



## **‘Training the Trainers’**

**Programme on Financial Literacy - an India Experience  
for BSEC, Bangladesh**

**October 22-26, 2017**



## National Strategy for Financial Education (NSFE)



The formulation and implementation of the strategy can be attributed to the following reasons:

1. Financial inclusion
2. Freedom from exploitation
3. Avoidance of frauds and mis-selling
4. Avoidance of over indebtedness
5. Promoting entrepreneurship
6. Positive spillover effects
7. Inclusive growth, etc.

*Read the complete strategy at [www.ncfeindia.org](http://www.ncfeindia.org)*



# National Centre for Financial Education (NCFE)

The NCFE, comprising representatives from all financial sector regulators i.e. RBI, SEBI, IRDAI and PFRDA is set up at NISM under guidance of the Technical Group on Financial Inclusion and Financial Literacy of the Financial Stability and Development Council (FSDC) to implement the National Strategy for Financial Education (NSFE).

## **VISION**

A financially aware and empowered India.

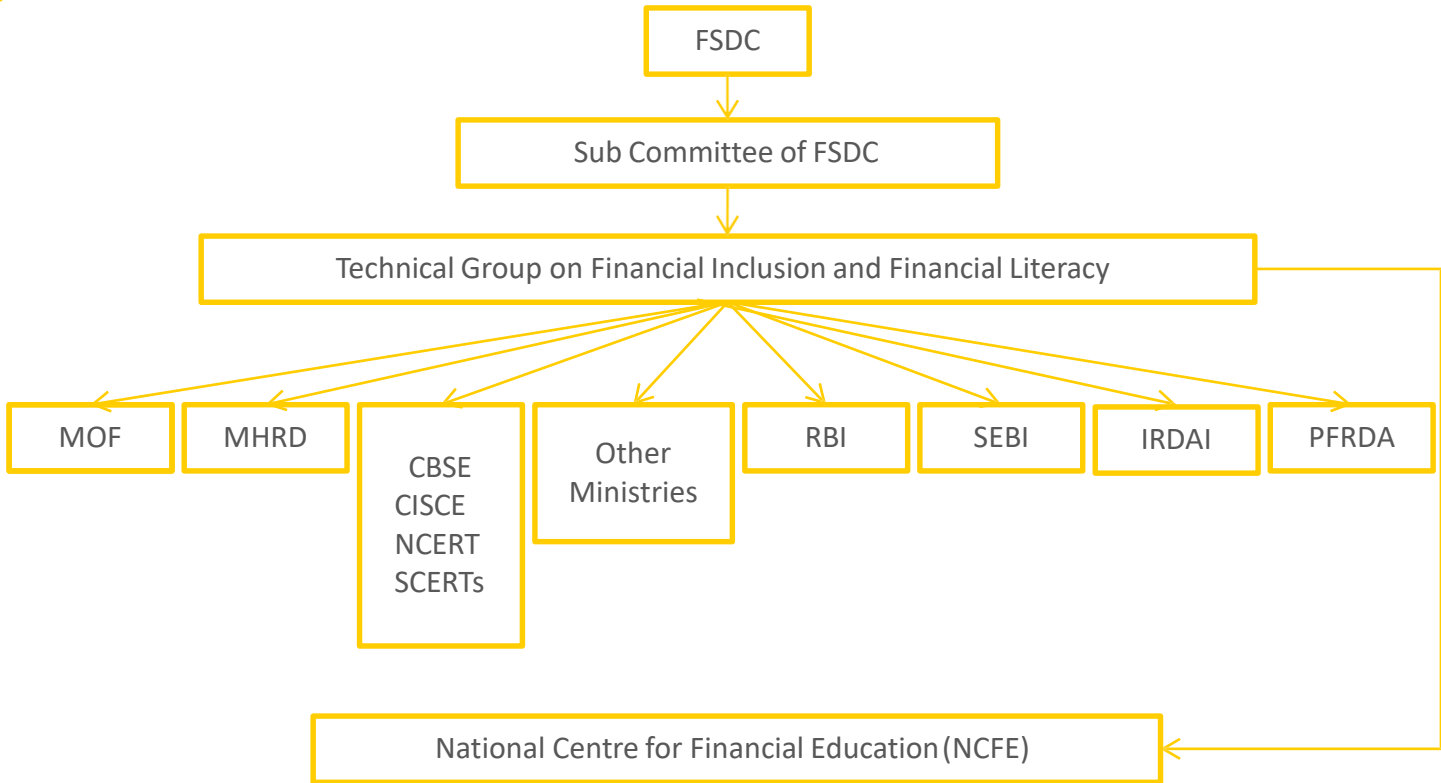
## **MISSION**

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

*More info on NCFE and its activities at [www.ncfeindia.org](http://www.ncfeindia.org)*

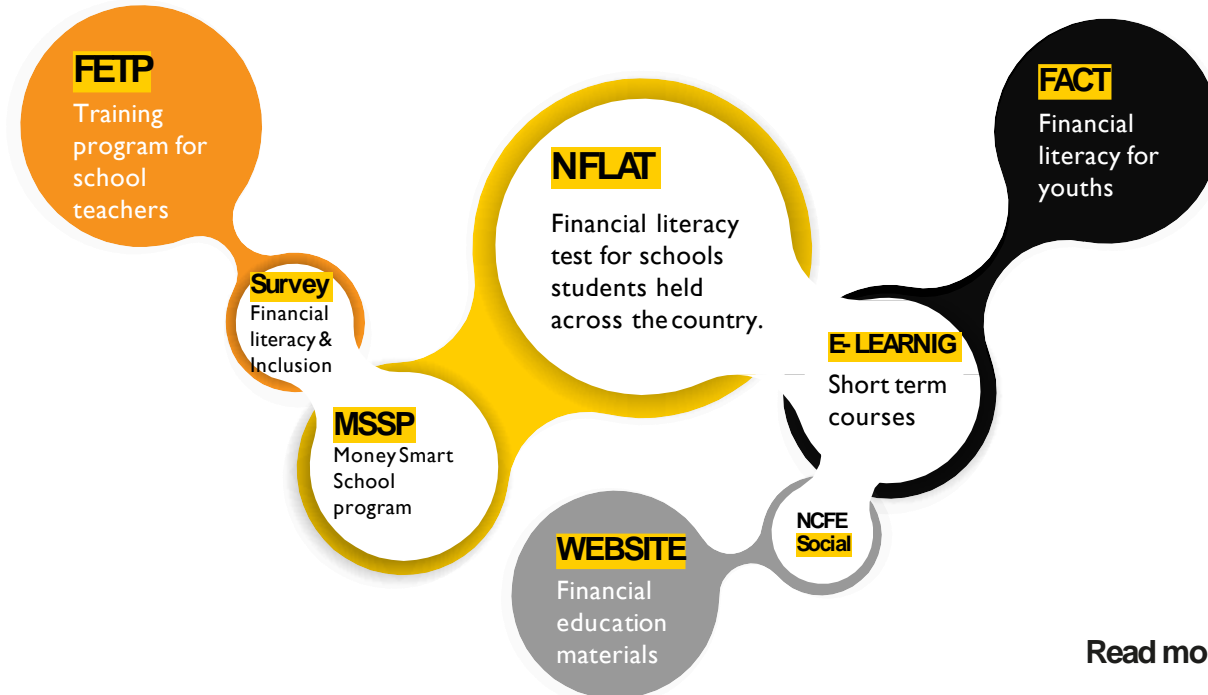


# Organizational Structure

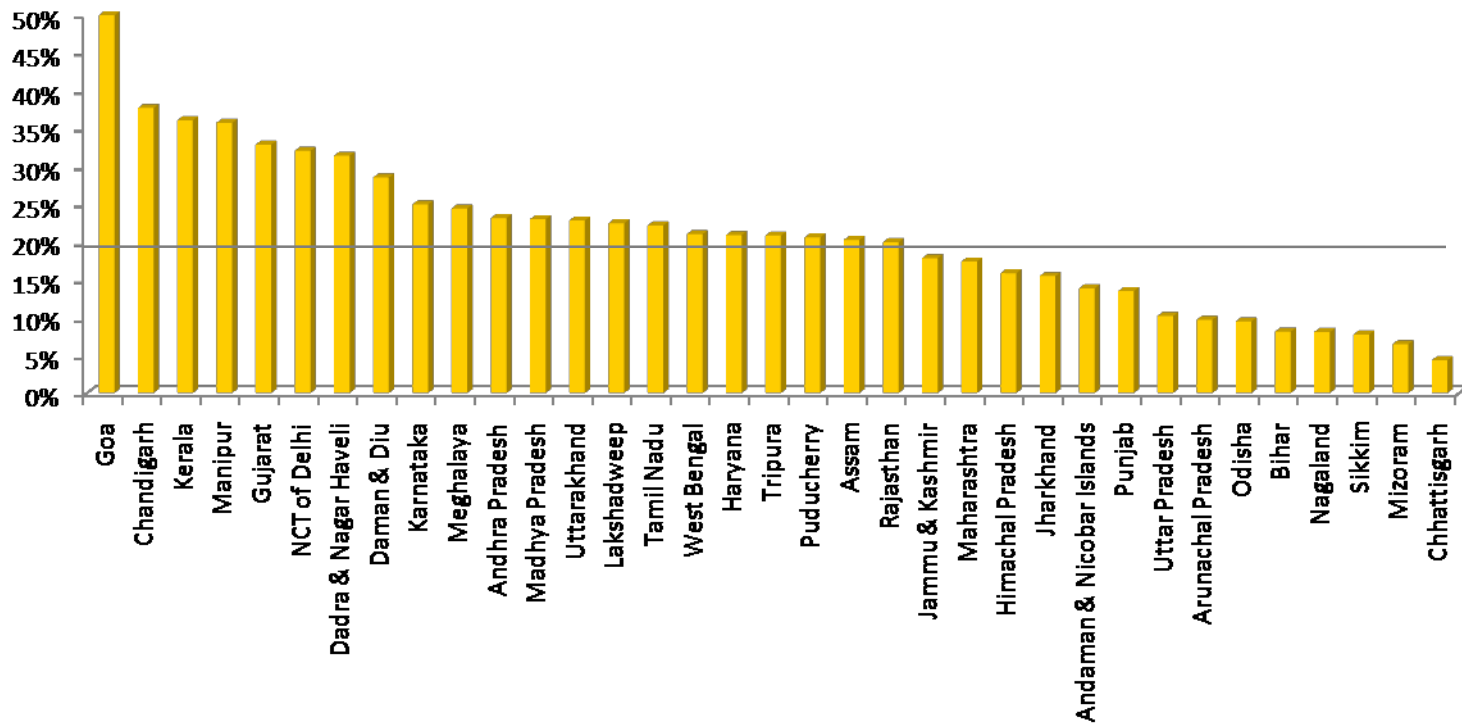




## Few of our activities



Read more at [www.ncfeindia.org](http://www.ncfeindia.org)



20% of Indians are financially literate



# Sessions!

## **DAY 1**

1. Core concepts of financial literacy
2. Indian financial system
3. Banking – Saving, transaction and borrowing products
4. Investment – Securities market and pension products

## **DAY 2**

5. Insurance – Protection related products
6. Grievance redressal mechanism for consumers
7. Various financial inclusion schemes
8. Overview of financial planning and Inclusion of Financial Literacy in School Curriculum




---

1

# Financial literacy

Importance of financial literacy, Global and Indian scenario and Core concepts to improve your financial skills





*Financial literacy, and education,  
plays a crucial role in  
financial inclusion, inclusive  
growth and sustainable  
prosperity.*

Shri Pranab Mukherjee, Hon'ble President of India and then Hon'ble Union Finance Minister,  
during RBI- OECD Workshop on Delivering Financial Literacy, March 2010





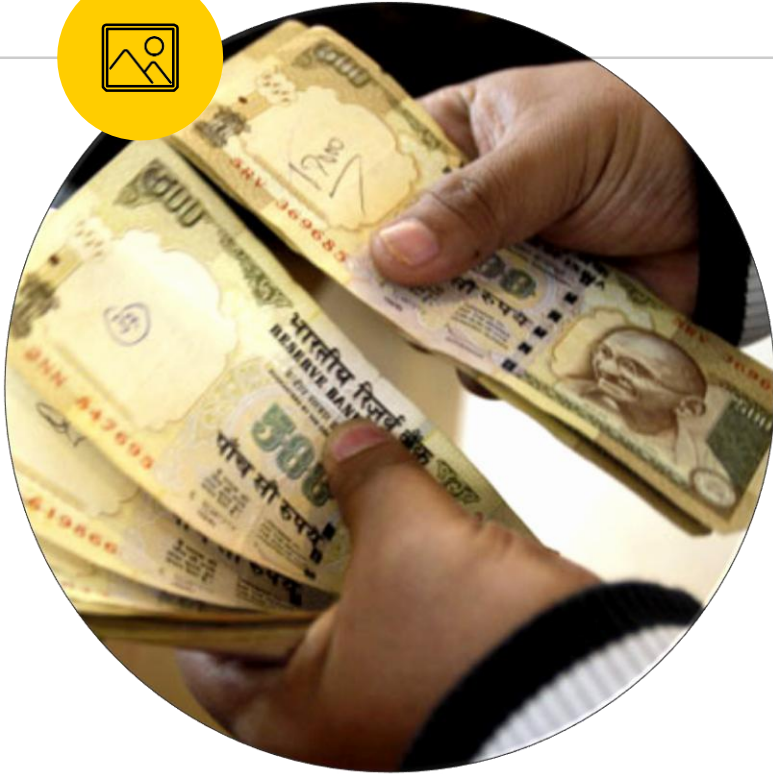
## Our Perspective

### What is financial literacy?

A combination of **awareness, knowledge, skill, attitude and behavior** necessary to make sound financial decisions and ultimately achieve individual financial wellbeing.

### Why financial literacy?

1. Participation of low income groups in the formal financial system
2. Increased life expectancy and withering joint family system
3. Shift in pension from defined benefit to defined contribution
4. Increase in number and complexity of financial products
5. Shifting from cash disbursement to DBT of social security schemes.



## Misconceptions about money

1. A rupee in hand is two in the account.
2. Money is meant for spending.
3. We are not going to take money with us after death.
4. Don't have enough income to save.
5. Insurance is an investment and Term policy is a waste.
6. Why bother about pension when my children are doing well.
7. Banks ask too many question and will not approve my loan.
8. Stock market is too complex for common people to make investment.
9. Don't have enough time to make a plan and invest.



**Financial Literacy**



**Financial Inclusion**



**Financial Freedom**



## **Core Concepts**

## **Financial Literacy**

1. Saving and Investment
2. Three Pillars of Investment
3. Impact of Inflation
4. Need vs Want
5. Time value of money
6. Power of compounding
7. Price of procrastination
8. Rule of 72
9. Risk vs Return
10. Diversification



*Don't save what is left  
after spending,  
but spend what is left after saving.*

“



## Saving and Investment

- ◉ Saving is putting aside current earnings
- ◉ Investment is putting your money to grow
- ◉ Both are not the same
- ◉ Saving is a pre-requisite to investment





## Useful tips on Saving

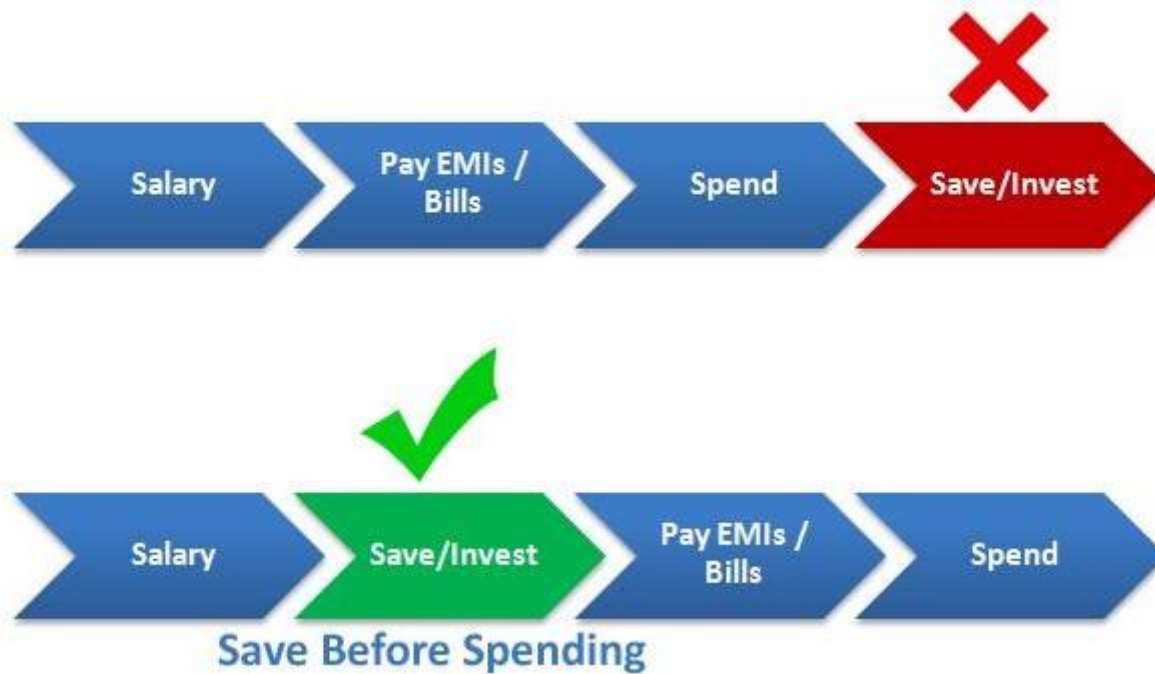


- Saving is not done once; save regularly
- Spend less to save more; record your expenses
- Pay yourself first; make a budget
- Save to avoid debt; save for emergency & special events
- Choose where to save; keep your savings safe
- Set savings goals; start saving now
- Encourage children to save; value of money
- Make saving easier; set auto transfer to/from account



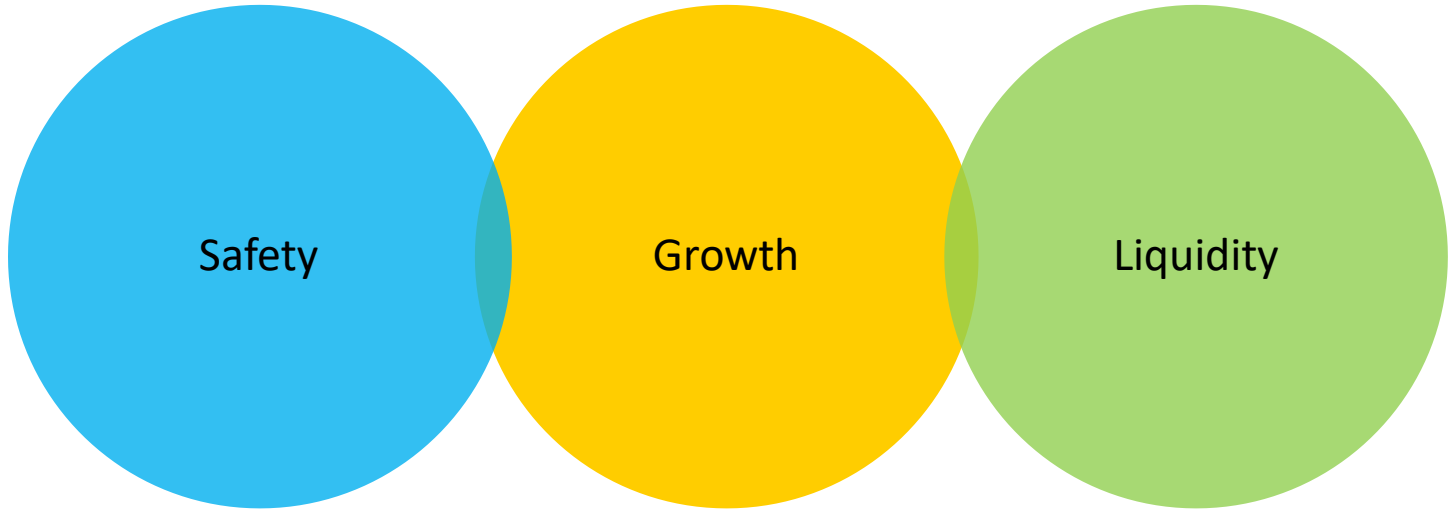


## Pay Yourself First





## Three Pillars of Investment





*Inflation is  
as violent as a mugger, as frightening as an  
armed robber and as deadly as a hit man.*

“



## Impact of inflation

Year	2008	2009	2010	2011	2012	2013	2014	2015
Consumer Price Index	8.40	10.90	12.00	8.90	9.30	10.90	6.40	5.90
Interest Rate	8.50	<b>7.50</b>	<b>8.75</b>	9.25	<b>9.00</b>	<b>9.10</b>	8.75	8.50

*CPI Source: World Bank Database*

*Interest Rate Source: RBI, 3-5 Year Term Deposit Rate of SBI*



## Nominal vs Real return



- Nominal rate is reported or stated
- What you see is not necessarily what you get
- Nominal rate does not take inflation into account
- Real rate is (Nominal rate – Inflation)
- An investor must look at real rate of return



*Key to building wealth  
relies heavily upon knowing the difference  
between needs and wants.*





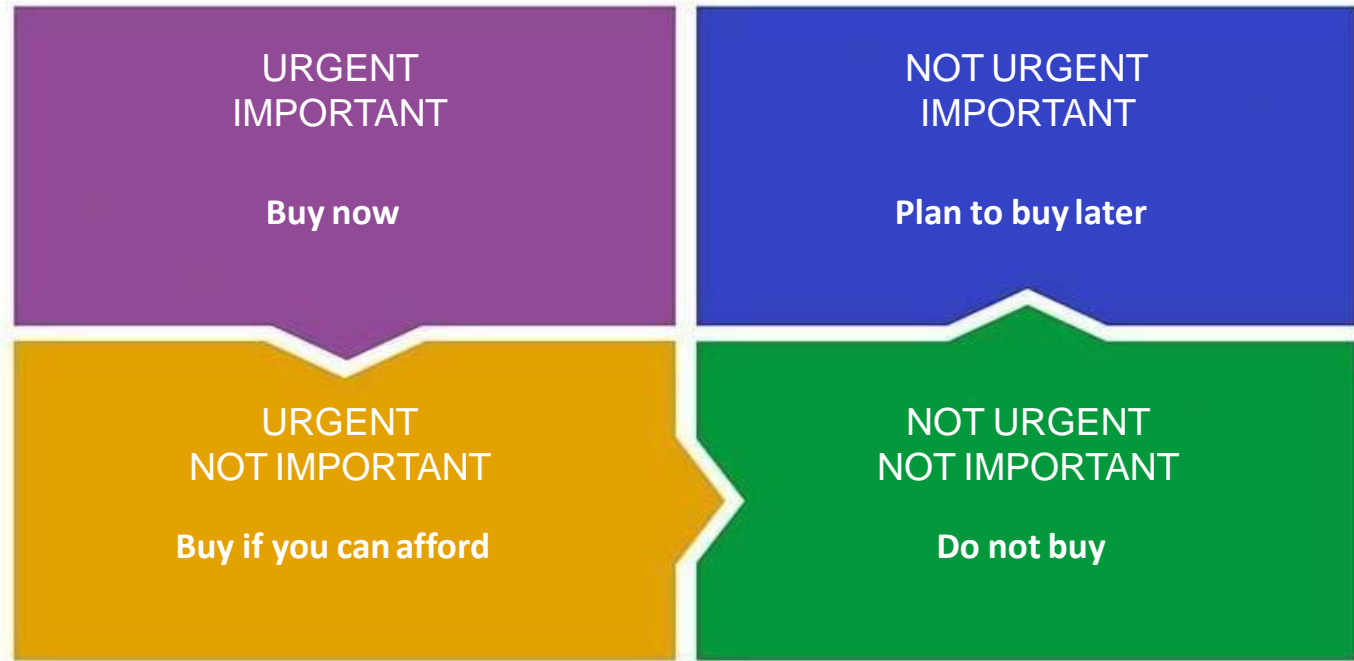
## Need vs Want



- Identify things you don't need (track your spending)
- Before buying ask yourself if you need it
- Delay your wants until you can afford them



## Need vs Want Matrix







## Time Value of Money

What

A rupee today is worth more than a rupee tomorrow

Why

Inflation, Uncertainty and Opportunity cost

How

Present and Future Value are linked by a formula

$$PV = FV / (1 + \text{Discount rate})^{\text{Time period}}$$





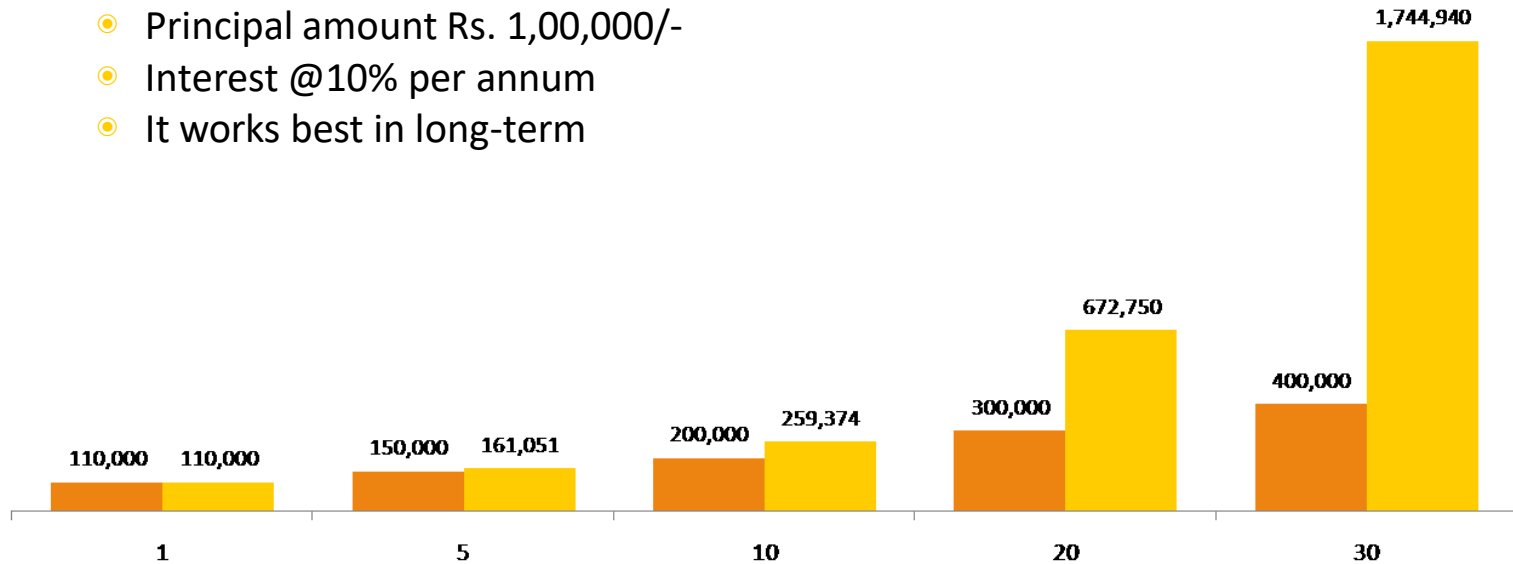
*Compound interest is the eighth wonder of the world. Those who understand it, earn it; those who don't, pay it.*

“



## Power of Compounding

- Principal amount Rs. 1,00,000/-
- Interest @10% per annum
- It works best in long-term





## Price of Procrastination

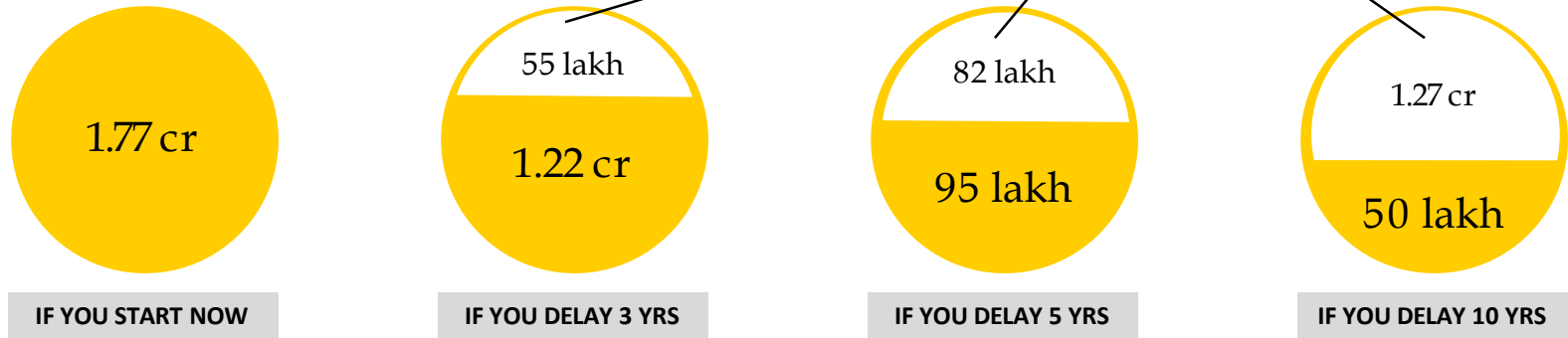


- ◉ Delay in investing because your income is too low is a fallacy
- ◉ Small amount of investment is more than made up by longer time period
- ◉ Magic of compounding ensures that small sum grows into a bigger amount over long term



## Delay in Investing can be Costly

- If you invest Rs. 5000/- per month
- At 12% annual return
- Your corpus after 30 years





## Rule of 72

How many years it takes for money to double?

72

/

Rate of Interest

=

Number of Years

For Example:

72

/

8%

=

9 Years



## Risk vs Return

No such thing as  
risk free  
investment.

Risk and return  
relationship is a  
tradeoff.

Risk can not be  
eliminated, but  
managed.

Manage your risk  
through  
diversification



## Diversification



- Don't put all eggs in one basket
- Diversification is allocating investment in various financial instruments
- Goal is to find an appropriate balance between risk and return
- Systematic risk like inflation, exchange rate, political instability etc. are not diversifiable





---

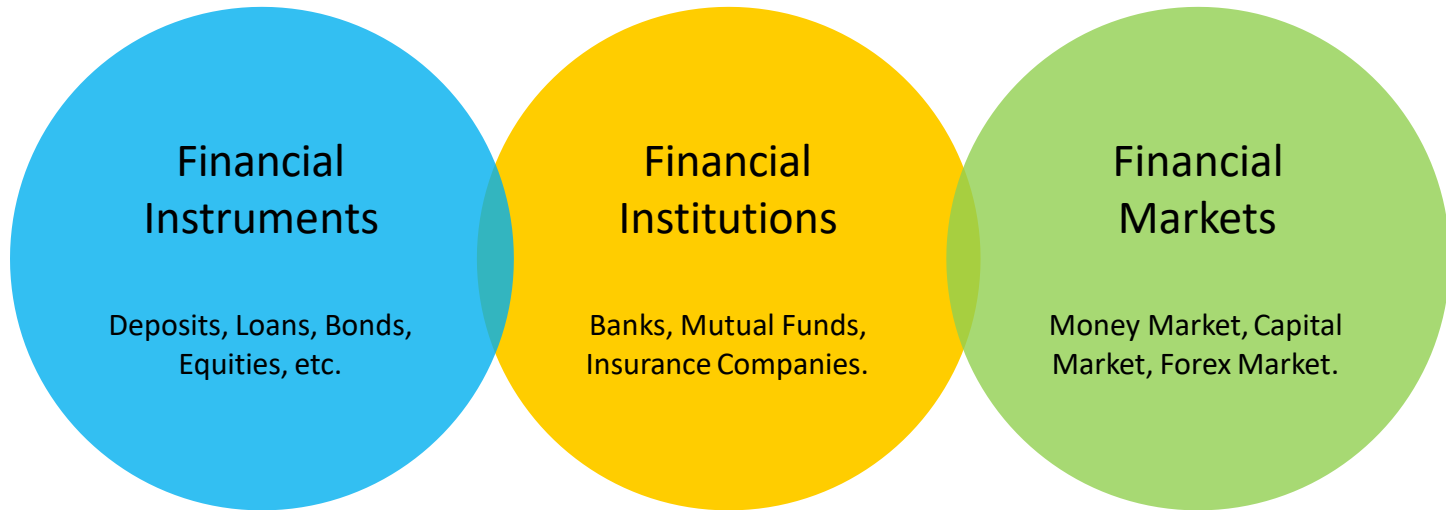
2

# Indian Financial System

Structure of our country's financial system, role and importance of financial regulators, intermediaries, etc



## Aspects of a Financial System





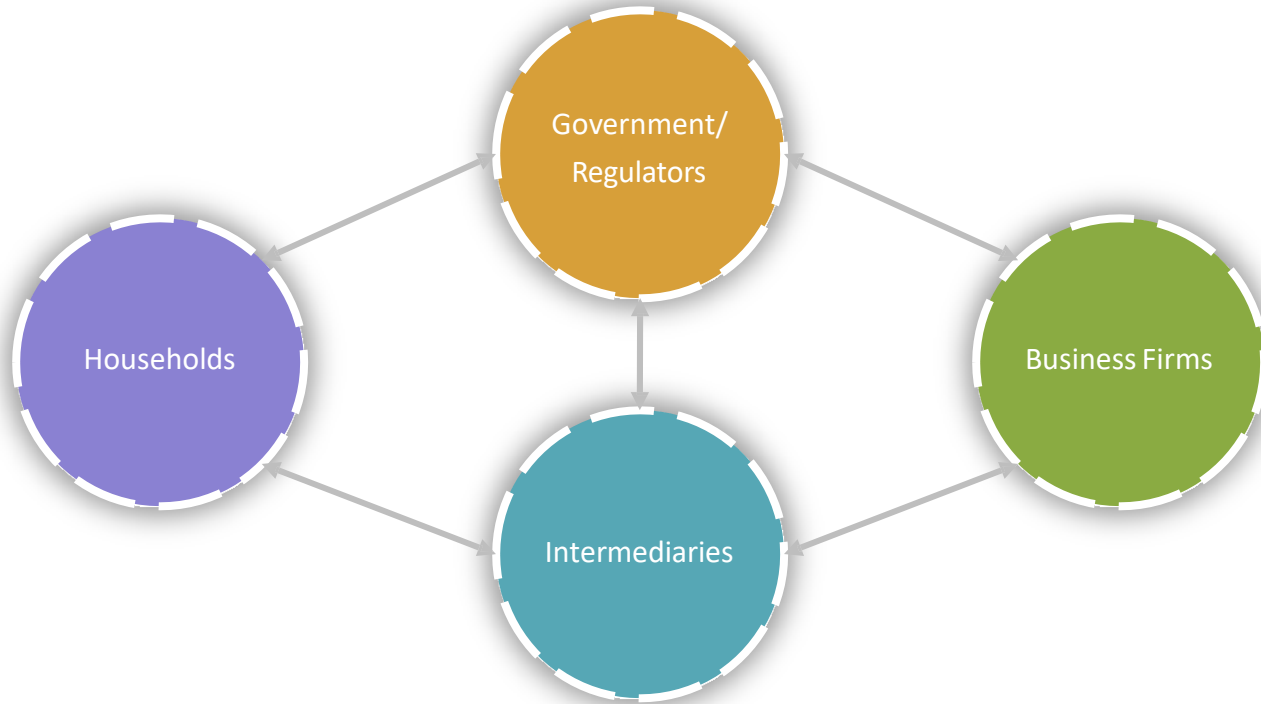
## Functions of a Financial System



- Transfer of resources across sector, time and region
- Facilitates transaction between parties
- Manages risk of the economy as a whole



## Financial flows



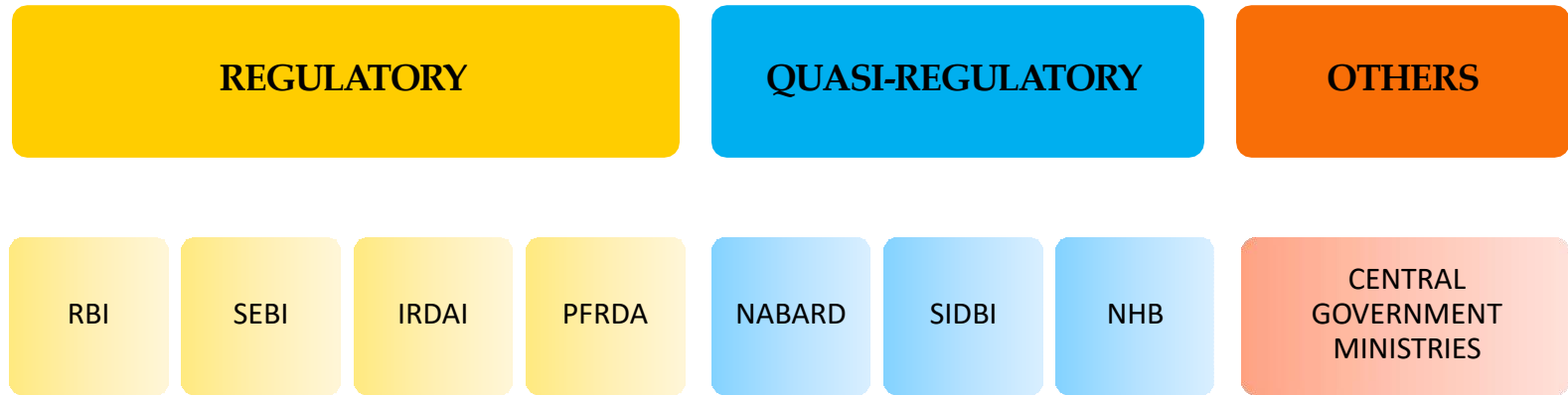


# Regulation

is an important aspect of any financial system.



## Present regulatory architecture





## Role of Financial Regulators

To protect the interest of depositors, policy holders, investors and pensioners.

**PROTECTIVE**

To promote and develop activities of intermediaries.

**DEVELOPMENTAL**

To regulate the market for ensuring a level playing field.

**REGULATORY**



# Financial Market

## Money market

- ◉ Highly liquid
- ◉ Short-term, under a year
- ◉ Usually, less risky
- ◉ High volume
- ◉ Institutional participation
- ◉ T-bills, CDs, CPs, etc.

## Capital market

- ◉ Primary and Secondary
- ◉ Shares
- ◉ Bonds
- ◉ Debentures
- ◉ MFs and ETFs

## Forex market

- ◉ Trading in currencies
- ◉ Largest in terms of volume
- ◉ Foreign trade
- ◉ Hedging





# Depository

Its an financial intermediary where securities such as shares, bonds, debentures, MF units, etc are held in electronic format. It also faciliates in transaction of those securities.

## **NSDL and CDSL**

These are only two depositories registered with SEBI in India.

## **Depository Participant**

DP (Broking firm, Bank, etc) is an agent of the depository who interfaces with the investors.



## Stock Exchange

A stock exchange does not own shares. It provides a platform to both buyers and sellers of stocks (also known as shares) bonds and other securities. The prices are governed by the forces of demand and supply. It also facilitates issue and redemption of securities as well as payment of dividends.

A stock exchange provides companies with the facility to raise capital for expansion through selling of securities to the investing public.

### **Primary market**

The Initial Public Offering (IPO) of stocks, bonds or other securities are done in this market.

### **Secondary market**

After the IPO, subsequent trading of securities are done in this market.

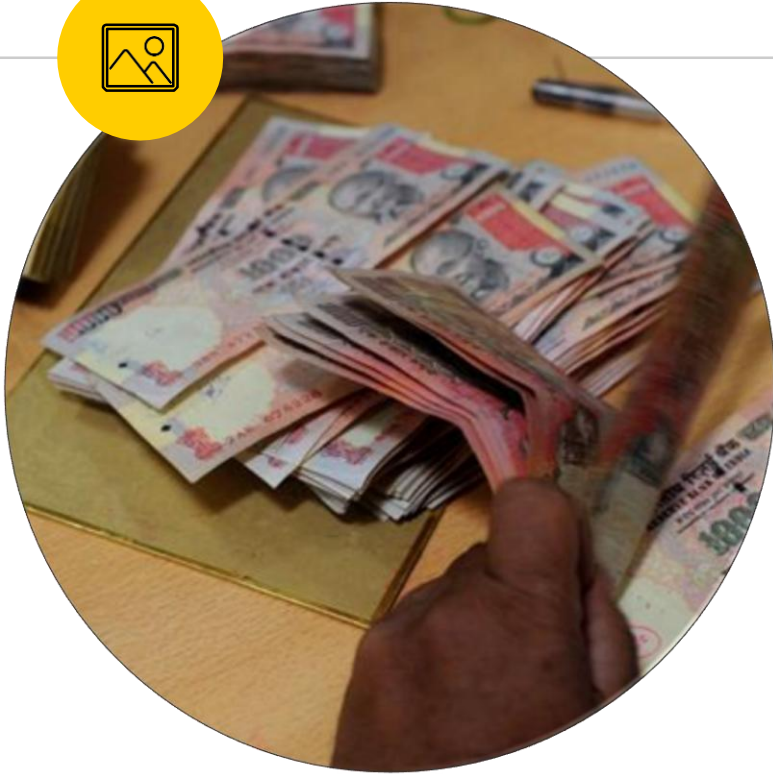


---

3

# Banking

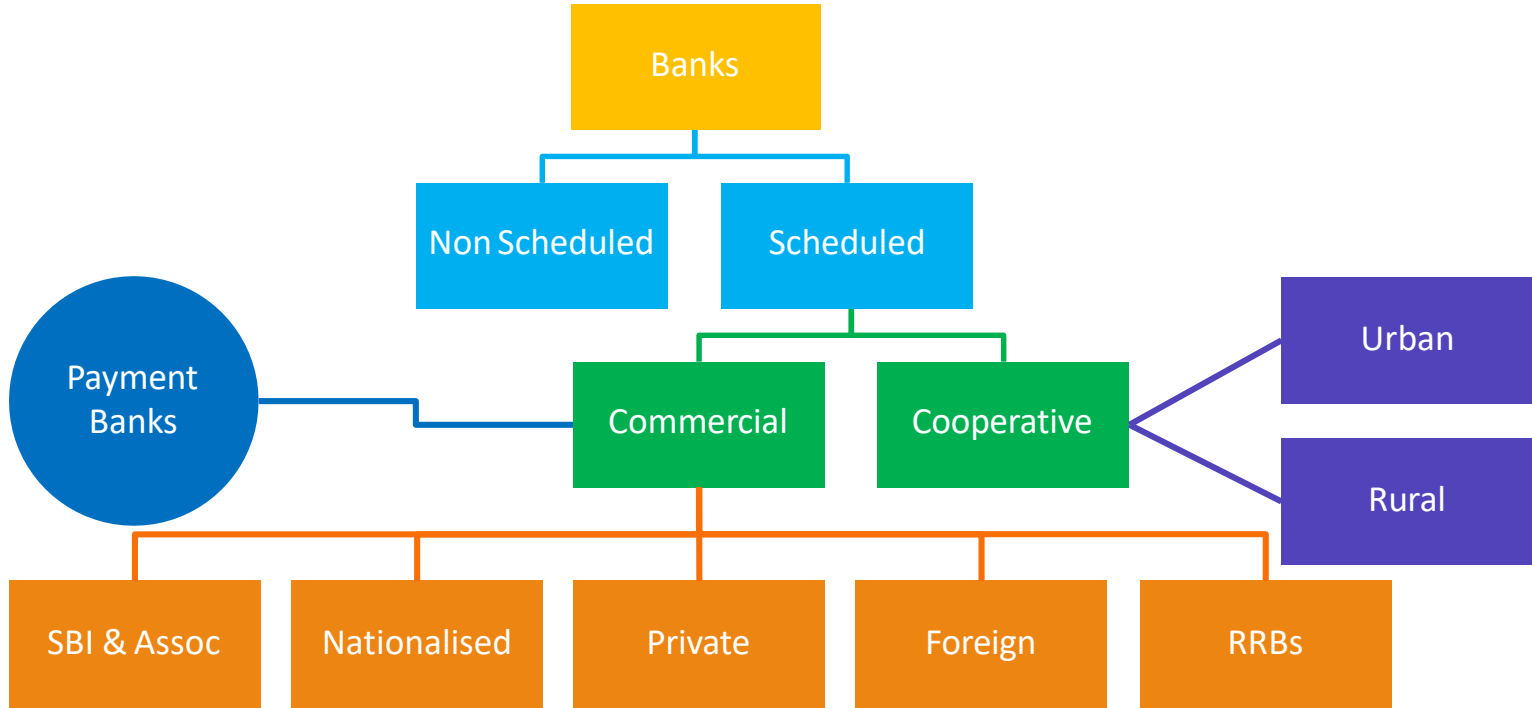
Saving, transaction and borrowing related products and services. Use of technology in the banking sector.



**A Bank** is a financial institution which accepts deposits, facilitates transfer of funds and also lends money to individuals and business firms that need it.



# Types of Banks



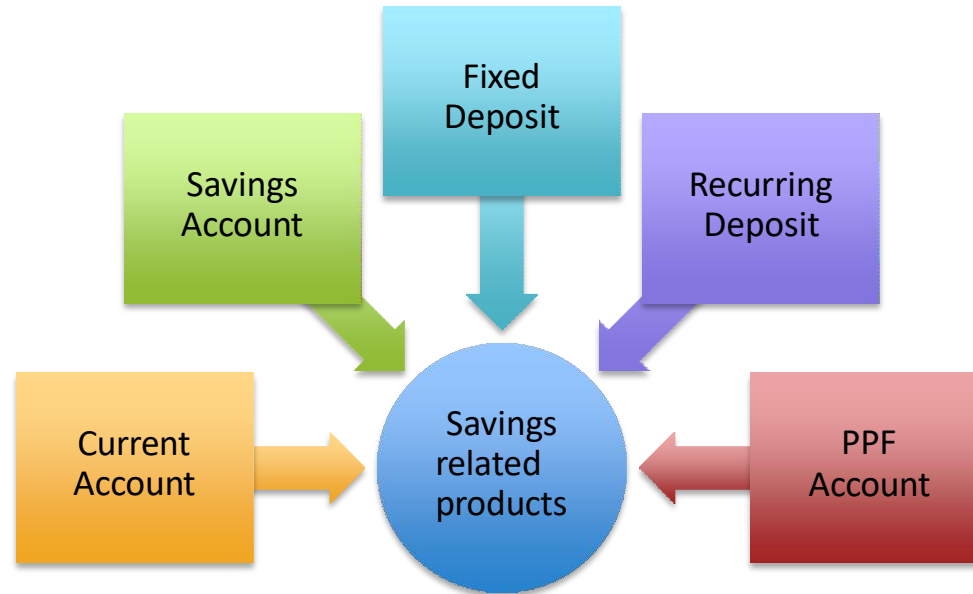


## Primary Functions





## Accepting Deposits





## Bank account for Minors

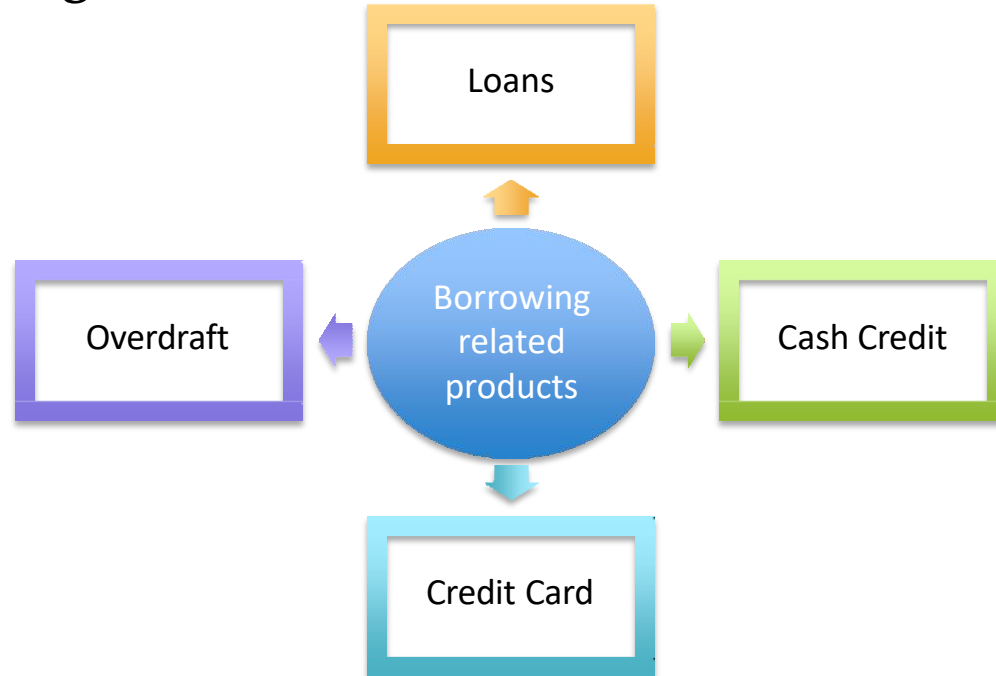
- A savings /fixed / recurring bank deposit account can be opened by a minor of any age through his/her natural or legally appointed guardian.
- Minors above the age of 10 years may be allowed to open and operate savings bank accounts independently, if they so desire.





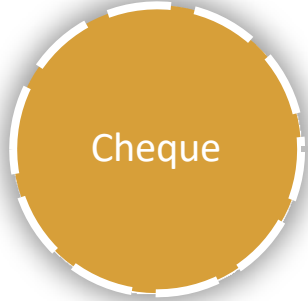


## Providing Credit





# Tranfering Money



**भारतीय स्टेट बैंक**  
State Bank Of India

(11724) KARAMANA  
KAIRALI PLAZA, NH-47, KARAMANA  
THEIRUVANANTHIPURAM-685002  
IFS CODE: SBIN0011724

केवल 3 महीने के लिए वैध / VALID FOR 3 MONTHS ONLY  
D D M M Y Y Y Y

PAY को या उनके आदेश पर OR ORDER

रुपये RUPEES

अदा करें ₹

का.नं. / A/c No. VALID FOR Rs. 1000000/- & UNDER

Prefix : 151590002

MULTI-CITY CHEQUE Payable at Par at All Branches of SBI Please sign above

⑈950020⑈ 695002032⑆ 002860⑈ 31



**भारतीय स्टेट बैंक**  
State Bank of India

अति करने वाली कड़ी  
Issuing Branch: MADHAVADHARA BRANCH  
बैंड कोड / CODE No: 12839  
Tel No. 0891-0891-27

शांखडुपट्ट  
DEMAND DRAFT

Key: TABKIS  
Sr. No: 384106  
0 1 0 2 2 0 1 6  
D D M M Y Y Y Y

साथे आदेश पर CHIEF MINISTER OF DELHI \*\*\*\*\* या उनके आदेश पर  
ON DEMAND PAY OR ORDER

रुपये RUPEES Three Hundred and Sixty Four Only

अदा करें ₹ 384.00

IOI 000432598203 Key: TABKIS Sr. No: 384108 AMOUNT BELOW 365(3/3) मूल्य प्राप्त / VALUE RECEIVED

भारतीय स्टेट बैंक  
STATE BANK OF INDIA  
अनुमोदित शाखा / DRAWN BY BRANCH: NEW DELHI MAIN BRANCH  
बैंड कोड / .CODE No: 03691

अधिकृत हस्ताक्षरकर्ता  
AUTHORISED SIGNATORY

वैधता अवधि / VALIDITY PERIOD: 3 MONTHS ONLY

⑈596203⑈ 000002000⑆ 000432⑈ 66



## Cheque and Demand Draft

Key Difference	Cheque	Demand Draft
Payment	Payable to Order or Bearer	Always payable to Order
Issuance	By A/c holders	By Bank
Bank Charges	No	Yes
Dishonour	Yes	No
Facility	Only to a/c holders	For all



## Types of Cheques

### Order cheque

Order cheque is payable only to the person specified therein as the payee.

### A/c payee cheque

Account payee cheque is payable to the payee and can only be credited to his/her account.

### Bearer cheque

Bearer cheque is payable to the person specified therein or to any other else who presents it to the bank.

### Post dated cheque

Post dated cheque is issued to the payee for a future date and can not be encashed earlier.

### Open cheque

Open cheque is payable at the counter of the drawee bank on presentation of the cheque.

### Traveller's cheque

Traveller's cheque is used in place of currency by individuals travelling to foreign countries.

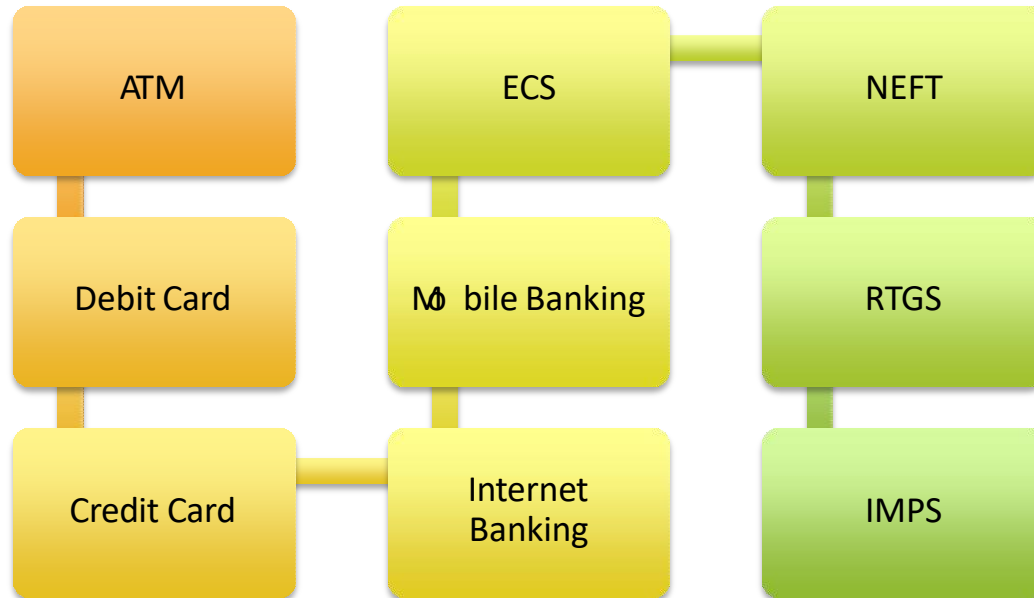


## Banking – Traditional vs Electronic



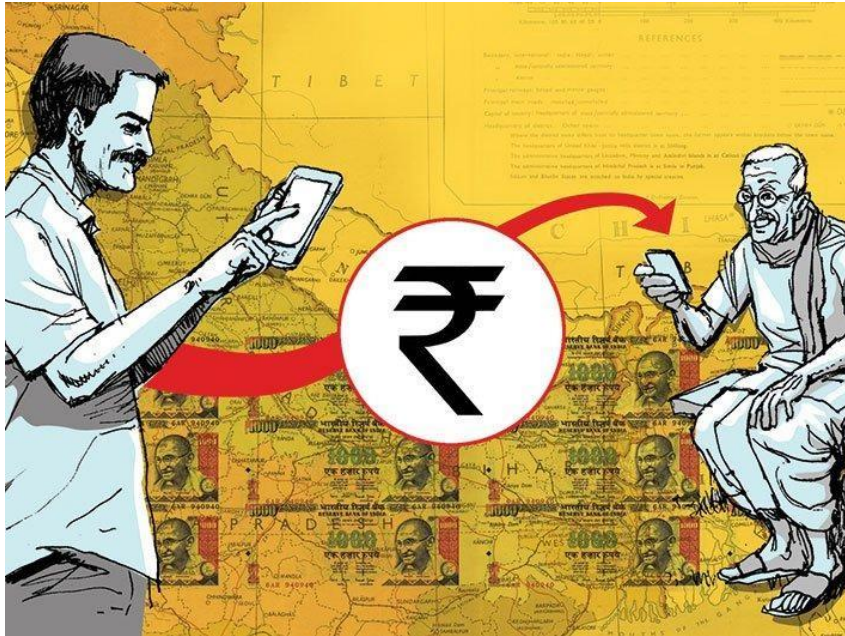


## Technology and Banking





## Payment Banks



- Have a minimum capital of Rs. 100 crores
- Accept deposits through savings accounts of up to Rs 1 lakh
- Issue debit cards and ATM cards, but not credit cards
- Sell MFs, insurance and pension products
- Offer internet banking
- Bill payment services
- Can not provide loans or accept term deposits
- Can function as Business Correspondent of another bank



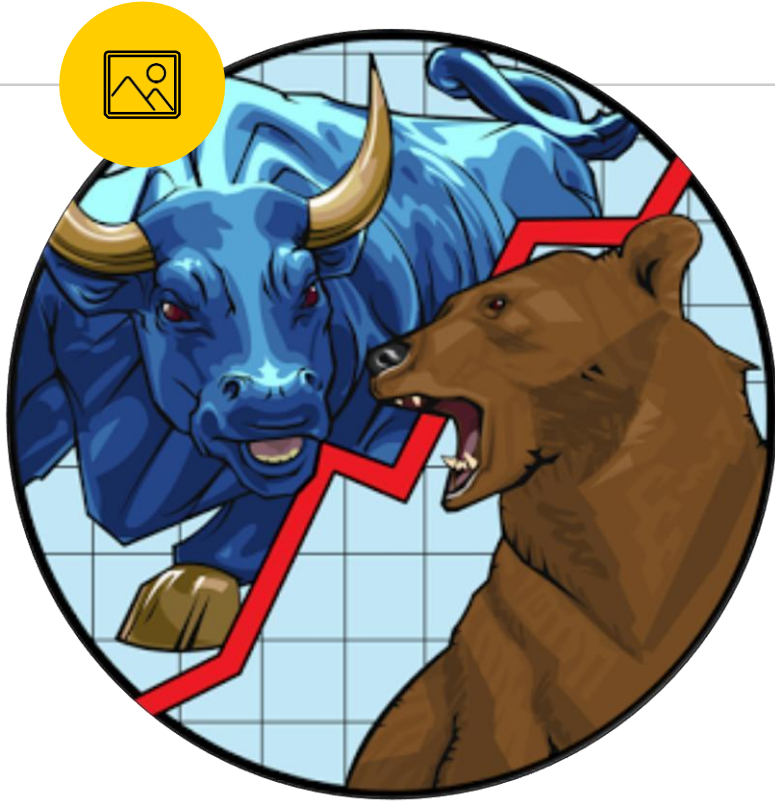
---

4

# Investment and Pension

Investment products and services. Stocks, Bonds, MFs, EPF, PPF and New Pension System (NPS), etc.





**Capital market** which includes both stock and bond market consists of medium to long term financial instruments.



## What is investing?

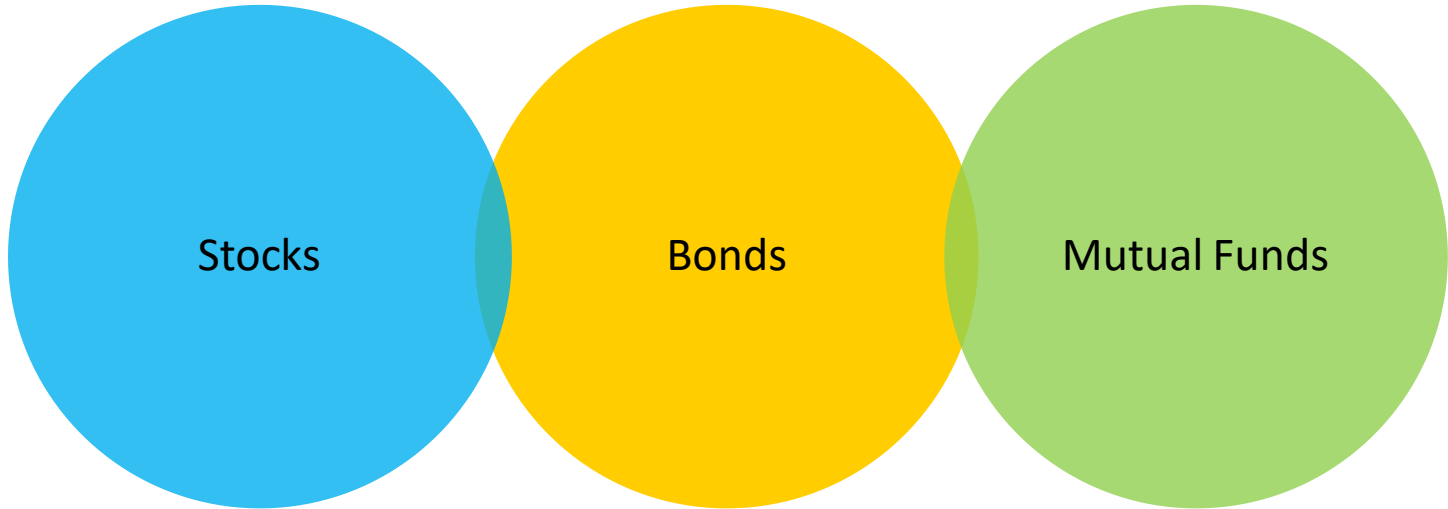
- Investing means putting your money to work for you.
- This includes putting money into stocks, bonds, mutual funds, real estate, gold etc.
- Investing is not gambling
- Benefits of investing is reaped if you stay invested for longer term





## Investment Avenues

---





## Stocks



- Also known as equity or a share
- Part ownership in the company and its profits
- Returns in the form of dividends or capital gain
- Potential for greater returns
- Risk of the company not doing well
- Price fluctuations (volatility) in short term



## How a stock works?

- When you buy a stock, you're entitled to a small fraction of the assets of that company.
- The value of the stock is set by many people trading it in an open market—a stock exchange.
- The price of a stock fluctuates according to supply and demand, with many factors influencing these two.
- Because so many companies sell stock, the stock market is a very accessible way to invest.





## Safeguards



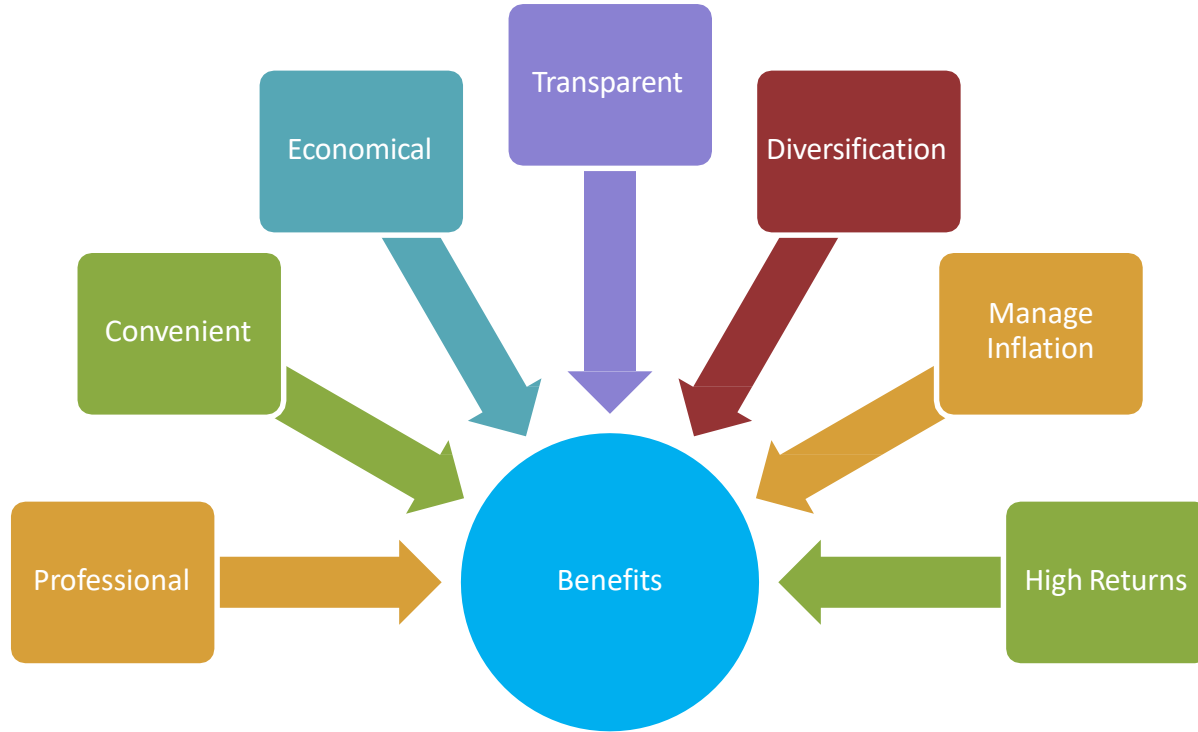
- Diversify (company, sector, etc.)
- Evaluate and analyze to find a good stock
- Understand the stock you are investing in
- Take professional help
- Invest in stocks via Mutual Fund
- Invest with proper knowledge



**Mutual Fund** is a convenient way through which one can invest in most types of assets like stocks, bonds, real estate, gold, etc.



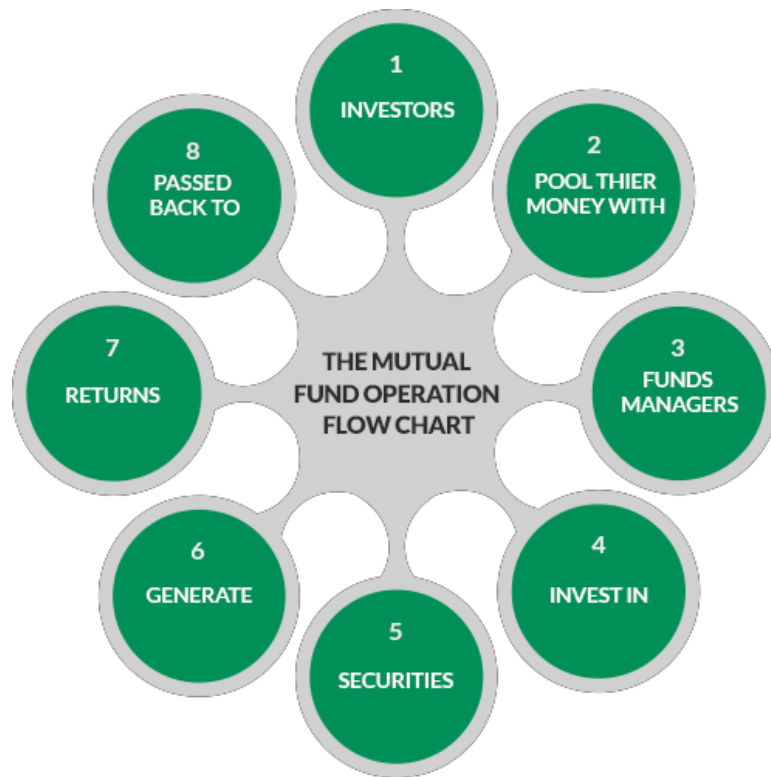
# Why Mutual Funds?







# Mutual Fund Operations





## Types of Mutual Funds





## Equity Linked Savings Scheme

### Asset Class

- Mutual Fund investing more than 65% of its corpus in equities and equity related products.

### Benefits

- Tax saving u/s 80C up to investment of Rs. 1.5 Lakh
- Wealth creation

### Choice of Investing

- Growth – Profits added back to the value of investment
- Dividend – Profits paid out to the investor

### Misc. Features

- Minimum investment amount Rs 500
- Lock in period 3 years



## Rajiv Gandhi Equity Savings Scheme

Who can invest?

- New retail investors with an annual income of less than Rs. 12 lakhs

How much?

- Maximum amount eligible for claiming tax benefit is Rs. 50,000/-

Tax Benefit

- Deductions u/s 80CCG is available on 50% of the amount invested

Lock in period

- Lock in period 3 years



## Systematic Transactions

Systematic Investment Plan is ideal for someone with a goal to accumulate funds for a future goal.

Systematic Withdrawal Plan is ideal for someone with a lump sum amount to invest for funding regular expenses.

Systematic Transfer Plan is when an investor invests a lump sum amount in a fund and regularly transfer a fixed/variable amount into another fund.



## Bonds



- Bond is a more umbrella term for any type of debt investment.
- When you buy a bond, you loan money to an entity; a company or government.
- They pay you back over a set period of time with a fixed interest rate.



## Characterisitcs of Bonds

Relatively safe  
and stable

Preservation of  
capital

Predictable  
income

Low risk, Low  
reward



## Small Savings Schemes

Products	Maturity	Interest (Apr '16)	Min Investment	Max Investment
Kisan Vikas Patra	8.4 yrs	8.45	1000	No limit
Post Office Fixed Deposit	5 yrs	8.50	200	No limit
Bank Fixed Deposit (SBI)	5 yrs	7.00	1000	No limit
National Savings Certificate	5 yrs	8.50	100	No limit
Public Providend Fund	15 yrs	8.10	500	1.5 lakhs
Senior Citizen Savings Scheme	5 yrs	9.30	1000	15 lakhs





## Commodities Markets

is a place where trading in commodities takes place. It is similar to an equity market, but instead of buying or selling shares one buys or sells commodities.



## Types of Commodities

Agro Based	Wheat, Corn, Cotton, Oilseeds, etc
Metals	Aluminum, Nickel, Copper, etc
Bullion	Gold, Silver, Platinum, etc
Soft	Coffee, Cocoa, Sugar, etc
Energy	Crude oil, Natural gas, Gasoline, etc



## Purpose and Benefits



- Farmers taking advantage of price discovery on futures market
- Locking in prices to avoid fluctuations during harvest season
- No price manipulation; decided by forces of demand and supply

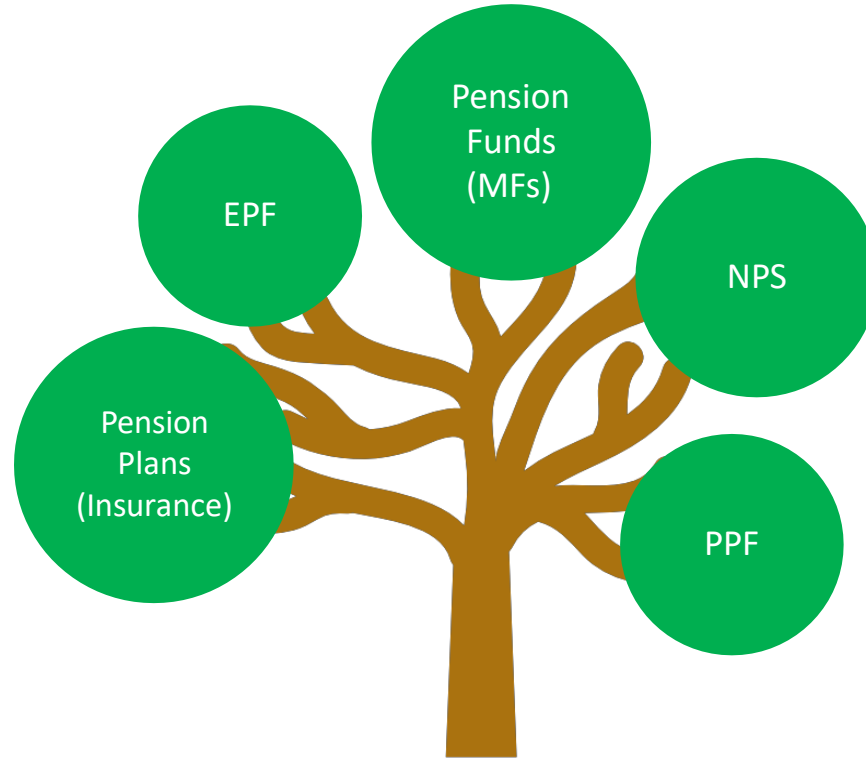


**It's never too early to think about Retirement Planning**





# Pension Products

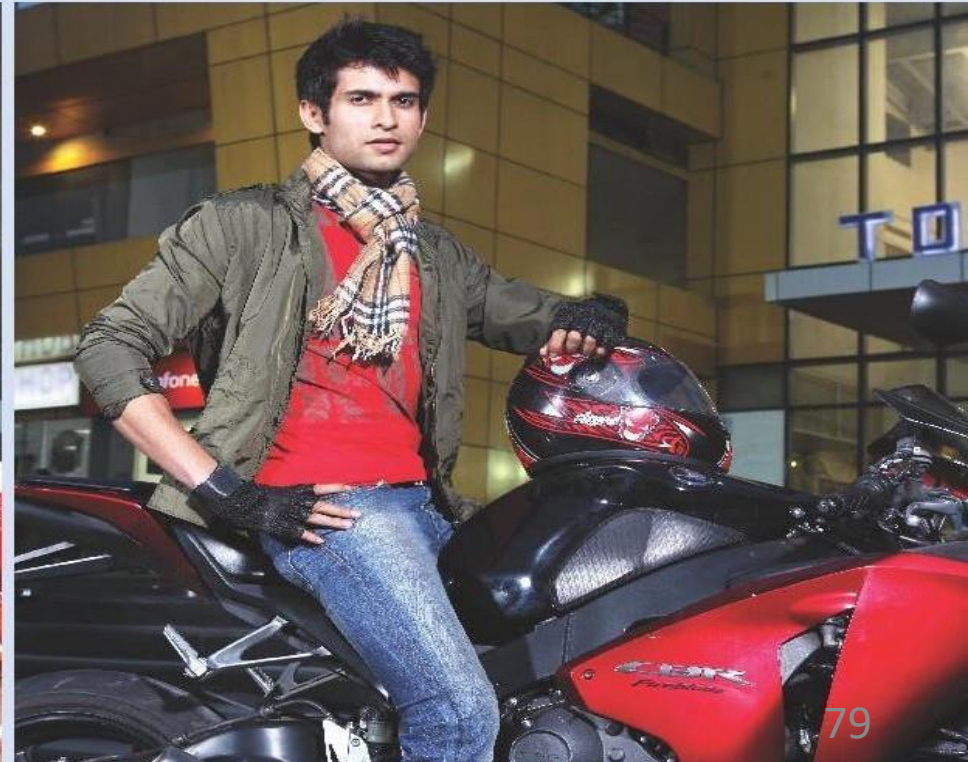




## EPF vs PPF

Particulars	EPF (Apr '16)	PPF (Apr '16)
Eligibility	Salaried Employees	All Indians, Except NRIs
Interest Rate	8.8	8.1
Tax Benefit	Upto Rs. 1.5 Lakh u/s 80C	Upto Rs. 1.5 Lakh u/s 80C
Investment Period	Upto Retirement or Resignation	15 yrs, Extendable in 5 yrs block
Premature Withdrawal	Partial withdrawal available	50% (End of 4 <sup>th</sup> yr Balance) after 6 yrs
Tax on Withdrawal	Yes, If withdrawn before 5 yrs	No
Tax on Returns	Tax Free	Tax Free
Loan Options	Yes, only in special cases	Yes, 25% from 3 <sup>rd</sup> yr onward
Minimum Investment	12% of Basic and DA	Rs. 500/-

# Jab umar hogi saatth Kya rahenge yeh thaatth





## Features of NPS

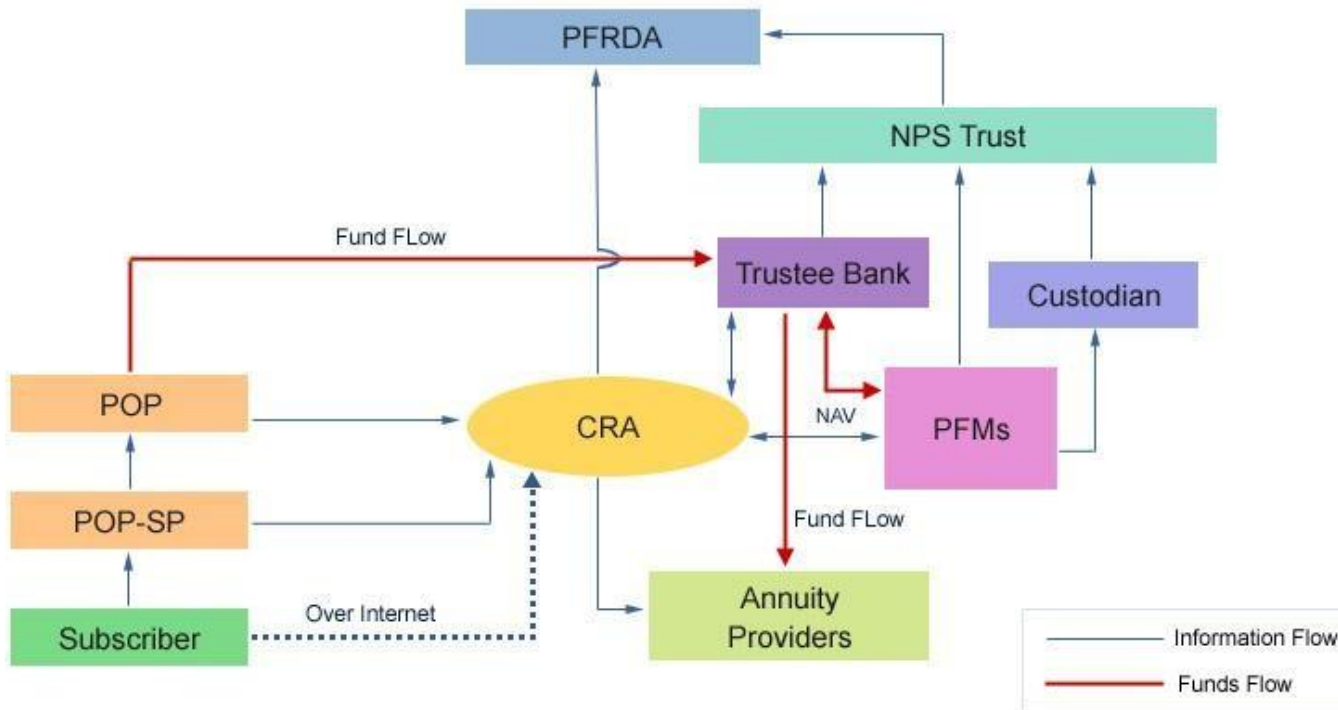


- All citizens between age 18-60 can open account
- Portable across geographies and employment
- Low cost, easy to operate
- Flexible investment options
- Tax benefit to employee and employer
- Regulated by PFRDA





# NPS Architecture





## NPS Account: Tier I & II

Particulars	Tier I (Pension Account)	Tier II (Investment Account)
Eligibility	All Indians	Members of Tier I
Bank Account	Not mandatory	Mandatory
Min Contribution (Annual)	Rs. 6000/-	Rs. 1000/-
Min Amt Per Contribution	Rs. 500/-	Rs. 250/-
Liquidity	Conditional	Any time
Tax on Maturity	Yes, Conditional	Yes, for Debt Funds
Fund Transfer	Not Possible	From Tier II to I
Tax Benefit	Upto 2 Lakh u/s 80CCD (1 & B)	No



## NPS Returns Percentage

Particulars	SBI	LIC	UTI	ICICI	Reliance	Kotak	HDFC
1 yr	9.50	10.43	9.95	9.97	10.00	10.34	10.24
2 yrs	12.24	12.45	12.00	12.82	12.27	12.39	12.43
3 yrs	9.50	--	9.67	10.11	9.91	9.68	--
Since Inception	11.07	11.96	9.56	10.97	9.38	10.93	11.85

The above returns are for Scheme C - Tier I, *medium return for credit risk* bearing fixed income instruments. Examples of these are bonds issued by firms. Source: [www.npstrust.org.in](http://www.npstrust.org.in)



---

5

# Insurance

Protection related products and services. Need, importance and fundamental principles of insurance.



**Insurance is one of those things we all should have, but hope we will never need!**



## Need for Insurance

- To protect against loss of income due to accidental death or disability.
- To pay for your medical expenses in case of critical illness or unexpected health issues.
- To pay for the cost of replacement or repair of your vehicle if you meet with an accident.
- To pay for the cost of repair following damage or destruction of your home in fire or flood like incidents.
- Financial coverage when you are legally liable to pay for third party injury or damage due to accident.





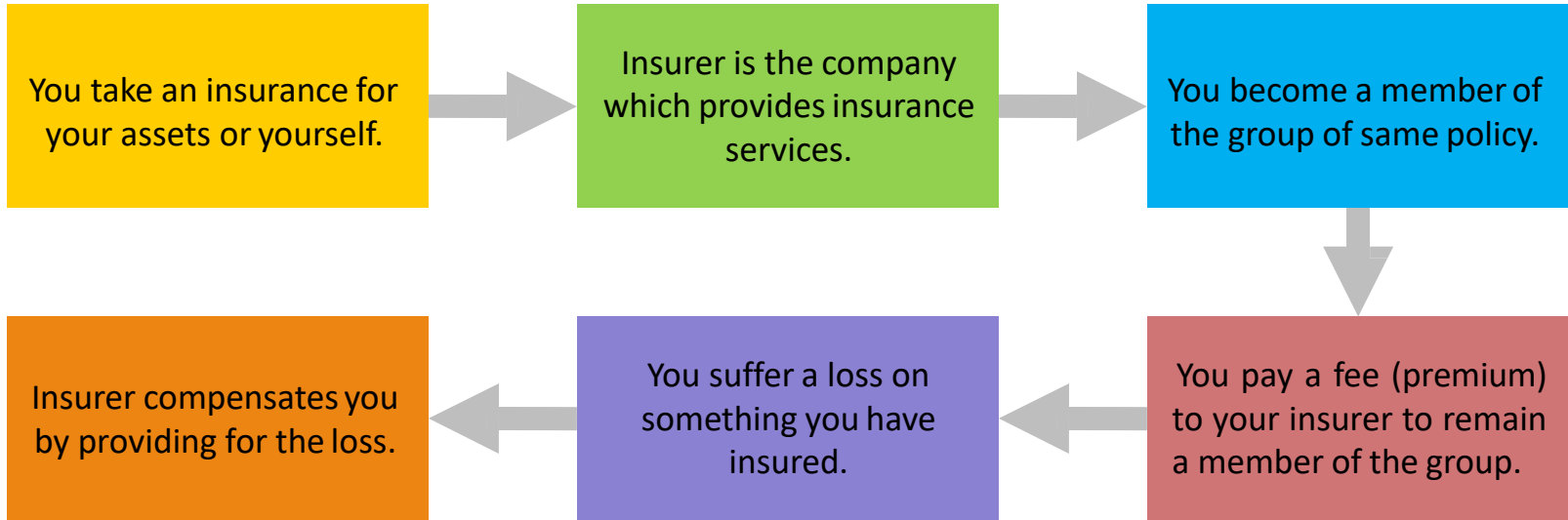
## Concept of Insurance



- Group of same risk individuals, agree to share the loss.
- Risk is spread in bearable small losses.
- Occurrence is random or accidental and not deliberate.



## How insurance works?



**Insurance company earned as not everyone in the group (there may be lakhs) suffered a loss.**





**Insurance is a  
Risk Management tool.**



# Fundamental Principles of Insurance

## **Nature of Contract**

Contract between both insurer and insured, entered with free consent.

## **Insurable Interest**

The insured must have an insurable interest in the subject.

## **Utmost Faith**

Both parties should have faith over each other and disclose all information.

## **Indemnity**

Insured would be compensated for the actual loss, not more.

## **Subrogation**

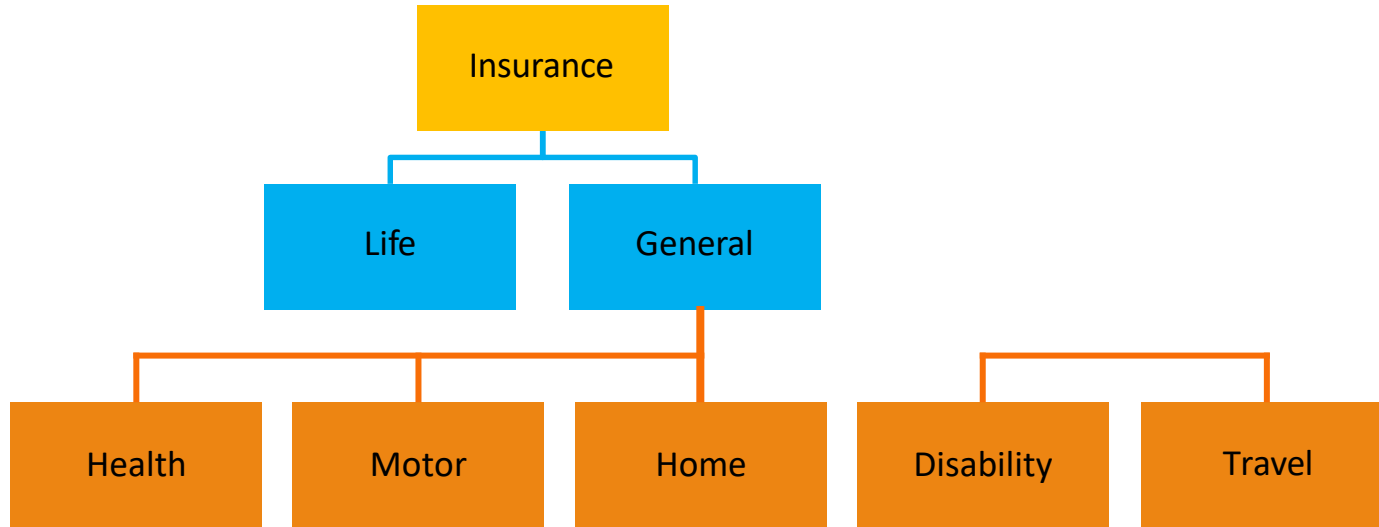
It enables the insurer to claim from third party responsible for loss.

## **Proximate Cause**

When the loss is result of two or more causes, most dominant is considered.

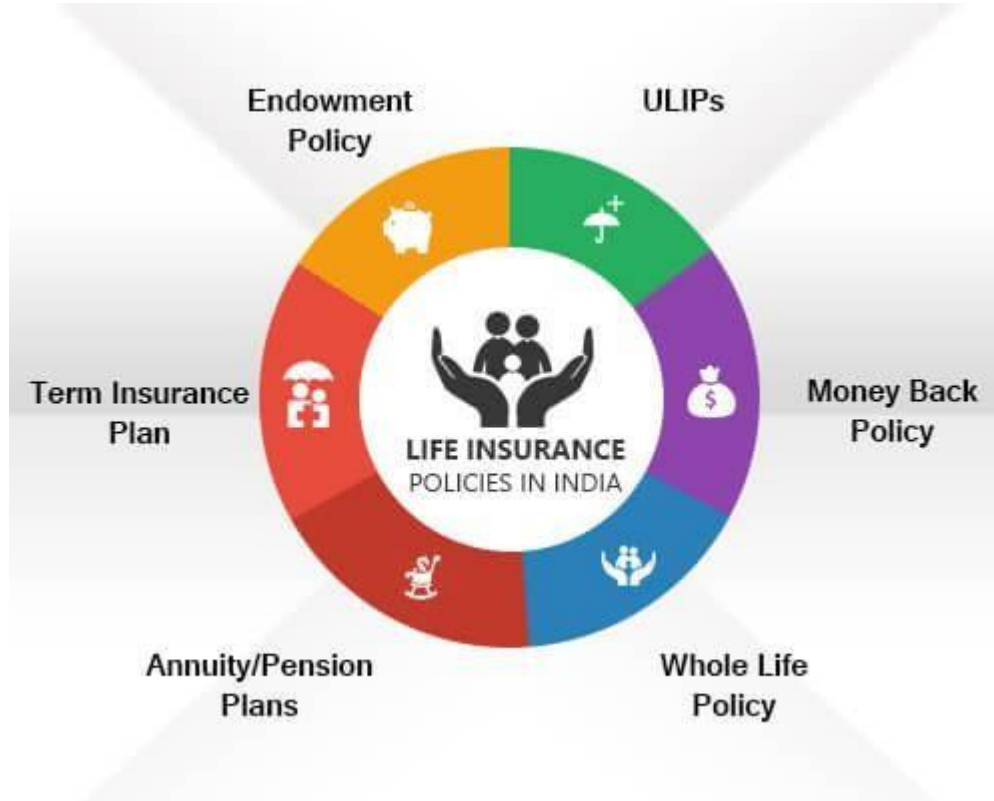


# Common Types of Insurance





# Types of Life Insurance Policies





## Term Insurance Plan



- Term plans are the most basic form of life insurance.
- Provide life cover with no savings / profits component.
- Most affordable form of life insurance as premiums are cheaper.
- The sum assured is paid if the policyholder expires over the policy term.
- If the policyholder survives, there is no pay out.



## Whole Life Policy

- ◉ Validity of the policy is not defined.
- ◉ Individual enjoys the life cover throughout his/her life.
- ◉ Policyholder pays regular premiums until death.
- ◉ Sum assured is paid out to the beneficiaries.
- ◉ The policy expires only in case of an eventuality.
- ◉ Premiums paid under the whole life policies are tax exempt.





## Endowment Policy



- ◉ Endowment plans combine risk cover with financial savings.
- ◉ Pay out the sum assured and profits under both scenarios; death and survival.
- ◉ Charge higher premiums.
- ◉ The profits are an outcome of premiums being invested in asset markets; equities and debt.
- ◉ Premiums paid under the pure endowment policies are tax exempt.



## ULIP

- ◉ ULIPs are market-linked life insurance products.
- ◉ Provide a combination of life cover and wealth creation options.
- ◉ Part of the premium goes toward providing life cover, while the rest is invested in equity and debt instruments.
- ◉ Individuals can choose the allocation for investments in stock/debt markets.
- ◉ Useful for achieving various long-term financial goals.







## Money Back Policy



- It gives periodic payments over the policy term.
- A portion of the sum assured is paid out at regular intervals.
- If the policy holder survives the term, he/she gets the balance sum assured.
- In case of death over the policy term, the beneficiary gets the full sum assured.
- The premiums paid and the returns accumulated are tax exempt.



## Annuity/ Pension Plans

- ◉ Financial stability during your old age.
- ◉ Protect against financial risks as well as provide money in the form of pension at periodic intervals.
- ◉ Most suited for senior citizens and those planning a secure future.
- ◉ Premium is to be paid in a lump sum.





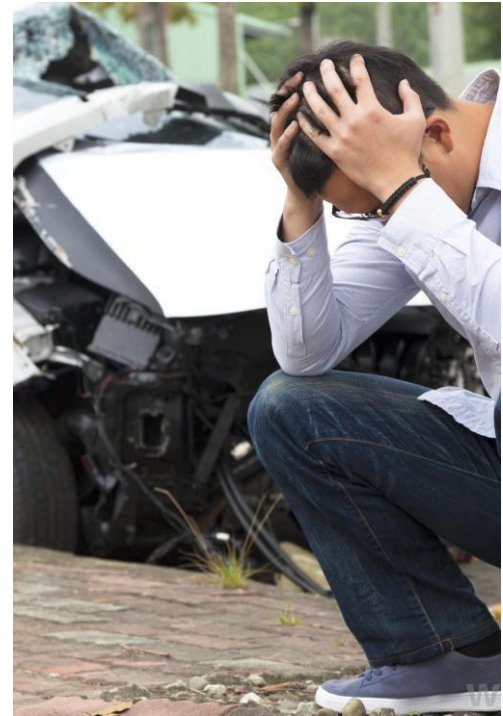
## Other Important Aspects

- ◉ Death due to accidents can be covered for additional sum assured.
- ◉ Policies available exclusively for women & children.
- ◉ Premium payment options: monthly, quarterly, half yearly, yearly.
- ◉ Loans available on certain policies, subject to terms and conditions.
- ◉ Lapsed policies can be revived and also policies can be surrendered before maturity.
- ◉ The younger you are when you buy, the more cost effective it will likely be.




## Motor Insurance

- ◉ Two types: Liability only and packaged policy.
- ◉ Packaged policy includes Owners damage along with third party liability.
- ◉ Third Party Insurance is a statutory requirement.
- ◉ Compulsory Personal accident cover for owner-driver is also included.
- ◉ Vehicle owner is legally liable for any injury or damage to third party life or property.
- ◉ Driving a motor vehicle without insurance in a public place is a punishable offence.






# Health Insurance




## Health Insurance Policies

Choose the right policy for yourself




### Individual Health Insurance

One of the most favored health policies. It is the simplest health policy cover available in the market.




### Family Floaters Plan

A policy that covers the entire family. This policy is a cheaper than individual policy.



### Unit Linked Health Plan

ULHP plan is similar to a ULIP. A part of your premium is invested while the remaining for the health cover.





## Critical Illness vs Health Insurance

Particulars	Critical Illness Insurance	Health Insurance
Meaning	It is a policy to cover life threatening diseases like tumor, permanent paralysis, etc.	It is a comprehensive cover that includes hospitalization expenses.
Benefits	Hospitalization is not required because diagnosis is enough to get critical illness benefits. The insured receives the entire amount at once.	The insured can reimburse hospitalization expenses by submitting bills. He can also opt for cashless facility at network hospitals.
Coverage	It has restricted coverage because it covers only 6-12 diseases.	It offers an extensive coverage, including hospitalization expenses.
Tenure	It is taken for a long duration, usually 15-20 years.	It is an annual contract, wherein the policy must be renewed after 1 year.



---

6

# Consumer Protection

Financial frauds and consumer awareness, Know the grievance redressal mechanism for different financial sectors.



## Know Your Customer (KYC)

- KYC enables financial regulators and intermediaries to know their customers.
- Understand their financial dealings to be able to serve them better and manage its risks prudently.
- To verify the identity of the customer, his address and photograph.
- KYC is a regulatory and legal requirement.
- Without KYC you can still open a bank account known as 'Small Account'.







## Be Aware: ATM/Debit Card



- Never lend his/her card to anyone.
- Do not write PIN on the card.
- Never share PIN with anyone or seek help from anybody by handing over the card and revealing the PIN.
- Never let anyone see the PIN while it is being entered at the ATM
- Never use a PIN that could be easily guessed. eg. his/her birthday, birthday of spouse or telephone number.
- Never leave card in the ATM.
- Remember that bank officials will never ask for card details or PIN over telephone / email. So, do not respond to any vishing / phishing mails from people indicating that they represent your bank.





## Be Aware: Frauds and Scams



### MASS MARKETING FRAUD

You receive a fraudulent email that looks like it comes from a legitimate company, asking you to click on a link that brings you to a fake website. To be safe, never invest, donate or make purchases on the phone unless you can validate the company's existence.

### LOTTERY SCAM

"Congratulations! You've won the lottery/sweepstakes/big prize! All you have to do to claim your prize is send a small fee or tax payment."  
Legitimate contests don't charge fees for you to collect your prize.





## Be Aware: Frauds and Scams



### INVESTMENT FRAUD

Someone recruits you to invest in a business or to buy merchandise to sell. You are expected to recruit new members. After a while, new people stop joining. That's when the promoters vanish, taking your money with them.

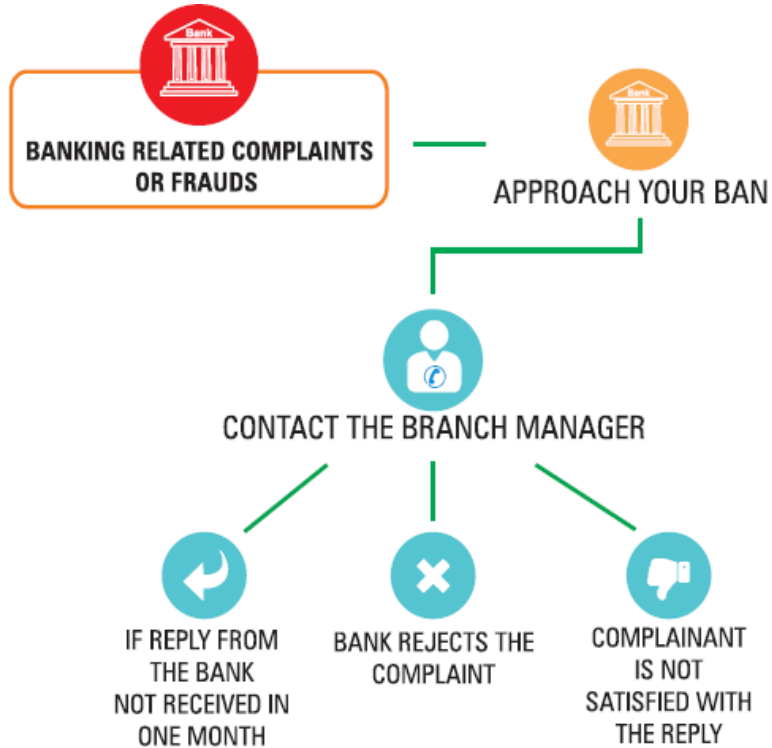
### CREDIT AND DEBIT CARD FRAUD

Credit card and debit card fraud happen when someone uses your card, card information or personal identification number (PIN) without your permission. Never share your PIN with anyone.





# Grievance Redressal - Banking



NOT RECEIVED IN ONE MONTH

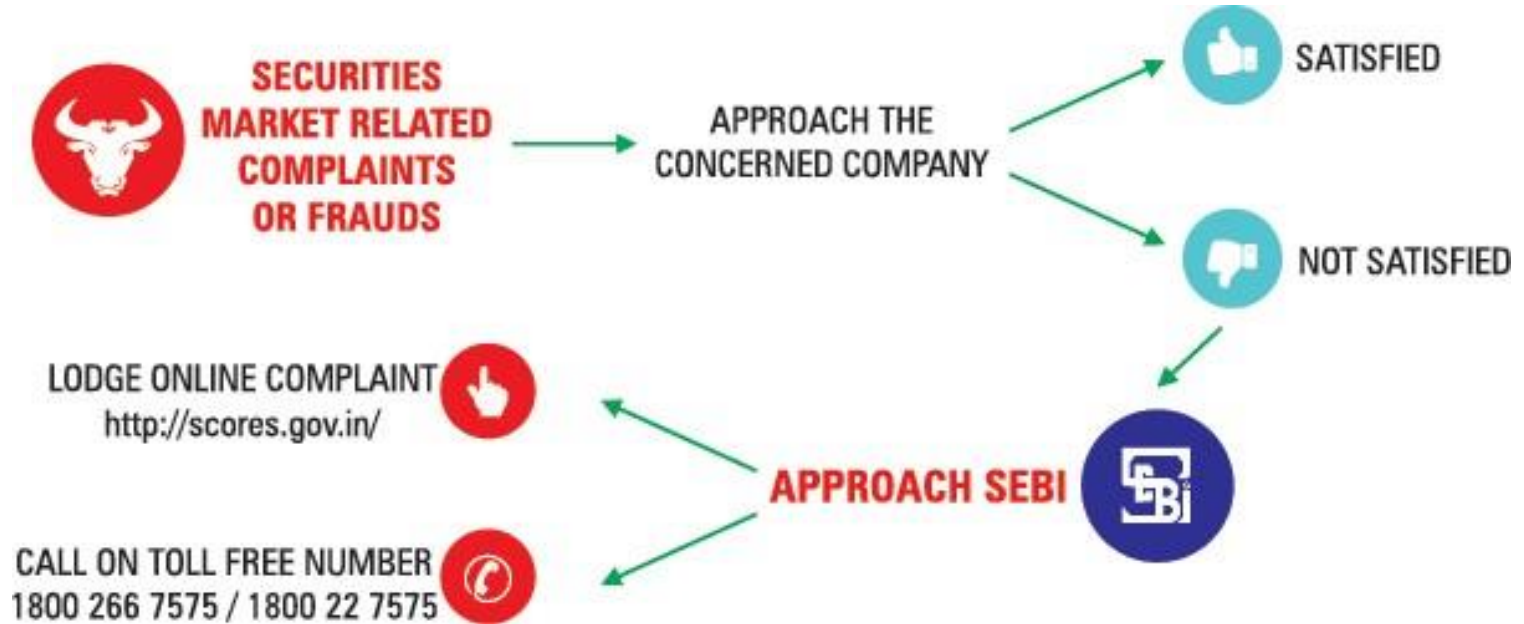


Chief General Manager, Reserve Bank of India,  
Consumer Education & Protection Department, Central Office,  
1st Floor, Amar Building, Perin Nariman Street, Mumbai 400001.

The Banking Ombudsman does not charge any fee for filing and resolving customers' complaints.

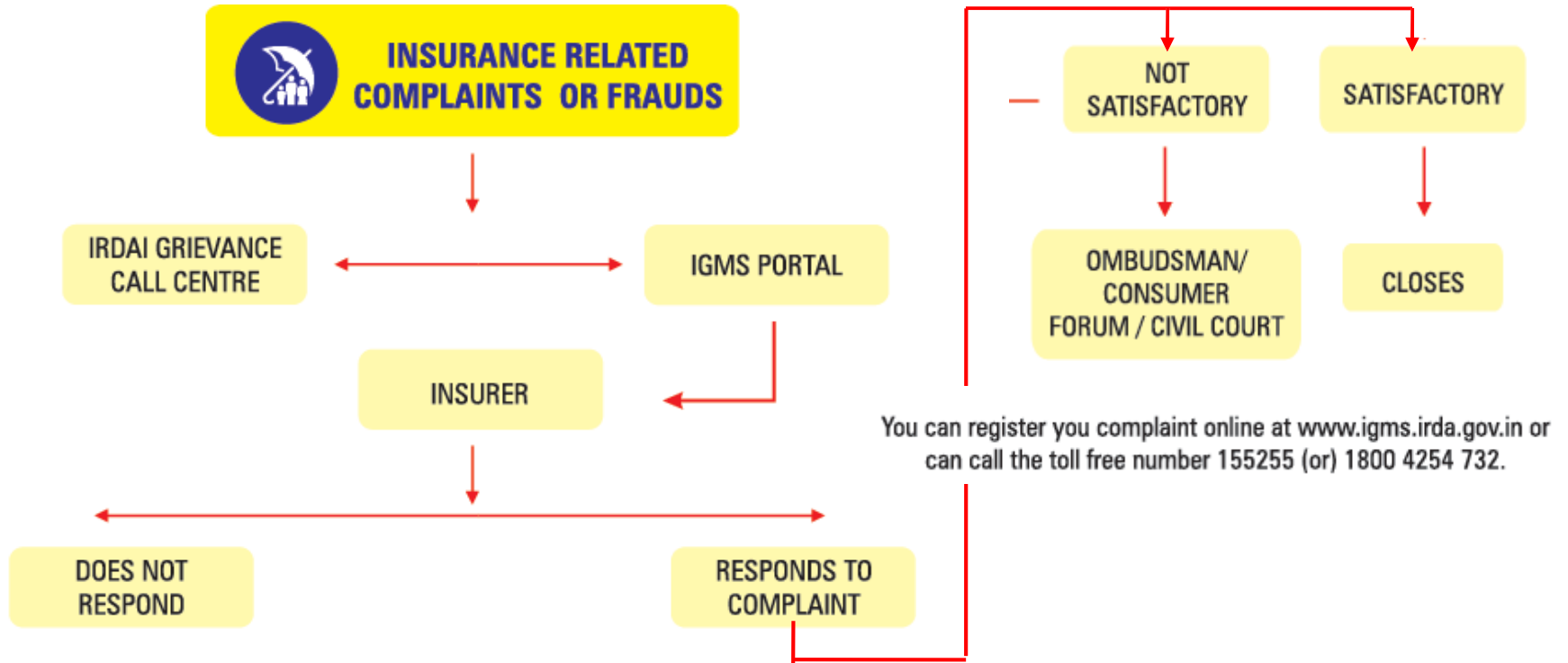


# Grievance Redressal - Securities Markets



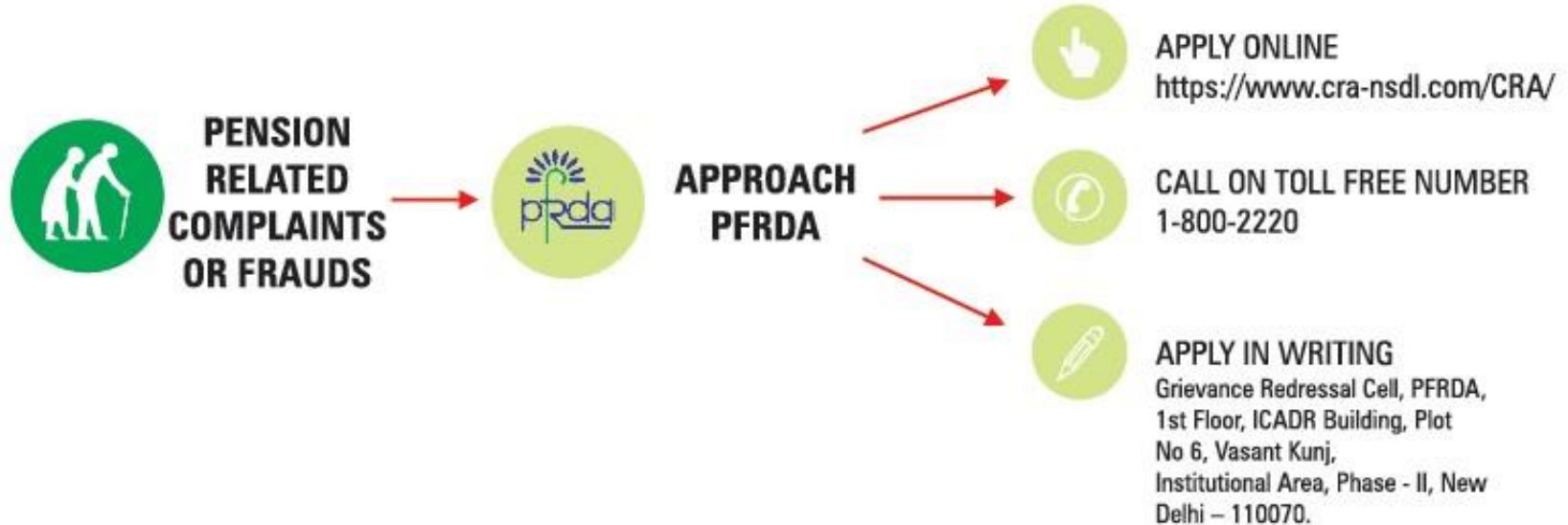


# Grievance Redressal - Insurance





## Grievance Redressal - Pension





---

7

# Financial Inclusion

Need and importance. Government focus and the various financial inclusion schemes available for citizens.





**Financial inclusion** is linked to a country's economic and social development, and plays a role in reducing extreme poverty.



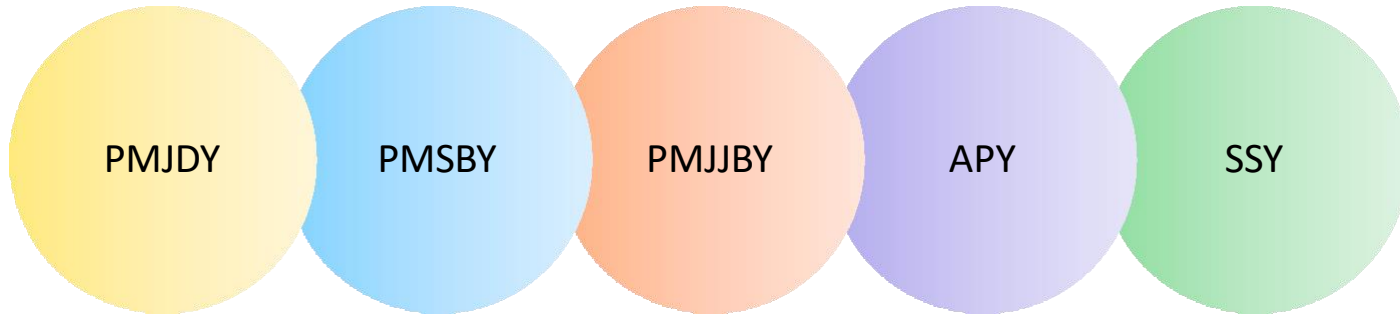
## Being Included Helps

- ◉ Make day-to-day transactions, including sending and receiving money.
- ◉ Safeguard savings, which can help households manage cash flow.
- ◉ smooth consumption and build working capital.
- ◉ Finance small businesses or microenterprises.
- ◉ Plan and pay for recurring expenses, such as school fees.
- ◉ Mitigate risks and manage expenses related to unexpected events.
- ◉ Improve their overall financial well-being.



## Govt. of India Schemes

---





**Pradhan Mantri Jan Dhan Yojana**





## Key Features

- ◉ No minimum balance required.
- ◉ Accidental insurance cover of Rs.1.00 lakh
- ◉ Life insurance cover of Rs.30,000/-
- ◉ Beneficiaries of Government Schemes will get Direct Benefit Transfer in these accounts.
- ◉ After satisfactory operation of the account for 6 months, an overdraft facility will be permitted
- ◉ Access to Pension, insurance products.
- ◉ Accidental Insurance Cover, RuPay Debit Card must be used at least once in 45 days.
- ◉ Overdraft facility upto Rs.5000/- is available in only one account per household, preferably lady of the household.



**Pradhan Mantri Suraksha Bima Yojana**





## Eligibility, Benefits & Termination

- ◉ People in the age group 18 to 70 years with a bank account can join
- ◉ Premium of Rs. 12/- per year.
- ◉ Should give a consent for auto-debit facility
- ◉ Rs.2 lakh for accidental death and permanent total disability
- ◉ Rs. 1 lakh for permanent partial disability
- ◉ Individuals who exit the scheme may re-join the scheme in future years
- ◉ Policy cover will terminate on attaining age 70 years
- ◉ If the premium was not paid due to insufficient balance in the saving account



**Pradhan Mantri Jeevan Jyoti Bima Yojana**







## Eligibility, Benefits & Termination

- ◉ People in the age group 18 to 50 years with a bank account can join
- ◉ Premium of Rs. 330/- per year.
- ◉ Should give a consent for auto-debit facility
- ◉ Rs.2 lakh on policy holder's death due to any reason
- ◉ Individuals who exit the scheme may re-join the scheme in future years
- ◉ Policy cover will terminate on attaining age 55 years
- ◉ If the premium was not paid due to insufficient balance in the saving account



## Atal Pension Yojana





## Eligibility, Benefits & Termination

- ◉ People in the age group 18 to 40 years with a bank account can join
- ◉ Defined benefit between Rs. 1000 to Rs. 5000
- ◉ Guaranteed minimum pension after the age of 60 years until death
- ◉ Spouse of the subscriber shall receive the same pension until death
- ◉ After the demise of both, nominee will receive the lump sum amount
- ◉ Should give a consent for auto-debit facility
- ◉ Subscribers of Swavalamban in the age group of 18-40 years shall be migrated to APY unless they opt-out
- ◉ Discontinuing contribution shall lead to account being Frozen, Deactivated and Closed after 3,12 and 24 months, respectively
- ◉ Premature withdrawal available only in exceptional cases
- ◉ Option to the spouse to continue contribution to APY on death of subscriber



**Sukanya Smariddhi Yojana**





## Key Features

- ◉ SSY can be availed for any girl child who is 10 years old or less
- ◉ Maturity period is 21 years from the date of opening the account
- ◉ Only one account can be availed in the name of one girl child
- ◉ Min Rs. 1000 and Max Rs.1.5 lakh can be deposited in a year
- ◉ Investments upto Rs. 1.5 lakh made in SSY are exempt u/s 80C
- ◉ The account can be opened by the parent or guardian of the girl child
- ◉ Once the girl child attains the age 18, partial withdrawals upto 50% are allowed
- ◉ Payment towards this scheme needs to be made for 14 years
- ◉ Account can be closed only when the girl child attains 21 years of age
- ◉ Attractive rate of interest of 8.6% per annum effective 1<sup>st</sup> April 2016
- ◉ Any kind of withdrawal can be made only by the girl child



## Key Statistics – All Schemes

Scheme	Total Accounts (in Cr)	RuPay Card Issued (in Cr)	Balance in Accounts (in Cr)
PMJDY	20.47	17.20	30797

Scheme	Total Enrollments (in Cr)	Claims Received (in Figures)	Claims Disbursed (in Figures)
PMSBY	2.93	11680	9306
PMJJBY	9.28	2221	1209

Scheme	Total Enrollments (in Lakh)	Total Contribution (in Cr)
APY	2.62	572.63

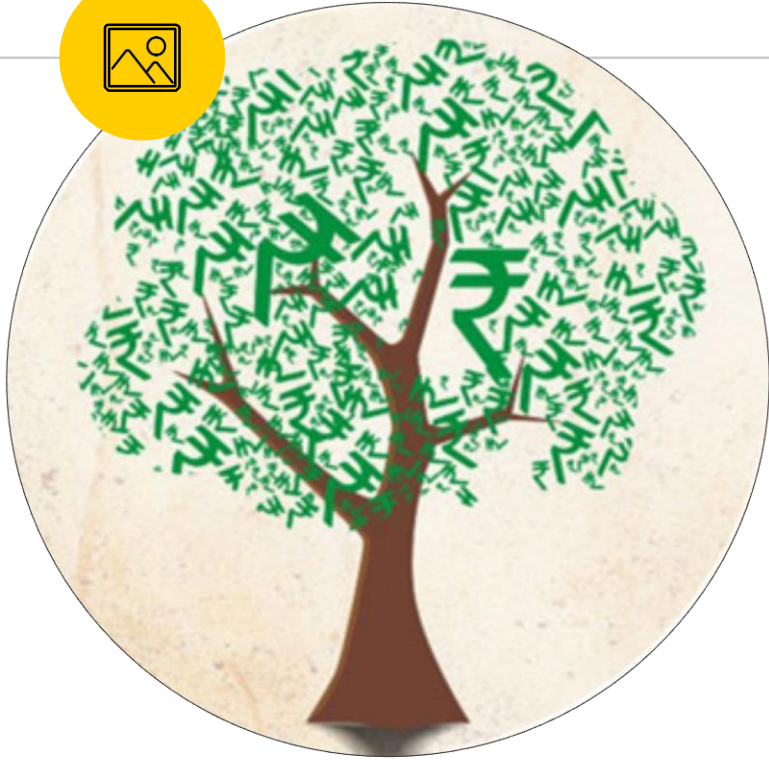


---

8

# Financial Planning

An overview of the process involved. Case study for creating a retirement corpus. Inclusion of Financial Literacy in School Curriculum.



**Financial Planning** is very important to meet our life goals; because money doesn't grow on trees.





# Financial Planning

- Financial Planning is the process of meeting your life goals.
- Our goals can be met through proper management of your finances.
- Life goals can include buying a house, saving for your child's higher education or planning for retirement.





## Financial Planning

### A financial plan can help you to:

1. Balance today's needs with your goals for the future
2. Make the best use of your financial resources
3. Adapt to change in your circumstances and needs
4. Save money you need to achieve your goals
5. Prepare for unexpected emergencies
6. Protect what is most important to you
7. Prepare for retirement
8. Leave something for your family





# Financial Planning Process





# Financial Planning Process

**1**

Consider your skills, education, and interests. All this is tied to your future goals.

**2**

Identify and establish your financial goals for short, medium and long term.

**3**

Devise a plan how to achieve your goals. Evaluate alternate plan and select the best plan.

**4**

Implement the selected financial plan.

**5**

Re-evaluate your financial plan as your financial situation or goal may have changed.

**6**

Revise your financial plan as per your new objectives and goals.



# SMART Goals





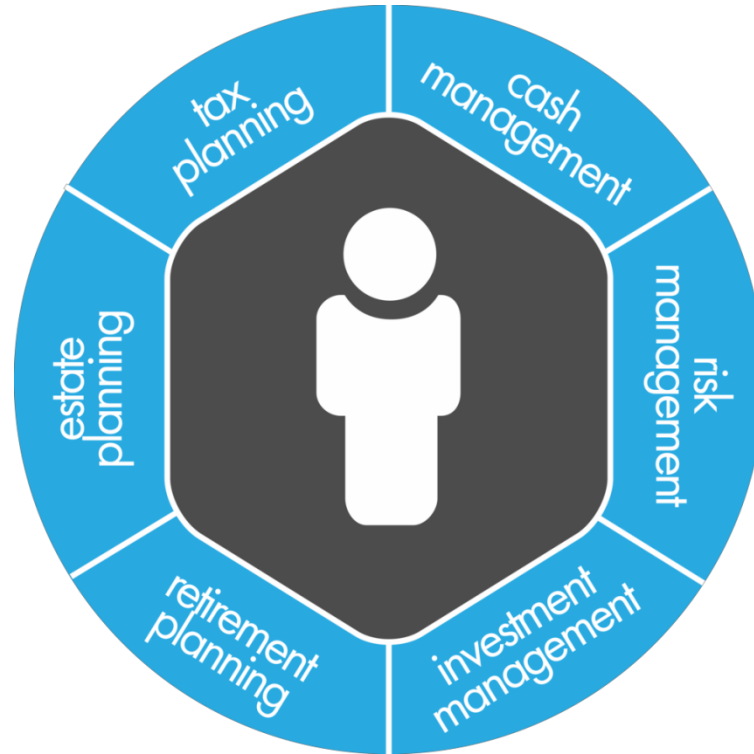
## SMART Goal Example

For an example "saving for a motorbike" is 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're saving for. It's measurable -you know how much you will need. It's 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 it's time bound you've set a deadline of 10 months.





# Areas of Financial Planning





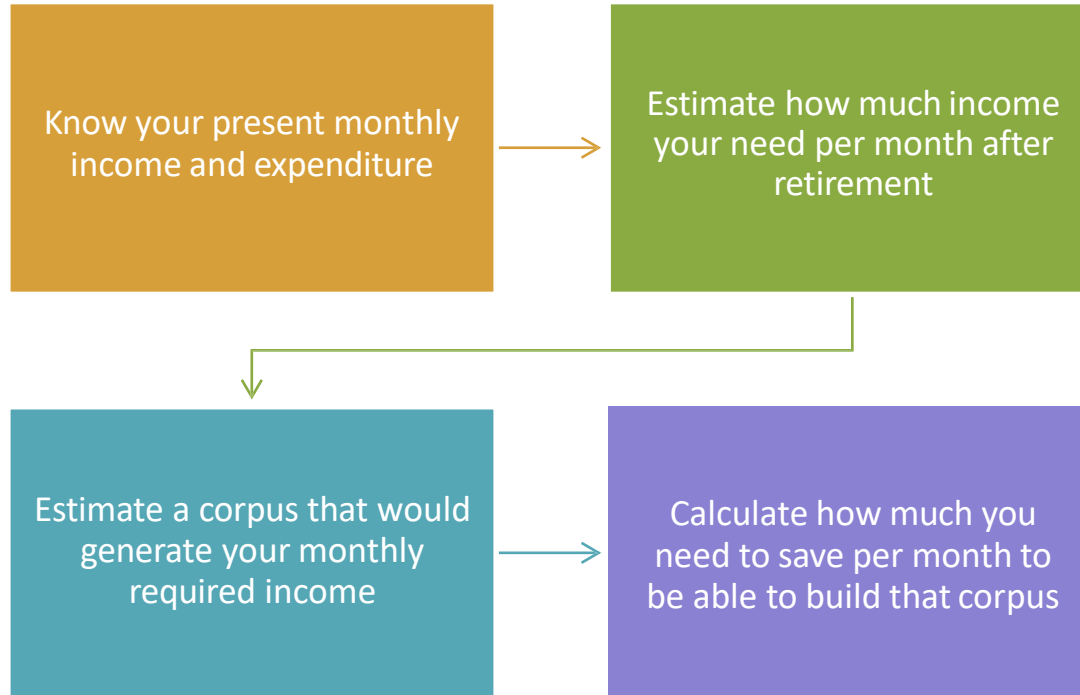
## Estimating Retirement Corpus







## Estimation Process





## Case Study



- Meet Mr. Munaf (35 yrs old), his wife Rashee and their two kids.
- Mr. Munaf teaches Mathematics at a local high school.
- He is the only earning member of his family.
- His monthly income is around Rs.45,000/-.
- The family's monthly expenses are Rs.30,000/-.



## Our Assumptions

- ◉ Retirement age: 60 years
- ◉ Years to retire: 25 years
- ◉ Life expectancy: 80 years
- ◉ Life after retirement: 20 years
- ◉ Inflation: 5%
- ◉ Annual rate of return: 9%





## Income Required at Retirement

- Family's current expenses are Rs.30,000/-, Years to retirement is 25, Expected inflation is 5%
- Family's monthly expenses when Mr. Munaf retires would be around Rs.1,01,592/- (i.e.  $Rs. 30,000 \times (1+5\%)^{25}$ ).
- Post retirement monthly expenses will reduce by 20%.
- The family would need an income of Rs.81,273/- per month to maintain their current lifestyle.



## Calculating Retirement Corpus

- Income required per month at retirement is Rs.81,273/-
- Retirement period is 20 years (From age 60 to 80)
- Expected inflation is 5%
- Annual rate of return on corpus is 9%
- Annual inflation adjusted rate of return is **3.81%** (i.e.  $[(1+9\%)/(1+5\%) - 1]$ ).  
*Formula is  $(1+Rate\ of\ return)/(1+Inflation\ rate) - 1$*



## Calculating Retirement Corpus

- The family's retirement corpus can be calculated using the Present Value Formula in MS Excel.
- The inputs required are:
  - **Rate** (monthly inflation adjusted rate of return) : 3.81%/12
  - **Nper** (retirement period in months, 20x12): 240
  - **Pmt** (inflation adjusted monthly income required at retirement): Rs.81,273/-
  - **Type** (0 for payment at end of period and 1 for beginning): 1



## Calculating Retirement Corpus

- Using the Present Value formula, the family needs a retirement corpus of **Rs.1,36,79,832/-**

$$=PV(3.81\%/12,240,81273,0,1)$$

PV(rate, nper, pmt, [fv], [type])

- A corpus of **Rs.1,36,79,832/-** will generate a monthly income of **Rs.81,273/-**, assuming 9% annual return and 5% inflation



## Building Retirement Corpus

- Now we know that Mr. Munaf needs to have **Rs.1,36,79,832/-** when he retires, 25 years from now.
- Good thing is he has 25 years make a saving and investment plan to build a corpus of that size.
- Let us see, how much Mr. Munaf can save and invest every month so that he can achieve his target.





## Required Monthly Investment

Return on investment	8%	10%	12%	14%	16%
Corpus required	13,679,832	13,679,832	13,679,832	13,679,832	13,679,832
Years to retire	Investment per month				
5	186,179	176,657	167,502	158,708	150,269
10	74,775	66,781	59,468	52,804	46,757
15	39,533	33,006	27,383	22,582	18,518
20	23,225	18,015	13,828	10,514	7,924
25	14,384	10,310	7,281	5,074	3,496



## Asset Class Comparison

Post Tax Return (CAGR) of Asset Classes in India				
Assets	5 Year	10 Year	15 Year	20 Year
Equities	11.0	17.0	13.6	12.9
Gold	9.0	12.9	11.0	8.4
Bank FD	5.7	5.2	5.1	5.5
Real Estate	8.0	13.4	10.8	6.2
Avg. Inflation	7.4	6.3	5.9	5.7

Source: Economic Times, January 2015



## Asset Class Comparison

- Assume you've invested Rs.1 lakh each in FD, Gold and Sensex 35 years ago.
- As of 31'st March 2014 the value would be as follows: FD- Rs.16.94 lakhs, Gold- Rs.36.51 lakhs and Sensex- Rs.2.23 crores.
- In terms of percentage, the 35 years return is as follows: FD-8.41%, Gold- 10.82% and Sensex- 16.72%.
- If Rs.1 lakh has been kept under the mattress, it's value would be mere Rs.6,000/-.

Source: <https://wisewealthadvisors.com/2014/04/14/1980-to-2014-sensex-vs-fixed-deposits-gold-silver/>



## Who wants to be a Crorepati?

Age/Return	50 Years	45 Years	40 Years	35 Years	25 Years
8%	54,661	28,899	16,977	10,515	4,359
10%	48,817	24,127	13,169	7,537	2,634
12%	43,471	20,017	10,109	5,322	1,555
14%	38,600	16,507	7,685	3,709	901
16%	34,180	13,537	5,792	2,556	514

Assuming retirement age to be 60, if you begin investing Rs.2,634/- every month at the age of 25 you will be a crorepati when you retire.



**Implementing Financial Literacy in Schools**





## Steps for Implementation

Financial  
Education  
Workbooks

Financial  
Education  
Training  
Program

National  
Financial  
Literacy  
Assessment  
Test



---

*Questions ?*





**Thanks!**