Arthnirmiti

अर्थ निर्मिती से राष्ट्र प्रगति

An initiative by the Directorate of Higher Education, Govt. of Maharashtra

Foreword

Shree Chandrakant Patil

Minister of Higher and Technical Education (Maharashtra)

Financial inclusion is not just a concept; it is a powerful tool that can uplift the lives of the underprivileged and foster inclusive growth across every part of our great nation.

As the Minister of Higher and Technical Education (Maharashtra), I am delighted to introduce this remarkable book, "Arthnirmiti" which enfold our mission to prioritize the youth of our society and empower them with the means to transform their lives.

Over the past nine years, in the leadership of the honourable Prime Minister Shri Narendra Modi the government has taken significant steps in the realm of financial inclusion. Starting with the landmark Jan Dhan Yojana that brought millions into the formal banking system and later expanding to encompass insurance and pensions through the Jan Suraksha schemes, we believe we have miles to go and the book 'Arthnirmiti' falls in the same direction.

The National Strategy for Financial Inclusion (NSFI) 2019-2024 has been significant in strengthening these efforts, providing a strong framework for progress. The aim is to enhance the knowledge of our fellow citizens in managing their finances effectively, enabling them to make informed decisions that will improve their socio-economic status.

By spreading awareness and promoting financial literacy, we strive to bridge the gaps and ensure that no one is left behind in this journey towards an inclusive and prosperous India. I trust that this book will serve as a valuable resource for inspiring individuals and promoting financial inclusion at all levels. Together, let us forge a future where every citizen has equal access to financial opportunities, regardless of background or circumstances.

With warm regards

Minister of Higher and Technical Education
Government of Maharashtra

Foreword

Shri Vikas Rastogi

Principal Secretary

Department of Higher and Technical Education
Government of Maharashtra

I am delighted to write the foreword for the book 'Arthnirmiti' which delves into the crucial subject of financial inclusion.

"Arthnirmiti," is a commendable initiative focused on empowering the youth through financial inclusion. The youth of our nation possess immense potential, innovative ideas, and a zest for success. However, the lack of financial awareness and access to appropriate financial services can hinder their ability to harness their full potential. Recognizing this, "Arthnirmiti" takes an inclusive action by addressing various aspects of finance, ensuring that the youth are well-informed about the opportunities available to them.

The book explores the key pillars of financial inclusion, including access to banking services, value of saving and investing, insurance, financial literacy, planning and more. It provides a comprehensive understanding of the challenges, opportunities, and strategies involved in fostering inclusive finance.

Financial inclusion is not just an economic imperative but also a moral one. It is about empowering individuals, especially those from the young generation, to have control over their financial lives, expand their livelihood opportunities, and build a secure future. This book serves as a guiding light, illuminating the path towards creating an inclusive and equitable financial ecosystem.

I encourage readers to embrace the insights presented by "Arthnirmiti" and turn them into action. Let us strive together to build an ecosystem where every individual has access to the tools and opportunities necessary for a secure and prosperous future. By embracing financial inclusion, we can forge a path toward an equitable society and a vibrant nation.

With sincere regards

Department of Higher and Technical Education
Government of Maharashtra

Foreword

Shri Shailendra Deolankar

I/C Director

Department of Higher and Technical Education
Government of Maharashtra

It gives me great pleasure to provide the preface for the book "Arthnirmiti," which covers the crucial subject of financial inclusion. In today's world, financial inclusion has emerged as a powerful tool to promote inclusive development and support the achievement of the Sustainable Development Goals.

Financial inclusion is not just a matter of economic significance; it is a matter of social justice and empowerment. As we strive to build a more inclusive society, it is imperative that we address the financial exclusion faced by a significant portion of our population, including our young people. While progress has been made, it is disheartening to see that nearly half of India's youth still lack financial literacy.

"Arthnirmiti" tackles this issue head-on by examining the various aspects of financial inclusion and offering insights into various financial services, which empower the youths to manage their finances, build assets, and secure a better future for themselves and their families.

I commend the authors of "Arthnirmiti" for their dedication in researching and compiling this valuable resource. Their efforts in exploring the nuances of financial inclusion and its impact on the lives of the young generation is commendable. I am certain that "Arthnirmiti" will act as a change agent, motivating the young minds to embrace financial inclusion as a critical facilitator of sustainable development.

With heartfelt regards

Department of Higher and Technical Education
Government of Maharashtra

Foreword

Shri Niraj Kumar Verma

Managing Director

NABARD Consultancy Services
Pvt. Ltd. (NABCONS)

At NABCONS we believe that access to effective financial education is a fundamental right that should be available to all. It is with great pleasure that I introduce the book, "Arthnirmiti" which serves as a beacon of knowledge and inspiration in the financial inclusion arena.

Our new initiative in implementing the financial literacy program for young students is a testament to our commitment to this cause. NABCONS has always stood out as a pioneer of meaningful social initiatives across various sectors, and financial inclusion is at the heart of our endeavours.

We firmly believe that 'Arthnirmiti' will be a manifestation of our persistent commitment to financial inclusion for all. It is a comprehensive guide that delves into the principles of personal finance, illuminating the pathways to economic independence and financial well-being. With its practical insights and real-life examples, this book will serve as a valuable resource for young students to foster positive attitudes towards financial responsibility and empower young minds to make sound financial choices

I would like to express my deepest gratitude to the authors of "Arthnirmiti" for their dedication and expertise in creating this exceptional work. I invite you to embark on this enlightening journey through the book and join us in our pursuit of a financially inclusive society. Together, we can uplift and empower young minds to a brighter and more prosperous future for all.

With warm regards,

Managing Director
NABCONS

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CHAPTER 1

Personal Finance:
Basics of personal finance

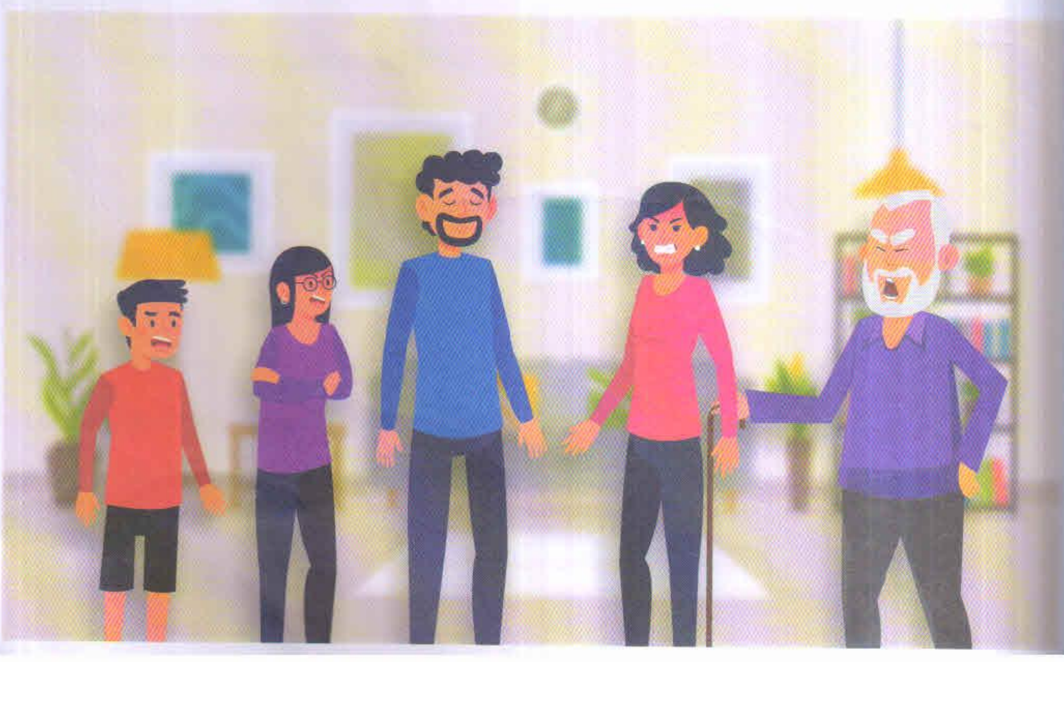
Personal finance is highly relevant in daily life as it empowers individuals to manage their money wisely, make informed decisions, and achieve financial goals. It plays a crucial role in ensuring financial security, reducing stress, and enabling individuals to make choices aligned with their values and aspirations.

Let's take a closer look at what personal finance is all about.

Personal finance is the process of planning and managing personal financial activities such as earning an income, spending, saving, investing, and protecting one's assets.

It's a personalised roadmap to financial success, empowering you to create tailored plans that turbocharge your progress and unlock your dreams.

Meet Riya and Rohan,



Riya and Rohan, two children, find themselves perplexed by their parents' constant arguments over household expenses. The parents often discuss their desire to save for a new car, TV, refrigerator, and medical expenses, with each family member having their own preferences. The conflicting priorities within the family have led to a state of constant disagreement, leaving everyone unsure about what truly matters.

However, it is crucial for the family to recognize the financial implications associated with these purchases. They must carefully evaluate their income, expenses, and savings before committing to any major expenditure. In this complex scenario, the family comes to a consensus of getting a health insurance. This decision is apt under the given scenario because it is essential for the house members.

Personal finance is crucial in the preceding scenario since it enables the family to make informed decisions regarding their spending and savings. They can decide whether purchases are affordable and correspond with their financial objectives by assessing their income and priorities. Considering their own financial resources helps them to achieve an agreement.

Let us understand how personal finance works?

Personal finance encompasses five key areas that are essential for your financial success. Let's break them down and understand how they contribute to your overall financial well-being:

1. **Income:** Income is the money you earn through various sources, such as a job, freelance work, or investments. It's important to manage your income effectively by budgeting and ensuring that you have a steady flow of money to cover your expenses, savings, and investments.

2. Savings: Savings involves setting aside a portion of your income for future needs or emergencies. It's crucial to establish a savings habit and create an emergency fund that can cover at least 3-6 months' worth of living expenses. Savings act as a safety net, providing financial security and peace of mind.

3. Spending: Managing your spending is essential for maintaining a balanced financial life. It involves tracking your expenses, prioritising needs over wants, and making conscious choices about how you allocate your money. Budgeting plays a key role in controlling your spending and ensuring that you live within your means.

4. Investments: Investing is a way to grow your wealth over time. It involves putting your money into various financial instruments with the aim of generating returns. Investing allows you to potentially earn passive income, build wealth, and achieve long-term financial goals, such as retirement or funding education.

5. Protection: Protection is a crucial aspect of personal finance as it involves managing risks and safeguarding your financial well-being. This includes obtaining appropriate insurance coverage to protect against potential risks, retirement planning, etc.

By addressing these five key areas of personal finance, you can create a strong foundation for your financial journey.

Activity

Here is an activity that you can do with your family to help them understand the flow of money in household expenditure:

- **Make a list of different sources of your income.** This includes total family income including the active and passive sources of the income.
- **Make a list of all of your expenses.** This includes all of the money that your family spends, such as rent or mortgage, utilities, food, transportation, and other expenses.
- **Subtract your expenses from your income.** This will give you your net income, which is the amount of money that your family has left after all of their expenses are paid.
- **Decide how much of your net income you want to save.** This could be for a rainy day, a down payment on a house, or retirement.
- **Set a budget for your spending.** This will help you to make sure that you don't overspend.

Once you have completed this activity, you will have a better understanding of how well your family is managing funds. This will help you to make better financial decisions and to reach your financial goals.

List all Income	List all Expense
Total Income:	Total Expense:

Total Income		Total Expense		Total Saved
	–		=	

Beware of little expenses. A small leak will sink a great ship." – Benjamin Franklin

"Be sure to think about all the details, big and small."

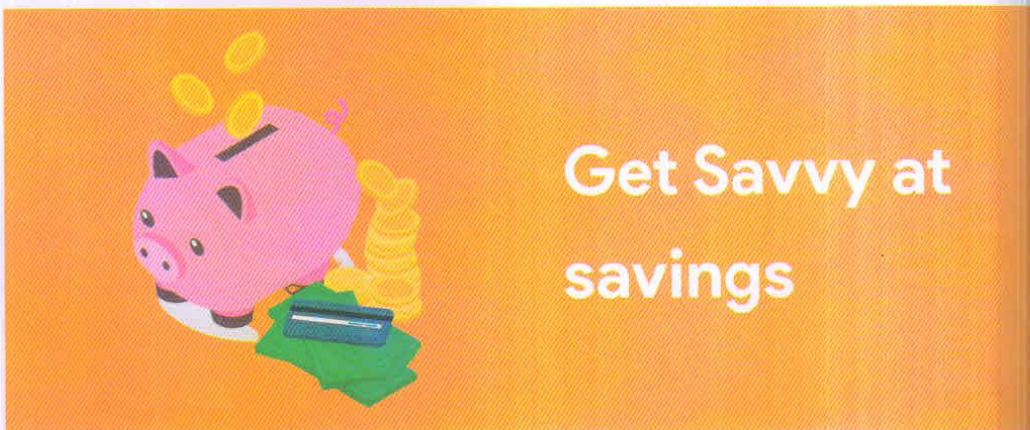
"Don't overlook any details, no matter how small it is."

"The more detail you put into this activity, the more effective it will be."

Create a habit of it

The first step to becoming financially fit is to make wise financial decisions.

Paying yourself first is the simplest way to save money. That entails putting away some of your earnings and saving them in a savings account. Making saving a daily habit is the key to achieving financial independence. You'll position yourself for a better financial future by starting early and saving consistently.



You should set out the money you get for your different goals. These objectives can be divided into short-term, medium-term, and long-term categories. By gradually saving money, you can accomplish the goals you set.

Check your money's growth

- You can keep your money secure and earn interest by using a savings account.
- Your savings will grow by a specific proportion each year. This is known as interest.
- Your money will increase more quickly the longer you leave it in a bank with no transactions taking place. The amount of times you take money out of your savings account should be kept to a minimum, and you should only do so when absolutely necessary.

Taking it a step further

Make your aim clear. A plan is what distinguishes a dream from a goal. Using the instructions below, consider what you need to do to attain your objective.

You will be assisted by this tool in the following ways:

- Decide what is important to you.
- Make a commitment to changing your life for the better.
- Create a strategy to assist you reach your objective.

Methods for finding ways to save money

- Instead of purchasing what you need, take advantage of free and public resources like your neighbourhood library.

> TIPS: **Remember to return your things before the due date to avoid late penalties.**

- Maintain your vehicle. Keeping up with oil changes and tyre pressure can help you save money on gas and repairs.
- Shop around for vehicle insurance. You may be able to save money by selecting less expensive coverage that still fulfills your requirements.

> TIPS: **You have to save more in your emergency fund if you raise your insurance coverage.**

- Shop groceries based on unit pricing. Sometimes buying in bulk doesn't end up saving you money.
- Bring your own lunch to school or office. Packing your lunch is nearly always less expensive than eating out.
- Designate a "no spend day" once every week. Make a weekly plan for a free family night!

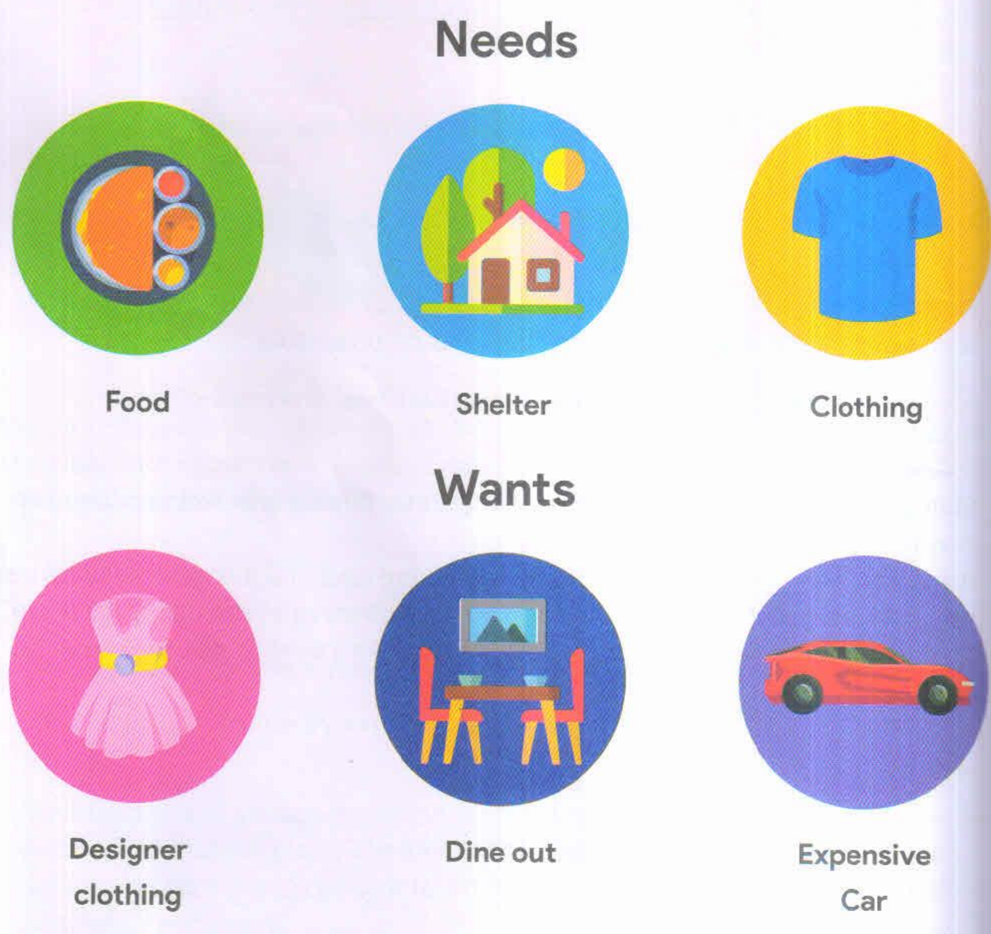
Building a Budget

THIS IS A BALANCING ACT.

You want to get a new phone but you also need to buy a jacket. How do you decide?

Setting your financial objectives and working towards them with a strategy in mind can help you to make wise financial decisions. A personal budget is a strategy that enables you to allocate the money you make to savings, costs (such as lunch, transportation, or entertainment), or debt repayment (including any loans you may have taken out).

Understanding the difference between what you need and what you want is crucial when making a budget.



Remember to prioritise your necessities before thinking about saving for what you want. A budget may help you evaluate not just your immediate needs and desires, but also prepare you to attain your long-term financial objectives. You may have some short-term objectives that you can complete in a matter of weeks, as well as other long-term goals that will take years to complete.

Hence we can say...

Saving and budgeting are two interrelated financial practices that are crucial for achieving financial stability and reaching long-term financial goals. Here are their importance:

1. **Building Financial Security:** Saving involves setting aside a portion of your income for future needs or emergencies, while budgeting helps you allocate your income effectively to cover expenses and prioritize savings. By combining the two, you create a safety net that protects you from unexpected expenses and helps you avoid debt.

2. **Achieving Financial Goals:** Whether it's buying a home, starting a business, or saving for retirement, setting and achieving financial goals requires a disciplined approach. Budgeting allows you to track your income and expenses, ensuring that you have enough funds available to save towards your goals. Saving regularly and adhering to a budget enables you to make progress towards your objectives over time.

3. **Managing Income and Expenses:** Budgeting helps you gain a clear understanding of your income and expenses. By creating a budget, you can identify areas where you might be overspending or where you can cut back. This knowledge allows you to make informed decisions about your spending habits, ensuring that you live within your means and have sufficient funds to save.

4. **Developing Financial Discipline:** Saving and budgeting cultivate financial discipline, which is essential for long-term financial well-being. Saving requires setting aside money from time to time, even when it might be tempting to spend it. Budgeting helps you prioritize your spending and make conscious choices about where your money goes. By practicing these habits consistently, you develop the discipline necessary to make responsible financial decisions.

5. **Handling Financial Emergencies:** Life is unpredictable, and unexpected financial emergencies can arise at any time. By saving and budgeting together, you create a financial cushion to handle these emergencies. Having savings allows you to cover unexpected expenses without resorting to high-interest debt or depleting your regular budget. It provides peace of mind and helps you navigate challenging times more effectively.

Hence, saving and budgeting are complementary practices that promote financial stability, help achieve goals, manage income and expenses, develop discipline, and provide a buffer against emergencies. By integrating both into your financial routine, you can take control of your finances, build wealth, and secure a more prosperous future.Studying the service sector is important because it provides valuable insights into the overall economic landscape and investment opportunities. Hence, let's understand it.

The Service Sector

The economic sector known as the "service sector" is one that, in opposition to agriculture and industry, does not generate any goods, but rather meets the needs through offering of services (these are the intangible things that fulfil the needs and wants of the public). Services include the following: trade, government, health, finance, education, etc.

Our focus will be solely on the finance sector that includes:

1. **Banking**
2. **Professional Advisory**
3. **Wealth Management**
4. **Mutual Funds**
5. **Insurance**
6. **Stock Market**
7. **Treasury/Debt Instruments**
8. **Tax/Audit Consulting**
9. **Capital Restructuring**
10. **Portfolio Management**

Finance sector provides financial products. A financial product is a tool that enables a person to invest money (for instance, via shares), borrow money (for instance, through credit cards, loans, or bonds), or save money (for instance, through term deposits).

Companies, banks, and other financial institutions all issue financial products such as : -

1. **Securities** - In both public and private markets, securities are fungible, tradable financial instruments used to raise cash.

2. **Derivatives** - Derivatives are financial contracts whose value is derived from an underlying asset, providing investors with the opportunity to speculate on price movements or hedge against potential risks.

3. **Debentures** - A long-term investment with a fixed rate of return that had been issued by a company and secured by assets.

4. **Bonds** - Bonds are a type of debt that you grant to the issuer in exchange for interest. Your funds, principle, and interest are returned by the bond's issuer when it matures.

5. **Insurance** - a contract wherein an organisation or the government agrees to guarantee financial compensation for a certain loss, damage, disease, or death in return for the payment of a predetermined premium.

6. **Mutual funds** - A mutual fund is an investment vehicle that pools money from multiple investors to invest in a diversified portfolio of stocks, bonds, or other securities, managed by a professional fund manager.

7. **T-Bills** - When the government requires funds for a short duration, Treasury bills are issued. Only the central government can issue these bills, and the interest rate is set by the market.

8. **Government Bonds** - A government bond is a debt instrument that the centre and state governments of a nation issue to fund its requirements and control the money supply.

The services are provided by the financial service providers. Financial service providers in India are institutions or companies that offer a range of financial services to individuals, businesses, and other organizations. These providers facilitate various financial transactions, manage funds, offer investment options, and provide financial advice. Here are some key types of financial service providers in India:

1. **Banks**
2. **Non-Banking Financial Companies (NBFCs)**
3. **Insurance Companies**
4. **Mutual fund companies**
5. **Stockbrokers and Stock Exchanges**
6. **Credit Rating Agencies**
7. **Wealth Management Firms**
8. **Payment Banks and Payment Service Providers (PSPs)**

CHAPTER 2

Banking Fundamentals

You want to store your money safely, you go to a bank. You need to borrow money, you require a bank. If you want to transfer your money, it is done through a bank. Also, there are various types of bank accounts which can be opened in any bank with varying rates of interest.

Therefore, with so much significance attached to them, it is time to understand banks in detail. Or how does it work? What role does it play in a society? Well, we are available to assist you on such questions popping in your mind right now.

Banks are institutions that connect savers and borrowers to keep economies running efficiently. They are authorized to accept deposits and provide loans.

Let's say, you have ₹ 10,000 that you won't need for, say, a year and want to make money out of it in the short term. Or if you want to buy a house and have to borrow ₹ 15, 00,000, repaying it over a period of 30-years.

For a person working alone, it would be difficult, if not impossible, to locate a borrower who needs exactly ₹10,000 for a year or a lender who had ₹15,00,000 available for 30 years.

Nominal interest rate
It is the rate of interest which is not adjusted with inflation.

Banks lend money for various purposes, such as personal loans, mortgages, business loans, and working capital financing. Banks also accept deposits from individuals, businesses, and other organisations. These deposits can be in the form of savings accounts, current accounts, fixed deposits, or other specialised deposit products. Banks facilitate payments and fund transfers on behalf of their customers. They issue debit cards, credit cards, and provide online banking services, enabling customers to make payments, transfer funds, and manage their accounts conveniently.

Now let's understand the different types of Bank Accounts and their functions:

1. Savings Account

Who can open: Individuals (residents or nonresidents), Associations, Societies, educational institutions, Hindu Undivided Family, and Non-Profit Organisation are all eligible as long as the account isn't used for trading.

Deposit provisions: The RBI has established a daily cash deposit restriction of one lakh rupees for savings accounts. Any sum exceeding this in a single day can be reported to the tax authorities, making them extra alert. The annual cash deposit limit for a savings account is 10 lakh.

Withdrawal provisions: You can withdraw funds from your savings account at any time; however, some financial institutions may limit you to six "convenient" transactions each month before charging a fee.

Functions:

- There is no limit to how many times the account user can deposit money into the account.
- The annual interest rate ranges from 4% to 6%.
- Internet banking service, making payment of bills, ATM facility, Debit card, are also provided with saving bank account.
- Students, working professionals, retirees, etc. can all benefit from this kind of account.

2. Current Account

Who can open: Individuals, partnership firms, private and public limited companies, HUFs/ specified associations, societies, trusts etc.

Deposit provisions: There are no limits on the number of deposits, but the bank does not provide any interest rates; instead, it charges the customer an interest rate for keeping a current account.

Withdrawal provisions: There is no withdrawal limit.

Functions:

- It does not have a set maturity date.
- There is a facility for overdrafts.
- Customers have the option of withdrawing a greater amount at once.
- Banks also provide direct debit services with these accounts, allowing consumers to set up automatic payments from their accounts.

3. Fixed Deposit Account

Who can open: Individuals and businesses

Withdrawal provisions: Withdrawals prior to the maturity date; attracts a penalty.

Functions:

- You may pick a fixed deposit for a term ranging from 7-14 days to 10 years. This is why an FD is often referred to as a term deposit.
- For the general people, FD interest rates vary from 3.00% per annum to 9.10% per annum.
- The interest rate on your fixed deposit is determined by the maturity length or tenure of the FD.
- The interest rate stays constant, regardless of any changes caused by market volatility.
- If you need money right away, you can get a loan against your fixed deposit.This prevents you from closing your FD prematurely.

4. Recurring Deposit Account

Who can open: Individuals

Deposit provisions: RD gives consumers the freedom to put aside a fixed amount each month and save money easily.

Withdrawal provisions: An RD account has a limited duration in contrast to a savings account, from which you can withdraw your money whenever you choose. You can incur penalties or forfeit interest earned on the investment if you take the money out before the scheduled maturity date.

Functions:

- Depending on the bank, you may start a recurring deposit account for as little as Rs. 100.
- In most recurring deposit accounts, the payment is predetermined and must be placed on the same day each month. Some plans provide quarterly or bimonthly payments.
- On the same day, all of the recurring deposit payments become due.
- A recurring deposit's duration is negotiable and up to the depositor. Although banks may set a minimum duration for an RD, its true duration is determined by the depositor and his financial needs.
- Recurring deposits earn interest at a rate that is comparable to that of a fixed deposit account.
- The depositor is eligible for a loan up to 95% of the amount of the recurring deposit.

Digital Banking

Digital banking is the digitization of traditional financial services. Customers of a bank can access banking services and products over an electronic/online platform using digital banking. Digital banking entails digitising all banking processes and replacing the bank's physical presence with an eternal online presence, eliminating the need for customers to visit a bank.

Technology and banking

1. **Automated Teller Machine (ATM)** - An ATM is a specialised computer that allows you to withdraw cash and checks, view recent transactions and account balance.

2. **Debit card** - It is a multi-purpose card that may be used for online and offline transactions as well as cash withdrawals from ATMs.

3. **Credit card** - A credit card is provided by a bank or financial services company that enables cardholders to borrow cash to pay for products and services at merchants who accept cards.

Scrutinise

Swiping your card and seeing the bank balance unchanged can lead to spending more than you can actually afford. And once you fall behind on your payments, it's very easy to end up in a vicious cycle of debt.

4. **Internet banking** - It is often known as online banking or e-banking, is a digital platform that allows bank customers to conduct financial transactions via the Internet. Internet banking usually provides many, if not all, of the same services as a traditional bank facility, such as deposits, transfers, and payments.

Different types of online financial transactions

1. **Electronic Clearing Service** - Bulk transfers often employ the Electronic Clearing Service, also known as ECS, which is a technique of electronically transferring payments. For funds that have a repeating or cyclical character, this method applies.
2. **National Electronic Funds Transfer** -One-to-one financial transfers are made possible via the National Electronic Funds Transfer (NEFT) payment mechanism. People can electronically transfer funds from any bank branch to another bank branch that is participating in the payment system by using NEFT. The NEFT system allows for the settlement of funds transfers in batches rather than in real time.
3. **Real Time Gross Settlement** - Another payment mechanism, known as Real-Time Gross Settlement (RTGS), credits funds to the beneficiary's account in real-time and on a gross basis. Large value transactions that need and get immediate clearance are the main use cases for the RTGS system.

> **Making it simple**
>
> "Real-time" means that RTGS transactions undergo processing as soon as the sender initiates them, and "gross settlement" denotes that instructions for the transfer of money are carried out one-to-one.

4. **Immediate Mobile Payment Services** - The National Payment Corporation of India manages the real-time quick inter-bank payments transfer system known as Immediate Mobile Payment Services (IMPS). In contrast to NEFT and RTGS, IMPS is open 24/7 throughout the whole year, including on holidays.

Digital Mode of Payment

1. **E-wallets** - A form of an electronic card called an e-wallet is used for online purchases using a computer or a smartphone. It serves the same purpose as a credit or debit card but here you don't require a card, you just need a smartphone to make payments. An E-wallet must be connected to the user's bank account.

2. **Unified Payments Interface** - The UPI is a system that integrates various bank accounts, smooth fund routing, and merchant payments into a single mobile application (of any participating bank). Additionally, it supports "Peer to Peer" collection requests that can be planned and paid for according to need and convenience. For the mobile platforms of Android, Windows, and iOS, each Bank has its own UPI App.

3. **Bharat Interface for Money** - A payment software called BHIM uses the Unified Payments Interface (UPI) to enable simple, quick, and effortless transactions. Using their UPI ID or by scanning their QR code with the BHIM app, UPI users can send direct bank payments to anybody on the platform. A UPI ID can also make a money request through the app.The National Payments Corporation of India (NPCI) pioneered and created BHIM to promote financial inclusion across the country and a society that is empowered by technology

4. **Aadhaar Enabled Payment System** - By enabling Aadhaar verification at point of Sale (PoS) or micro ATMs, AEPS enables consumers to make payments using their Aadhaar numbers. Through a micro ATM or business correspondent (BC), customers can execute all transactions. With the exception of fund transfers, which require you to visit a specific bank BC, you can use any bank BC for these other transactions. Your bank account has to be connected to Aadhaar in order to use AEPS.

A major step towards advancing financial inclusion in a mission mode was reached with the publishing of the Nachiket Mor Committee Report in 2014.

Initiatives of the government to promote inclusive financial growth

1. Jan Dhan Yojana

Pradhan Mantri Jan-Dhan Yojana (PMJDY) is a National Mission for Financial Inclusion that aims to provide inexpensive access to financial services including basic savings and deposit accounts, remittance, credit, insurance, and pensions. Persons who do not have any other accounts can open a basic savings bank deposit (BSBD) account at any bank branch or Business Correspondent (Bank Mitra) outlet.

Advantages of PMJDY

- For each unbanked person, one basic savings bank account is opened.
- In PMJDY accounts, there is no compulsion of a minimum balance.
- In PMJDY accounts, deposits obtain interest.
- PMJDY account holders receive a Rupay Debit card.
- Accident Insurance Coverage of Rs.1 lakh (increased to Rs.2 lakh for new PMJDY

accounts created after 28.8.2018) is available with the PMJDY account holders' RuPay card.

- An overdraft (OD) option of up to Rs. 10,000 is provided to approve account holders.
- Direct Benefit Transfer (DBT), Pradhan Mantri Jeevan Jyoti Bima Yojana (PMJJBY), Pradhan Mantri Suraksha Bima Yojana (PMSBY), Atal Pension Yojana (APY), and Micro Units Development & Refinance Agency (MUDRA) schemes are available to PMJDY accounts.

2. Direct Benefit Transfer

The Direct Benefit Transfer (DBT) scheme is a government initiative that aims to directly transfer benefits to beneficiaries, bypassing middlemen. The GOI provides subsidies and other benefits directly to the beneficiaries' bank accounts. Banks act as the intermediaries in the DBT process by linking the beneficiaries' bank accounts with their Aadhaar numbers (a unique identification number issued to Indian residents). The system was created to make it easier to receive government benefits such as those provided under the National Rural Employment Guarantee Act (NREGA), social security pension schemes, disabled old age pension and so on.The scheme was launched in 2013 and has since been expanded to cover a wide range of benefits, including food subsidies, fertiliser subsidies, and scholarships.

The provision of these services is anticipated to stimulate electronic retail payments and allow safe and secure interoperability across institutions.

Advantages of Direct Benefit Transfer

- Direct Benefit Transfer reduces the likelihood of fraud while speeding up the safe transmission of information and money.
- It eliminates the need for middlemen by directing the subsidy money directly to the the receiver accounts.

CHAPTER 3

Financial Market: Overview of key concepts and components

Financial markets are the foundation of the global economy, facilitating the movement of capital and driving economic growth. In this exploration, we delve into the essence of financial markets, their structure, and functions. By understanding financial markets, we gain valuable insights into their impact on investments, businesses, and the overall economic landscape.

> The financial market is a marketplace where participants engage in the buying and selling of assets. Just like a local grocery market where vegetables are bought and sold, financial markets involve the buying and selling of financial instruments. However, financial markets operate under specific rules and regulations that govern their functioning.

It serves as a platform that facilitates traders in the purchase and sale of various financial instruments and securities such as shares, stocks, bonds, commercial papers, bills, debentures, and cheques.

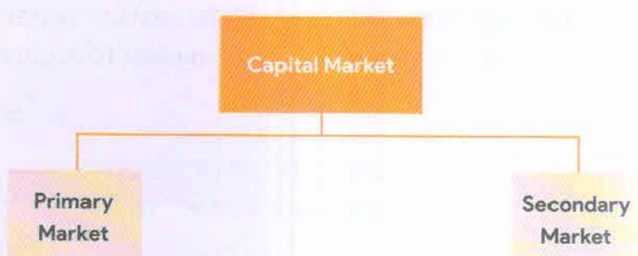
Within the financial market, there are two distinct segments: **the money market and the capital market.** For the purpose of our discussion, we will narrow our focus to the capital market

Capital Market

The capital market is a place where buyers and sellers trade financial securities such as bonds, stocks, and so on. Individuals and institutions are among those who engage in trading. The capital market mostly deals in long-term securities.

The primal role is to make investments from investors who have surplus money to the ones who need it for business purposes.

Types of Capital Market



Primary Market

The primary capital market refers to the market where newly issued securities are bought and sold for the first time. It is the initial offering of these instruments to investors, allowing companies and governments via PSUs to raise capital by selling these instruments.

Securities

A security, in a financial context, is a certificate or other financial instrument that has monetary value and can be traded. Securities are generally classified as either equity securities such as share and(or) debt securities such as bonds and debentures.

Secondary Market

The secondary market is a place where people can buy and sell shares of companies. When you buy a share of a company, you become a part-owner of that company.

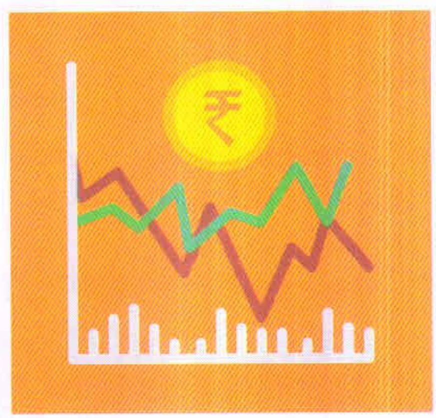
This market helps participants such as buyers and sellers match their buying and selling orders.

Introducing Riya, an intelligent and inquisitive 10-year-old with a knack for saving her pocket money. Eager to grow her funds, Riya explores various investment options and discovers the stock market with guidance from her parents.

Deliberating her choices, Riya decides to invest a portion of her savings in a company that manufactures her beloved toys. Her rationale is grounded in a belief that the company's success will surge as more children seek those very toys.

Grasping the essence of stock investment, Riya diligently tracks the company's performance and keeps herself informed about the dynamic toy industry. Over time, she witnesses the stock price of her chosen company soar, instilling a sense of pride in her wise investment decision. Through her astute belief in a company's profit potential, Riya skillfully leverages the stock market to accomplish her financial goals.

Stock Market



The stock market is a place where people can buy and sell shares of companies. When you buy a share of a company, you become a part-owner of that company. However, it's important to remember that investing in the stock market comes with risks, as the value of shares can go up or down depending on various factors.

What is a share?

Shares of a company represent ownership units that investors can buy and sell in the stock market.

Who is a shareholder?

Shareholders have the right to receive a share of the company's profits as dividends and are responsible for any losses incurred by the company. In essence, being a shareholder means owning a percentage of the issuing company that corresponds to the number of shares purchased.

What happens after you own a share?

After you own a share it is stored in a Demat account. A demat account helps investors hold shares and securities in an electronic format. This kind of account is also called a dematerialised account.

Where are these demat accounts held?

Shares are stored in depositories. Depositories function in a manner similar to a bank. Just as you deposit and store money in a bank account, a depository allows you to store securities in a Demat (dematerialized) account.

Major depository institutes in India are NSDL (National Securities Depositories Limited) & CDSL (Central Depositories Services Limited).

Who is a depository participant?

A depository participant (DP) is an entity or intermediary that acts as an intermediary between investors and the depository. A DP provides various services related to the opening and maintenance of Demat accounts, facilitating the transfer and settlement of securities, and handling other related transactions on behalf of investors. Investors typically interact with the DP for their Demat account-related activities and transactions in the stock market.

Who is a broker?

A broker acts as an intermediary between individuals who wish to trade or invest and the exchange where the actual trades take place. Brokers are necessary because exchanges have licensing requirements that mandate trades to be conducted by licensed individuals. Therefore, if you want to participate in trading on an exchange, you will need to work with a broker who can facilitate your transactions.

> A depository participant functions as the link between an investor and the depository, whereas the stock broker is the link between the investor and the stock exchange

Where are these shares bought and sold?

Exchanges, also known as stock exchanges, are centralised marketplaces where shares are traded. They provide a platform for buyers and sellers to come together and execute transactions in a regulated and transparent manner.

Exchanges play a crucial role in facilitating the buying and selling of shares. Exchanges ensure fair and efficient price discovery, liquidity, and orderly trading by establishing rules, regulations, and surveillance mechanisms.

Two of the major stock exchanges of India are NSE (National Stock Exchange) and BSE (Bombay Stock Exchange).Two of the major stock exchanges of India are NSE (National Stock Exchange) and BSE (Bombay Stock Exchange).

What is the National Stock Exchange (NSE)?

- NSE (National Stock Exchange) is an institution of national importance with international stature. The National Stock Exchange of India Limited provides a platform for companies to raise funds.
- It is the country's largest stock exchange market. It is headquartered in Mumbai.
- It first began its functioning in India in 1992, bringing with it an electronic exchange system that caused the traditional paper-based system to fail.
- In 1996, the NSE developed the Nifty 50 as the distinguishing base for the top 50 stock index, and it is extensively used as a barometer for Indian capital markets and by Indian investors.

What is the Bombay Stock Exchange (BSE)?

- The Bombay Stock Exchange, or BSE, was established in 1875 as 'The Native Share and Stock Brokers Association.

- However, after 1957, the Government of India recognized this stock market as India's major stock exchange under the Securities Contract Regulation Act of 1956.

Difference Between NSE and BSE

Comparison Factors	National Stock Exchange	Bombay Stock Exchange
Founded in	1992	1875
Definition	It is India's largest stock exchange marketplace and a pioneer in the country's introduction of a fully automated, electronic trading system.	It is the oldest stock exchange marketplace not only for India, but also for Asia, and it provides its customers with high-speed trading.
Companies listed	The NSE has around 1600 companies listed on it.	Over 5000 companies are listed on the BSE.
Stock Index	The NSE's Stock Index (NIFTY) lists the top 50 stock indices.	The BSE Stock Index – SENSEX provides the top 30 stock index.
Liquidity	Compared to BSE, NSE has significantly more liquidity.	BSE is comparatively lesser liquid than NSE.

Who watchguards these institutes?

SEBI, which stands for the Securities and Exchange Board of India, acts as the regulatory authority for the Indian stock market, safeguarding the interests of investors. Its primary role is to promote fair and transparent trading practices in the market. Additionally, SEBI is responsible for scrutinising, registering, and overseeing the functioning of depositories. The establishment and operation of a depository are subject to approval from SEBI.

What moves the stock price?

Price discovery is the process in which the market decides on the fair price of shares. It happens when buyers and sellers come together and make offers and bids. The price keeps changing as more people want to buy or sell. Eventually, the price reaches a point where the amount people want to buy matches the amount people want to sell, and that becomes the final price. It's all about finding a balance between what people want to buy and what people want to sell.
Prices of stock are decided by the buyers or sellers of the stock at a particular time. It tends to go high if there are more buyers than the sellers and similarly with price going down when there are more people selling it.

Good to know

In the stock market, **a bull run** refers to a period of time when stock prices are rising consistently, and investor confidence is high. During a bull market, investors are optimistic about the overall direction of the market, and there is an expectation of further price increases. Bull markets are typically characterised by increasing stock prices, and positive market sentiment.

On the other hand, **a bear run**, or bear market, is the opposite of a bull run. It refers to a period of time when stock prices are falling, and investor confidence is low. In a bear market, investors are generally pessimistic about the market's future and may anticipate further price declines. Bear markets are typically marked by declining stock prices, and negative market sentiment.

Both bull and bear runs are part of the natural market cycle and can be influenced by various factors such as economic conditions, investor sentiment, geopolitical events, etc. Understanding these market phases is important for investors, as they help gauge the overall market sentiment and make informed investment decisions.

How are stocks listed on exchanges?

Company listing - Listing a company refers to the process of making its shares available for trading and investing on a stock exchange, allowing traders & investors to buy and sell them.

Primary Market - The primary capital market refers to the market where newly issued stocks are bought and sold for the first time.

Issue IPO - An IPO (Initial Public Offering) is the process through which a company offers its shares to the public for the first time, enabling investors to become shareholders in the company.

Share Allocation - After an IPO, the company's shares are distributed among the public investors who purchased them during the offering, allowing them to become shareholders and participate in the company's ownership and potential returns.

Secondary Market - After the shares are allocated to the subscribers of the IPO, the shares are then listed in the secondary market.

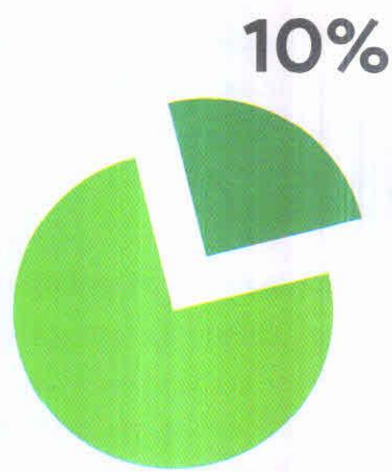
CHAPTER 4

Deeper insight into Financial Instruments

Financial instruments play a crucial role in the world of finance, enabling individuals and organisations to manage risk, invest, and participate in various markets. Understanding these instruments is essential for making informed financial decisions. In this exploration, we delve deeper into the realm of financial instruments, exploring their types, characteristics and functions. By gaining a comprehensive understanding of these instruments, we can navigate the complex landscape of finance with greater confidence and insight.

What are the different types of investments?

1. Equities



Equity is a stock/ share or any other security that represents an ownership interest in a company. Hence when you own a company's share, you are part owner of that company.Owning stocks grants shareholders the opportunity to benefit from potential increases in value of the stock and receive dividends.

Equity represents the remaining value that would be distributed to a company's shareholders after settling all debts and converting assets into cash through liquidation.

A. Stocks

Publicly listed companies allow investors to become partial owners and potentially benefit from the company's success. A stock or share is the percentage of ownership in a company.

B. Indices

Indices measure the price performance of a basket of stocks/securities. An index is used as a benchmark to track the performance of a specific set of securities.

Just like an index at the front of a book reveals its contents, market indices are a collection of chosen stocks that act as benchmarks to assess the performance of specific sectors or the entire stock market. They offer a snapshot of the market or a particular segment, enabling investors to track trends and make informed decisions.

- vvv

The major stock indices in India are the BSE Sensex, representing the top 30 companies listed on the Bombay Stock Exchange (BSE), and the Nifty 50, representing the performance of the top 50 companies listed on the National Stock Exchange (NSE).

C. Exchange Traded Funds (ETF)

Exchange Traded Funds (ETFs) are investment funds that trade on stock exchanges like individual stocks. They aim to replicate the performance of a specific index, sector, or asset class. ETFs provide diversification, liquidity, and transparency, allowing investors to gain exposure to a wide range of securities with the convenience of buying and selling them on the stock exchange.

Major ETFs in India

- **Nifty BeES:** This ETF is issued by Nippon India Mutual Fund and tracks the performance of the Nifty 50 index.
- **Gold BeES:** Issued by Nippon India Mutual Fund, this ETF provides exposure to the price of gold.

Here are some key advantages of investing in equity shares:

1. **Potential for Capital Appreciation:** As a shareholder, you can benefit from the increase in the stock's value over time. If the company performs well and its stock price rises, you may be able to sell your shares at a higher price than what you initially paid, earning a profit.
2. **Dividend Income:** Many companies distribute a portion of their profits to shareholders in the form of dividends. By investing in equity shares, you can earn regular dividend income, which can provide a steady stream of cash flow. Dividends can be especially attractive for income-oriented investors, such as retirees.

3. **Inflation Protection:** Equities have historically provided a good hedge against inflation. By investing in equities for the long term, you have the potential to preserve and grow your purchasing power in the face of inflation.
4. **Liquidity:** Equity shares can be bought and sold relatively easily on stock exchanges. This liquidity provides flexibility, as you can convert your shares into cash when needed. However, it's worth noting that liquidity can vary depending on the size and trading volume of the company's shares.
5. **Transparency and Information Availability:** Publicly traded companies are required to disclose financial information and provide regular updates to shareholders. This transparency allows investors to make informed decisions based on publicly available information about the company's performance, strategy, and outlook.

Process of buying and selling stocks

1. Place Order: You place your buy or sell orders through digital platforms (mobile applications, web portals etc.) provided to you by your broker, indicating the stock and quantity you want to trade.

2. Broker sends it to exchange: Your broker forwards your order to the stock exchange where the stock is listed.

3. Exchange finds counterparty: The stock exchange matches your buy/sell order with a corresponding sell/buy order from another market participant.

4. Exchange confirms to the broker: Once the trade is executed, the exchange notifies your broker of the transaction details.

5. Broker debit/credit your account: Your broker adjusts your account balance accordingly by debiting the cost of the purchased shares or crediting the proceeds from the sold shares which you can see on your broker's digital platforms.

Here are some web links in India that provide share market courses

National Stock Exchange (NSE) - https://www.nseindia.com/education/content/certification

Bombay Stock Exchange (BSE) - https://www.bsebti.com/

Coursera - https://www.coursera.org/

Udemy - https://www.udemy.com/

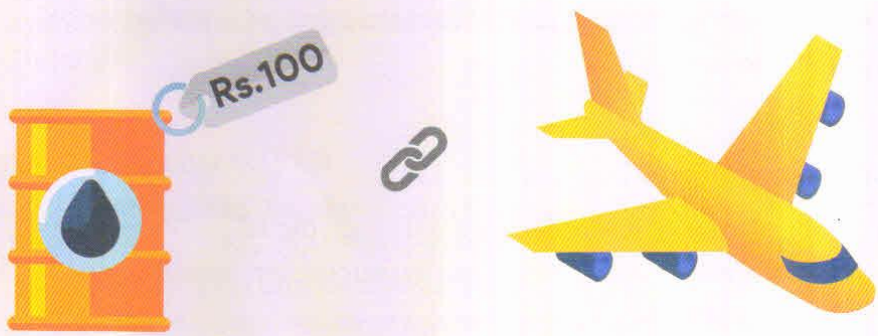
2. Derivatives

Derivatives are financial contracts whose value is derived from an underlying asset, providing investors with the opportunity to speculate on price movements or hedge against potential risks.

Underlying asset is the one that is to be bought or sold on a future date.

A. Futures

Futures are derivative contracts that oblige buyers and sellers to transact a specified asset at a predetermined price and future, allowing investors to speculate on price movements and manage risk.



Imagine there is an airline called SkyFly Airlines that requires a steady fuel supply for operations. Jet fuel prices are subject to fluctuations in the global oil market, to manage risk and secure fuel costs for the next six months, SkyFly Airlines enters into futures contracts with a fuel supplier, OilJet Fuels Inc. They agree on a futures contract for 100,000 gallons of fuel per month at Rs. 80/gallon from July to December.

In July, Jet fuel prices rise to Rs. 100/gallon, but, SkyFly Airlines remains protected with a futures contract with OilJet Fuels. Each month, SkyFly receives fuel at Rs. 80/gallon, despite market price fluctuations. By using futures contracts, SkyFly Airlines hedges fuel price rise, ensuring financial stability and minimising the impact of market fluctuations. This allows them to focus on their core operations and financial planning while managing fuel price risks.

B. Options

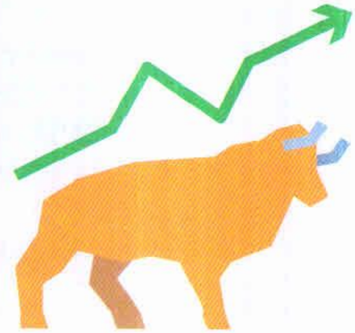
Options are financial derivatives that provide the holder with the right, but not the obligation, to buy or sell an underlying asset at a predetermined price within a specified time period, offering flexibility for investors to profit from price movements or manage risk.

In real life, options can be applied beyond financial markets. For instance, imagine you want to buy a house but are uncertain if you'll have the funds in three months. By negotiating an option contract with the homeowner, you obtain the right to purchase the house at a predetermined price within the next three months by paying an option premium. If you secure the funds and still want to proceed, you exercise the option; otherwise, you let it expire, incurring only the premium cost. This real-life example showcases how options offer flexibility and risk management outside traditional financial contexts.

One thing to understand is the strike price is the predetermined price at which an option contract can be exercised.

- **Call Option :** A call option is a financial contract that gives the holder the right, but not the obligation, to buy an underlying asset at a specified price within a certain time period.

  Suppose you believe that the shares of a particular Indian company, ABC Ltd., will increase in value in the next three months. To benefit from this potential price rise, you purchase a call option contract for ABC Ltd. shares with a strike price of ₹500 and an expiration date of three months. If, within the next three months, the price of ABC Ltd. shares rises above ₹500, you can exercise your call option and buy the shares at the lower



  strike price. This allows you to profit from the price difference between the strike price and the market price.However, if the share price of ABC Ltd. does not exceed ₹500 or decreases during that period, you are not obligated to exercise the call option and can let it expire.In this case, you would only lose the premium paid for the call option.

By purchasing a call option, you have the opportunity to potentially profit from the expected upward movement in the stock price while limiting your downside risk.

- **Put Option :** A put option is a financial contract that gives the holder the right, but not the obligation, to sell an underlying asset at a specified price within a certain time period.

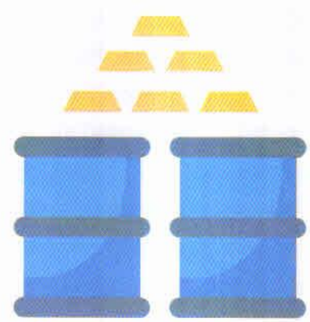
Suppose you own 500 shares of a pharmaceutical company in India. With concerns about upcoming regulatory changes, you decide to purchase a put option contract. The put option has a strike price of ₹1,000 and an expiration date of one month.

If the stock price drops below ₹1,000 within that month, you can exercise the put option and sell your shares at the higher strike price, protecting yourself against potential losses.

However, if the stock price remains above ₹1,000 or increases during that period, you are not obligated to exercise the put option and can let it expire, against loss of put premium.

C. Commodity derivatives

Commodity derivatives are financial instruments that let investors profit from investments in commodities without actually owning them. Anything that can be exchanged or traded is considered a commodity. However, its derivative includes the worth of the underlying assets.



You have dealt with the concept of underlying asset before.

Commodity derivatives trading is unique in that it has multiple forms, a trading mechanism, and a settlement procedure.

Types: These derivatives are offered as contracts in different forms -

- **Forwards contract** - a private agreement wherein the buyer promises to buy those derivatives.
- **Futures** - These are similar and standard forward contract formats for commodities that trade on exchanges.
- **Options** - This agreement offers the holders the right to buy or sell the underlying asset on a predetermined future date.
- **Swaps** - It is an agreement between two parties to exchange cash flows.

Mechanism: The market is for those who do not require the items for their use but invest in them per the price movements only to reap profits.

Settlement: The market involves the exchange of funds and goods, and a Clearing House handles commodities derivatives settlements.

The Multi Commodity Exchange

The Multi Commodity Exchange of India Limited (MCX), India's first listed exchange, is a cutting-edge commodity derivatives exchange that supports online commodity derivatives trading, offering a platform for price discovery and risk management. The Exchange, which began operations in November 2003, is governed by the Securities and Exchange Board of India (SEBI).

The National Commodity & Derivatives

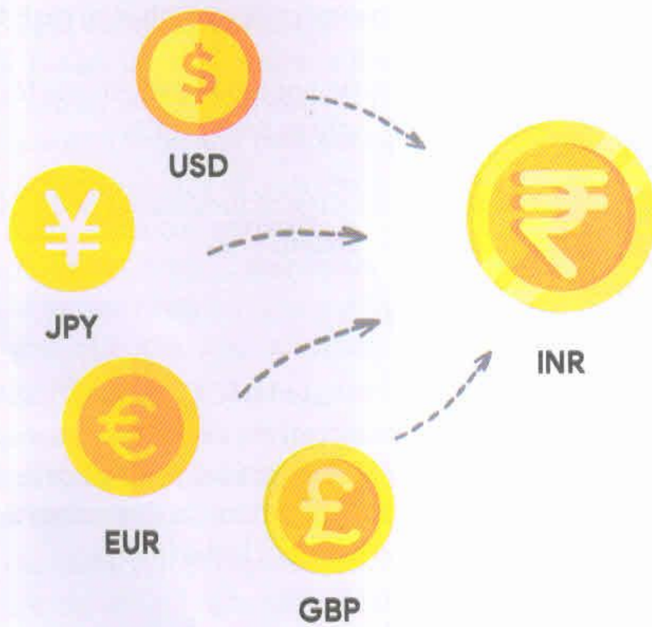
The National Commodity & Derivatives Exchange Limited (NCDEX/the Exchange) is a professionally managed on-line commodity Exchange with diversified product offerings that sets the standard for both agricultural and non-agri commodity derivatives. NCDEX was established as a public limited company on April 23, 2003, and began operations as a recognised association under The Forward Contracts (Regulation) Act of 1952 on December 15, 2003. The Exchange became a considered recognised stock exchange on September 28, 2015, under the Securities Contracts (Regulation) Act, 1956, governed by the Securities and Exchange Board of India (SEBI).

D. Currency derivative

Currency derivatives are exchange-traded contracts whose value is determined by the underlying asset, which is the currency. On a predetermined date and rate, the investor buys or sells particular units of fixed currency. These contracts are actively traded on the stock exchanges and are primarily used to hedge against domestic currency fluctuations by importers and exporters.

Currency derivative contracts are standardised through a foreign regulatory exchange with an intermediary clearing house. As derivatives are traded in a regulated market, the contract does not leave a window for buying or selling current assets at a specific date and rate, eliminating the possibility of counterparty risk.

Here are four popular currency pairs that are underlying assets for the actively traded Currency Derivatives:



3. Mutual Funds

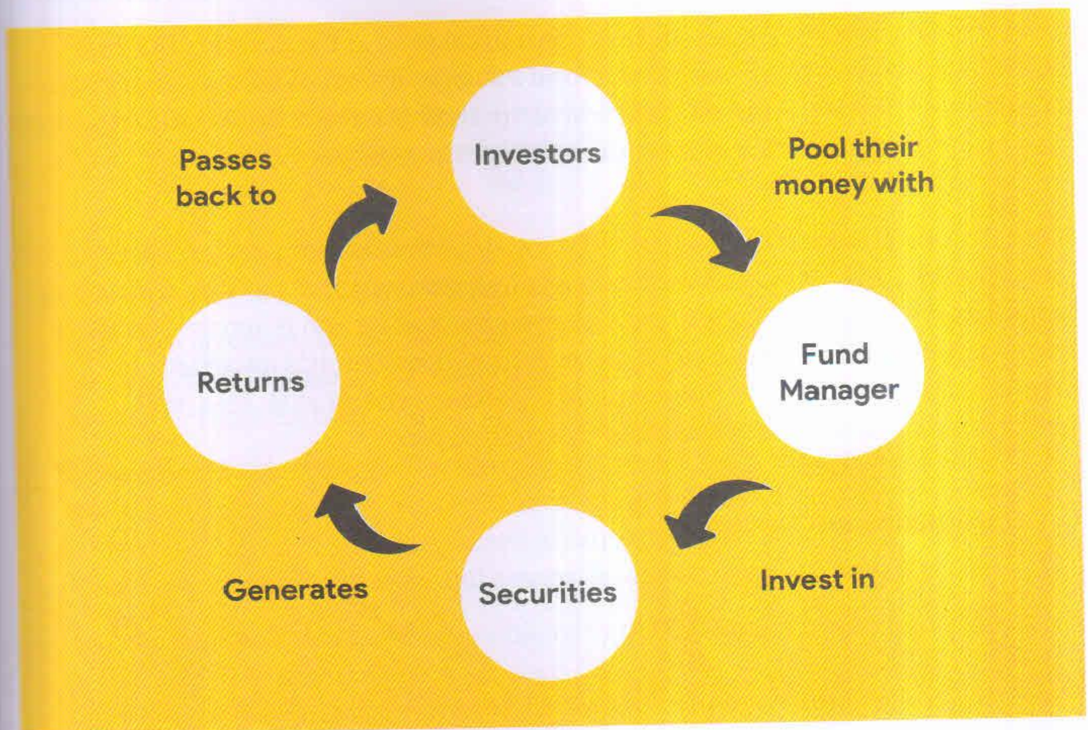
A. What is a mutual fund?

A mutual fund is an investment vehicle that pools money from multiple investors to invest in a diversified portfolio of stocks, bonds, or other securities, managed by a professional fund manager.

B. How does a mutual fund work?

A mutual fund works by pooling money from multiple investors to create a collective investment fund. This fund is managed by a professional fund manager or a team of managers.

The fund manager's responsibility is to make investment decisions on behalf of the investors. They analyse market conditions, research various securities (such as stocks, bonds, or money market instruments), and allocate the fund's assets accordingly. The goal is to achieve the fund's investment objectives, which may include capital appreciation, income generation, or a combination of both.



Capital appreciation

Capital appreciation is a rise in an investment's market price. It is the difference between the purchase price and the selling price of an investment. If an investor buys a stock for Rs10 per share, for example, and the stock price rises to Rs12, the investor has earned Rs2 in capital appreciation.

Investors purchase units of the mutual fund, and the value of their investment is determined by the net asset value (NAV) of the fund. The NAV represents the total value of the fund's assets minus any liabilities, divided by the number of outstanding shares or units.

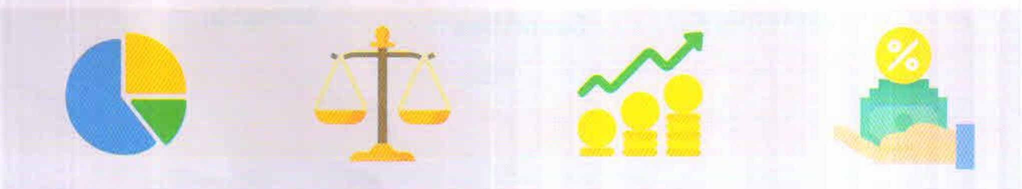
Net Asset Value

The NAV per unit of a mutual fund scheme serves as a performance indicator. The NAV per unit is calculated by dividing the market value of the securities in a scheme by the total number of units in the scheme as of a particular date.

Investors can buy or sell their units in the mutual fund at the current NAV price. When investors buy more shares, the fund manager uses that money to purchase additional securities. Similarly, when investors sell their shares, the fund manager may need to sell securities to meet the redemption requests.

Mutual funds provide individual investors with diversification, professional management, and access to a wide range of investment opportunities. By pooling resources, investors can benefit from economies of scale and potentially achieve better returns compared to individual investing. However, it's important to carefully consider the fund's investment objectives, risk profile, fees, and performance history before investing in a mutual fund.

C. Categories of mutual funds



Mutual funds can be categorised into various types based on different criteria.

- **Equity Funds:** These funds primarily invest in stocks or shares of companies. They aim for long-term capital appreciation and are suitable for investors with a higher risk appetite.
- **Debt Funds:** Debt funds invest in fixed-income securities like government bonds, corporate bonds, and debentures. They focus on generating regular income and are relatively less risky compared to equity funds.
- **Money Market Funds:** Money market funds invest in short-term debt instruments with high liquidity, such as treasury bills, commercial papers, and certificates of deposit. They aim to provide stability and preserve capital.
- **Index Funds:** Index funds aim to replicate the performance of a specific market index. They invest in the same securities that make up the chosen index, offering broad market exposure.

- **Balanced Funds:** Balanced funds, also known as hybrid funds, invest in a mix of both equity and debt instruments. They aim for a balance between capital appreciation and income generation, suitable for moderate risk investors.
- **Sector Funds:** Sector funds focus on specific sectors of the economy, such as technology, healthcare, or energy. They invest in companies within a particular industry, allowing investors to target specific sectors they believe will perform well.
- **Tax-Saving Funds (ELSS):** Equity-linked savings schemes (ELSS) are tax-saving mutual funds eligible for tax deductions under Indian tax laws. These funds have a lock-in period of three years and primarily invest in equities.

D. How to invest in mutual funds?

Here are the general steps to invest in mutual funds:

- **Set Financial Goals:** Determine your investment objectives, such as retirement planning, funding your child's education. Having clear goals will help you choose the right mutual funds.
- **Research and Select Funds:** Conduct thorough research to identify mutual funds that align with your goals, risk tolerance, and investment horizon. Consider factors like fund performance, expense ratios, fund manager's track record, size of fund, investment strategy, and asset allocation.
- **Open an Account:** Contact a reputable mutual fund investment platform to open an account. They will guide you through the account opening process, which typically involves providing personal information and completing the necessary paperwork.
- **Determine Investment Amount:** Decide how much money you want to invest in mutual funds. Some mutual funds have minimum investment requirements, so ensure you meet those criteria. You can invest a lump sum or set up regular contributions through a systematic investment plan (SIP).
- **Choose Investment Method:** There are two primary ways to invest in mutual funds:

  a. Direct Investment: In this method, you directly invest in mutual funds through the asset management company's website or offline channels. You can select individual funds and manage your investments independently.

  b. Investment Advisor: If you are new to mutual funds or prefer professional guidance, consider working with a financial advisor or investment professional. They can help you select suitable funds based on your goals and risk profile.

- **Complete the Required Documentation:** Provide the necessary documents, such as identity proof, address proof, and bank account details, as requested by the mutual fund company or investment platform.
- **Fund Allocation:** Determine the proportion of your investment that will be allocated to different mutual funds. This decision depends on your risk tolerance, asset allocation strategy, and the funds' investment objectives.
- **Make the Investment:** Once your account is set up and the documentation is complete, transfer the desired investment amount to your mutual fund account. You can do this through online banking, net banking, or by issuing a cheque in favour of the mutual fund company.
- **Monitor and Review:** Keep track of your investments periodically. Review the fund's performance, compare it with benchmark indices, and reassess your investment strategy if needed. It's essential to stay informed about the market conditions and any changes in the funds you have invested in. Mutual funds in India are regulated by the Association of Mutual Funds in India (AMFI), a government body responsible for protecting consumer rights and ensuring regulatory compliance.

E. Systematic Investment Plan (SIP)

A Systematic Investment Plan (SIP) is an investment strategy that allows individuals to invest a fixed amount of money at regular intervals (usually monthly or quarterly) in a mutual fund or other investment vehicles. It is a disciplined approach to investing and is particularly popular in the context of mutual funds.

MUTUAL FUNDS Sahi Hai

MUTUAL FUNDS Sahi Hai...

You must have heard or seen this phrase on radio, television, billboards, posters, etc. But, do you know, how much is it worth to say "Mutual Funds Sahi Hai" for you?

The Association of Mutual Funds in India (AMFI) has launched a campaign to inform people on the benefits of investing in MFs. We will discuss the soundness of this phrase and let you know whether it is truly worth it.

Start from as little as ₹ 10 - Most programmes have a minimum mutual fund investment value ranging from ₹10 in SIP mode and ₹100 in lump sum mode.

Professional Management - Investors may not have the time or the required knowledge and resources to conduct their research and purchase individual stocks or bonds. A mutual fund is managed by full-time, professional money managers who have the expertise, experience and resources to actively buy, sell, and monitor investments. Manager continuously monitors investments and rebalances the portfolio accordingly to meet the scheme's objectives.

Risk Diversification — Fund managers in a mutual fund involves buying shares in a range of different assets. Hundreds of different stocks and bonds can be purchased in a number of mutual funds. A portion of the total amount is distributed in a wide range of stocks and bonds when you purchase shares of a mutual fund.

Rupee cost averaging - This process, known as rupee cost averaging, in a way guarantees that you automatically purchase more units when the NAV is low and fewer when the NAV is high. For instance, a SIP of ₹1000 buys you 50 units at a NAV of Rs. 20, but 100 units at a NAV of Rs. 10. The average price for those 150 units to be purchased would be Rs. 2000/150 units, or ₹13.33.

Please keep in mind that rupee cost averaging does not guarantee profit and does not safeguard against investment losses in falling markets. It simply assures disciplined and regular stock market investment, which helps fight the natural urge to cease investing in a loss or depressed market or to invest excessively when markets are doing well.

The power of compounding - To put it simply, compounding occurs when interest (or money) earned is reinvested in the original corpus and the collected corpus continues to earn (and grow). Every time this occurs, your investment grows, laying the road for a systematic accumulation of money that multiplies over time.

For example, a little investment of ₹1,000 a month at an interest rate of 8% for 25 years would yield ₹9.57 lakh! That implies your three-lakh investment has tripled!

But before you invest in a mutual fund, always remember Mutual Fund investments are subject to market risks, read all scheme related documents carefully! The NAVs of the schemes may go up or down depending upon the factors and forces affecting the securities market including the fluctuations in the interest rates.

Tax Benefits —Investment in Equity Linked Saving Scheme (ELSS) up to ₹1,50,000 qualifies for tax benefit under section 80C of the Income Tax Act, 1961. Mutual Fund investments when held for a longer term are tax efficient.

Large, Mid, and Small cap stocks have now been defined under the Equity category.

Equity schemes

An equity Scheme is a fund that –

- Invests primarily in equities and equity-related instruments.
- Seeks long term growth but could be volatile in the short term.
- Suitable for investors with higher risk appetite and longer investment horizon.

An equity fund's purpose generally is to aim for long-term capital appreciation. Equity funds focus on certain market sectors or have a specific investment strategy, such as investing in value or growth equities.

Equity Fund Categories as per SEBI guidelines on Categorization and Rationalization of schemes

Multi Cap Fund*	**At least 65% investment in equity & equity related instruments**
Large Cap Fund	**At least 80% investment in large cap stocks**
Large & Mid Cap Fund	**At least 35% investment in large cap stocks and 35% in mid cap stocks**
Mid Cap Fund	**At least 65% investment in mid cap stocks**
Small cap Fund	**At least 65% investment in small cap stocks**

*Also referred to as Diversified Equity Funds – as they invest across stocks of different sectors and segments of the market. Diversification minimizes the risk of high exposure to a few stocks, sectors or segment.

Here are some websites where you can find information about mutual funds in India:

Association of Mutual Funds in India (AMFI) - https://www.amfiindia.com/

MutualFundsIndia.com - https://www.mutualfundsindia.com/

F. Bonds

What is the bond market?

The bond market refers to a financial market where investors buy and sell debt securities, which are financial instruments representing loans, known as bonds. Bonds are fixed-income instruments issued by governments, corporations, and other entities to raise capital.

Types of bonds

Following are types of bonds:

A. **Government Bonds:** Issued by the government, these bonds offer low risk, long maturities, and lower returns. They are ideal for risk-averse investors. Treasury bills are a type of government bond in India. **Treasury bills**, also known as T-bills, are short-term debt instruments issued by the Reserve Bank of India (RBI) on behalf of the Indian government. They are issued at a discount to the face value and have maturities of 91 days, 182 days, and 364 days.

B. **Corporate Bonds:** Companies issue these bonds to raise funds for their projects. They carry higher yields and default risks compared to government bonds.

4. Corporate FDs

Fixed Deposits (FDs) are a popular investment choice in India. Apart from banks, select corporates and NBFCs are permitted by the RBI to accept deposits for fixed interest rates and tenures. These deposits are known as Company or Corporate Fixed Deposits.

In times of market volatility and uncertain returns, Corporate FDs offer a way to secure your financial future with fixed and predictable returns. Investors can opt for regular income through pay-out options or accumulate capital through cumulative options.

It's important to check the company's fundamentals and credit rating for safety.

- **Benefits:** Corporate FDs offer higher interest rates than bank FDs, flexibility in tenure, assured returns, and potential loan facility.
- **Choosing the Best:** Consider the company's background, repayment history, and credit rating when selecting a corporate FD.
- **Advantages:** The flexibility of tenure, assured returns, and higher interest rates mae corporate FDs attractive.
- **Eligibility:** Individuals, HUFs, clubs, corporates, associations, societies, and more are eligible to apply for a corporate FD.
- **Documents Required:** Voter ID, PAN card, Aadhaar card, address proof, and photographs are generally required to open a corporate FD.

Corporate FDs offer better interest rates and flexibility, but thorough research on the company's credibility is important before investing.

Here's an small activity for you, try to recall following given terms:

Stocks	Index	Bonds
ETFs	T - bills	Derivatives
Mutual funds	Futures	Returns

CHAPTER 5

Investment Fundamental: Learn the art of investing

Trading vs Investing

Trading and investing are two distinct approaches to the financial markets, differing in terms of their objectives, time horizons, and strategies.

Let's say you have been following the stock market and you identify a particular company that you believe has good long-term growth prospects.

In case you think about Investing you will decide to invest in a company's shares by keeping a long-term perspective. You will carefully analyse the company's fundamentals, financial statements, management team, and market position. You believe in the company's potential for growth and plan to hold the shares for an extended period, possibly years, to benefit from capital appreciation and dividends.

Your decision is based on a thorough understanding of the company's business and its potential value in the long run.

On the other hand if you are trading, you will take a more short-term approach. Instead of focusing on the long-term prospects of the company, you will analyse the stock's price patterns, technical indicators, and market trends. Based on these factors, you make short-term buy and sell decisions aiming to profit from the stock's price fluctuations.

Your focus is on the short-term movements in the stock's price rather than the company's underlying value.

While both investing and trading involve buying and selling financial instruments like stocks, their strategies and timeframes differ significantly. Investing is generally associated with a longer-term outlook, considering the intrinsic value of a company, while trading often involves shorter timeframes and focuses more on technical analysis and market trends.

Now which is right for you?

Trading: The primary objective of trading is to profit from short-term price fluctuations. Traders aim to generate profits by actively buying and selling financial instruments frequently within a short time frame.

Investing: The primary objective of investing is to build wealth over the long term. Investors focus on buying and holding assets for an extended period, with the expectation of earning returns through capital appreciation, dividends, or interest payments. Short term price fluctuations will not affect your long term investment.

Now let's make a clear distinction between them

Differences	Investing	Trading
Capital Growth	Investing entails steadily and gradually increasing your funds by holding onto it.	Traders increase their capital by always seeking for the best opportunity to make trades and plan tactics for a profitable trading journey.
Style of Analysis	Investing involves fundamental analysis	Trading involves technical analysis
Risk Involved	The risk is decreased when stocks are held for a longer time and rides out various market ups and downs.	The risk is significant because traders use leverage, which can damage the invested funds even with small price swings.

There will always be some risk in every investment. To evaluate if it's worth putting your money at risk, you must compare the possible reward against the risk involved. Understanding the connection between risk and return is a critical component in developing your investing or trading philosophy.

Risk

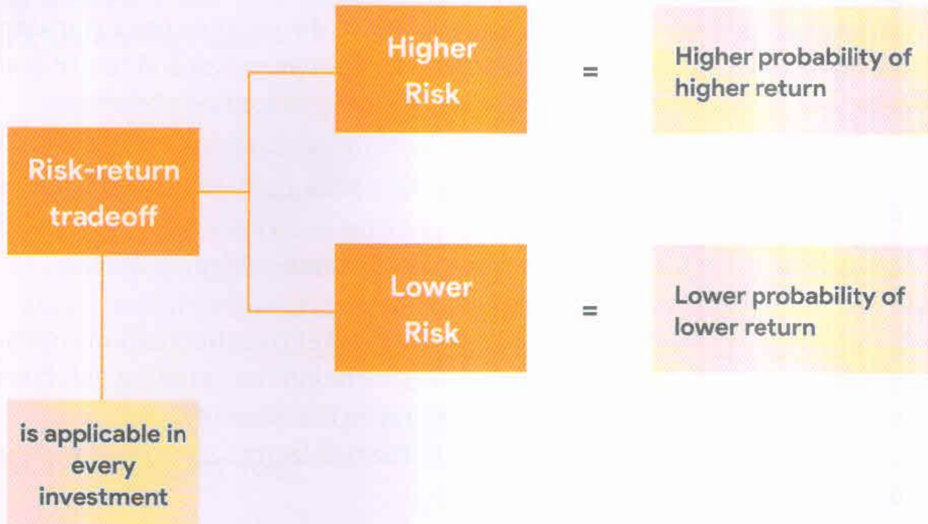
- Risk refers to the potential of loss or uncertainty in achieving desired investment outcomes.
- Common types of investment risk include market risk (fluctuations in market prices), credit risk (default by borrowers), inflation risk (eroding purchasing power), and liquidity risk (difficulty selling an investment).
- It's important to assess and understand the risk factors associated with an investment before committing capital.

Reward

- Reward refers to the potential return or profit generated from an investment.
- Investments that carry higher risk often offer the potential for higher returns, while investments with lower risk tend to provide lower returns.
- Investors and traders aim to balance risk and reward based on their investment goals, time horizon, and risk tolerance.
- Expected reward can vary depending on the investment strategy, market conditions, and individual factors.

Risk-Reward Tradeoff

- The risk-reward tradeoff is the relationship between the level of risk taken and the potential for reward.
- Generally, higher-risk investments have the potential for higher returns, but they also come with a greater chance of loss.
- Lower-risk investments tend to offer modest returns but come with a lower probability of significant losses.
- Investors and traders need to carefully assess their risk tolerance and investment objectives to strike a balance between risk and reward that aligns with their goals.



Researching stocks is a vital step for individuals seeking to make informed investment decisions in the dynamic world of the stock market. Hence, we will explore some basic steps to get started with stock research:

1. **Define your investment goals:** Determine your investment objectives, time horizon, risk tolerance, and financial targets. This will guide your stock selection process.

2. **Identify companies of interest:** Look for companies that align with your investment goals. Consider sectors or industries you're familiar with or have an interest in.

3. **Stock Analysis:** Stock analysis involves assessing the potential of a particular stock as an investment. It can be further divided into two primary types: fundamental analysis and technical analysis.

- **Fundamental analysis:** Evaluate the company's fundamentals, which include financial statements, management team, competitive position, and growth prospects.
- **Technical analysis:** Some investors use technical analysis to study price patterns, trends, and trading volumes to identify potential entry or exit points for stocks. This involves using charts and technical indicators to analyse historical price data.

4. **Industry and market analysis:** Understand the dynamics of the industry in which the company operates. Consider factors like market size, growth potential, competition, regulatory environment and technological advancements that may impact the company's prospects.

5. **Stay updated with news and events:** Follow financial news, company announcements, earnings reports and industry trends to stay informed about any developments that may impact the company or industry.

6. **Research sources:** Utilise various resources for stock research, including financial news websites, company annual reports, SEC filings, analyst reports, reputable financial platforms, and investor presentations.

7. **Risk assessment:** Evaluate the risks associated with the investment, including market risks, company-specific risks, industry risks, and external factors that may affect the stock's performance.

Types of analysis in brief

Technical Analysis

Certainly! Here are five brief points about technical analysis:

1. **Price Patterns:** Technical analysis involves studying price patterns on charts to identify potential trading opportunities. Patterns such as triangles, double tops/

bottoms, head and shoulders, and trendlines can provide insights into market sentiment and potential future price movements.

2. **Indicators:** Technical analysts use various indicators to gain further insights into market trends and price momentum. Examples of popular indicators include moving averages, relative strength index (RSI), stochastic oscillator, and MACD (Moving Average Convergence Divergence). These indicators help identify potential entry and exit points for trades.

3. **Support and Resistance Levels:** Support and resistance levels are key concepts in technical analysis. Support represents a price level at which buying pressure is expected to outweigh selling pressure, potentially causing the price to bounce back up. Resistance, on the other hand, is a price level at which selling pressure is expected to outweigh buying pressure, potentially causing the price to reverse downward.

4. **Volume Analysis:** Volume analysis examines the trading volume accompanying price movements. High trading volume during a price increase or decrease can indicate the strength of the trend. Volume can also be used in conjunction with price patterns and indicators to validate potential breakouts or reversals.

5. **Trend Analysis:** Identifying and following trends is an essential aspect of technical analysis. Trends can be upward (bullish), downward (bearish), or sideways (consolidation). Technical analysts use trendlines, moving averages, and other tools to identify the direction and strength of a trend. They aim to trade in the direction of the prevailing trend to maximise potential profits.

It's important to note that technical analysis is subjective and relies on historical price data. While it can provide valuable insights, it also has limitations, and combining it with other forms of analysis can help make more informed investment decisions.

Fundamental analysis

Understanding fundamental analysis, here's an overview:

1. **Financial Statements:** Fundamental analysis involves analysing a company's financial statements, including the income statement, balance sheet, and cash flow statement. These statements provide insights into the company's revenue, expenses, assets, liabilities, and cash flow.

2. **Company Performance:** Fundamental analysis evaluates a company's performance by examining key financial ratios such as profitability ratios (e.g., return on equity, profit margin), liquidity ratios (e.g., current ratio, quick ratio), and solvency ratios (e.g., debt-to-equity ratio). These ratios help assess the

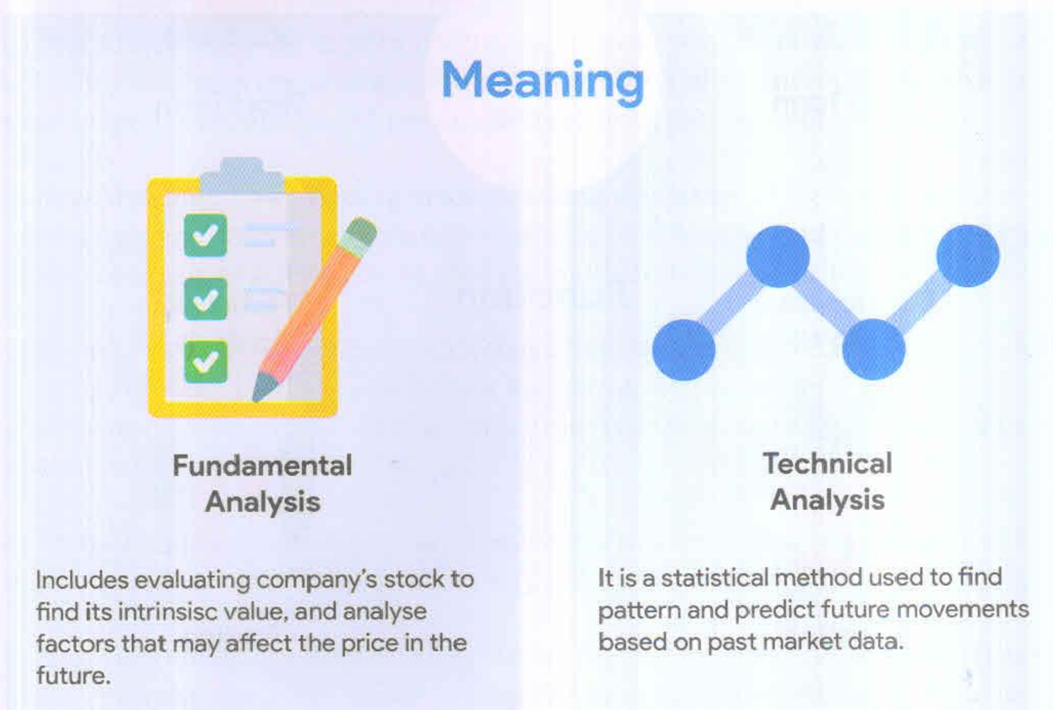
company's financial health and efficiency.

3. **Industry Analysis:** Understanding the industry in which a company operates is essential in fundamental analysis. Factors such as industry growth rates, competition, regulatory environment, and market trends can significantly impact a company's prospects and long-term viability.

4. **Management Evaluation:** Fundamental analysis considers the competence and track record of a company's management team. Evaluating their experience, strategic decisions, and corporate governance practices helps gauge their ability to drive the company's growth and profitability.

5. **Valuation Assessment:** Fundamental analysis aims to determine the intrinsic value of a company's stock. This involves assessing various valuation methods, such as price-to-earnings (P/E) ratio, price-to-book (P/B) ratio, and discounted cash flow (DCF) analysis. By comparing the intrinsic value to the current market price, investors can identify potential undervalued or overvalued stocks.

Remember, these are just brief points, and fundamental analysis encompasses a wide range of factors and techniques. It's important to conduct thorough research and analysis before making any investment decisions based on fundamental analysis.



Methodology

Fundamental Analysis Examines

1. Financial data
2. Industry Trends
3. Competitors performance
4. Economic Outlook

Technical Analysis Examines

1. Price Movement
2. Market Psychology

Time Horizon

Fundamental Analysis

Long Term

Technical Analysis

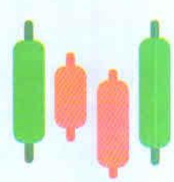
Short Term

Function

Fundamental Analysis

Investing

Technical Analysis



Trading

Trading & Investment strategies

Trading and investment strategies are approaches used by traders and investors to make decisions about buying, selling, or holding financial assets such as stocks, bonds, currencies, or commodities. These strategies can vary depending on the individual's goals, risk tolerance, time horizon, and market conditions. Here are some common trading and investment strategies.

Trading strategies

1. **Momentum Trading:** Momentum traders capitalise on the idea that assets that have recently shown strong price momentum are likely to continue in the same direction. They buy assets that have been trending up and sell assets that have been trending down. This strategy relies heavily on technical analysis and short-term price movements.

2. **Swing Trading:** Swing traders aim to capture short- to medium-term price movements in the market. They typically hold positions for a few days to a few weeks. Swing traders use technical analysis to identify potential entry and exit points based on patterns, trends, and indicators.

3. **Day Trading:** Day traders buy and sell assets within the same trading day, seeking to profit from short-term price fluctuations. They take advantage of intraday price volatility and often use leverage and sophisticated trading strategies. Day trading requires active monitoring of the market and quick decision-making.

4. **News Trading:** News trading involves taking advantage of significant market moves triggered by news events or economic data releases. Traders react quickly to news announcements, aiming to profit from the resulting volatility.

5. **Event-Driven Trading:** Event-driven trading focuses on specific events, such as earnings reports, product launches, or mergers and acquisitions, that can significantly impact the price of a stock. Traders anticipate and position themselves ahead of these events.

6. **Trend Trading:** This strategy involves identifying and following trends in the market, aiming to profit from sustained price movements in the same direction.

7. **Mean Reversion Trading:** Mean reversion trading is based on the concept that prices tend to move back to their average or mean value after deviating from it. Traders identify overbought or oversold conditions and enter positions expecting a

price reversal.

8. Scalping: Scalping is a short-term trading strategy where traders aim to make small profits from frequent trades. Traders enter and exit positions quickly, often within seconds or minutes, taking advantage of small price movements.

Investment Strategies

Growth Investing

Value Investing

Income Investing

1. Growth Investing: Investors choose short-term or long-term investments based on their belief in a company's growth potential and intrinsic value.

2. Value Investing: This strategy focuses on investing in undervalued companies based on their intrinsic value, anticipating that the market will correct the price in the future.

3. Income Investing: The focus is on generating cash income from stocks, particularly through dividends and fixed interest income from bonds.

Portfolio Management

Portfolio management is defined as the act of managing an individual's investments in order to maximise earnings over a certain time period. Furthermore, such practices guarantee that individual capital is not overly exposed to market risk.

Interesting Concept

According to the age-based asset allocation rule, you should allocate a percentage of your portfolio to equities depending on your age. The rest should be allocated to other secure assets. Here's a simplified breakdown:

Age	Equity Allocation	Allocation to fixed-income assets
20	80%	20%
30	70%	30%
40	60%	40%
50	50%	50%
60	40%	60%
70	30%	70%
80	20%	80%

This table demonstrates how the equity allocation decreases as age increases, while the allocation to fixed-income assets increases accordingly. The strategy aims to reflect a growth-oriented portfolio for younger individuals and a more conservative retirement-focused portfolio for older individuals.

It is important to note that this rule of thumb provides a basic guideline and should be adjusted based on individual factors such as risk profile, income, and future goals. Other elements may need to be considered for a more tailored approach to asset allocation.

CHAPTER 6

Debt management is an art, Strive to become a master.

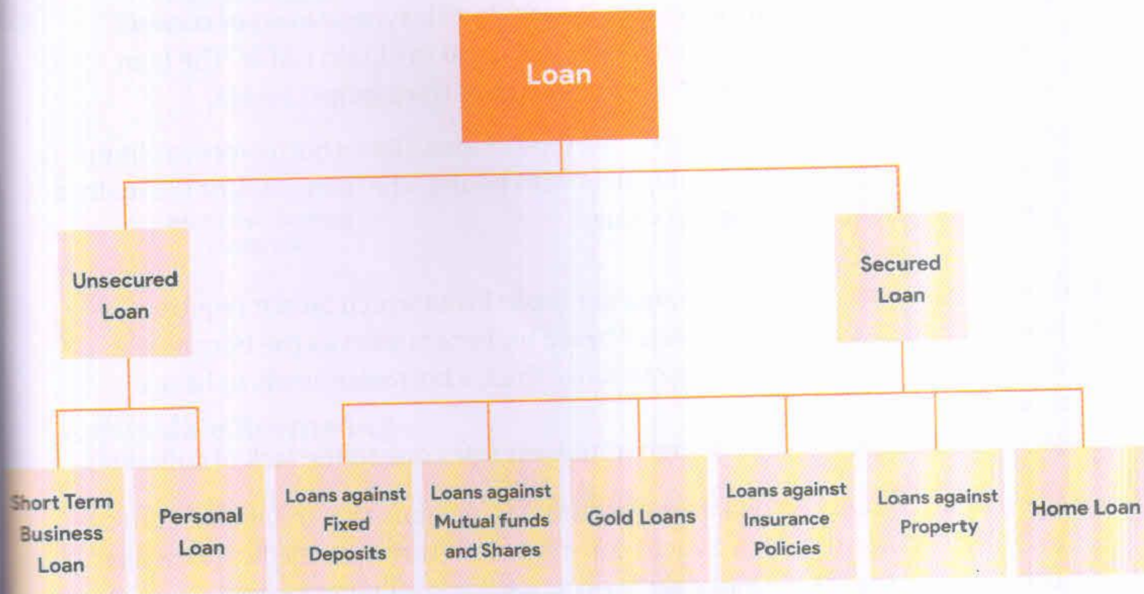
What is a loan?

Many individuals want to buy a house, a flat, a car, or start a new business at some point in their lives, but do not have the money to do so, and one method that helps them overcome these problems is to obtain a loan.

A loan is a financial transaction in which one party, typically a financial institution or lender, provides funds to another party, known as the borrower, with the expectation that the borrower will repay the borrowed amount over time, usually with interest. Loans are a common method of obtaining capital for various purposes, such as purchasing a home, financing a car, funding education, or starting a business.

What might you need to borrow money for in your future?

Types of loans



Loans are divided into secured loans and unsecured loans:

a) **Secured Loans:** Secured loans are those loans which require collateral, i.e., borrowers have to provide an asset to the lender as security for the borrowed funds. If the borrower fails to repay the loan, the lender still has some means to get back their money.
Secured loans typically have lower interest rates compared to unsecured loans.

1. **Home Loans:** Home loans are a secured mode of finance that provides the funds to purchase or construct a residential property. The property acts as collateral, and if the borrower defaults, the lender can seize and sell the property to recover the loan amount.

2. **Loans against Property:** These loans allow borrowers to pledge their residential, commercial or industrial property as collateral to obtain funds. The loan amount disbursed is equivalent to a certain percentage of the property's value.

3. **Loans against Insurance Policies:** Borrowers can use their life insurance policies as collateral to secure a loan. The loan amount is usually a percentage ofthe policy's surrender value.

4. **Gold Loans:** Gold loans are secured by pledging gold jewellery or coins as

collateral. The value of the loan is determined based on the quality and quantity of the gold.

5. **Loans against Mutual Funds and Shares:** In this type of loan, borrowers pledge their mutual funds or shares as collateral to obtain funds. The loan amount is typically a percentage of the value of the pledged assets.

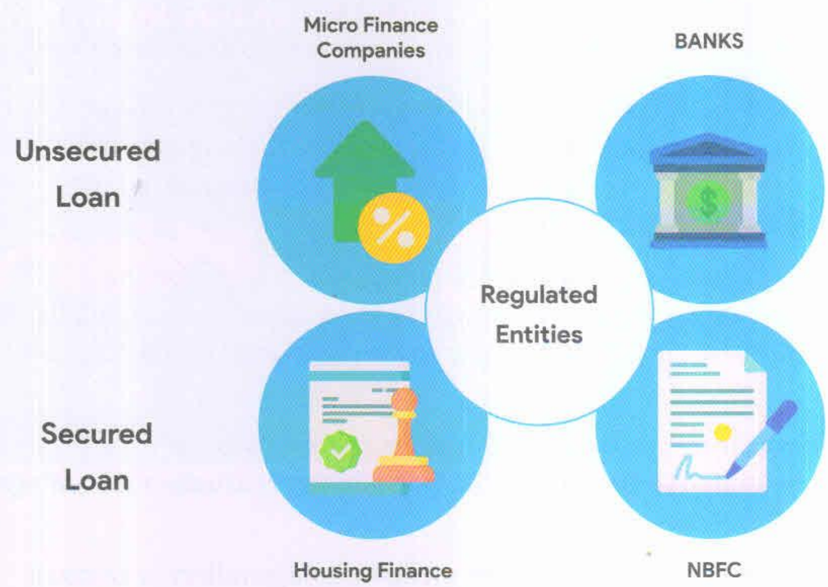
6. **Loans against Fixed Deposits:** This type of loan allows borrowers to obtain funds by pledging their fixed deposits with banks. The loan amount is usually a percentage of the fixed deposit value.

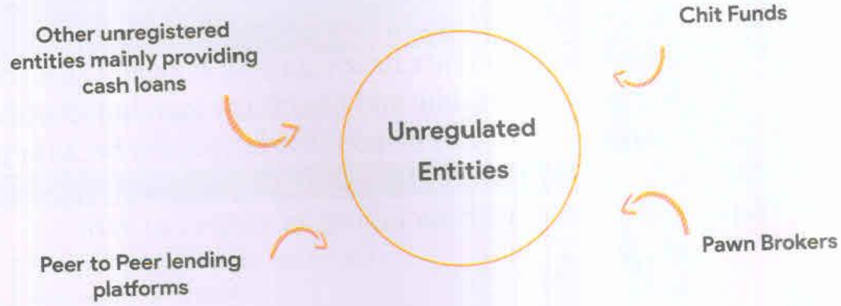
b) Unsecured Loans: Unsecured loans are those loans which do not require collateral. Lenders provide the money based on factors such as the borrower's credit score, history, and past associations. Thus, a borrower needs to have a positive credit history.
Unsecured loans generally have higher interest rates due to the lack of collateral.

1. **Personal Loans:** Personal loans are unsecured loans that individuals can use for various purposes, such as debt consolidation, travel, or medical expenses. These loans are granted based on the borrower's creditworthiness.

2. **Short-term Business Loans:** These loans provide quick financing for businesses to cover short-term expenses or capitalised on immediate opportunities. They do not require collateral but may have higher interest rates.

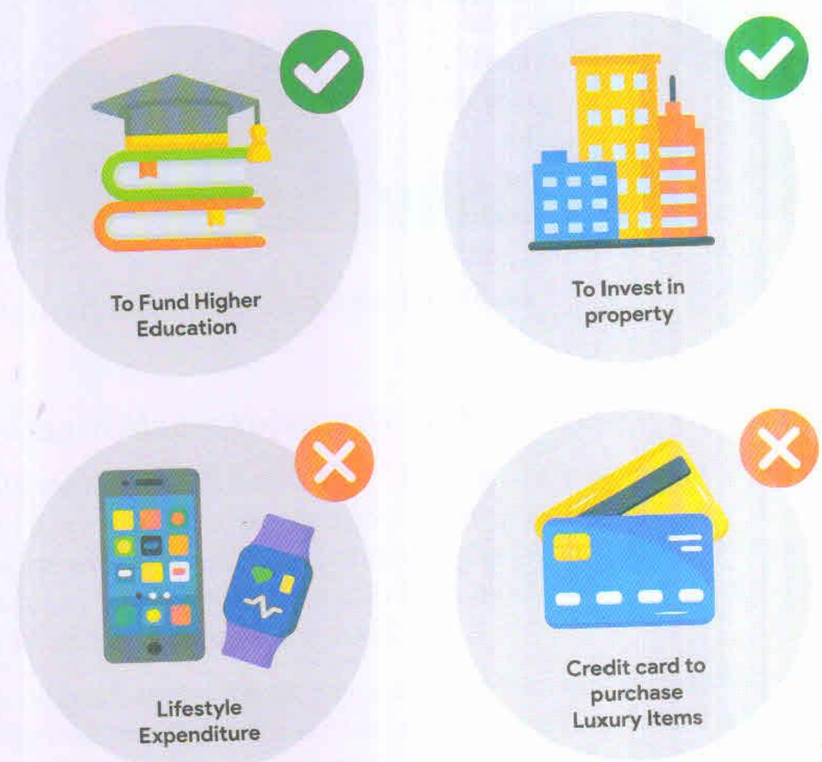
Loan Providers





Responsible Borrowing

Responsible borrowing means borrowing money only when you need it, and only borrowing an amount you can afford to pay back. It also means making timely payments on your debts and avoiding taking on too much debt.



For example, let's say you want to buy a new laptop, but you don't have the money to pay for it outright. You decide to take out a personal loan from a bank to finance the purchase. Before you do so, make sure to check the interest rate and repayment terms and ensure that the monthly payments fit within your budget. Once you have the loan, you make all your payments on time and pay off the loan in full within the agreed-upon timeframe. This demonstrates responsible borrowing because you only borrow what you needed and could afford to pay back, and you made sure to pay off the debt as quickly as possible without taking on additional debt.

Credit Score

A credit score is a three-digit number that represents your creditworthiness, or how likely you are to pay back money that you borrow. It's calculated based on your credit history, which includes things like your payment history, outstanding debts, and the length of your credit history. Lenders use your credit score to determine if you qualify for loans and credit cards and to set the interest rate and other terms. The higher your credit score, the better your chances of getting approved for loans and credit cards with good terms and lower interest rates.

True or False

1. Money borrowed is free money. T / F

2. You must pay interest on any money borrowed from a bank. T / F

3. The later you pay back what you owe, the lower your credit score will be. T / F

4. Debt does not cost you anything. T / F

5. The quicker you repay the money you borrowed, the less interest you will have to pay. T / F

Are you ready to borrow wisely?

Prominent government schemes for seeking loans

Pradhan Mantri Mudra Yojana (PMMY)

Pradhan Mantri MUDRA Yojana (PMMY) is a plan introduced by the Hon'ble Prime Minister on April 8, 2015, to provide non-corporate, non-farm small/micro entrepreneurs with loans of up to 10 lakh. Under PMMY, these loans are categorised as MUDRA loans. Commercial banks, RRBs, Small Finance Banks, Cooperative Banks, MFIs, and NBFCs make these loans.

Borrowers can visit any of the above-mentioned lending institutions or apply online using the Umang platform. Under the umbrella of PMMY, MUDRA has developed three products, namely 'Shishu,' 'Kishore,' and 'Tarun,' to represent the stage of growth / development and financial requirements of the beneficiary micro unit / entrepreneur, as well as to serve as a reference point for the next step of graduation / growth.

Shishu	Kishore	Tarun
Covering Loans upto ₹50,000/-	Covering Loans above ₹50,000/- and upto ₹5 Lakhs	Covering Loans above ₹5 Lakhs/- and upto ₹10 Lakhs

PM Svanidhi

The goal of this programme is to make it easier for street vendors to continue and grow their operations by providing working capital loans of up to Rs 10,000. The programme will aid in formalising street sellers in order to achieve the aforementioned goals and will provide new prospects for this industry to advance economically.

You are debt Savvy!

It is essential to recognise that debt carries inherent risks and should be managed with utmost care. By adopting a proactive and disciplined approach to debt management, individuals can safeguard their financial stability and future well-being.

Through prudent budgeting, effective repayment strategies, and regular monitoring of one's financial situation, it becomes possible to navigate the challenges of debt and pave the way for a more secure and prosperous financial future. Remember, by managing debt carefully, one can regain control over their finances and work towards achieving their long-term financial goals.

Now you are ready to manage your debt wisely!

CHAPTER 7

Opt for Safety : Insurance

Insurance is a way to protect yourself from financial losses. When you invest in insurance, you acquire a form of safeguard against unforeseen financial setbacks. In the event of an adverse occurrence, the insurance company provides compensation to either you or a designated beneficiary of your choice.

Having the right insurance can make a big difference in your life. If you don't have insurance and you meet with an uncertain situation, you could be left with a huge financial burden. For example, if you get into a car accident and don't have car insurance, you could be responsible for paying for the other driver's car, your own car, and any medical expenses. This could easily cost lakhs of rupees.
Insurance can also help you pay for routine expenses, such as annual doctor's visits and dental checkups. Insurance companies often negotiate discounts with healthcare providers, so their customers can pay lower rates.

Insurance is a contract between an individual or entity (the insured) and an insurance company (the insurer) whereby the insurer promises to pay a designated beneficiary a sum of money (the benefit) in the event of the insured's death, injury, or other defined event (the insured event). In exchange for this promise, the insured pays a premium to the insurer.

The policyholder is not always the same person as the insured. For example, a company might buy life insurance for its employees. In this case, the employees are the insured, and the company is the policyholder.

The Insurance Regulatory and Development Authority of India (IRDAI) is the regulatory body overseeing the insurance sector in India. Established under the Insurance Regulatory and Development Authority Act, 1999, its mission is to promote orderly growth while protecting the interests of insurance policyholders.

Types of insurance :

Life Insurance - Life insurance is a type of insurance that offers financial protection to beneficiaries upon the death of the insured person. It is designed to provide support to loved ones, cover expenses, and ensure financial security in the event of the policyholder's death.

General Insurance - General insurance is a category of insurance that provides coverage for various risks and losses, excluding life-related events. Unlike life insurance, general insurance covers assets, properties, liabilities, and other non-life risks.

Here are some of the most common types of general insurance:

Health insurance: Health insurance is a type of insurance that helps pay for medical expenses when you get sick or injured. You pay a monthly fee called a premium, and in exchange, the insurance company helps cover the cost of your healthcare, including doctor visits, prescriptions, and hospital stays.

Vehicle/Motor insurance: Vehicle insurance is a type of insurance policy that provides financial protection for your vehicle in the event of an accident, theft, or damage. You pay a premium to an insurance company, and in return, they will cover the cost of damages to your vehicle or to third-party property, as well as medical expenses for yourself or others involved in the accident. The specific coverage and cost of your policy will depend on various factors such as the type of vehicle you own, your driving record, and the level of coverage you choose. Having vehicle insurance is typically mandatory in most countries to protect yourself and others on the road.

The coverage for vehicle insurance is of two types:

- **Third-Party (TP) liability insurance** that covers the cost of damage or injury to third parties, which includes other people, vehicles, or property involved in an accident caused by the insured vehicle. It does not cover damage to the insured vehicle or its occupants. TP insurance is mandatory in most countries.
- **Own Damage (OD) insurance** that covers the cost of damage to the insured vehicle or loss of the vehicle due to theft, fire, or natural calamities. OD insurance is optional but highly recommended as it provides comprehensive coverage for the insured vehicle.

Property insurance: Property insurance is a type of insurance that helps protect you financially in case your property, such as your home or business, is damaged, destroyed, or stolen. You pay a premium to an insurance company, and in return, they agree to provide compensation or repair/replacement costs for any covered losses or damages. The coverage may include damage caused by natural disasters, fire, theft, or other unforeseen events that may cause damage to your property. Property insurance is important to protect your assets and give you peace of mind in case of unexpected events.

Need for Insurance

Financial Protection

Insurance provides a safety net against unexpected events that can result in financial losses. It helps individuals and businesses manage risks by offering compensation or reimbursement for covered losses, such as property damage, medical expenses, or liability claims.

Risk Management

Insurance allows individuals and businesses to transfer the risks they face to an insurance company. By paying premiums, policyholders shift the financial burden of potential losses to the insurer, reducing their own exposure to risk.

Legal and Contractual Requirements	Peace of Mind
Insurance is required by law or as part of contractual agreements. For example, motor insurance is typically mandatory to legally operate a vehicle. Similarly, businesses may need insurance coverage to comply with regulatory requirements, secure loans, or fulfill contractual obligations with clients or partners.	Insurance offers peace of mind by providing a sense of security and protection against unforeseen events. Knowing that you have insurance coverage in place can alleviate anxiety and worry about potential financial hardships, allowing you to focus on other aspects of life or business operations.

Choosing the best option

Choosing the best insurance option depends on several factors, including your specific needs, financial situation, and risk profile. Here are some steps to help you select the most suitable insurance option:

- **Assess Your Needs:** Start by identifying the specific risks you want to protect against. For example, if you're looking for health insurance, consider factors like your health condition, preferred healthcare providers, and coverage requirements for you and your family. If it's motor insurance, evaluate your driving habits, the value of your vehicle, and your desired level of coverage.
- **Research and Compare:** Gather information about different insurance providers and their policies. Compare coverage options, premiums, deductibles, policy terms, and additional features or benefits. Look for reputable insurance companies with a track record of good customer service and reliable claim settlement.
- **Evaluate Coverage and Limits:** Carefully review the coverage details and policy limits of each insurance option. Ensure that the coverage aligns with your specific needs and provides sufficient protection. For example, with health insurance, consider the scope of medical services covered, network providers, and exclusions. In property insurance, assess the coverage for various perils and the replacement value of your assets.
- **Consider Your Budget:** Determine how much you can afford to spend on insurance premiums. Evaluate the premium amount and ensure it fits within your budget without compromising other financial obligations. Remember that

lower premiums may come with higher deductibles or limited coverage, so find a balance between affordability and adequate protection.

- **Seek Expert Advice:** If needed, consult with an insurance professional or broker who can provide guidance based on your specific circumstances. They can help you understand the options, compare policies, and select the most appropriate insurance coverage.
- **Read the Policy Carefully:** Before making a decision, thoroughly read the insurance policy documents, including the terms and conditions. Pay attention to any exclusions, limitations, or waiting periods. Understand the claims process, the renewal terms, and any penalties or additional fees involved.
- **Customer Reviews and Reputation:** Research customer reviews and feedback about the insurance provider. Look for positive experiences, prompt claim settlements, and good customer service. A reputable and reliable insurer with a strong financial standing is crucial to ensure a smooth insurance experience.
- **Seek Recommendations:** Ask for recommendations from friends, family, or colleagues who have had positive experiences with specific insurance providers. They may provide valuable insights and suggestions based on their firsthand experiences.

Remember, the "best" insurance option may vary depending on individual circumstances and preferences. It's important to carefully evaluate your needs, consider your budget, and conduct thorough research to make an informed decision that aligns with your specific requirements.

Insurance claims

An insurance claim is a formal request made by a policyholder to their insurance company, seeking compensation for covered losses or damages. It provides financial support to the policyholder during unforeseen circumstances.

Insurance Claim Process

Here are the steps involved in filing an insurance claim:

- **Reporting the Claim:** The policyholder informs the insurance company about the claim, either through online channels or by contacting their designated claims department. The insurer assigns a claim adjuster to guide the policyholder through the process.
- **Claim Investigation:** The insurance claim adjuster investigates the claim by gathering relevant information and evidence. This may include reviewing documents, conducting interviews, inspecting the damage, or assessing the circumstances surrounding the loss.
- **Coverage Evaluation:** The adjuster reviews the insurance policy to determine the extent of coverage for the claimed loss. They assess whether the loss falls within the policy's terms and conditions, including any deductibles or exclusions.
- **Service and Repair:** If the claim is approved, the insurer initiates the necessary steps to provide services or repairs to the policyholder. This could involve arranging repairs, coordinating with service providers, or providing financial compensation.
- **Claim Settlement:** Once the investigation is complete and the coverage is determined, the insurance company makes a settlement offer. This offer may cover the cost of repairs, replacement, or reimbursement for the claimed loss. The policyholder can accept the settlement or negotiate further if needed.

Example:

Let's consider the example of Seema, the insured, who experiences a major heart attack. Her husband Deepak admitted her to the ICU of a nearby hospital. Deepak proceeds to file a health claim with XYZ Insurance Co., an insurance company, on Seema's behalf. He requests indemnification of ₹5,00,000 (₹4,25,000 for ICU expenses and ₹75,000 for medications).

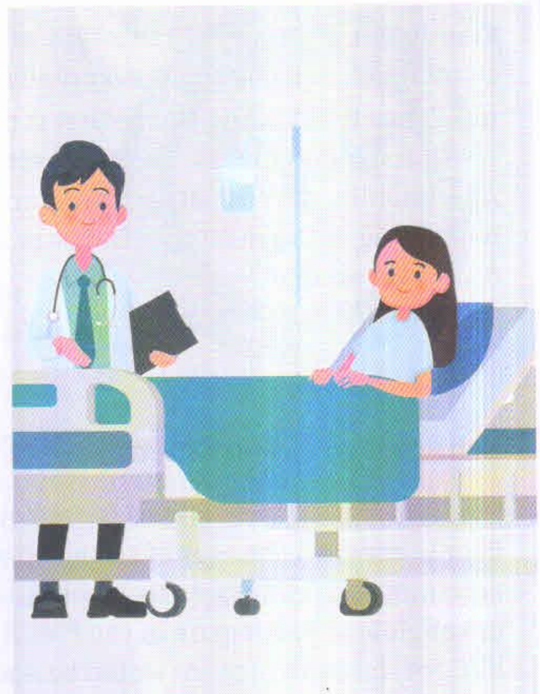
Seema has a health insurance policy with XYZ Insurance Co. that has a ₹10,000 deductible. This means that Seema has to pay the first ₹10,000 of her medical expenses before the insurance company will pay anything.

The insurance claim adjuster verifies the claim with the necessary documentation, including Seema's hospital bill and prescription drug receipts. The adjuster also confirms that Seema has a valid health insurance policy with XYZ Insurance Co.

After the insurance claim adjuster approves the claim, XYZ Insurance Co. disburses a cheque for ₹4,25,000 to Seema. This is the amount of money that Seema is entitled to after the deductible is applied.

The insurance company processed the claim within 10 business days. This is considered to be a quick turnaround time for an insurance claim.

Overall, Seema had a positive experience filing an insurance claim with XYZ Insurance Co. The process was smooth and efficient, and she received the money she was entitled to in a timely manner.



In India, a major factor preventing individuals from purchasing and taking use of the coverage provided by insurance plans is insurance fraud. Let's examine the main reasons for insurance fraud so that you are aware of them.

Making misleading claims - This might involve submitting fraudulent, exaggerated claims, creating fake medical records, submitting several claims for the same occurrence, and so forth. Incorrect information provided by applicants about their age, employment, health, and other factors is another possibility.

Policyholder fraud - In some situations, the policyholder willfully conceals certain facts and information about their way of life, place of employment, or health in order to pay lesser premiums.

Identity Theft - This kind of fraud happens when someone assumes another person's identity to get insurance coverage or greater advantages from the insurance provider.

Fraudulent claimant - In this type of fraud, the applicant or policyholder makes a claim for something that never really happened, such an injury, accident, etc.

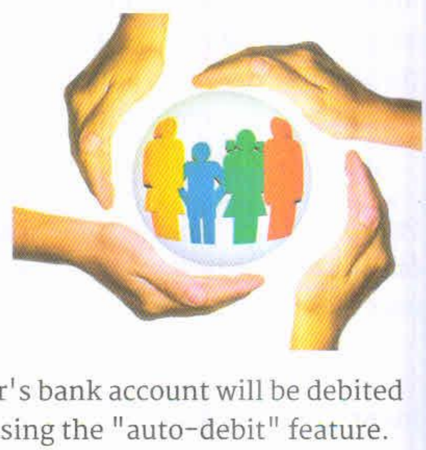
Insurance fraud is an offence that is punished by law, and those responsible might face harsh punishment. So, it is preferable to protect yourself against such things. Additionally, it's crucial to understand and be aware of the various frauds that are happening in the insurance industry so that you can avoid being a victim of such dishonest actions.

Schemes of Government

Pradhan Mantri Jeevan Jyoti Bima Yojana

Pradhan Mantri Jeevan Jyoti Bima Yojana(PMJJBY) - People between the ages of 18 and 50 who have bank accounts and permission to enrol or allow auto-debit are eligible to participate in the PMJJBY. The primary KYC for the bank account would be Aadhar. The 2-lakh-rupee life insurance policy is renewable and is valid for a 12-month period starting on 1 June and ending on 31 May.

In the event of the insured person's death for whatever cause, this policy provides risk coverage up to Rs. 2 Lakh. The yearly premium is Rs. 436, and it must be auto-debited from the subscriber's bank account on or before May 31st of each annual coverage term, based on which policy he chooses.



Pradhan Mantri Suraksha Bima Yojana(PMSBY) - The Scheme is open to anyone between the ages of 18 and 70 who have a bank account and who consent to join or activate auto-debit on or before May 31 for the coverage period running from June 1 to May 31 on an annual renewal basis. The primary KYC for the bank account would be Aadhar. For accidental death and total disability, the risk coverage under the plan is Rs. 2 lakh, and for partial disability, it is Rs. 1 lakh. The account holder's bank account will be debited in one payment for the annual premium of Rs. 20 using the "auto-debit" feature.

Life Cover under Pradhan Mantri Jan Dhan Yojana (PMJDY) - PMJDY is an initiative that aims to give every household that hasn't had an advantage until now of a basic bank account. A RuPay debit card with a Rs. 1 lakh accidental insurance cover is included with the bank account. In addition, the Hon'ble Prime Minister announced a Rs. 30,000 life insurance cover for people signing up for a bank account with a RuPay debit card before January 26, 2015, at the introduction on August 28 in New Delhi. The Pradhan Mantri Jan Dhan Yojana provides the relatives of deceased individuals with life insurance coverage at a cost of Rs. 30,000/- in the event of the life assured death for any cause. The programme intends to offer protection to families from economically underprivileged groups who cannot afford to buy such insurance directly. The Government of India pays the premium subscription for the life insurance provided by PMJDY.

Varishtha Pension Bima Yojana (VPBY) - Varishtha Pension BimaYojana, a pension programme for seniors, was established by the Government a total of 3.16 lakh annuitants would profit from the programme, and the entire corpus is worth Rs. 6,095 crore.

VPBY

The Hon. Finance Minister recommended in his Budget Speech for the year 2014-15 to relaunch the programme for a brief time from August 15, 2014, to August 14, 2015, for the benefit of citizens 60 years of age and older. As a result, on August 14, 2014, the Finance Minister officially announced the resurrected Varishtha Pension BimaYojana (VPBY), which was then made available for enrollment between August 15, 2014, and August 14, 2015.

In accordance with the Scheme, subscribers who pay a lump sum get a monthly pension at a fixed rate of 9% each year. The Government of India makes up any difference between the stated return and the return earned by the LIC on the funds through a subsidy payment in the programme. After fifteen years from the date the insurance was purchased, the plan permits withdrawals of the deposit amount by the annuitant.

Pradhan Mantri Fasal Bima Yojana(PMFBY) - The Pradhan Mantri Fasal Bima Yojna was introduced by Prime Minister Shri Narendra Modi on February 18, 2016. In Rabi 2016-17, 23 states and 2 UTs implemented the programme, compared to 21 states in

Kharif 2016. According to data as of 31.03.2017, almost 3.7 crore farmers had their 3.7 crore ha of land insured during the Kharif 2016 season for a premium of Rs 16212 crore, for an insured amount of Rs 128568.94 crore.

Pradhan Mantri Vaya Vandana Yojana (PMVVY) - Based on the success and popularity of the Varishtha Pension Bima Yojana 2003 (VPBY-2003) and Varishtha Pension Bima Yojana 2014 (VPBY-2014) schemes, as well as to protect elderly people 60 years of age and older against a future decline in their interest income due to the uncertain market conditions and to provide social security during old age, it was decided to introduce a simplified scheme of assured pension of 8% known as the "Pradhan Mantri Vaya Vandana Yojana" Through the Indian Life Insurance Corporation (LIC), it is being put into practise. According to the plan, subscribers will receive an assured pension based on a guaranteed rate of return of 8% per year, payable monthly, upon payment of an initial lump sum amount ranging from a minimum purchase price of Rs. 1, 50,000 for a minimum pension of Rs. 1000 per month to a maximum purchase price of Rs. 7, 50,000 for a maximum pension of Rs. 5,000 per month.

PMVVY

CHAPTER 8

Retirement Planning: Secure your golden years financially

Retirement Planning and Pension Security

Building a secure future is crucial, and retirement planning and pension security play a significant role in achieving financial stability during one's retirement years. Retirement planning and pension security are vital components for building a secure future. Retirement planning involves setting financial goals, saving and investing wisely, and regularly reviewing and adjusting the retirement plan. It ensures a comfortable retirement by providing financial independence, adapting to longer life expectancies, bridging the gap between income sources, combating inflation, maintaining the desired lifestyle, and offering flexibility in retirement decisions.

Activity

Try making a list of things you want to do after you retire.

Instructions:

1. Reflect on your retirement goals and aspirations. Consider the activities and experiences that would bring you joy and fulfillment during your retirement years.

3. Begin by making a list of things you want to do after you retire. Think about the areas of life that are important to you, such as personal interests, health and wellness, relationships, and personal growth.

4. Here are some planning-related ideas to consider for your retirement bucket list:

- Evaluate your financial situation and create a budget for retirement.
- Develop a healthcare plan and consider factors such as health insurance, long-term care insurance, and potential medical expenses in retirement.

5. Once you've brainstormed your retirement planning ideas, prioritise them based on importance and feasibility. This will help you focus on the most essential aspects of your retirement plan.

6. Keep your retirement bucket list in a safe place and revisit it regularly to stay motivated and track your progress. Remember that retirement planning is an ongoing process, and your goals and aspirations may evolve over time.

Here's an overview of retirement planning and the importance of pension security:

Retirement Planning

Retirement planning involves setting financial goals, making savings and investment decisions, and creating a strategy to ensure a comfortable and financially stable retirement. It typically includes the following elements:

a. Goal Setting: Determining the desired retirement lifestyle, estimating the expenses, and setting financial goals for retirement.

b. Savings and Investments: Regularly saving and investing money in retirement accounts, like the National Pension System (NPS), allows funds to grow over time through compounding interest.

c. Asset Allocation: Allocating investments across different asset classes (e.g., stocks, bonds, real estate) based on risk tolerance, time horizon, and financial objectives.

d. Regular Review: Monitoring and adjusting the retirement plan periodically to ensure it stays on track with changing financial circumstances, goals, and market conditions.

Pension Security

Pension security refers to the assurance of a stable income stream during retirement, often provided through employer-sponsored pension plans. Here are key aspects of pension security:

a. **Defined Benefit Plans:** Some employers offer defined benefit plans, providing retirees with a fixed pension based on years of service and average earnings for a stable income stream.

b. **Social Security: Government:** administered social security programs provide income for retirees based on their work history and contributions made during their careers.

c. **Pension Fund Management:** Pension funds are managed by professional fund managers who invest contributions to generate returns and ensure the availability of funds for future pension payments.

d. **Pension Regulation:** Government regulations and oversight protect and monitor pension funds to ensure their solvency and safeguard retirees' interests.

How much money do you need to retire?

To approximate the funds required for retirement, various factors such as desired lifestyle, expected retirement income, and inflation need to be considered. An estimation can be made using the following formula:

Retirement corpus = (annual expenses X number of years in retirement) / (1 + inflation rate)^(number of years until retirement)

This calculation provides a rough estimate of the retirement corpus needed to sustain the desired lifestyle throughout the retirement period.

Here's the calculation

For example, if you expect to spend INR 10,00,000 annually in retirement and you plan to retire in 20 years, with an inflation rate of 6%, you will need a retirement corpus of INR 2.5 crore.

How to plan for retirement?

Retirement planning is an important part of financial planning, Here are some tips on how to plan for your retirement:

1. Set financial goals: To plan for retirement, start by setting clear financial goals that align with your desired lifestyle, Common goals include :

- Replace 70-80% of your pre-retirement income.
- Maintain your current lifestyle.
- Travel and pursue hobbies.
- Leave an inheritance for your heirs.

This assessment will help you determine how much money you need to save and invest for a secure retirement.

2. Create a budget: A budget can help you track your spending and ensure sufficient monthly savings. There are many different budgeting methods, so find one that works for you and stick to it.

3. Start saving early: The earlier you start saving for retirement, the more time your money has to grow. Even if you can only save a small amount each month, it will add up over time.

4. Invest your savings wisely: When you invest your savings, you are putting your money to work for you. Over time, your investments can grow and help you reach your retirement goals

5. Get professional help: Seeking guidance from a financial advisor can provide valuable assistance in creating a tailored retirement plan that addresses your specific needs and challenges.

6. Review your plan regularly: Regularly review and adjust your retirement plan as your needs change over time. This will help you ensure that you are on track to reach your retirement goals..

Pension Fund Regulatory and Development Authority (PFRDA)

The PFRDA is the regulatory body in India that oversees and regulates the pension sector. Here are the key roles and responsibilities of PFRDA:

- **Regulation and Development:** PFRDA's primary role is to regulate and develop the pension industry in India. It formulates and enforces regulations, guidelines, and operational frameworks for pension schemes to ensure transparency, fairness, and investor protection.

- **Registration and Supervision:** PFRDA registers, supervises and monitors various entities involved in the pension sector, including Pension Fund Managers (PFMs), Custodians, and Central Record keeping Agencies (CRAs).
- **Investor Education and Awareness:** PFRDA promotes education and awareness about retirement planning and pension-related matters through various campaigns, seminars, and workshops.
- **Grievance Redressal:** PFRDA facilitates the resolution of grievances and complaints related to pension schemes. It ensures that appropriate mechanisms are in place to address and resolve investor grievances efficiently and effectively.
- **Market Development:** PFRDA works towards the development and expansion of the pension market in India. It aims to increase the coverage of pension schemes, enhance product offerings, and encourage the participation of individuals, employers, financial institutions etc.
- **Intermediary Regulation:** PFRDA regulates intermediaries involved in the pension sector, such as Point of Presence entities and Aggregators and also sets standards and guidelines for their operations.
- **Policy Advocacy:** PFRDA actively engages with the government, regulators, and other stakeholders to advocate for pension-related policy reforms. It provides recommendations and inputs to improve the pension ecosystem and promote pension coverage and security for all.

Government Initiative: National Pension Scheme

The National Pension Scheme (NPS) is a voluntary and contributory pension scheme launched by the Government of India. It is designed to provide retirement income to individuals in the organised and unorganised sectors.

Under the NPS, individuals can contribute regularly towards their pension account during their working years. The accumulated savings are then invested in a mix of equity, government securities, and other instruments to generate returns. Upon retirement, individuals can withdraw a portion of the accumulated corpus as a lump sum and use the remaining amount to purchase an annuity, which provides a regular pension for the rest of their life.

The National Pension System (NPS) is being administered and regulated by Pension Fund Regulatory and Development Authority (PFRDA) set up under PFRDA Act, 2013.

NPS is a defined contribution product that is linked to the market. Each individual subscriber is assigned a unique Permanent Retirement Account Number (PRAN), which is maintained by the Central Recordkeeping Agency (CRA).

There are two types of NPS accounts: Tier-I and Tier-II.

- Tier-I account - Tier-I is a pension account with limited withdrawal options.
- Tier-II account - Tier-II is a voluntary account that offers more flexibility in terms of investments and withdrawals.

To open a Tier-II account, an individual must have an active Tier-I account. The contributions made by subscribers to NPS accumulate over time, and the corpus grows with market-linked returns until retirement.

Upon exit, retirement, or superannuation from the National Pension System (NPS), a minimum of 40% of the accumulated corpus is required to be used for purchasing an annuity from a life insurance company. This annuity ensures a pension for life. The remaining balance of the corpus is then paid out as a lump sum.

The NPS platform provides various models to cater to different user segments, including:

- **The Government Model for Central and State Government Employees:**

NPS is mandatory for Central Government employees (excluding Armed Forces) recruited on or after January 1, 2004.

Most State Governments, have also adopted NPS for their employees.

Government employees contribute 10% of their salary, and the government provides a matching contribution.

For Central Government employees, the employer's contribution rate was increased to 14% from April 1, 2019.

- **The Corporate Model:**

Companies have the option to adopt NPS for their employees.

The contribution rates under this model are determined based on the employment conditions set by the respective companies.

- **The All Citizens Model:**

The All Citizens Model allows all Indian citizens between the ages of 18 and 65 to voluntarily join NPS.

Individuals who fall within this age range can choose to participate in NPS on a voluntary basis.

How to join NPS:

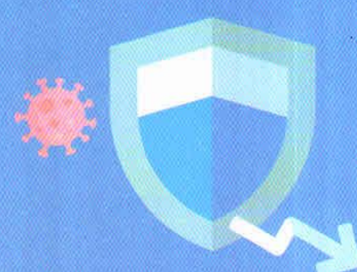
Enrolments and contributions for the National Pension System (NPS) can be made through different channels based on the individual's category: nodal officers for government employees, employers or PoPs for corporate employees, and PoPs or the eNPS platform for other individuals.

CHAPTER 9

Risk Management: The art of sailing through the financial sea

Risk management include detecting and analysing risk, as well as making decisions on how to deal with it.

Risk management is an essential aspect for anyone's financial journey. It involves identifying, assessing, and mitigating potential risks that could impact the achievement of objectives or lead to financial losses. Risk management encompasses various strategies, including diversification, insurance, hedging, emergency fund and contingency planning.



Risk management is a crucial process in the world of finance that helps investors identify, analyse, and minimise uncertainties when making investment decisions. It involves understanding and managing potential losses that may arise. Every investment carries some level of risk, which is closely linked to the potential returns.

To assess risk, investors often look at various factors. One common approach is to analyse the historical fluctuations in investment returns, also known as volatility. Risk management applies to various financial activities; for instance, investors may choose to invest in government bonds or fixed deposits offered by banks, which are generally considered safer options compared to investing in riskier corporate bonds or stocks.

Managing Financial Risk

Risk management approaches can be categorised into following:

- The first approach involves completely avoiding risk by selecting low-risk assets.
- The second approach is about accepting and retaining the risks that come with investment activities.
- The third approach entails sharing risks among multiple parties, such as reinsurers providing coverage for risks that insurance companies cannot handle alone.
- The fourth approach involves transferring risks to another party, as seen in health insurance where the coverage risk is passed on to the insurer.
- Lastly, instead of eliminating risk entirely, the fifth approach focuses on minimising risk by preventing their spread to different asset classes, often achieved through diversification.

Following are the strategies of managing risk

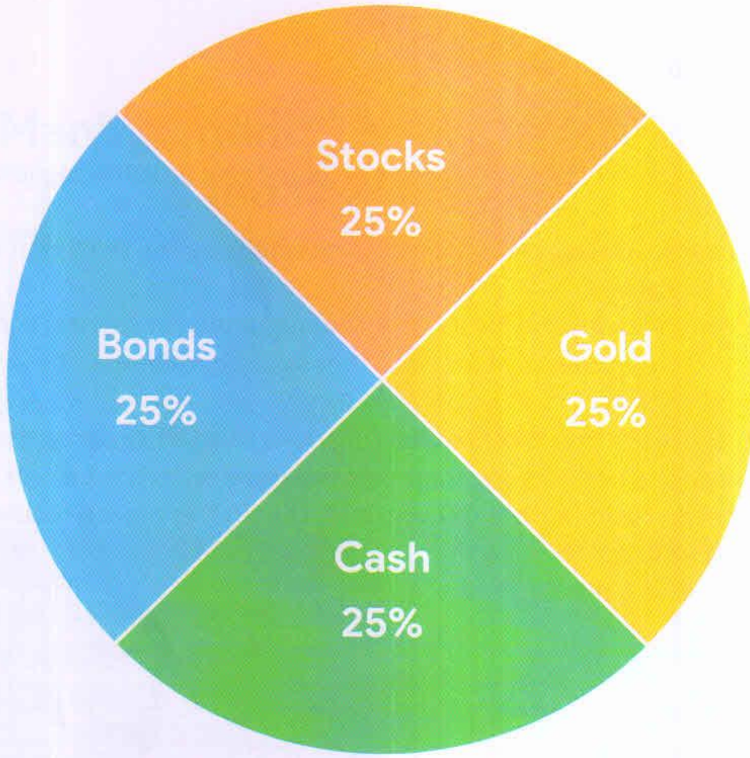
1. Diversification

Diversification is the practice of spreading your investments across different asset classes that helps to reduce your risk by limiting your exposure to any one asset class.

Diversification is a manifestation of the old saying "Don't put all your eggs in one basket." That is, you should not rely on a single form of investment to reach your financial objectives. Long-term investments, such as stocks, bonds, and real estate, are packed with uncertainties.

Each of these investment categories is referred to as an asset class, and each entails a distinct amount of uncertainty or risk. Each reacts differently to different events or market situations. For these reasons, it is prudent to diversify, or invest in a wide range of assets or asset classes.

A well-diversified asset portfolio will lower your risk over time. Assume you have a proportion of your money invested in stocks, bonds, and real estate. When one asset class falls in value, you may fairly expect the others to compensate and rise in value. Different asset types outperform during different economic cycles.



Here's an example of portfolio diversification:

Diversified portfolio could consist of allocating 25% each of investments to different asset classes: stocks, bonds, gold, and cash.

For the stock portion, an investor may choose to invest in a mix of large-cap, mid-cap, and small-cap stocks across various sectors. This diversification within the stock market helps spread the risk associated with individual companies or industries.

For the bond component, an investor may consider investing in government bonds or high-quality corporate bonds. These bonds provide a fixed income stream and relatively lower risk compared to stocks.

Gold is often considered a safe haven asset, and allocating a portion of the portfolio to it can act as a hedge against market volatility. One can invest in physical gold or gold exchange-traded funds (ETFs) to gain exposure to this asset class.

Lastly, keeping a portion of the portfolio in cash or cash equivalents provides liquidity and flexibility to take advantage of investment opportunities that may arise.

By diversifying investments across these asset classes, the investor reduces the risk associated with being heavily reliant on a single asset class. Different asset classes have varying levels of risk and tend to perform differently under different market conditions. This diversification strategy helps balance the overall risk and potential returns of the portfolio, aiming for more stable long-term growth.

2. Insurance

As discussed earlier in the insurance chapter why insurance is necessary.

Insurance is essential for risk management as it provides protection and financial security in the face of unexpected events. It acts as a safety net against potential risks that could lead to significant financial loss. Whether it's insuring your home, car, health, or life, insurance allows individuals and businesses to transfer the burden of potential losses to an insurance provider. In exchange for paying premiums, policyholders gain the assurance that they will be financially supported in case of accidents, damage, illness, or even death. Insurance helps individuals and businesses mitigate the impact of unforeseen circumstances, allowing them to focus on recovery and rebuilding without incurring crippling expenses. It promotes peace of mind, stability, and resilience, making it an indispensable tool for effective risk management.

Sushant's decision to obtain health insurance proved invaluable when he unexpectedly fell severely ill. The insurance coverage significantly alleviated the financial burden associated with his extensive medical treatment, ensuring he could receive the necessary care without added stress. Without insurance, Sushant would have faced overwhelming costs that could have potentially jeopardised his recovery. The timely support provided by his insurance policy allowed him to focus solely on his health and well-being. This serves as a compelling reminder of the crucial role insurance plays in safeguarding individuals during emergencies, providing them with the necessary financial protection and peace of mind.

3. Hedging

Hedging is an investment strategy that helps reduce financial risk by holding assets that move in the opposite direction of your main investment. This way, if your main investment decreases in value, the hedge investment can offset or limit the overall loss. Hedging offers the advantage of effectively managing and controlling investment risk and exposure. Hedging uses derivatives like options which serve as a valuable tool for protecting oneself in case expectations are not met.

The primary benefit of hedging is the ability to set limits on potential losses to a comfortable level. While the cost of implementing a hedge may restrict potential gains, it provides assurance that losses will not escalate significantly in the event of a price decline. Both companies and individuals can utilise derivatives to eliminate uncertainties related to future commodity prices. Through the use of futures contracts, they can secure predetermined prices for essential goods well ahead of the actual delivery date. Hedging isn't free, it incurs costs that diminish the overall potential rewards.

Here's a real life example of hedging:

A common example of hedging involves a potato farmer. The farmer sows his seed potatoes during the planting season and plans to sell his harvest at a later date. However, during the growing period, the farmer faces the risk of potato prices decreasing by the time of the sale. While the farmer aims to maximise his profits from the harvest, he does not want to take speculative risks on the prices. To mitigate this risk, the farmer chose to bind a contract with the potato chips manufacturing company , allowing the farmer to lock in the current price for a specific future date. By doing so, the farmer protects himself against potential price declines, ensuring a more secure income from his potato.

4. Emergency fund

An emergency fund is a sum of money set aside for financial emergencies. It serves as a safety net to provide security during unexpected situations, like medical emergencies or significant home repairs. The primary purpose of an emergency fund is to improve financial stability by offering a readily accessible source of funds. Typically, emergency funds consist of cash or easily convertible assets, which eliminates the need to rely on high-interest debts like credit cards or loans. Additionally, it helps prevent jeopardising long-term financial security by avoiding the need to dip into retirement savings.

How much emergency fund one needs?

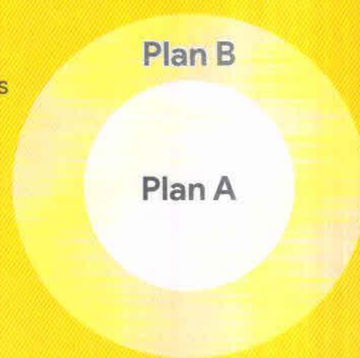
The amount to be saved as an emergency fund varies based on individual circumstances and income levels. What may be considered appropriate for one person may not be suitable for another. For individuals with stable jobs, a good rule of thumb is to have three to six months' worth of living expenses saved. However, those with lower job security are recommended to aim for 6-12 months' worth of expense. The size of the emergency fund is influenced by factors such as the stability of income and the number of earning members in the family. Having multiple earners in the family can make it easier to accumulate a larger emergency fund compared to relying solely on a single person's efforts.

5. Contingency planning

A contingency plan is often known as a "Plan B" or backup plan since it serves as an alternative course of action when anticipated outcomes do not occur as planned.

Contingency planning is the process of developing a plan for how to deal with unexpected events. Your contingency plan should include a list of potential emergencies, as well as steps you can take to prepare for and deal with each one. For example, if you live in an area that is prone to natural disasters, you might want to have a plan for how to evacuate your home and where you will stay if you are displaced. You should also have a plan for how you will pay for unexpected expenses.

Do you have a plan B?



Example of a contingency plan : Let's say an individual is planning to start a small business. As part of their contingency plan, they anticipate the possibility of not generating enough revenue in the initial months. To mitigate this risk, they set aside a sufficient amount of savings as a buffer to cover their living expenses and business costs during the early stages. They also explore alternative income sources, such as freelancing or part-time work, to supplement their business income if needed. Additionally, they establish a network of mentors and advisors who can provide guidance and support during challenging times. By having a well-thought-out contingency plan, the individual can navigate the uncertainties of entrepreneurship with greater confidence and resilience, ensuring they have a backup strategy to rely on if their business faces difficulties.

In conclusion, risk management is a vital process that involves identifying, assessing, and mitigating potential risks in various aspects of life. It goes beyond financial risks and extends to personal health, safety, and overall well-being. By implementing effective risk management strategies, individuals can enhance their financial security, protect their assets, and prepare for unexpected events. Whether it's establishing an emergency fund, having appropriate insurance coverage, or developing contingency plans, proactive risk management allows individuals to navigate uncertainties with greater resilience and peace of mind.

CHAPTER 10

Facing the complexity of work and pay: Career, Employment, and Income

This chapter will assist you in determining your ideal job path in the financial domain.

A rewarding and interesting career option is working in the financial industry. Depending on your background and skill set, there are a variety of positions you can hold in the financial sector. You'll be able to select a profession that best suits you if you are familiar with a range of financial positions.

Why pursue a career in finance?

The sector is dynamic.

There is always something new to learn because it is evolving and changing continually.

Growth opportunities are constantly available.

A profession in finance offers several opportunities for advancement.

There are several professional paths

You will never feel restricted since you have so many potential employment possibilities.

It's thrilling, resilient, and fast-paced.

It's an interesting industry to be a part of if you enjoy a challenge and problem-solving.

One of the most secure job paths.

Financial jobs are constantly accessible, and the need for financial candidates is increasing fast.

Opportunities all around the world.

Companies are growing to different parts of the globe as a result of globalization. It's time to relocate.

Top Finance Career Options

If you wish to specialize in finance or establish a finance career in financial professional position, you have a lot of possibilities. Explore the top financial careers or finance jobs.

1. Authorised Persons/ Sub Broker for Stocks

Any person who is appointed by a trading member and who provides access to the trading platform of a stock exchange as an agent of the stock broker is an Authorised person.

Role of an authorised person:

Authorised persons play various roles in different contexts, including their roles in the stock exchange, with stockbrokers, and with investors.

With the stock exchange:

Authorised persons, although not direct members of the stock exchange, obtain their franchise from a stockbroker and act as intermediaries between the stock exchange and the clients.

With stockbrokers:

- Authorised persons work under the banner of stockbrokers and are responsible for maximising deals in their assigned area. They help in managing investor's investment and aim to increase business volume.

- Authorised persons ensure the integrity of the capital market by preventing investors from submitting incorrect or fraudulent documents to the stockbroker.

- They work closely with stockbrokers to maintain proper documentation and transparency in every transaction. They act in the best interests of clients regarding dividends, shares, bonus rights, and other assets.

- Authorized persons keep stockbrokers updated about their clients' transactions and provide sales notes on behalf of the broking house.

With clients

- Authorized persons assist clients in making informed investment choices and provide support throughout the investment process.

- They provide investment tips, market news, and guidance tailored to client's needs and financial goals.

- Authorized persons maintain relationships with clients, keep them updated on deals and offers through regular communication, and provide ongoing support and assistance in stock trading.

Eligibility Criteria for Authorized Person Appointments

To be appointed as an Authorised Person (AP), individuals or entities must meet the following eligibility criteria set by SEBI/Stock exchange:

a. For Individuals

- Applicants must be a citizen of India.
- The minimum age must be 18 years or above.
- No convictions for offences involving fraud or dishonesty.
- Applicants should possess a good reputation and character.
- Minimum educational qualification of passing at least 10th standard or equivalent from a recognised institution.
- For the Equity Subrokership, Applicants are required to pass the following exams:
    1. NISM Series XI: Equity Sales Certification Examination
    2. NISM Series VIII: Equity Derivatives Certification Examination
- Individuals must have adequate office space, equipment, and manpower to effectively carry out activities on behalf of the Trading Member.

b. Partnership Firm, LLP, or Body Corporate

- All partners and directors must meet the eligibility criteria for individuals as mentioned above.
- The Partnership Deed or Memorandum of Association must contain a clause allowing the entity to engage in the securities business.
- Adequate office space, equipment, and manpower should be available to carry out activities on behalf of the Trading Member.
- These eligibility requirements ensure that authorized persons maintain the necessary qualifications, character, and infrastructure to responsibly perform their roles in the securities business.

2. Sub Broker/ Distributor for Mutual Funds

- A sub-broker is an intermediary in the securities market who acts as an agent or representative of a distributor.

- Distributors are authorized by regulatory bodies such as the Securities and Exchange Board of India (SEBI) to distribute or sell mutual funds to clients.

Functions

- Sub-brokers provide guidance and assistance to clients in executing securities transactions.

- Distributors offer advisory services to clients, providing insights and recommendations on investment opportunities, market trends, and portfolio management strategies.

- Sub-brokers build and maintain relationships with clients, addressing their queries, providing regular updates on market developments, and assisting in resolving any issues or concerns.

- Distributors ensure proper documentation and record-keeping of client transactions, maintaining accurate records of trades, contracts, and other relevant documents.

Eligibility

- The person should be of 18 years of age

- The applicant for the sub-broker ship needs to have at least cleared class 10th examinations.

- For the Mutual Fund Sub-brokership/ Distributorship, Applicants are required to pass the following exams:
    1. NISM Series V A - Mutual Fund Distributors Certification Examination.
- Mutual funds intermediaries, including distributors, agents, and others need to obtain ARN Number (AMFI Registration Number) which is a unique number provided by AMFI.

- All employees/ relationship managers/ sales persons of all ARN holders interacting with the investor for the sale of mutual fund products have to obtain Employee Unique Identification Number (EUIN), in addition to the AMFI Registration Number (ARN) of the distributor.

- Should not have defaulted on any financial markets.

3. Agent/ POSP for Insurance

An insurance agent is a licensed professional who represents an insurance company and serves as a direct point of contact for clients seeking insurance coverage.

Functions

- Insurance agents engage in consultations with clients to understand their insurance needs, assess their risks, and provide expert advice on suitable insurance options.
- Facilitating the application process, handle renewals, modifications, and cancellations.
- Assisting clients in filing claims and facilitating communication with the insurance company.
- Assisting clients in completing the required documentation and coordinate with insurance companies to issue policies.
- Insurance agents build and maintain long-term relationships with their clients.

Eligibility

- Candidate must be over 18 years of age,
- Candidates must have completed education up to at least Class 10 or its equivalent.
- An insurance agent has to undertake the mandatory training and examination provided by Insurance Regulatory and Development Authority of India (IRDAI).
- The applicant should be certified by the IRDAI.

4. Business Correspondence for Banking

Business correspondents are individuals or entities appointed by banks to act as their representatives and provide banking services in remote areas where the bank may not have a physical presence.

Functions

- Acting as a representative of a bank branch in a remote operational area.
- Assisting individuals in remote rural areas with the process of opening bank accounts and other services.
- Facilitating basic banking transactions such as cash deposits and withdrawals.
- Spreading awareness about banking services and educating customers about their benefits.
- Helping customers complete application forms, including nomination clauses, and submitting them to the bank.

Eligibility

- Must be a permanent resident of the area in which they propose to operate.
- A minimum education qualification of Xth pass.
- They should be well established and should have the ability to invest in POS machine and other set up.
- A credit check will be conducted and RCU* verification is done.

RCU verification refers to the process of verifying information and conducting checks through the Risk Containment Unit (RCU). RCU verification involves assessing the creditworthiness of individuals or businesses, conducting background checks, and verifying the accuracy of information provided by customers.

5. Direct Selling Agent for Loan (DSA)

A DSA, or Direct Selling Agent, is an individual or entity that acts as a referral agent for banks, financial institutions, or Non-Banking Financial Companies (NBFCs). The DSA works as an intermediary between the financial institution and potential customers, assisting in the acquisition of customers for various loan products and services.

Functions

- Finding potential customers for the bank they represent.
- Procuring completed loan applications and required documents from leads.
- Conducting a preliminary check of applications and documents.

- Verifying the authenticity of provided documents.
- Acting as a bridge between borrowers and lenders, leveraging relationships with financial institutions.
- Providing continuous support to borrowers throughout the loan process.
- Addressing borrower queries and concerns.

Eligibility

- The applicant should be a citizen of India.
- The applicant should be at least 18 years of age.
- It is essential for the applicant to have a high credit score or CIBIL score.
- There is no requirement for a specific degree in finance or banking.
- The applicant should have a comprehensive understanding of the products they will be selling.

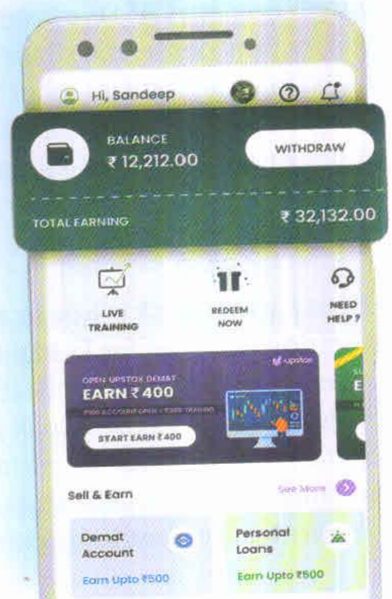
Agent platforms for financial service

Financial services software encompasses a wide range of digital solutions meant to help financial institutions and individuals manage their day-to-day operations.

Below is the roadmap for your buying journey

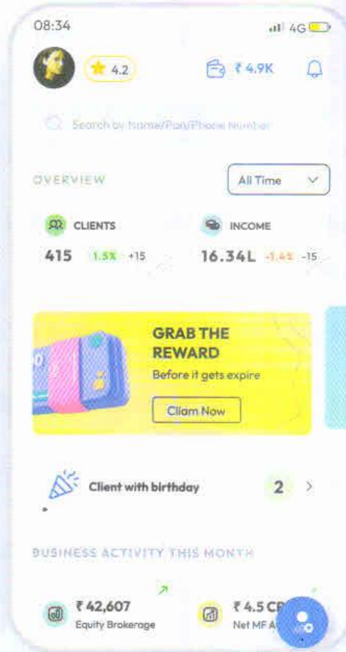
1. Bank Saathi

BankSathi is a technology-driven platform that helps customers find suitable financial products from banks and NBFCs. It also provides career opportunities as financial advisors, allowing individuals from all backgrounds to earn income flexibly.



The platform offers a digital advisory solution for financial advisors to establish their online presence and sell financial products online. BankSathi offers a wide range of 50+ online financial products from top brands, ensuring customers can effortlessly compare and purchase the best financial services available.

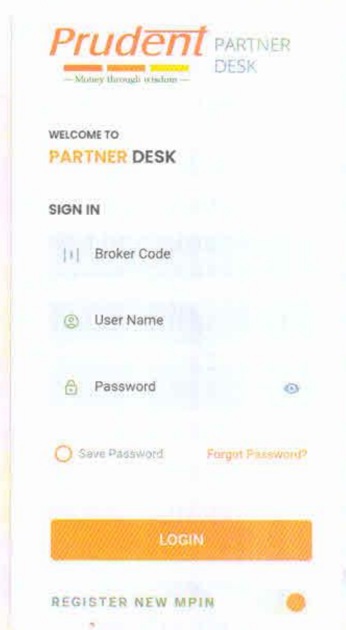
2. Choice Connect



Choice Connect provides a complete set of tools and information for people interested in entering the financial services industry and becoming a Financial Service Provider. They offer a variety of financial services such as loans, insurance, mutual funds, corporate fixed deposits, and others.

Choice Connect App is a platform that allows Choice Business Associates (Financial Service Providers) to provide their consumers a variety of financial services.

3. Prudent Connect and Partner Desk



Prudent Corporate Advisory Services Limited (Prudent CAS) is a prominent platform provider for distributors in India's financial services industry. It specializes in various segments, including real estate, mutual funds, insurance, equities, derivatives, commodities, and fixed income products.

Prudent Partner Desk is a dedicated application designed for Prudent Channel Partners. This intuitive application provides valuable features such as real-time tracking of clients' investment valuations and convenient access to business management information.

Entrepreneurship as a Career Path

Not everyone is destined for conventional careers; some individuals possess an innate affinity for thrilling adventures and possess the visionary mindset to embark on the exhilarating journey of entrepreneurship and establish their own successful business enterprises.

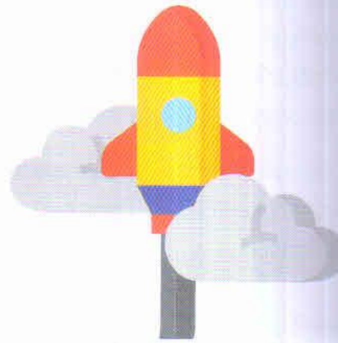
Definition of Entrepreneur: According to a French economist, J. B. Say, an entrepreneur is a person who shifts economic resources out of an area of lower productivity into an area of higher productivity and greater yield.

Stages of building and expanding the business

1. **Idea and Market Research:**
   - Identify a business idea that aligns with your skills, passions, and market demand.
   - Conduct market research to understand your target audience, competition, and potential profitability.
2. **Business Plan:**
   - Develop a comprehensive business plan outlining your mission, vision, goals, target market, products/services, marketing strategies, and financial projections.
   - Determine the legal structure of your business (e.g., sole proprietorship, partnership, corporation).
3. **Financing:**
   - Assess your financial needs and explore funding options such as personal savings, loans, investors, or government grants.
   - Create a budget and financial projections to manage your cash flow effectively.
4. **Infrastructure and Operations:**
   - Establish a physical location or set up a virtual workspace, depending on the nature of your business.
   - Acquire equipment, technology, and software required for day-to-day operations.
   - Develop systems and processes for efficient workflow and operational management.
5. **Scaling and Growth:**
   - Continuously evaluate your business performance and identify areas for improvement.
   - Seek customer feedback and adapt your products/services accordingly.
   - Explore opportunities for expansion, such as entering new markets, introducing new products, or franchising.

Startups:

Startup means an entity, incorporated or registered in India



- Not prior to seven years, however for Biotechnology Startups not prior to ten years.
- With annual turnover not exceeding INR 25 crore in any preceding financial year,
- Working towards innovation, development or improvement of products or processes or services, or if it is a scalable business model with a high potential of employment generation or wealth creation.

provided that such an entity is not formed by splitting up, or reconstruction, of a business already in existence. Provided also that an entity shall cease to be a Startup if its turnover for the previous financial years has exceeded INR 25 crore or it has completed 7 years and for biotechnology startups 10 years from the date of incorporation/ registration. Provided further that a Startup shall be eligible for tax benefits only after it has obtained certification from the Inter-Ministerial Board, setup for such purpose. Further benefits are based on the initiatives and schemes of the government of India.

Make in India

'Make in India' is an initiative that started on September 25, 2014, to promote investment, stimulate innovation, construct world-class infrastructure, and transform India into a manufacturing, design, and innovation centre. The development of a strong manufacturing sector is a top objective for the Indian government. It was one of the earliest 'Vocal for Local' efforts that introduced the globe to India's manufacturing sector. The industry has the ability to not only accelerate economic growth but also to employ a big portion of our young work population.

Startup India initiative

On August 15, 2015, the Hon'ble Prime Minister of India, Shri Narendra Modi, announced the commencement of the "Startup India, Standup India" programme. The Initiative seeks to support entrepreneurship and promote innovation by establishing a startup-friendly ecosystem. In addition, on January 16, 2016, the Hon'ble Prime Minister of India released an Action Plan for the Startup India Initiative.

The project aims to offer a long-overdue stimulus to the entrepreneurial setup in India's economic environment.

#startupindia

Atal Innovation Mission

The Atal Innovation Mission (AIM), NITI Aayog, was established in 2016 as the Government of India's flagship project to encourage a culture of innovation and entrepreneurship throughout the country. AIM has taken a comprehensive strategy to this endeavour, ensuring the development of a problem-solving, inventive attitude in schools and the establishment of an entrepreneurial ecosystem in universities, research institutions, the corporate sector, and the MSME sector. AIM's efforts are now monitored and managed methodically through the use of real-time MIS systems and dynamic dashboards.

AIM has been running the Atal Tinkering Lab (ATL) programme for the past four years. ATL is a cutting-edge space established in a school with the goal of fostering curiosity and innovation in young minds across the country through 21st century tools and technologies such as the Internet of Things, 3D printing, rapid prototyping tools, robotics, miniaturised electronics, do-it-yourself kits, and many more. The goal is to instil a problem-solving, inventive mentality among the students of the ATL and surrounding communities.

Prime Minister Employment Generation Programme (PMEGP)

The PMEGP scheme intends to create job possibilities for MSMEs in both rural and urban regions by establishing new self-employment projects around the country. This scheme is governed at the national level by the Khadi and Village Industries Commission (KVIC), and it is implemented at the state and district levels by State KVIC Directorates, State Khadi and Village Industries Boards (KVIBs), District Industries Centres (DICs), and banks.

PMEGP

Prime Minister's
Employment Generation Programme

SFURTI

Scheme of Fund for Regeneration of Traditional Industries (SFURTI)

It provides aid and support to traditional industry craftsmen in order to foster cluster growth and provide them with long-term employment.

- Hard Intervention: establishing physical infrastructure with CFCs, raw material banks, and cutting-edge machinery;
- Soft Intervention: skill development, market promotion activities, and so on.

It covers up to 90% of the cost of hard intervention and the whole cost of soft intervention in NER, J&K, and hill areas.

ASPIRE

A Scheme for Promotion of Innovation, Rural Industries and Entrepreneurship (ASPIRE)

In order to foster innovation and accelerate entrepreneurship, ASPIRE plans to create a network of technology and incubation centres. This will increase the competitiveness of the MSME sector.

To prepare young people for starting their own businesses and for the incubation of creative ideas, construct livelihood business incubators (LBIs) and technology business incubators (TBIs).

For the purchase of equipment, government organisations are only allowed to spend up to Rs. 1 crore and private organisations only up to Rs. 50 lakh.

For the purchase of plants and machinery, new TBIs are entitled to up to Rs. 1 crore and existing TBIs can get up to Rs. 30 lakh.

Ace The Interview

Potential employers try to examine the following during an interview:

- Your work qualifications;
- Your "fit" with the company or organization;
- How thoroughly you have evaluated your reasons for applying;
- How clearly you can convey your prospective contribution to the organization;
- Your "soft skills" such as communication and professionalism.

In other words, the interviewer is curious to know: Why should we hire you?

Here are some tips to improve your interviewing skills.

Look into the company, its industry, and position - Read the employer's website and any print materials you may have picked up at job fairs or other hiring events before the interview.

Know your resume - Be ready to go through every detail on your CV. Keep in mind that a new employer may only have access to the information on your CV.

Practice responding to interview questions - The saying, "practise makes perfect" unquestionably holds true for the interviewing process. The term "practise" in this context does not mean that you are memorising answers, but rather that you are evaluating how you respond to questions, whether you are maintaining eye contact and seem interested, whether your justifications are clear, and how to relate your experience to the position you are seeking.

Prepare a list of questions to make to an employer - These questions will both confirm your interest in the position and provide you with the information you need to make a well-informed decision.

Be careful to dress appropriately - It's crucial to have a cleaned businesslike appearance. Anything else will take away from you creating the best impression you can.

Attire	
Corporate Dress	• dark suit with a light shirt or tailored dress • conservative tie / simple jewelry • dark/well-polished, closed-toe shoes
Business Casual	• khakis or dress pants or skirt • button-down long-sleeve shirt, sweater sets, or blouse • have a blazer handy

What you should bring to the interview:

- Extra copies of your resume
- Pen and paper
- List of references

TIPS: Before the interview starts, turn off your phone! Call, text, or notification interruptions are annoying and unprofessional.

Don't Forget To:

- Verify the interview's location.
- Be ten to fifteen minutes early
- Additional copies of your resume with you
- Shake hands and smile.
- Make eye contact

Writing a good CV

A CV is an in-depth description of your achievements and academic and professional qualifications.

Recommendations

Here are some recommendations for writing the curriculum vitae: -

1. Contact information

Check to see if the prospective employer has a means to reach you. Your full name, contact information, and email address should be included.

2. Photo

Try to find out whether include a photo in an application is common for the position you're applying for.

3. Education

Starting with the most recent, list and date you're most significant educational accomplishments. You may also include any professional qualifications you may have.

4. Work experience

If you have a lot of work experience, include your job titles, but be careful to pick just the most noteworthy roles and accomplishments. Cut out the information about positions that aren't as crucial for the position you're going for, and emphasise your most valuable experience instead.

5. Skills

These might include the languages you speak, computer programmes you know how to use effectively, the class type of your driver's licence, and any other professional talents you have that are relevant to the job you're looking for.

Eight useful tips

- Keep it short ... but not too short!
- Use active verbs
- Avoid leaving gaps in your employment history
- Always ensure your CV is up to date.
- Don't exaggerate or lie.

Task 1

Are the statements true or false? Answer

1. Including a photo is usually an excellent idea. ☐ ☐
2. When listing your employment experience, put the most recent position first. ☐ ☐
3. The lengthier you're CV, the better. ☐ ☐
4. Using active verbs rather than passive words help in making a positive first impression. ☐ ☐
5. It is preferable not to discuss instances when you were not employed. ☐ ☐
6. On your CV, you should always write the truth. ☐ ☐
7. Presentation and minor errors are unimportant; what matters is the content. ☐ ☐
8. Cover letters are useful but not required. ☐ ☐

Answers

1. False
2. False
3. False
4. True
5. False
6. True
7. False
8. False

Answering interview questions

The interviewer will question you throughout this part of the process to see if you're a good fit. Knowing what questions could be asked might help you plan out what to say in your responses. Think about the purpose behind a question. What exactly does the employer want to know?

Behaviour-based and situational/hypothetical questions are becoming increasingly common since they are seen to be more accurate indicators of on-the-job success.

Behaviour-based questions

Behavior-based interviews are intended to gather information about how you have done in the past since previous behavior is a good predictor of future performance. Interviewers construct their questions around the characteristics and talents they believe are required for success in a position or organization.

These questions usually begin with phrases such as:

- Tell me about a time...
- Describe a situation in which...
- Recall an instance when...
- Give me an example of...

Common behaviour-based interview themes include:

- Effectively working under pressure
- Handling a challenging scenario with a coworker
- Using strong judgement and reasoning to solve a problem
- Thinking creatively
- Completing a project on schedule
- Persuading team members to do things your way
- Writing a well-received report or proposal
- Anticipating future difficulties and devising preventative measures

Answering behavior-based questions: w5 model

The W5 model is a good way to answer a behavior-based issue. The response should take roughly 90 seconds (the average attention span).

70 seconds - Identify the skill/knowledge/ability and describe how you used or acquired it by saying:

- What, Who, When, Where, Why, and How
- What the successful outcome was

20 seconds - Restate the skill and describe how it will assist the interviewer's organization.

When asked, "What experience do you have organizing projects?" as an example, you decide that the qualification being assessed is organizational abilities. You may say, "Working on two significant projects has allowed me to greatly improve my organizational abilities. Six months ago, the one I'd like to tell you about was successful.

You must be truthful in all of your statements! Don't exaggerate or deceive. The deceive. The project you pick to support your claim should ideally have required skills comparable to those needed for the usual project the potential employer wants you to plan. Try to select a related tale from your academic, extracurricular, or volunteer activities if you do not have a comparable experience to share.

Situational/hypothetical questions

Situational and hypothetical interview questions are used to determine how you would respond to and handle work-related circumstances in real life. Candidates must have a thorough awareness of the position's requirements and be able to respond to hypothetical or situational inquiries.

Here are a few examples of this kind of query:

Describe how you would stay active if your direct supervisor was unavailable but you had reached your project deadlines.

- As the manager of a small marketing team, you have noticed that one employee always arrives late and often takes long breaks. What method of action would you take?
- During construction, a contractor unexpectedly finds a very large object in one of the trenches where he is about to dig. He requests that you tell him how to proceed. How would you deal with this situation?
- You organise a session for showing word processing software to new joinees. Only four individuals have enrolled, which is unfortunate because you need a class of at least 10. There are still five days till the start of the class. What would you do?
- You have a conflict with someone who is senior to you and is not your supervisor. Describe how you would handle it.

Paws model: answering classic questions

The PAWS model is a helpful technique for responding to common queries like "Tell me about yourself." The response should take around 90 seconds (the average attention span).

When a potential employer asks you this question, they are searching for information about your life that is pertinent to the position, such as how you first became interested in the industry, previous work experience, and educational pursuits.

Profile, Academic, Work, and Skills are all abbreviated as "PAWS". To demonstrate your suitability for the position, mention any combination of the four (in any order). Just like with any other interview response, keep your response to a maximum of 90 seconds.

Following are some examples of topics to cover in each of the four categories:

Profile: Explain how you became interested in this area of study. You could also mention any related extracurricular activities, memberships, or personal pursuits that you have that show your dedication to the subject.

Academic: Describe your educational history, including any degrees, certificates, or certifications you have earned, as well as any associated training programmes or courses you have taken for professional development.

Work: Highlight any relevant paid or unpaid experience.

Skills: Mention particular technical abilities relevant to the job or industry (e.g., C++ programming, GIS expertise), as well as applicable transferrable abilities (e.g., time management, problem-solving abilities).

Do's and Don't

DO'S

- Create a budget on a timely basis and monitor your expenses.
- Make regular investments to improve your financial situation.
- Assess risks and make investments for a better future.
- It is important to create strong and unique passwords for your online accounts and update them regularly. When choosing a password, use a combination of letters, numbers, and symbols. Avoid using easily guessable information such as your birthdate or name.
- Make it a habit to regularly check your bank statements, credit card statements, and other financial accounts for any unusual or suspicious activity. If you notice any transactions that you didn't authorize or recognize, contact your bank or credit card company right away to report the issue.
- Stay informed about common fraudulent schemes, like phishing emails, fake bank calls, lottery scams, job scams, and investment frauds. Be aware of the latest scams and tactics used by fraudsters to protect yourself.
- Before sharing personal information or making financial transactions, always make sure to check if the source is genuine. Verify the legitimacy of emails, phone calls, or messages by directly contacting the organization using official contact details.
- Remember to regularly update your password by changing it frequently.
- Link your mobile number and email address to your bank account and choose to receive SMS or email alerts. This way, you'll be notified of any updates or transactions related to your account.
- If your debit or credit card is lost or stolen, immediately contact your bank and ask them to block the card.
- Consider your burden and make timely repayments before taking on additional loans.

DON'T

- Avoid clicking on any links in emails from unknown or untrusted sources.
- Never share your credit or debit card details, PINs, or OTPs (One-Time Passwords) with anyone, including bank staff. Keep this information confidential and only use it for your personal banking activities.
- Avoid using public computers, cyber cafes, and unsecured/open networks like public or free Wi-Fi when making transactions.
- Never access your bank's website through online search.
- Never write your PIN on the Card.
- Never borrow money for investment.
- Do not apply for loans without assessing your own needs and considering the terms and conditions.
- Do not accept assistance from strangers while using ATMs, and avoid writing your PIN on your card or keeping it in your wallet.
- Stay away from investing in speculative schemes that can lead to losses.
- Spend according to your budget and avoid excessive expenses.
- Keep your important personal information, like your Aadhaar number, PAN card details, bank account numbers, and passwords, safe and secure. Avoid sharing this information unless it is necessary, and be careful when sharing it out online or over the phone.

अर्थ निर्मिती से राष्ट्र प्रगति

Implementation Partner

NABCONS

Choice