities?

The commodities are goods with economic value. They are earth's natural product which are produced and traded in bulk. They are usually raw material for further processing. The broad types of commodities are as under:

- Agriculture commodities: Food & non-food crops
- Non-Agriculture commodities: Metals, Energy, Polymers etc
- Others: cattle head, orange juice

**Major commodities are:**

<b>Edible oilseed</b>	• Groundnut, Mustard seed, Cottonseed, Soy oil, Crude Palm Oil etc.
<b>Food grains</b>	• Wheat, Gram, Bajra (Pearl Millet), Maize, etc.
<b>Bullion</b>	• Gold, Silver
<b>Metals &amp; Energy</b>	• Natural Gas, Crude Oil, Copper, Zinc, Aluminum, Lead, Nickel, Steel etc.
<b>Spices</b>	• Turmeric, Pepper, Cumin seed, Cardamom etc.
<b>Fibers</b>	• Cotton, Jute, etc.
<b>Others</b>	• Castor Seed, Guar seed (Cluster Bean), Guar gum, Rubber etc.

**What is Commodity Price Risk**

Commodity price risk is the price uncertainty that adversely impacts the financial position of those who both use and produce commodities. For example, as the price of steel rises, this increases the cost of automobile production and can negatively impact that producer's profit margins. Similarly, commodity price risk can equally impact producers of a commodity, not just users. If crop prices are low one year, a farmer may plant less of that crop. If prices subsequently rise next year, the farmer will miss out on a potentially profitable crop. This is called commodity price risk. The factors that can affect commodity prices include political and regulatory changes, seasonal variations, weather, technology and market conditions.

**Various stakeholders face risks in commodity trading especially farmers.**

Some of the risks faced by farmers are:

- Price volatility and price risk
- Lack of quality storage facilities
- Need for finance at the time of sowing of crops
- Dependence on local middlemen and agents for selling their crops
- Small farm holdings – no bargaining power - Opaque/ manipulated prices at Mandis

**How to protect against price risk in commodities?**

A producer of a commodity is at risk of prices moving lower. Conversely, a consumer of a commodity is at risk of prices moving higher. The producers and consumers of commodities can participate in the **commodity derivatives exchange** to protect against adverse price moves. The process of protecting against financial loss or price risk is called "**Hedging**". A hedge will guarantee a consumer supply of a required commodity at a set price and a producer a known price for commodity output.

**Benefits of Commodity Derivative Exchange**

Commodity derivative exchange offers following benefits to producers and consumers of commodities:

- Price discovery: Helps producers / sellers and consumers / buyers and also exporters & importers of commodity to discover price for a future date; and helps take informed decision.
- Price risk management: Helps hedge price risk or insure against adverse price movement and locks-in profit margin.

**Commodity Derivative Exchanges:**

A commodity derivative exchange is an organized, regulated market that facilitates the purchase and sale of contracts whose values are linked to the price of commodities (e.g., wheat, barley, crude oil, gold etc).

Typically, the buyers of these contracts agree to accept delivery of a commodity at a price on a future date, and similarly, the sellers agree to deliver the commodity at a price on a future date.

For in case of Agriculture commodity, Commodity Derivatives Exchange helps in reducing the price risk both for farmers (seller of crop) and consumer (buyers of crop /food processors) by helping them decide a price today (i.e. at the time sowing or at the time of harvesting of crop) for the crop to be delivered in the future. The transaction in the exchange is done through commodity brokers. The settlement of contract to buy and sell is guaranteed by the commodity derivatives exchange.

The trading rules and procedures of recognized Commodity Derivatives Exchange and Commodity Brokers are regulated by Securities and Exchange Board of India (SEBI)—A statutory body established under SEBI Act, 1992. In India, major commodity derivative exchange are:

- Multi Commodity Exchange of India Ltd, Mumbai (MCX) –Predominantly non-agricultural products like gold, silver, aluminum, copper, nickel, lead, zinc and energy products like crude oil and natural gas are traded on this exchange.
- National Commodity and Derivative Exchange, Mumbai (NCDEX) - Predominantly agricultural products like pulses, cereals, sugar etc. are traded on this exchange.

There are two types of contracts in commodity derivatives market. These are Forward contracts and Futures contract. Forward contract is an agreement between two parties to sell or buy a certain commodity at a fixed price in the future. This contract hedges the risk for the buyer against price fluctuations and the seller can get a guaranteed price for his product at a specified date.

For example, if A has the machinery that produces 10 bales of cotton, he can secure an agreement with B to sell the bales at a certain price after a year irrespective of the price that is trending. This is called hedging the risk. "A" hedges the risk by securing the price and "B" transacts by pre-booking the price expecting that prices would go up in the near future which would benefit him. The payment and delivery of the asset is made on the future date termed as delivery date. The buyer in the futures contract is known to hold a long position. The seller in the futures contracts is said to be having **short position**.

Forward contracts are traded over the counter, while futures contracts are traded on the commodity derivatives exchanges. Forward contracts can be privately negotiated. Futures contract have a standardized way of execution and the transaction is guaranteed by the clearing house of a recognized commodity derivative exchange which minimizes the risk of defaults on the settlement of transaction.

#### **How does a farmer go about trading in Commodities Derivatives Market:**

- Farmers to be able to deal with the legal/ logistics/ quality requirements of Derivatives Markets would have to form a society/ trust/ Farmers Producing Organization (FPO) etc.
- Collectively they would have to deposit their produce in the warehouse of the Exchange.
- Quality of the produce for the purpose of standardization to be assayed (checked/ tested) by Exchange accredited assayers.
- Exchange would issue a warehouse receipt. (Loans can be obtained from banks against these receipts) Exchanges assumes responsibility for maintaining its quality for a certain period of time.
- The depositors now have time to check the prices (on the exchange) at which they can profitably sell the produced.
- When the desired price is likely to be realized, the bid is placed at the exchange. Once the order matches with the purchaser's bid, the trade is concluded.
- Farmers have to give delivery on the Exchange platform
- Funds given to the farmers upon satisfactory delivery of the commodity.

## Government Schemes for Various Savings and Investment Options

### A. Government Schemes

Government of India accepts deposits from the public and some of which are tax savings instruments. National Savings Certificates, Kisan Vikas Patra, Post Office Savings Certificates, Sukanya Samrudhi Deposit, PPF, etc. are examples. These are for a particular duration carrying specific interest rates. Government of India accepts deposits from the public and some of them are tax savings instruments.



The details of latest schemes are as follows:

Schemes	Features
<b>Sukanya Samrudhi Yojana</b>	<ul style="list-style-type: none"> <li>Objective: To promote the welfare of the girl child</li> <li>Who can open the account :A natural or legal guardian on behalf of a girl child where child's age is 10 or less</li> <li>Maximum number of accounts: Upto two girl children, or three in case of twin girls as second birth, or the first birth itself results in three girl children</li> <li>Tax deduction: As applicable under Section 80C of the IT Act, 1961.</li> <li>Premature Closure: Allowed in the event of death of the depositor or on compassionate grounds such as medical support in life threatening diseases and is authorized by an order by the Central Government.</li> <li>Irregular payment/ Revival of account: By payment of penalty amount</li> <li>Mode of Deposit: Cash/Cheque/Demand Draft</li> <li>Withdrawal : A certain portion of the balance lying in the account as at the end of previous financial year for the purpose of higher education and marriage after attaining the age of 18 years.</li> </ul>
<b>Pradhan Mantri Jan Dhan Yojana (PMJDY)</b>	<ul style="list-style-type: none"> <li>Launched in August 2014 by the Government of India to ensure financial inclusion of every individual who does not have a bank account in India.</li> <li>To provide access to financial services, namely, banking, savings and deposit accounts, remittance, credit, insurance, and pension in an affordable manner to all.</li> <li>Accounts can be opened with any bank branch or Business Correspondent (Bank Mitra).</li> <li>Facilities provided with the account opened: <ul style="list-style-type: none"> <li>Zero balance account</li> <li>RuPay debit card</li> <li>Accidental insurance cover and a life cover of certain amount with–payment on the death of the beneficiary (subject to conditions).</li> <li>Overdraft facility up to a certain amount. This facility is available against one account per household.</li> <li>Mobile banking facility for checking of balance and transferring funds with ease across India.</li> <li>Interest on their deposits</li> <li>Not mandated to have a minimum balance in the account</li> <li>Direct Benefit Transfer for beneficiaries of government schemes.</li> <li>Easy access to pension and insurance products</li> <li>To get a cheque book, the individual will have to fulfill minimum balance criteria.</li> </ul> </li> </ul>

\* The overdraft is a facility available to bank customers wherein they can take a short term loan from bank to meet their urgent requirement with the promise to pay back the same in timeline agreed between bank and customer.

## **B. Basic Insurance Schemes Run By Government Of India**

### **1. Pradhan Mantri Suraksha Bima Yojana**

- Provides accidental insurance cover to bank account holders in the age group of 18 to 70 years.
- A fixed annual premium is deducted from the bank account of the insured through auto-debit facility.
- Person would be eligible to join the scheme through one savings bank account only.
- Insurance covers permanent and partial disability due to accident.

### **2. Pradhan Mantri Jeevan Jyoti Bima Yojana**

- Provides life insurance cover to bank account holders in the age group of 18 to 50 years.
- A fixed annual premium is deducted from the bank account of the insured through auto-debit facility.
- Person would be eligible to join the scheme through one savings bank account only.

### **3. Pradhan Mantri Jan Aarogya Yojana - Ayushman Bharat**

- Provides healthcare facilities targeting poor, deprived rural families and identified occupational category of urban workers' families.
- There is no restriction on family size, age or gender
- All members of eligible families as present in SECC (Socio-Economic Caste Census 2011) database are automatically covered
- No money needs to be paid by the family for treatment in case of hospitalization
- All pre-existing conditions are covered from day one of the policy. The benefit cover will include pre & post hospitalization
- You can go to public or empanelled private hospitals across the country and get free treatment.

### **4. Pradhan Mantri Fasal Bima Yojana**

- Crop insurance scheme aimed at shielding farmers from the ups and downs through insurance.
- In the event of a crop loss, the farmer will be paid based on the difference between the threshold yield and actual yield. The threshold yield is calculated based on average yield for the last seven years and the extent of compensation is set according to the degree of risk for the notified crop.
- The scheme is compulsory for farmers who have availed of institutional loans.
- The scheme insures farmers against a wide range of external risks - droughts, dry spells, floods, inundation, pests and diseases, landslides, natural fire and lightning, hailstorms, cyclones, typhoons, tempests, hurricanes and tornadoes.
- Scheme covers post-harvest losses up to a period of 14 days.

## **C. Pension Schemes run by Government**

### **1. Atal Pension Yojana (APY)**

- APY is a pension oriented savings scheme focused on the citizens in the unorganized sector. It is opened to all bank account holders.
- The objective is to provide a fixed amount of pension to unorganized sector workers, who find no coverage under other social security schemes
- The minimum age of joining the APY is 18 years and the maximum age is 40 years
- Exit before 60 years is not generally permitted except for in the event of the death of the beneficiary or a terminal disease. However, the spouse can continue with the scheme after the death of the beneficiary.

## Tax Saving Options

Income tax is that percentage of your income that you pay to the government so that it can fund its many expenses such as infrastructural development, pay the salaries of those employed by the state or central governments, etc. All taxes are levied based on the passing of a law, and the law that governs the provisions for our income tax is the Income Tax Act, 1961 as amended by subsequent Finance Acts.



Income tax has to be paid by every individual person, Hindu Undivided Family (HUF), Association of Persons (AOP), Body of Individuals (BOI), corporate firms, companies, local authorities and all other artificial juridical persons that generate income.

Taxes are calculated on the annual income of a person, and an annual cycle (year) in the eyes of the Income Tax law starts on the 1st of April and ends on the 31st of March of the next calendar year. The law recognizes and classifies the year as "Previous Year" and "Assessment Year". The year in which income is earned is called the previous year and the year in which it is charged to tax is called the assessment year.

## Deductions allowed under Income Tax Act:

Section	Key features
Section 80C	- Deduction for money invested in life insurance, provident fund, ELSS schemes of mutual fund, Special Bank Deposits of 5 year term, contribution to NPS account (Tier 1 account only), National Savings Certificate, principal repayment of housing loan, among others
Section 80CCD (1B)	- In addition to deduction claimed under Section 80C. - Investment in NPS by any individual available under Section 80CCE of the Act.
Section 80D	- Individuals are eligible to claim deductions for medical insurance availed for self, spouse, dependent parents and dependent children.
Section 80G	- Donations to National Children Foundation, University or educational institution of national importance, Prime Minister's Relief Fund, charitable institutions etc. are deductible from the taxable income.
Section 80TTA	- Interest on savings account is taxable - Available only to individual or HUF. - Applicable for savings bank account, post office or cooperative banks.
Section 24	- Interest paid on housing loan availed for purposes of acquisition of property, construction of property or repair of property. - Applicable on housing loans availed after April 1, 1999

The last date to file Income Tax Returns for an Individual is 31st July of each financial year.

*\*Readers are advised to check latest provisions and guidelines.*