

MONEY MATTERS UNVEILED

A Simple Approach To Financial Literacy

2024



STATE COUNCIL OF EDUCATIONAL RESEARCH AND TRAINING
Varun Marg, Defence Colony, New Delhi-110024

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PREFACE

In an era marked by rapid economic transformations and an increasingly complex financial landscape, the imperative for financial literacy has never been more pressing. The ability to navigate the intricate web of financial decisions and understand the dynamics of personal and global economies is an essential life skill. Recognizing the crucial role that educators play in shaping the future, this book 'Money Matters Unveiled: A Simple Approach to Financial Literacy' is meticulously crafted with teachers and students in mind.

The book goes beyond mere knowledge of financial terms; it encompasses the practical wisdom needed to make informed and responsible financial decisions. As educators, your influence is profound, extending beyond the confines of classrooms into the lives and futures of your students. This book is designed to empower you with the tools and insights necessary to cultivate a generation that is financially savvy and capable. This book serves as a roadmap to navigate the financial landscape that awaits you. It's not just about understanding money; it's about leveraging that understanding to build a secure and prosperous future.

The aim to create this book, is to bridge the gap between theoretical knowledge and practical application. Financial literacy is a lifelong journey, and this book is the first step towards fostering a generation of financially literate individuals who are equipped to make informed choices and contribute meaningfully to society.

Dr. Sapna Yadav

Project Director, EMC

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CHAPTER

01



INTRODUCTION TO FINANCIAL LITERACY

STORY TIME

Rahul's family was happy living in the village but since Covid-19, they are finding another place to settle down. His father's poor health made them think of ways to save and use the money.

But Rahul could not understand why his family was always on the edge financially. Besides, his mother's constant reminders to study well made him angry. Than one day he enrolled himself in the business blaster program. There he met Manika of class 10th. She introduced him to the subject of financial literacy. He assumed it as just another subject and look things casually. But she told him financial literacy is not a simple subject, it's our way to financial independence.

It is not only an extra subject for you to learn, but financial literacy is crucial in every decision making in daily life.

Manika: Let us begin by understanding about Financial Literacy and its Importance.

Financial Literacy: Financial literacy refers to the ability to understand personal financial management about income, expenditure, savings and budgeting. Financial literacy makes individuals become self-sufficient, so that he can become financially stable. Financial Literacy is a “combination of financial awareness, knowledge, skills, attitude and behaviour necessary to make sound financial decisions and ultimately achieve individual financial well-being.” (Atkinson and Messy, 2012) It is important for every individual irrespective of caste, gender, age, color etc.

Why is Financial Literacy important for Students?

GUPSHUP TIME



Rahul, financial literacy is a skill which we can make part and parcel of our lives. Remember, in our childhood whenever we used to get money we used to keep it safely.

Yes, didi in my piggy bank.



Wow, that's so good. This was your first step towards financial literacy, which you unknowingly took forward. This was your act to save money. But, there are other dimensions also which we should learn.

Thus, financial literacy is important for everybody for the following reasons:

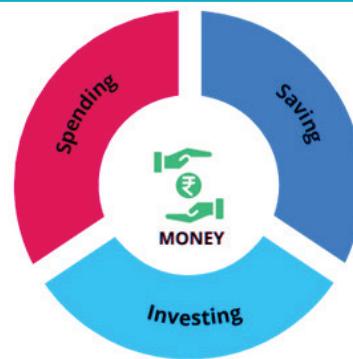
- It provides us with the basic knowledge of money management, savings and investment from a young age. It can help lay a strong foundation for managing of one's finances in the long term.
- It enhances our learning about managing our personal finances at an early age and can provide lots of opportunities to children to apply them in real life.
- It helps in developing the habit of keeping an eye on one's personal income and spending it wisely so that they can start their life in a planned manner.
- Involving and engaging children in simple financial literacy-related activities from an early age can also foster development of important skills such as critical thinking, analysis and evaluation, decision making, planning, resource management and discipline.

The Benefits of Financial Literacy



The three key aspects of financial literacy are:
Spending, Savings and Investing.

Spending: To acquire any goods or services we have to spend money. Financial literacy helps to understand how to spend wisely.



GUPSHUP TIME



Rahul, please answer these questions. Do you think of the following points before buying anything?

- Is this item important for me to buy right now?
- Is the cost of the item worth the value of the item?
- Should I visit another shop and check the price difference?
- How do I generally spend my money?
- How should I track my expenses?



We can answer all these questions once we become financially literate.

Savings: Savings is the amount of money which is left with a person from his income after the expenses are made . It helps in making our future secure, makes us ready for emergencies and also helps us prepare for the various occasions of life. So, our income is awarded into two consumption/expenses & savings. Suppose, if your income is Rs. 100, out of this you plan to save Rs. 20 and spend Rs. 80.

$$\therefore \text{Income} = \text{Expenses} + \text{Savings} \quad 100 = 80 + 20$$



Rahul if you are financially literate. You will always find ways to save money and utilize it properly so that you can earn from your savings too.

EXPENDITURE

If you buy things you don't need you will soon have to sell things you need.



Warren Buffet



Earn !! from my savings?? How is it possible??

Yes !! Absolutely. Suppose you have saved Rs.5,500 and you visit the town with your grandfather. The bank employee suggests you to invest your savings with the bank in the form of a fixed deposit. Through this way you can earn interest on your savings.

Thanks didi. Your talks are eye opener for me. Now onwards I will set my priorities and think before spending money.

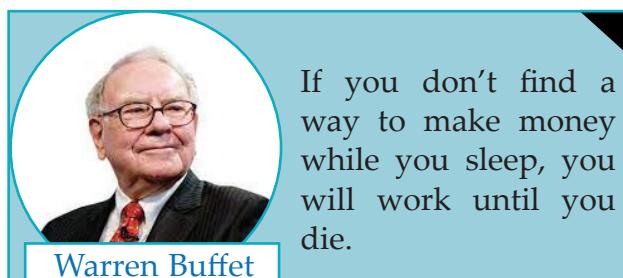
This is called Need and Want analysis. We should spend on things which are necessities.

SETTING PRIORITIES: NEED and WANT analysis

'Needs are necessities, Wants are luxuries' and financial literacy is not a want, it is a need. In financial literacy its important to understand the difference between these two. It will help you understand how to spend, save and invest money and make optimal use of the available financial and other resources. It helps in setting your priorities.

NEEDs are anything that you 'must have' and **WANTS** are the luxuries that are 'good to have'.

Example: Food (Pulses, vegetables, cereals, etc.) is a need but Sweets (Rasgulla, Icecream, Halwa, etc.) is a want. So, anything that is not immediately required and can be postponed is a Want. Sweets are not necessary for good health and that is why it can be avoided for some time, so it is a want, but pulses, vegetables, cereals are needed to get nutritions and thus, these are a need.



Do not save what is left after spending, but spend what is left after saving.



Warren Buffet

Investment: Investment is an action or the process of investing money for making profit. It involves putting surplus money/savings into various financial instruments (such as stocks, mutual funds, fixed deposits, etc.) to generate additional income.

GUPSHUP TIME



Didi, this means I should put all of my savings into a fixed deposit and sleep peacefully as in a few years it will double.



Yes Rahul, this is right. Fixed deposits are a safe option, but they may not give us highest return. There are many different options in which you can invest and earn higher rewards . This method is called diversification. As by putting all our savings in one option like savings, we might miss out on the opportunities for potentially higher returns from other assets.



Tell me more about this



Just imagine, you have Rs. 10 lakh and you want to earn money from it. What will you do?



I will take this to bank and make a FD.

That's good, but you can increase your money further. Instead of putting all your money in FD. I would rather suggest you to put Rs. 4 lakh in FD, Rs. 2 lakh in gold, Rs. 50,000 in silver and with rest of money you can buy shares. This is known as diversification. Wow, this sounds great! If, I am not wrong diversification helps in spreading our risk.

Wow, this sounds great. If I am not wrong, diversification help in spreading our risk.

Yes, it's like having a multiple baskets for your eggs. Even if in case one basket has some problem, the others can still provide us the support. It helps manage risk while potentially increasing your chances of earning a good return on your investments.



Just learn to Diversify: “Don’t put all eggs in one basket”



Source: IRISH Farmers Journal



FINLAB ACTIVITY

1. Write whether the following is a ‘Need’ or a ‘Want’. Put tick (✓)

Item	Need or Want

2. List down your 3 needs and wants on the basis of understanding of this concept:

Needs	Wants	Tax Amount

3. Suppose you won Rs. 50 lakh in Kaun Banega Crorepati. Find out and name a few financial assets in which you can invest your money and have higher returns and how much tax you will pay on this money.

Financial Asset	Allocation of Rs.50 Lakh



BASIC CONCEPTS - INCOME, EXPENSES, AND BUDGETING

GUPSHUP TIME



Rahul, how much money do you get pocket money. Find how you spend it?

Yes didi this month my mom gave me Rs. 50. She gives me some money every month. Last time, I bought one pen, ate ice-cream one day and the rest went into my bus fare.



So, can we say your pocket money is your income from which you spend and also save sometimes.

Yes, you can say so.



Let us understand more about money, income, expense and budgeting.

Money is a tool to buy things and services. It depends on the income and how you use it to determine your financial stability. The process of managing your expenses from the income earned is called budgeting. This is an art of meeting the needs (managing the expenses) from the income so that the expenses remain less than the income. A good budgeting enables you to save to meet future needs of money. Let's understand these terms in detail:

Income : Income refers to money or earnings that a person, business or entity receives regularly or irregularly over a specific period in return for working ,providing a product or service or investing capital . It is the flow of funds or resources resulting from various sources, such as employment, investments, rental properties, business operations or other financial activities. The income may be received in the form of earned income (such as wages and salaries), passive income (like rental income or dividends), and capital gains (profits from sale of assets like stocks and real estate).

The income can be received at regular intervals in form of salaries or pensions or at fixed intervals (annual) such as profit sharing in business or Bonus /incentive paid after lapse of specified period.

Interesting Facts:

When you deposit your money in the bank, you get interest on it. The bank calculates it in either of the two ways:

Simple interest: Simple interest is calculated on the original or principal amount. It remains the same over the time periods.

Compound interest: Compound interest is calculated on the principal amount and accumulated interest of the previous period, thus regarded as “interest on interest”. Thus magic of compounding can work wonders on your investment and can be a potent factor in wealth creation.

Simplest interest

$$I = p \times r \times t$$

Compound interest

$$A = p(1 + r)^t$$

I = interest earned after **t** years

p = money borrowed or invested

r = annual interest rate

t = the length of time you borrow or invest

A = accumulated amount

SIMPLE INTEREST:

$P = 100$ O $R = 10\%$ $I = 100$	$P = 100$ End of 1^{st} year $R = 10\%$ $I = 100$	$P = 100$ End of 2^{nd} year $R = 10\%$ $I = 100$	$P = 100$ End of 3^{rd} year $R = 10\%$ $I = 100$

COMPOUND INTEREST:

Present O	R = 10% I = 100	End of 1 st year	R = 10% I = 110	End of 2 nd year	R = 10% I = 121	End of 3 rd year
P = 100		P = 1000 + 100		P = 1100 + 110		P = 1210 + 121
		P = 1100		P = 1210		P = 1331

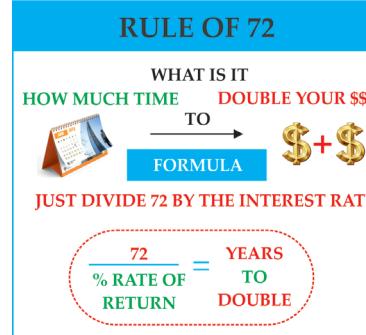
THE MAGIC OF COMPOUNDING: RULE 72

The Rule of 72 Formula

$$t = \frac{72}{r}$$

(t) = Number of years it will take to double your money

(r) = The fixed rate at which money is compounded annually



Expenses: Expenses means the outflow of money for buying goods or services. Expenses include a wide range of expenditures, including but not limited to daily living costs (like groceries, rent or mortgage payments, utilities), transportation expenses (such as fuel and vehicle maintenance), healthcare expenses, education costs, entertainment and leisure spending, taxes, debt repayments and business operating expenses.

Expenses are classified as Essential and Non-essential. The essential expenses are those costs that individuals or households must incur to maintain a basic standard of living and meet their fundamental needs. These expenses are necessary for survival and well being. These typically include Housing cost, Food, Transportation, Health Care, clothing, education of children etc

Whereas, non-essential expenses are costs that are not necessary for basic survival and well being but are incurred for comfort, enjoyment or personal preferences. These expenses are often considered optional and can be adjusted or eliminated when necessary to free up funds for essential expenses or savings.

Thus, it is important for the individuals to decide their priorities and set a budget for themselves.

Budgeting: The term budgeting refers to an estimation of income/revenues and expenses over a specified future period of time. Typically for business it is done on an annual basis however a monthly as well as quarterly budgeting is also quite common. Even the government also plans budget i.e. revenue and expense proposals for the year typically in February every year. Thus, budgeting is simply the process of planning expenses from the income.

Example : When you are planning your Birthday party, you will make a budget on the basis of your pocket money and than decide how will you spend it.

Discussion time with family: Discuss with your parents about your family sources of income and expenses and see in which of the following situations you lie:

Scenario 1	Scenario 2	Scenario 3
<p>Income > Expenses</p> <p>This means you have surplus money. Congratulations !! You can save and re-invest this amount to multiply your money. So you have a happy family.</p> 	<p>Income = Expenses</p> <p>This means you have neither surplus nor deficit. So you can focus on making a proper plan to increase your income and savings for your bright future.. ALL THE BEST.</p> 	<p>Income < Expenses</p> <p>This means you have a deficit. You must work hard to increase your income and create a balance. You have to focus more on your needs rather than wants.</p> 

Interesting Facts:

MONEY
COLLINS ENGLISH DICTIONARY DEFINITION: Coins or Bank Notes
<ul style="list-style-type: none"> ■ Medium of exchange ■ Unit of account ■ Portable ■ Durable ■ Divisible ■ Intangible concept, can be exchanged in online mode.



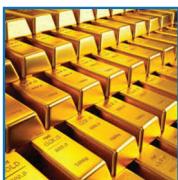
CURRENCY
COLLINS ENGLISH DICTIONARY DEFINITION: Money in use in a particular country: General acceptance of use
<ul style="list-style-type: none"> ■ Medium of exchange ■ A unit of account ■ Portable ■ Durable ■ Divisible ■ Tangible concept can be exchanged in physical mode only.



FIAT CURRENCY VS OTHER CURRENCIES

Fiat Money : is a legal tender whose value is backed by the government and not a physical commodity, therefore it has no intrinsic value.

VS.



Commodity Money
has an intrinsic value and is derived from a material such as gold or silver.



Representative Money
is backed by a physical commodity and issued by the government, like cheque and credit cards.



Cryptocurrency
is a digital currency free of a central authority that's backed by blockchain technology.

Fiat Currency V/S Other Currencies



FINLAB ACTIVITY

- Let's purchase a mobile phone.



Rs. 12,000



Rs. 18,000



Rs. 85,000

Pick an interest rate

5%

5.5%

6%

Pick the number of years to pay off the mobile:

3 Yrs.

4 Yrs.

5 Yrs.

Use Compound Interest formula to find out the following:

Formula: _____

The extra money you will have to pay to get it now (in bubble)

Interest: _____

Total: _____

Turn your years into Months: _____ years = _____ months

Divide your total by your months

TotalMonths = _____



CHAPTER

03



FINANCIAL PLANNING

GUPSHUP TIME

Didi, your yesterday's words about income, expenses and budgeting has left deep impact on me. I just started tracking my expenses and categorizing them. It's shocking how much I spend on non-essential things without realizing it.



Ya...!! When you start writing your expenses and see them on paper, it becomes clear to you that we at times spend on non-essential activities. Thus, we should do some financial planning and our goals.



how to do this didi... please throw some light on this..



Financial planning is not a rule to follow but a constant exercise which includes managing your money wisely. In order to achieve your goals, individuals should make a proper plan for their investments, insurance, retirement, cash flow and taxes. The graphic below depicts the broad purpose of financial planning. So that their money is not getting wasted on non-essential items & they can generate returns from it.



The relationship with money starts from a young age when the child sees parents or elders buying things in exchange for money. Sometimes, you have received money from your grandfather, grandmother, uncle, aunts, or other relatives when they visit your family. Few parents give pocket money to their children and it is the child who decides how to use the money. This early encounter with money and parental habits leaves a deep impression on children. If the family spends according to their budget and saves for their goals, they successfully achieve their goals, but if they do not have set goals properly, they have to struggle their entire life. So, goal setting is very important.

GUPSHUP TIME



Manika Didi! What is goal-setting? I have one goal in mind as of now, to have enough money so that my family never face any problem and we can live in our own house where there is no landlord banging on our door every month for rent.



Yes Rahul! I can understand your situation but time based goals are very important in financial planning. Besides whatever the goals are, these should be SMART.



SMART goals? I have heard of smart-phones but not of smart goals. What does smart goals mean?



Okay, let me tell you what I know.

Everybody has different needs at different times. For now, you badly want a house for your family and I badly want my Business Blaster project to be successful and profit generating.

These are our imminent goals but the difference is that my goal can be fulfilled this year because this is a school project and your goal needs more savings so that it could be achieved in the next few years.

SMART goal stands for ‘**S**pecific, **M**easurable, **A**chievable, **R**elevant, and **T**ime-Bound’. Let us assume that you want to create an emergency fund for your family of Rs. 5,000. Lets set smart goals for it.

SET your own goals...

SMART



S

Specific

I want to save and make an emergency fund for my family of Rs. 5000

M

Measurable

I should start saving money from my pocket money.

A

Attainable

Based on my current pocket money and expenses, I can save only Rs. 200 per month

R

Relevant

Emergency Fund will help my family in time of crisis

T

Timely

I wil be able to active this goal in 2 years

Thanks didi for telling me about SMART goals. Now I am sure for at least one thing that even though we as a family have a goal of our own house, it is yet to be a SMART goal because we do not have a time frame set for it.



And there are different institutions providing loans for different needs too. But do not forget the first lesson, the difference between needs and wants. So, loans should be only for the NEEDS, not for the WANTS.

A penny saved is a penny earned.

Benjamin Franklin



FINLAB ACTIVITY

- Seema's father was a mason and her mother was a homemaker. Her father would give monthly earnings to mother from which she would save Rs 400 per month for buying a sewing machine so that she can also make some income for the family. She would wrap the savings in a handkerchief and keep it safely in the rice container. One day Seema's mother discussed how much money is needed to buy a sewing machine with his neighbor who worked as a tailor, she found that the machine costs Rs. 5,000. What do you think, how many months will it take for Seema's mother to save enough money to buy the machine?

Ans. _____

- Can Seema's mother save it in less time? There could be two ways: 1) Increase the savings, 2) Earn some return on the income

Months	Money saved per month	In rice container	In bank Recurring Deposit (RD) @ 5% interest	What is a better option and why? Give reason
July 2023	400	400	400	
Aug 2023	400			
Sep 2023	400			
Oct 2023	400			
Nov 2023	400			
Dec 2023	400			
Jan 2024	400			
Feb 2024	400			
Mar 2024	400			
Apr 2024	400			
May 2024	400			

Jun 2024	400			
Jul 2024	400			
Aug 2024	400			
Sep 2024	400			

Ans. _____

Keeping money in the bank's RD will generate approximately Rs.204 more income in comparison with the money kept at home in the rice container.

Let us add here a small game as to scenario 1 where on oneside your mother saved her money regularly by putting in a container tied in a handkerchief on the other hand, she saves her money in securring deposit at simple interest in the post office. Now calculate the difference in the table below.

3. Do it yourself (DIY) your budget

Hey, now you have understood the importance of budgeting.

You visited Croma and there you saw an offer on Play station worth Rs. 10,000 for Rs. 8,000 on an EMI. for yourself. This offer is valid for 4 months. You went home and saw that in your piggy bank you have Rs. 4,000. Note, your pocket money is Rs. 3,000 per month and you spend around Rs. 2,500 monthly. Prepare a saving plan to buy this Paystation.

Selling Price of PlayStation after discount: _____

Money you have saved: _____

Money required: _____

4. Create a plan for the next four months.

Month	Pocket Money	Expenses	Savings
1st			
2nd			
3rd			
4th			

CHAPTER 04



BANKING STRUCTURE IN INDIA

GUPSHUP TIME



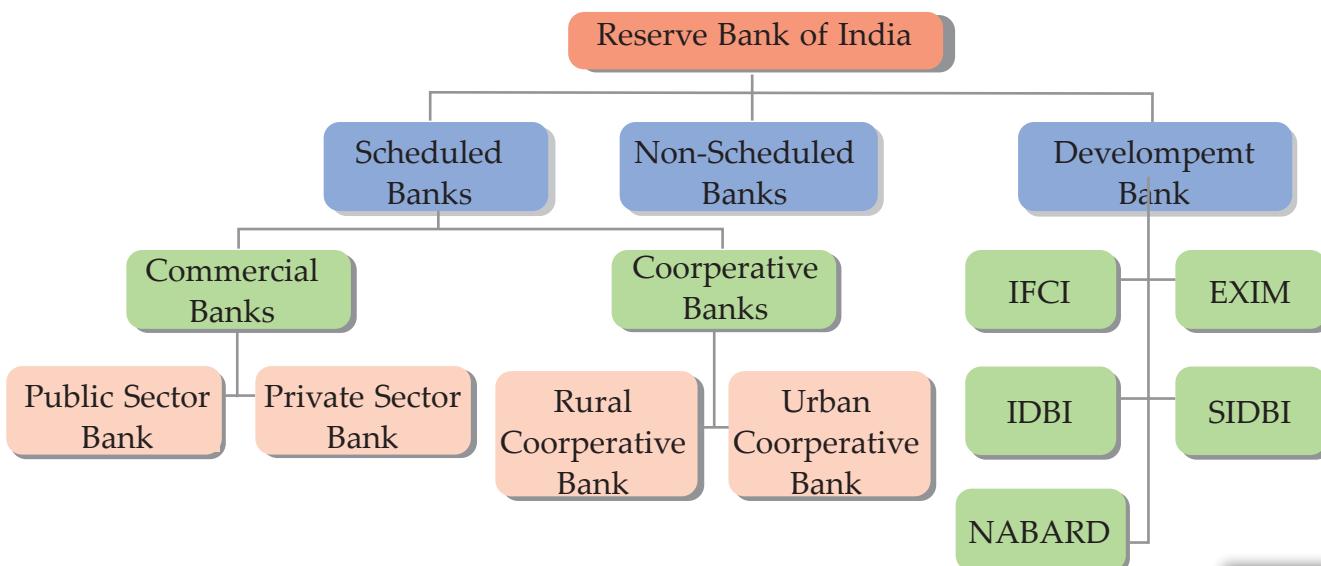
Yesterday when I was coming back from school, I saw a big beautiful building of the State Bank of India. I was wondering what people do in the banks. Do they make money for us? I have heard from my father that we deposit and withdraw money from the bank.

Such a huge building for only these two functions or they do something else too? What is the role of these banks in our country?



Banks are the backbone of an economy. They play an important role in the entire financial system of a country. There are different types of banks, such as scheduled banks, commercial banks, co-operative banks, payment banks, post offices, NBFCs, etc.

Banks: Banks are the financial institutions that offer loans and accept deposits. There are different types of bank accounts one can open for different needs. Also, one can borrow loans from banks to fulfill their personal as well as business needs. The following figure will explain to you different types of banks in India :



Reserve Bank of India (RBI): RBI is the central bank which works as banker of all banks as well as regulates all the other banks in the country. RBI was established under the provision of the Reserve Bank of India Act, 1934, on April 01, 1935. (We will learn more about it in Chapter 12).

Scheduled Banks: Covered under the 2nd schedule of the RBI Act, 1934, this is the categorisation based on the paid-up capital of the bank. For a scheduled bank, the paid-up capital requirement is at least Rs. 5 lakh.

Scheduled Commercial Banks: Commercial banks work for profit making and are regulated under the Banking Regulation Act of 1949. They are subdivided into four categories:

- Private sector bank: In these banks, the majority stake is held by the private stakeholders.
- Regional Rural Banks: These commercial banks cater to the needs of the weaker section in the society, such as small businesses, farmers and agricultural labourers etc.
- Foreign Banks: Foreign banks as the name suggests are not Indian banks. These banks have their headquarters in foreign countries and branches in other countries including India. They operate as a private entity and follow regulations of their home country and other countries where they operate both.

Scheduled Co-operative Banks: A Cooperative Bank is a financial institution owned and operated by its members, who also act as both the owners and customers of the bank. These banks offer a wide range of banking and financial services to their members. Cooperative banks play a crucial role in supporting agricultural activities, small-scale industries and self-employed individuals. An illustrative example of a Cooperative Bank in India is the Mehsana Urban Co-operative Bank.

At the grassroots level, individuals collaborate to establish Credit Co-operative Societies. These societies encompass borrowers and non-borrowers residing within a specific locality, fostering mutual interest in each other's business affairs. Due to their inclusive membership approach, people from various backgrounds unite within the same organization. The amalgamation of these societies at a regional level leads to the formation of Central Co-operative Banks.

Cooperative banks can be categorized into urban and rural types.

Rural cooperative banks can be classified as short-term or long-term institutions.

- Short-term cooperative banks can be further divided into State Co-operative Banks, District Central Co-operative Banks, and Primary Agricultural Credit Societies.
- Long-term banks encompass State Cooperative Agriculture and Rural Development Banks (SCARDBs) and Primary Cooperative Agriculture and Rural Development Banks (PCARDBs).

Urban Co-operative Banks (UCBs) pertain to primary cooperative banks situated in urban and semi-urban areas.

Small Finance Banks: These banks are aimed to provide banking access to micro industries, unorganized sector, farmers, etc. These banks are governed by the Provisions Act of 1934 and Banking Regulation Act 1949.

Payments Banks: The newest category of banks in India is the payment banks. These banks can offer deposit services, ATM cards, net banking, etc. The deposit amount is restricted to up to Rs. 1 lakh but payment banks are not allowed to offer loans.

Besides the above mentioned banks, there are development banks and post offices that offer banking services.



Infobite: Features of Payment Bank and Small Bank

SMALL BANKS CAN GO PAN-INDIA

	PAYMENTS BANKS	SMALL BANKS
Who can Promote	<ul style="list-style-type: none"> ■ Prepaid card issuers, telecom companies, NBFCs, business correspondents, supermarket chains, corporates, realty sector co-ops & PSUs. ■ Have a minimum capital of Rs. 100 cr ■ Maintain 75% of deposits in govt bonds ■ Maintain 25% of deposits in other banks ■ Have at least 26% investment by Indians ■ Get listed if net worth crosses Rs. 500 cr ■ Have 25% of branches in unbanked areas ■ Be fully networked and technology driven ■ Have Rs. 1 lakh cap for deposits in one a/c ■ Offer internet banking ■ Sell mutual funds, insurance, pensions ■ Offer bill payment service for customers ■ Have ATMs and business correspondents (BC) ■ Can function as BC of another bank 	<ul style="list-style-type: none"> ■ Individuals/professionals with 10 years experience in finance, NBFCs, microfinance cos, local area banks ■ Have a minimum capital of Rs. 100 cr ■ Extend 75% of loans to priority sector ■ Have 25% of branches in unbanked areas ■ Maintain reserve requirements ■ Cap loans to individuals and groups at 10% and 15% of net worth ■ Have a business correspondent network ■ Sell forex to customers ■ Sell mutual funds, insurance, pensions ■ Can convert into a full-fledged bank ■ Expand across the country
What they must do		
What they can do		

What
they can
do

- Offer credit cards
- Extend loans
- Handle cross-border remittances
- Accept NRI Deposits
- Extend large loans
- Float subsidiaries
- Cannot deal in sophisticated financial products

Source : Times of India

Post office: Besides banking, the Indian Postal department also caters to the financial needs of the people through its various schemes. Sukanya Samriddhi Yojana, Post office monthly saving scheme, senior citizen saving scheme, national saving certificate, kisan vikas patra are some of the names of the saving schemes provided by the post office.

Infobite:

Secure a brighter future for your daughter with Sukanya Samriddhi Account (SSA) Scheme

Main features:

- (i) Account can be opened with a minimum amount of Rs 250.
- (ii) Account can be opened by a parent/guardian of a girl child up to the age of 10 years. Only one account is permissible for a girl child and not more than 2 accounts in a family.
- (iii) Minimum of Rs 250 and maximum Rs 1.5 lakh can be deposited in a year.
- (iv) The account stands for 21 years.
- (v) An amount up to 50% of the balance can be withdrawn by the girl child after attaining the age of 18 years.
- (vi) The rate of interest in this scheme is very attractive (at present 8.4%).
- (vii) The account can be transferred anywhere in India and also from Bank to Post Office and Post Office to Bank.

Contact your nearest Post Office to open Sukanya Samriddhi Account.

For more information, please visit our website: www.indiapost.gov.in

REDBE 158

A comparative study of different small savings schemes (SSS)

Scheme Name	Interest Ratio (April 1, 2023 to June 30, 2023)	Compounding Frequency	Investment Limits
Senior Citizen Saving Scheme (SCSS0)	8.2	Quarterly and paid	Min. Rs. 1000 Max: Rs. 30 lakh (single); Rs. 60 lakh (with your spouse)
National Savings Certificate (VIII Issue)	7.7	Annually	Min. Rs. 1,000 Max: No limit
5Y Time Deposit	7.5	Quarterly	Min. Rs. 1,000 Max: No limit
National Savings Monthly Income Account (MIS)	7.4	Annually, paid monthly	Min: Rs. 1,000 Max: Rs. 9 lakh (single), Rs. 15 lakh (joint)
3Y Time Deposit	7.0	Quarterly	Min: Rs. 1,000 Max: No limit
2Y Time Deposit	6.9	Quarterly	Min: Rs. 1,000 Max: No limit
1Y Time Deposit	6.8	Quarterly	Min: Rs 1,000 Max: No limit

Development Banks: Development Banks are financial institutions that extend long-term credit to support capital-intensive investments spanning extended periods, yielding modest returns, yet delivering substantial social advantages. In India, notable development banks include the Industrial Finance Corporation of India (IFCI Ltd) established in 1948, the Industrial Development Bank of India (IDBI) founded in 1964, the Export-Import Bank of India (EXIM) established in 1982, the Small Industries Development Bank of India (SIDBI) created in 1989, and the National Bank for Agriculture and Rural Development (NABARD) instituted in 1982.

The banking sector of a nation possesses the potential to profoundly shape the nation's economic progress. It significantly contributes to the advancement of rural and suburban areas by furnishing capital to small businesses, enabling their expansion. The structured financial framework encompasses entities such as Commercial Banks, Regional Rural Banks (RRBs), Urban Co-operative Banks (UCBs), and Primary Agricultural Credit Societies (PACS), catering to the diverse financial needs of the populace. Measures undertaken by the Reserve Bank and

the Government of India to enhance financial inclusion have markedly enhanced access to formal financial institutions. Hence, a country's banking system holds paramount importance, not solely for economic development but also for fostering economic parity.

NEOBANK

About

- A neobank is a kind of digital bank without any branches. Rather than being physically present at a specific location, neobanking is entirely online.
- They leverage technology and artificial intelligence to offer personalised services to customers while minimising operating costs.
- Neobanks entered the financial system with the tag of 'challenger banks' because they challenged the complex infrastructure and client onboarding process of traditional banks.

Example : RazorpayX, Jupiter, Niyo, Open, etc.

Digital Bank Vs. Neobank

- Digital banks are often the online-only subsidiary of an established and regulated player in the banking sector.
- A neobank, on the other hand, exists solely online without any physical branches and independently or in partnership with traditional banks.

Challenges

- Regulatory hurdles, Impersonal, Limited services, Data privacy.

Advantages

Low costs, Convenience, Speed, Transparency, Deep insights.

Regulation

- In India, these firms don't have a bank licence of their own but rely on bank partners to offer licensed services.

Need

- Smartphone penetration : As of 2020, India had a Smartphone penetration rate of 54%, which is estimated to increase to 96% by 2040. Even though 80% of the population has access to at least one bank account, financial inclusion levels are yet to improve.



FINLAB ACTIVITY



Choose the correct one:

Public Sector Bank	Private Sector Bank

Now as you have understood about various banking structure of India. On the basis of your understanding list down the jobs done by these institutions:

- Minting of coins/Printing of Notes
- Demand Draft
- Cheque
- National Savings Certificate
- Loan
- Net Banking
- Microfinance

Institution	Services offered by them
Reserve Bank of India	
Bank	
Cooperative Banks	
Post Office	



FINANCIAL INSTRUMENTS

GUPSHUP TIME

Yesterday I went to my cousin's shop and people were using different jargons like DD, cheque, etc. What are these terms all about?



Rahul, these are few financial instruments.



Financial instruments? I have only heard of musical instruments like Guitar, Flute, Saxophone etc. Financial instruments is a new term for me. I think this financial world is very complex. How will I learn it?



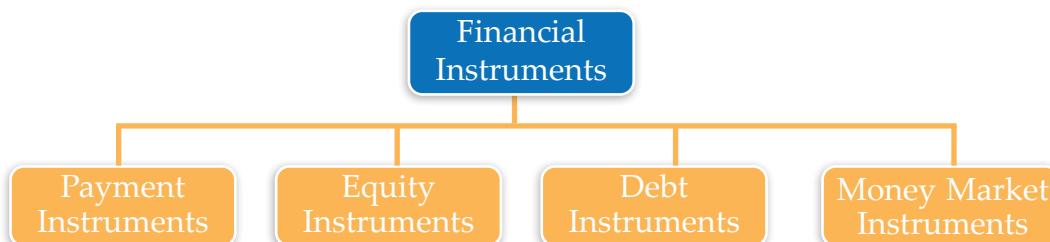
Don't worry Rahul !! These are very simple terms to learn. Just understand their meaning.

Let me explain them to you briefly:



Financial instrument is any asset which holds capital and can be traded in the market. They help individuals, business and governments to manage risk, raise capital and invest in various assets. They provide efficient flow and transfer of capital throughout the world's investors.

The various types of financial instruments are explained below:



PAYMENT INSTRUMENTS:

These are the financial tools used for facilitating transactions. They can be classified into two main categories: negotiable instruments and non-negotiable instruments.

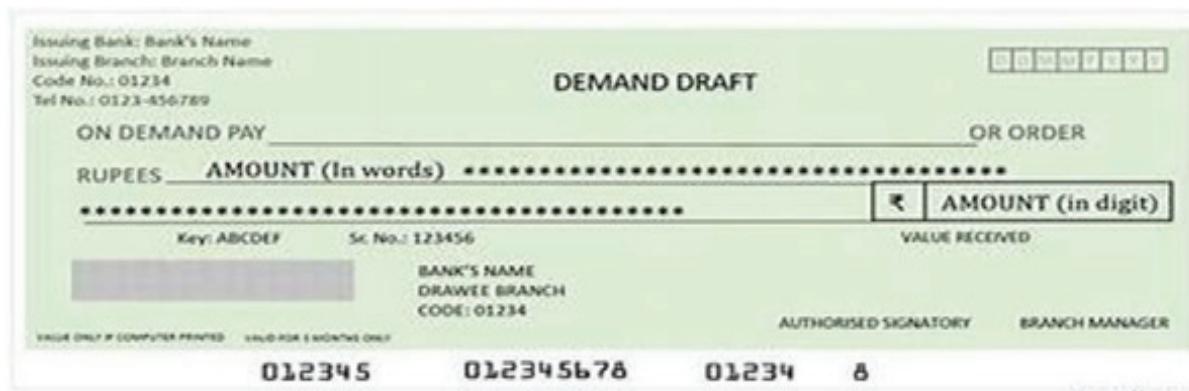
Negotiable Instruments:

These are the financial instruments that can be transferred from one person to another, often by endorsement and delivery. They are payable to the bearer or to the order of a specific person or entity. Examples include:

Cheques: A written order from a bank account holder to pay a specific sum of money to a recipient. Cheques are typically negotiable instruments.



Demand Draft: It is a prepaid instrument, issued by the bank on behalf of the customer, directing another bank or branch to pay a specified amount to the third party.



Demand Draft	VS	Cheque
<ul style="list-style-type: none"> DD provides payment guarantee since it's prepaid to the bank or issuing institution Funds for a DD are deducted upfront from the payer's account 	•	<ul style="list-style-type: none"> Cheque depends on the account holder's funds and may bounce if there are insufficient funds. Cheque draws funds directly from the payer's account only when cashed by the payee.



Rahul.. Now have you understood why our school always ask for Demand Draft rather than cheque while submitting fees.



Yes! Because the demand draft provides more security and guarantees the payment.



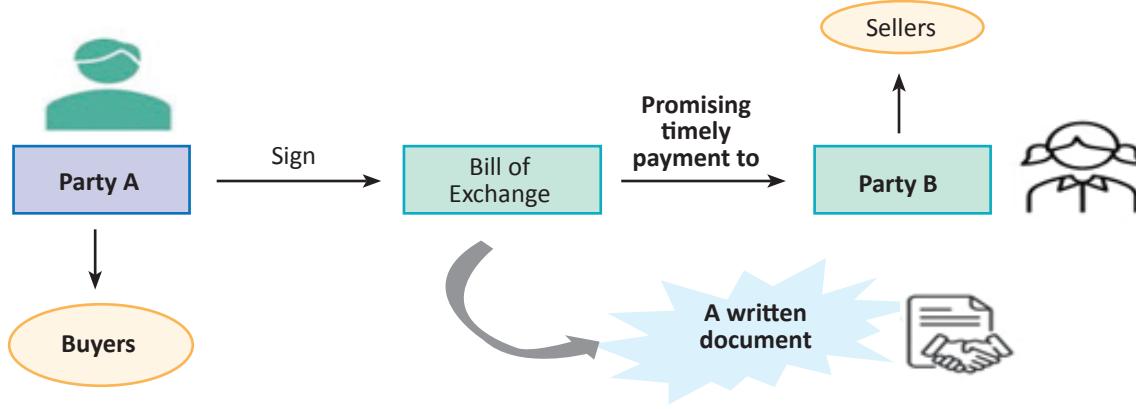
Absolutely! They want to ensure that they receive fees without any issues.



It's all about the financial security of the school.

Bill of exchange: A written order by one party to another, requiring the second party to pay a specified sum to a third party. It is primarily used in international trade i.e. exports and imports of goods.

What Are Bills Of Exchange?



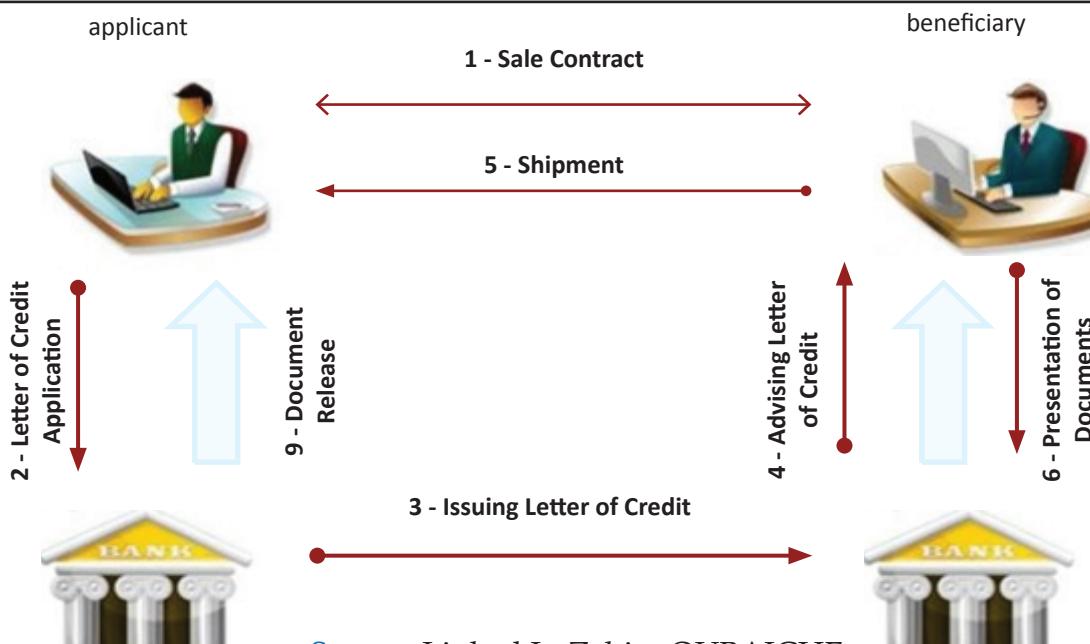
Non-negotiable Instruments:

These are financial instruments that are not transferable from one party to another. They are often payable to the specified recipient and cannot be endorsed or transferred.

Pay Orders: This is a financial instrument which is issued by the bank on customer's behalf giving an order to pay a particular amount to an individual person in the same city.

Letter of Credit: It is a letter from a bank to another bank (generally in different countries) to serve as guarantee for payment to a specified party under specified conditions. This figure explains the procedure of Letter of Credit:

Basic Letter of Credit Transaction



Source: Linked In Zahira OUBAICHE

EQUITY INSTRUMENTS:

These instruments represent ownership in the company and provide shareholders with certain rights, such as voting power and share of the company's profits.

Equity Shares or Common Stock: Shares are units of stocks issued by a corporation that represent ownership. They are sold to investors and traders to raise capital for the company. These are also tradeable on the stock exchange.

These are issued in the primary markets as IPO (Initial Public Offering) and then traded in the secondary markets known as National Stock Exchange and Bombay Stock Exchange.



NATIONAL STOCK EXCHANGE

- S&P CNX NIFTY - comprises top 50 companies
- Recognized as stock exchange in 1993
- It is one of the biggest stock exchanges India along with being a harbinger of technological advances by the introduction of fully automated trading systems
- NSE promotes trading in equity, debts and currency derivatives
- The NSE has more than 1600 companies listed under it



BOMBAY STOCK EXCHANGE

- Bombay Stock Exchange, SENSEX comprises top 30 companies
- Recognised as stock exchange in 1957
- The BSE is one of Asia's oldest stock exchange markets which offers a legacy of high-speed trading
- BSE promotes trading in debt instruments, mutual funds and currencies
- The BSE has more than 5000 companies listed under it.

Financial Instruments Traded in the Stock Market



EQUITIES

Equities are the share in the ownership of the company



DERIVATIVES

These are the instruments that derive their value from an underlying asset(s)



EXCHANGE-TRADED FUNDS (ETFs)

In ETFs, financial resources of multiple investors are pooled and is later used to buy capital market instruments



DEBT SECURITIES

Instruments issued by the government or companies to raise funds are Debt Securities



MUTUAL FUNDS

It is an instrument that collect money from a number of investors and invest the money in various assets

Source: Angel One

DEBT INSTRUMENTS:

These instruments represent loans made by investors to borrowers, who agree to repay the principal amount with interest over a specified period. Common debt instruments include:

Bonds: These are long-term debt securities issued by governments, corporations, or other entities. Bonds typically pay periodic interest and return the principal at maturity. These are sometimes tradeable on Stock exchange .

Certificates of Deposit (CDs): Offered by banks, these are short-term debt instruments with fixed interest rates.

Treasury Securities: Issued by the government, these include Treasury bills (T-bills), Treasury notes (T-notes), and Treasury bonds (T-bonds).

MONEY MARKET INSTRUMENTS:

These are short-term, highly liquid debt securities. They are commonly used for temporary cash management and include:

Commercial Paper: Short-term debt issued by corporations.

Repurchase Agreements (Repos): Transactions where one party sells securities to another with an agreement to repurchase them at a later date at a higher price.

T-bills: Short-term U.S. government debt securities with maturities of one year or less.

MUTUAL FUND:

A mutual fund is a company that pools money from many investors and invests the money in securities such as stocks, bonds, and short-term debt. Normally they are experts in their field and use this amount collected to generate better returns for investors. However they also fluctuate depending on overall market conditions.



FINLAB ACTIVITY

Now you have understood various instruments . Choose an appropriate instrument to meet the following expense/ payment:

Expense	Financial Instrument
Loan for Bike	
Payment of College Fees by post	
Plan for your retirement years	
Withdrawal of money from ATM	
For an unplanned purchase in shopping mall for your dear friend	
Raising capital for your venture	
To build wealth over the long-term	



GUPSHUP TIME



Rahul, let me share with you one more incident, which was an eye opener for all our family members. Last year, suddenly one morning my friend Sonu came running to me in despair and grief. His father has expired and they don't have any idea how they will manage their day-to-day expenses.

Oh!! Very sad and disheartening...!! Then what happened???
How were they saved from this situation??



His father was a very wise man, he had already taken a Terminal Insurance Plan from LIC for their family.



Insurance?? LIC??? What are these, didi.. I am hearing this term for the first time from you.
Please tell me something more about this?



Okay...!!! As you know our lives are very uncertain. We cannot really predict big illness, accidents or sudden death of our near and dear ones. But mishaps do happen. So we should always keep our PLAN B ready to deal with these unseen events in the future. We should take some protection cover.





Protection covers??



Ya.. protection covers..It is just like an umbrella which we don't need until the rain starts but if we are caught in rain without it we won't be able to reach our destination, so it's better to keep one.



INTRODUCTION TO INSURANCE

Insurance plans guard us from unforeseeable events and help us to raise funds in future. Insurance is a means of providing protection or safety to the individual. It acts like a shield that guards you from financial trouble. It is an arrangement by which a company or the state undertakes to provide a guarantee of compensation for specified loss, damage, illness, or death in return for payment of a specified premium. It is a tool that offers financial protection against unexpected events. It works by spreading the risk among a group of people, so that the financial burden of an unfortunate event can be shared.

EVERYDAY LIFE RISK

Falling



Car accident



Cooking



Illness



Cut



The key terms about insurance industry are :

Premium: The amount you pay for insurance coverage.

Policyholder: The person who owns the insurance policy.

Beneficiary: The person who receives the insurance payout.

Deductible: The amount you pay out of pocket before the insurance coverage kicks in.

Coverage: The protection provided by the insurance policy

HOW INSURANCE WORKS

Insurance operates on the principle of risk. Insurance companies assess the likelihood of a certain event happening and set premiums accordingly. The process involves:

Paying Premiums: Regular payments to the insurance company to maintain coverage.

Filing Claims: Notifying the insurance company when an insured event occurs.

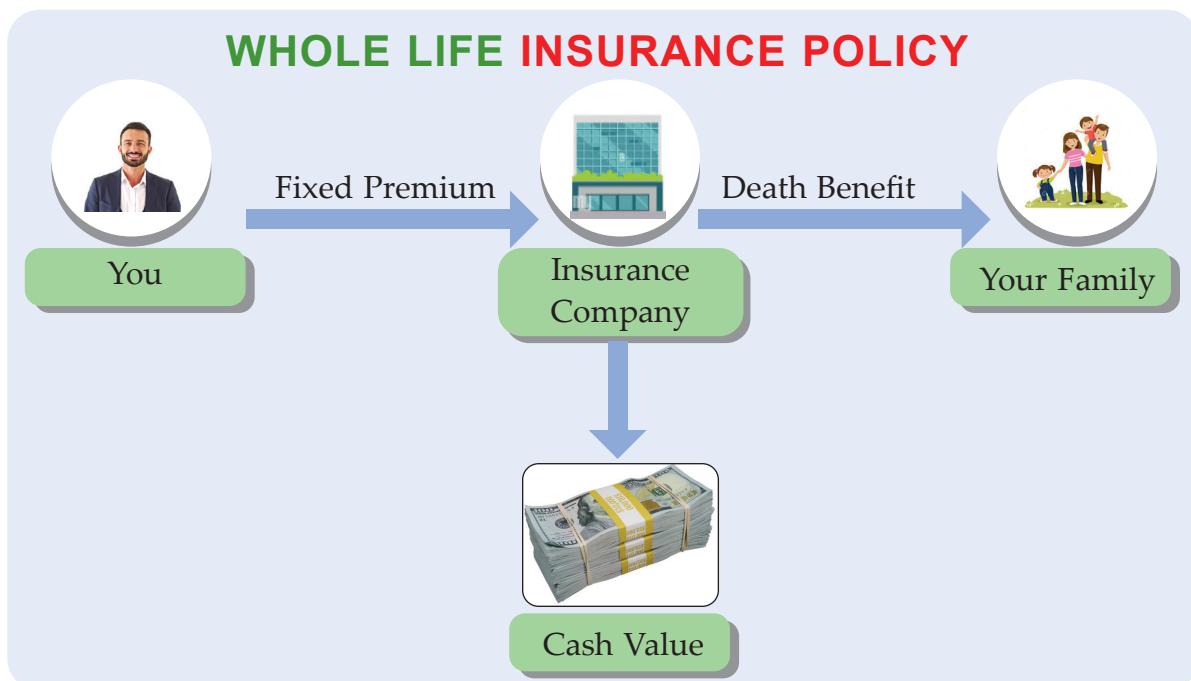
Compensation: Receiving a payout from the insurance company to cover the costs of the event, minus the deductible.

Insurance can be of be of two types:

Life insurance

India offers a variety of life insurance policies tailored to different needs and financial goals. Here are some common types:

Term Life Insurance: This policy provides a fixed coverage amount for a specific term and is one of the most affordable life insurance options.



Unit-Linked Insurance Plans (ULIPs): ULIPs combine insurance with investment opportunities, allowing policyholders to invest in various funds while also providing life coverage.

Whole Life Insurance: Offers lifelong coverage and often includes a savings component, making it a long-term financial planning tool.

Endowment Plans: These policies provide both life coverage and a savings element, often used for specific financial goals like education or buying a home.

Child Plans for Education: Tailored for securing your child's future education, these policies ensure that funds are available when needed.

Retirement Plans: Designed to provide financial security during retirement, these policies help build a corpus for post-retirement life.

General insurance

General insurance provides coverage for a wide range of risks and assets. In India, some common types of general insurance include:

Health Care Coverage: This insurance covers medical expenses, hospitalization, and sometimes even preventive care.

Automobile Insurance: It safeguards your vehicle against accidents, theft and damage, ensuring financial protection in case of mishaps.

House Insurance: This type of insurance is crucial for owners house as it covers damage to your property including natural disasters and theft.

Insurance against Fire: This protects your assets from fire-related damage that might place at your home or business.

Insurance for Travel: This provides coverage for unexpected incidents while traveling such as trip cancellations or medical emergencies.

Popular Insurance companies in India are:



Thus, understanding insurance is essential as it forms a crucial part of financial planning. Whether it's safeguarding your health, protecting your assets, or securing your family's future, insurance plays a vital role in your financial journey.



FINLAB ACTIVITY

What type of Insurance would you take in the following situations:

You are worried about your car parked in the street, it might get stolen: _____

You are traveling to USA with family, you worry you might loose your bags during trip _____

You are worried about hospital expenses in case of any emergency -----

CHAPTER

07



DIGITAL PAYMENTS - NAVIGATING THE CASHLESS WORLD

GUPSHUP TIME



Good News didi....I am going to Agra with my family for vacation. I have saved money in my bank account from my pocket money. I want to withdraw and give it as a surprise to my father for meeting the accommodation expenses.

Very good thought Rahul....!! You know what happened with my friend last year.. She went on vacation to Ooty with her family. Her fathers wallet which had all the cash got stolen. Therefor had to face a lot of difficulties and it spoiled their vacation.



Oh.. what to do in such a situation and how can we avoid this???

I have another wonderful idea which I learnt from my cousin brother. He make payment by simply scanning the QR code at the shop by using his mobile phone.



Can we store money in phone???? Is it really possible?? This is very interesting... Please tell me more about this???

Yes!! these days many digital modes of payments are there. I will explain you in detail.

DIGITAL PAYMENT:

In today's fast-paced digital age, understanding how to make secure and efficient digital payments is a vital skill. Whether you're buying goods online, splitting a bill with friends or managing your finances, digital payments are the way of the future.

Digital payment or transactions that take place via digital or online mode and no physical exchange of money take place. This means both parties, the payer and the payee, use electronic mediums of exchange. The Digital India program is a flagship initiative of the Indian government, aimed at turning India into a digitally empowered society and a knowledge-based economy. One of the key objectives of Digital India is to promote "Faceless, Paperless, Cashless" transactions. To advance the goal of transitioning India into a less-cash society, a range of digital payment methods have been made accessible.

Digital Payment Aggregators: Digital Payment Aggregators, often simply referred to as payment aggregators or payment service providers (PSPs), are financial technology companies or entities that facilitate and simplify the process of accepting and processing digital payments for businesses, especially small and medium-sized enterprises (SMEs) and online merchants. These aggregators act as intermediaries between the merchants and various payment methods and financial institutions, streamlining the payment acceptance process.

They provide businesses with access to payment gateways, which are technology platforms that securely authorize and process digital transactions. This enables businesses to accept payments through various channels, including websites, mobile apps, and in-store point-of-sale systems.

Example: Razorpay, Instamojo, and PayU provide online payment solutions for businesses.



Source: <https://blog.xpresslane.in/payment-gateways-vs-payment-aggregators/>



FINLAB ACTIVITY

- 1. Which of the following is not a common mode of digital payment in India?**
(a) UPI (Unified Payments Interface) (b) Debit cards
(c) Cheques (d) Mobile wallets

- 2. What does UPI stand for in the context of digital payments?**
(a) Universal Payment Interface (b) Unified Payments Infrastructure
(c) Unified Payments Interface (d) Universal Payment Infrastructure

- 3. Which digital payment method allows users to make contactless payments using their mobile devices?**
(a) Debit cards (b) Credit cards
(c) Mobile wallets (d) UPI

- 4. Which organization is responsible for overseeing the implementation of UPI in India?**
(a) Reserve Bank of India (RBI)
(b) Indian Banks' Association (IBA)
(c) National Payments Corporation of India (NPCI)
(d) Securities and Exchange Board of India (SEBI)



RETAIL REMITTANCES

GUPSHUP TIME



Manika didi! Have you ever heard about these money things like NEFT, RTGS and IMPS?

Yeah, my parents use and talk about them all the time. They use it to send money to our grandparents in the village.



Send money in the village. For me, it's like they are speaking secret codes! And they are trying to become secret agents.

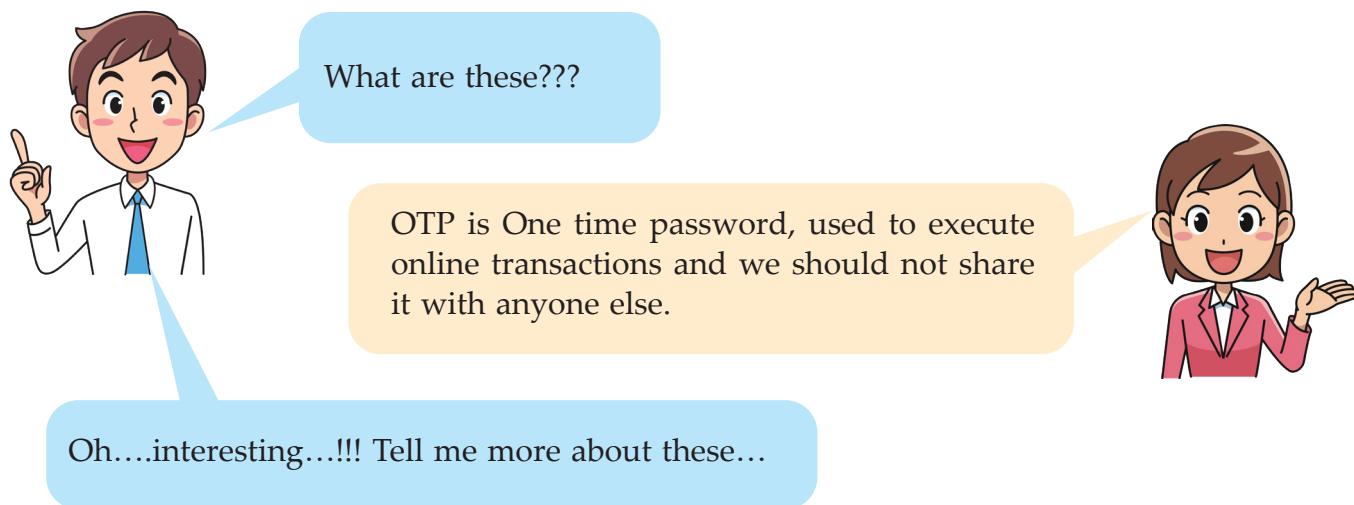
hahaha maybe they are!! My dad told me NEFT is like sending money messages, but it takes more time. RTGS, on the other hand, is like a superhero - "Real Time Gross settlement"! It's super quick! and IMPS? Well, that's like Dominos Pizza...deliver money in half-an-hour or less.



Wow, that's great. But aren't they worried about sending money online? What if it disappears into the internet?

hahaha! They use passwords and secret handshakes. And they are always use OTP for these kind of transactions.





Retail remittances refer to the broader category of electronic money transfers conducted by individuals for personal or family-related purposes, typically involving smaller amounts of money. NEFT, RTGS, and IMPS are all examples of retail remittance systems in India.

These are usually facilitated by Internet Banking. Most banks offer internet banking services that allow users to access their accounts online. Internet banking enables users to transfer funds, pay bills, check account balances, and more through a secure online portal. Many big and small firms also use net banking for payment salaries to employees, making/accepting payments from their banking partners.

Example: If such payments service providers are HDFC Bank NetBanking, ICICI Bank iMobile, SBI Online, Citibank Online.

Lets understand the difference between these three:

Aspect	NEFT	RTGS	IMPS
Full Form	National Electronic Funds Transfer	Real-Time Gross Settlement	Immediate Payment Service
Speed	Multiple settlement batches during the day	Real-time settlement for high-value transactions	Real-time settlement for small to medium transactions
Timing	Scheduled settlement during banking hours	Continuous settlement	24/7, including weekends and holidays
Transaction Size	Suitable for small to medium-sized amounts	Primarily for large-value transactions	Ideal for immediate transfers, including person-to-person
Charges	Typically lower fees compared to RTGS	Higher fees compared to NEFT	Varies by bank and transaction amount

Transfer Mode	Batch processing	Real-time processing	Real-time processing
Availability	Weekdays and some Saturdays, closed on Sundays and holidays	Weekdays and Saturdays, closed on Sundays and holidays	Available 24/7, including holidays



FINLAB ACTIVITY

Visit the website of various bank given in the table below and find out the if there is any difference in the bank charges per transaction.

Citi Bank	NEFT Charges (per transaction)	RTGS Charges (per transaction)	IMPS Charges (per transaction)
ICICI Bank			
State Bank of India			
Punjab National Bank of India			
HDFC Bank			
Citi Bank			



DIGITAL WALLET REVOLUTION: UPI AND MOBILE MAGIC

GUPSHUP TIME



Ever tried UPI for payments?



UPI? Is that like ordering pizza but with extra steps?



(laughs) Nope, it's Unified Payments Interface. It's like sending cash via text messages!

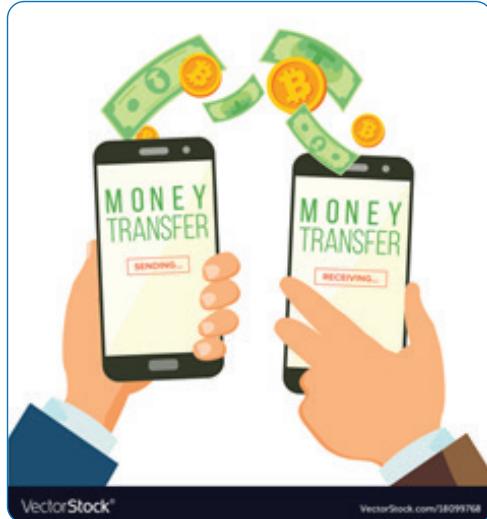


So, I can just text my landlord "Rent LOL" and it's paid?

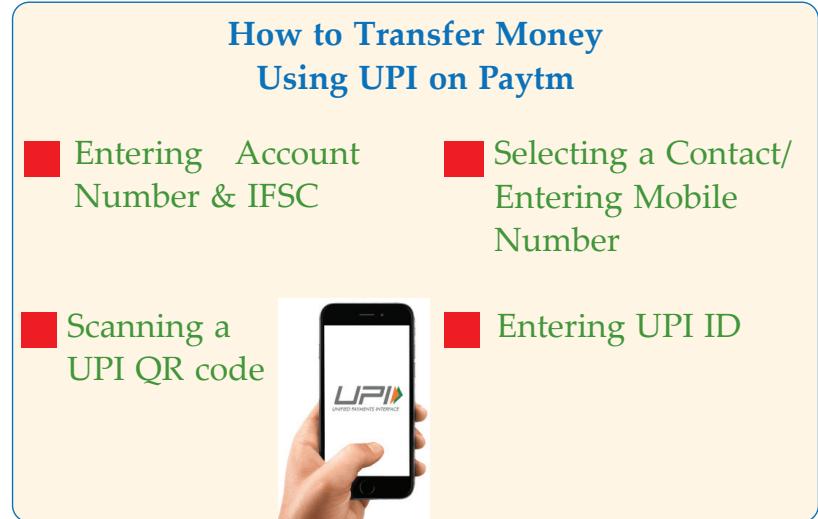
(laughs) Not quite, but it's that simple. You will link your payment gateway with your bank and then you can easily send/receive money.

About UPI: UPI is a real-time payment system that allows users to transfer funds between bank accounts using a mobile app. It offers a secure and convenient way to make peer-to-peer payments, pay utility bills and shop online. Users can link multiple bank accounts to a single UPI app and make transactions seamlessly.

Example: BHIM (Bharat Interface for Money), Google Pay, PhonePe, Paytm, Amazon Pay.



Source: Vector Stock



Source: Paytm

HOW TO MAKE PAYMENT WITH BHIM UPI ID?



Download and install BHIM app



Ready to Transact!



Select your preferred Language



Register your Mobile number



Add your Bank Account with the app



Set UPI PIN for Security

BENEFITS OF UPI

Convenience: UPI offers a seamless and user-friendly way to make digital payments, allowing users to send and receive money 24/7, 365 days a year, with just a few taps on their smartphones.

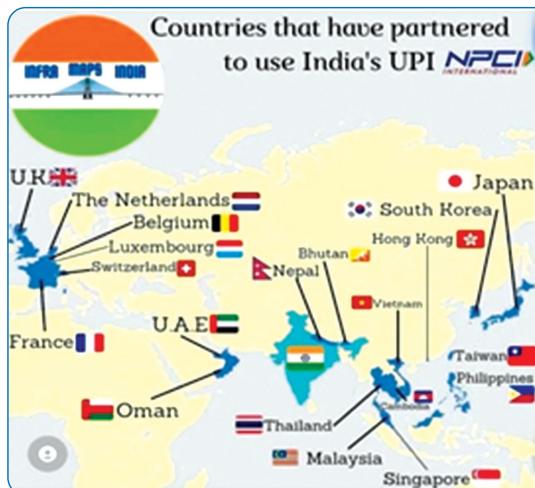
Interoperability: UPI is bank-agnostic, meaning users can link multiple bank accounts to a single UPI app. This promotes financial inclusion and makes it easy for individuals to manage accounts from different banks in one place.

Security: UPI transactions are highly secure, with features like two-factor authentication (2FA), encryption, and biometric verification. This ensures the safety of users' financial information and funds during transfers.

Infobite: Recently, India's Unified Payments Interface (UPI) and Singapore's PayNow have been integrated to facilitate faster remittances between the two countries.

PayNow is a swift payment system in Singapore that provides a peer-to-peer funds transfer service. It is accessible to retail customers through participating banks and Non-Bank Financial Institutions (NFIs) in Singapore.

This integration is anticipated to provide significant advantages to the Indian diaspora, particularly migrant workers and students in Singapore. It enables quicker and cost-effective funds transfer between both nations, eliminating the necessity of using the other payment system as a mandatory step.



Source: DrishtiIAS



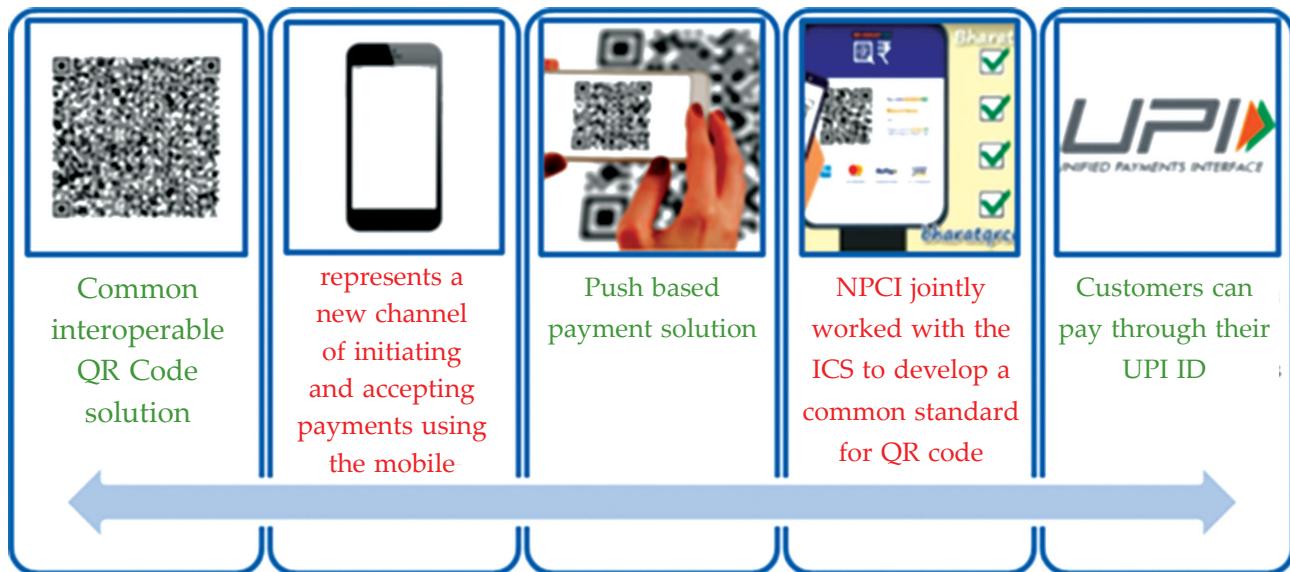
Source: APAC Network

Mobile Wallets:

- Mobile wallets allow users to store money digitally and make payments.
- Users can load money into their wallets and use it for various transactions, including mobile recharge, bill payments, and online shopping.
- Mobile wallets often offer cashback and discounts as incentives for using their services.

Example: Paytm, PhonePe, Google Pay, Apple Pay, Samsung Pay, PayPal, Venmo (for P2P payments).

Bharat QR Code: Bharat QR is a quick response (QR) code-based payment system that simplifies transactions. Users can scan QR codes at merchant outlets to make payments directly from their bank accounts.



Source: rupay.co.in

Example: Bharat QR is not tied to specific apps but can be used by various payment providers.

Aadhaar Enabled Payment System (AePS): AePS is a banking-led model that enables online, interoperable financial transactions at Point of Sale (PoS) or Micro ATMs through a Business Correspondent (BC) or Bank Mitra of any bank, utilizing Aadhaar authentication.

Example: Aadhaar Pay, operated by various banks and payment service providers in India.





FINLAB ACTIVITY

Mobile Wallet Match-Up:

Match the mobile wallet feature on the left with its description on the right.

markdown

Features:

1. Digital transactions
2. Cashback offers
3. QR code payments
4. UPI ID

Descriptions:

- (a) A unique ID for receiving money
- (b) Quick and secure money transfer
- (c) Discounts and rewards
- (d) Store money digitally

UPI Unscramble:

Unscramble the letters to reveal the names of two popular UPI apps used in India:

markdown

1. POPHNEE

2. YOOPELGGA

3. IBKKWOMI

4. RCLLIHR

What is the full form of QR Code:



Full Form: _____

Are Barcodes and QR codes the same? List two difference about them:





THE PLASTIC REVOLUTION: CARD CHRONICLES

GUPSHUP TIME



Rahul, yesterday I got a Rupay Card!



Really, didi? What's that?



It's just like plastic money and it's super convenient.

Tell me more. How does it work?



Well, it's linked to my bank account, so I can

use it for shopping and stuff. No need to carry

cash around.

That sounds handy! But for that we have debit and credit cards too. What's the difference between Rupay and other cards?

It is similar to debit cards. It can be used for making payments in the domestic markets at lower transaction cost. But Visa or Mastercards can be used in international markets. Rupay cards are considered to be more secure & has less processing time as compared to other cards.

(nodding) Got it. Thanks for explaining, didi.

Debit : Debit and credit cards are widely used for online and offline payment. Debit cards are linked to a user's bank account and allow them to make payments up to the available balance.

Credit Cards: Credit cards provide a credit line, allowing users to borrow money for purchases and repay it later.

Rupay Cards: Rupay cards are a type of payment card commonly used in India. They are issued by the National Payments Corporation of India (NPCI) and are designed to offer a domestic alternative to international payment card networks like Visa and Mastercard.

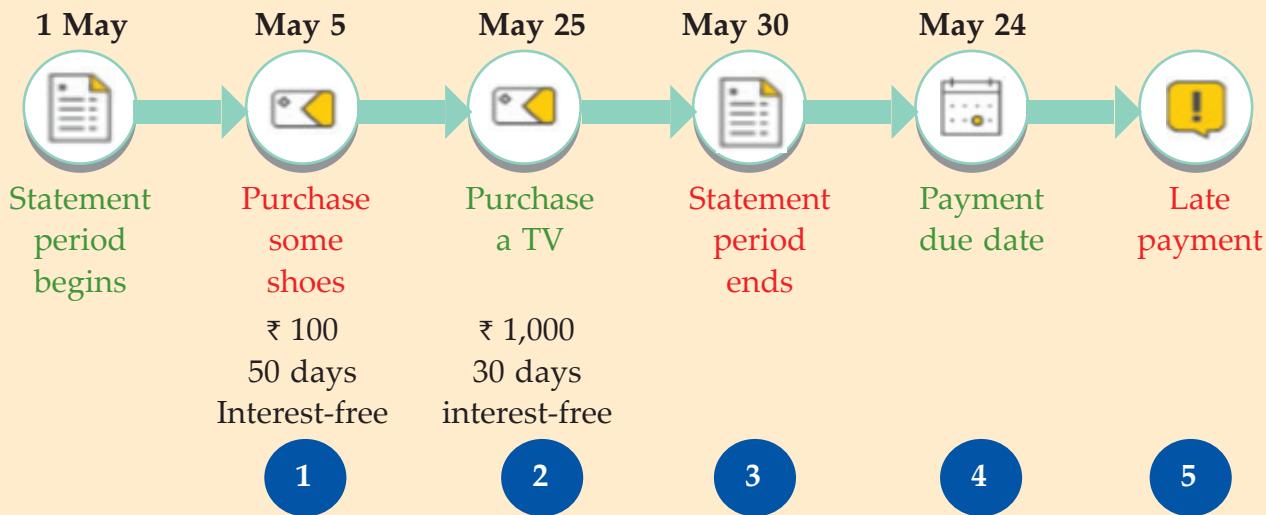
Debit VS Credit VS Rupay Cards			
Aspect	Debit Card	Credit Card	Rupay Card
Type of Card	Linked to a user's bank account	Provides a line of credit to the cardholder	Domestic payment card scheme in India
Mode of Payment	uses available funds in the bank account	Allows borrowing money up to a credit limit	Operates on India's own payment network
Interest Charges	No interest charges as it's not a credit line	Interest charged on outstanding balances	Varies based on the specific Rupay card
Repayment	No monthly payments; expenditures deducted from the account	Monthly payments with a minimum due amount	Varies based on the specific Rupay card
Credit Check	Not applicable; no credit check required	Requires a credit check during application	Typically, minimal credit checks for eligibility
International Usage	Limited to international transactions	Allows international transactions	Primarily used for domestic transactions
Acceptance	Widely accepted for in-country transactions	Accepted both nationally and internationally	Accepted primarily within India
Affordability	Cost-effective due to lower fees	May involve higher annual fees and interest	Known for affordability in terms of fees
Repayment and Benefits	Limited rewards, often cashback and discounts	Offers rewards such as miles, points, and cashback	Varies based on the specific card.

Infobite:**UNDERSTANDING AN INTEREST-FREE PERIOD**

John's Interest-free period on purchases (up to 55 days Interest-free)

■ 30 days statement period

■ 25 days payment



These digital payment methods have revolutionized the way people transact and manage their finances, offering convenience, security and efficiency in various aspects of everyday life, from online shopping and bill payments to person-to-person money transfers and investment opportunities.

**FINLAB ACTIVITY**

Let's test your knowledge:

List three payment gateways which you used or seen in mobile

List three places where you have used QR code payments

List three products where you have seen barcode (Show them to your class teacher)

Consider each situation and decide which type of card (debit card, Rupay card, or credit card) would be most appropriate for the given scenario.

You're planning a road trip with your friends and need to book hotel rooms in advance. You'll pay for the rooms when you check out.

You're at a local market and you want to buy fresh produce and household items using your savings.

You're at a fancy restaurant celebrating your parents' anniversary. The bill for the dinner is more than you can afford to pay in one go

You want to buy a new smartphone online, and you have enough money in your bank account to make the purchase.

CHAPTER

11



BASICS OF BUSINESS

GUPSHUP TIME



Didi, recently my friend's brother started his own Start-up in partnership firm 3 years back and gifted a car to his father last week?? How such type of magic happens???

Is it possible to generate huge money from a start-up? Where do these people get funds?? Do they invest their own money??

Not necessarily!!! these are exciting times Rahul!!! Where any one with a little bit of innovation, passion and hard work can generate a reasonable amount of money and can even create employment opportunities as well.

Lets visit the canteen and sit over a cup of tea...I will explain more about this in detail....

Do you know the largest Taxi provider to the world i.e. Uber/Ola do not own even a single car and similarly one of prominent room providers to travelers OYO also does not own any of the property. So with the use of Technology and innovative solutions to available opportunities the owners of these companies made big business.



Didi this is really exciting ,what else I should know to get started??

Great, first step is to understand how the business cycle works?



BUSINESS CYCLE



Therefore, in start of any Business Money plays important role to kick start the ball rolling and of course at the end of all efforts we expect Profit as outcome (Sometimes even Loss)

Let us understand how businessman generating money for venture/start-up :

SOURCES OF FUNDS:

- Seed Money:** Initial Fund or investment for starting the business till it starts generating its own cash .It is also known as seed funding or seed capital. This is also helps in buying plant and machinery needed for business
- Own Funds:** As the name suggests this is the amount invested by owners or partners from their personal savings/resources.
- Borrowed Funds :** Loan taken From Friends and Relatives & Banks /NBFCs or Govt Schemes like MUDRA, Stand up India, Startup India, ASPIKE etc.
- Angel Investors & Venture Capital :** Angel investors are seasoned investors and apart from financial assistance in lieu of share in the company /profit they provide guidance, connections and even help to promote the business. Venture capital firms also provide financial support on similar lines
- Equity shares :** This is another form of fund generation by sharing a portion of a company stake by issuing a share certificate to the public or selected group of persons . This route is generally used after a fair amount of experience in running the business and after utilizing other channels of finance.
- Sometimes we can also generate funds by customer advances,Bill discounting and Public deposits after establishing some credibility in Business .

Let us also understand few other necessary steps for starting a Business and smooth functioning of it :

Formation of a Company as per Company Law:

Steps of company formation -

1. Check the name availability
2. Reservation of company's name under Spice+

3. Apply for digital signatures (DSC) of directors cum subscribers of proposed company
4. After name approval fill the Part-B of Spice+
5. MOA memorandum of company
6. Fill articles of company
7. INC-9
This e-form is also generated when all details in Spice+ Part B, MOA and AOA are filled. It is an auto generated form and there is no need to fill in any details in it.
8. Agile pro
Application for goods and services tax identification number, employees state insurance corporation registration plus employees provident fund organization registration, profession tax registration and opening of bank account.
9. Final step- upload all documents on successful uploading, SRN (service request number) is generated for user to make payment.on successful payment SRN status will be displayed as "processing".

TYPES OF COMPANY:

Private Limited Company: At least two directors and one to be Indian and max 15 directors, Regd. office in India

Public Limited Company: Shares owned by promoter, NBFCs, Foreign Institutional Investors (FIIs) etc. and public can be listed in stock exchange.

Partnership Company: Two or more members with clear responsibilities in agreement.

Limited Liability Partnership (LLP): LLP is an alternative corporate business form that gives benefits of limited liability company and the flexibility of a partnership. It can continue to exist even if partners change.

One Person Company (OPC): Section 2(62) of companies Act defines one-person company as a company that has only one person as to its member.

Sole Proprietorship: It is an unincorporated business owned by an individual who is personally liable for all business obligations.

Section 8 Company: Most commonly known as NGO or nonprofit organizations, at least two shareholders as directors and one to be Indian.

Concept of Goods and Services Tax (GST): Any Tax levied on Goods and Services Except on Consumable Liquor. This concept allows companies to set off input GST and pay net difference so this is a major reform allowing business to take benefit of input Tax . The Tax is divided in state and central Govt as per agreed terms. Current rates vary from 0 to 28% depending on item.



Didi what should I do to start a Business for Home made chocolates ???

Rahul firstly step you will have to check the money available with you in your pocket + how much amount you can borrow as interest free loan from friends and parents.

This amount collected can be termed as SEED or initial amount available to start business.

In order to make home made chocolates as a product you will have to source raw materials, like dairy products, permitted artificial flavors, cocoa, food ingredients and sweetener.



Initially you may use resources available at home to prepare the chocolates (but are these facilities Free??). No !! as a smart businessman you will account for these in your costing .It may be good idea to estimate electricity and other essential costs incurred in the process.

Next level of business will be Packing these Yummy chocolates in an appealing box and finally delivering them to customers. As it gains momentum you may like additional expense on promotion of your business by samples or social media etc.to take business to new height.

Wow !! Now after accounting all these elements in your cost you will determine the Cost Price & Selling Price of your product.

Finally Profit = SP – CP

Wait as you progress various taxes like GST, Income tax will also need to accounted.

Few Quotes:

- If you don't build your dream ,someone else will hire you to help them build their – Dhirubhai Ambani
- It is very easy to be different but very difficult to be Better - Jonathan Ive Chief Design Apple
- The Journey of thousand miles begins with single Step -Lao Tzu
- If your Mind can conceive it and your heart can believe it YOU can Achieve it
- If you make your hobby as your Profession you do not need to work entire Life



FINLAB ACTIVITY

Check with a small business owner in your area about :

1. Whether he started the business or registered the company first?
2. How seed funds were arranged?
3. Sources of Loan.
4. Registration of Business in company law - type of company?
5. Whether registered in GST?
6. Type of financial reports being made by the Business

Discuss learnings in group of Five and share feedback with Teacher

CHAPTER

12



FAMILIARITY/ UNDERSTANDING THE BUSINESS FINANCIAL TERMS

GUPSHUP TIME



Manika didi, yesterday I visited a Bakery shop to give myself a treat. I overheard the owner talking to someone over the phone. He was explaining various business terms like "Revenue," "Expenses," "ROI," "Balance Sheet," "B2B," and "B2C." Do you think you can decode this cryptic language for me?

Oh, it's like deciphering an ancient scroll of business wisdom! So, sit straight I will be your guide on this adventurous journey of the business world. Let take example of a Bakery Shop.



Sure, Didi, I'm all ears!



"Revenue" is like a bakery's income from selling cakes whereas "Expenses" are the ingredients, wages and rent a bakery pays to make those cakes.

Ah, got it! So, it's like the money earned and spent at the bakery shop.



Exactly, Now ROI is return on investment. It is the ratio of net profit over total cost of the investment. Here profit is earned by selling bakery items & investment in capital employed in setting up the bakery.



So ROI is like checking if the bakery is making more money than it's investing in cake production.



You're catching on! Now, "Balance Sheet" is like listing the bakery's assets (like ovens) and liabilities (like loans).



Alright, so it's like keeping track of what the bakery owns and what it owes.



Exactly! Lastly, "B2B" is a bakery selling its cakes to other businesses, like a café buying cakes in wholesale.



B2C is like retailing.



And "B2C" is selling cakes directly to customers, like when someone buys a cake for a birthday.



B2C, understood! So, it's selling cakes directly to individual customers.



You've got it, Rahul! It's like running a bakery, making sure we're earning more from cakes than what we spend on ingredients, and deciding whether to sell to other businesses or directly to customers. Let's understand about other terms too.

Few other important Terms:

Assets: Assets are what a business owns (like cash, property, or equipment)

Liabilities: Liabilities are what the business owes (like loans or outstanding bills).

Working Capital: The difference between a company's current assets (like cash, accounts receivable, and inventory) and its current liabilities (like accounts payable and short-term debt). It measures a company's short-term financial health and its ability to cover its immediate obligations.

Liquidity: The ease with which an asset can be converted into cash without a significant loss of value. Cash is the most liquid asset, while physical assets like real estate/Machines are less liquid.

Debt: Money borrowed by a business or individual that must be repaid with interest. It can be in the form of loans, bonds, or credit card debt.

Capital Expenditure (CapEx): Money spent on acquiring, upgrading, or maintaining physical assets like equipment, buildings, or technology.

Cost of Goods: Total cost = Raw material cost + Processing cost (includes Labor cost, machine process, admin cost, electricity cost etc.) + promotional expenses

Cost of Goods Sold : It is the direct cost of a product to a distributor, manufacturer or retailer. It includes material & labour cost directly used to create goods. It excludes indirect expenses, such as distribution cost & sales force cost. It is calculated as :

Starting inventory + purchases

Revenue

Revenue refers to income you get from business activities in a given time. In simple terms selling price of one unit of product multiplied by number of units sold in given period is revenue accrued.

Sales:

Sales refer to any transactions where money or value is exchanged for the ownership of a good or entitlement to a service. In an accounting context, sales refers to a company's revenue earned from the sales of products or services

Profit and Loss statement

This statement is snapshot of operations and can be prepared at different intervals like Monthly, Quarterly and annual.

Balance Sheet

A balance sheet is a financial statement that contains details of a company's assets or liabilities at a specific point in time other important statements are income and cash flow statements . Generally frequency of preparation is annual ,however for many businesses Quarterly and half yearly is also common practice . Many investors or bankers read this document to evaluate the health of the company .

Expense

Expenses are all type of outflow of money while operating business . Apart from cost incurred in manufacturing the product,one has to add expenses like rent ,electricity ,water ,labor, packing and promotion expenses also to arrive at Total expenses .

Net Profit

Also commonly known as Bottom Line . Net profit represents total revenue less expenses. This is also used to assess advance tax calculations

Net Loss

This is the status in business when total expense are higher than total revenue in Business. The risk of Loss is one of the major reasons in Business to keep control on cost .

Inventory:

The finished goods and raw materials in process which a business holds for production or resale is termed as inventory .Normally this is calculated on cost basis .

Return on Investment

Return on Investment (in short ROI) is a ratio of Gain or Loss in Business on investment in business i.e. ROI is net profit divided by cost of investment

B2B & B2C

B2B is business where business is dealing with other business partners whereas in B2C scenario Business done with end user or consumer of goods . B2G when business is dealing with Government customers.

Competition: This helps to understand how other companies in the same or similar profile are operating . It is important to protect your company by timely actions so as to retain share and work on to improve the same .

Motivational Story of Indian Business Woman

Vineeta Singh: the Inspirational Journey of Sugar Cosmetics



Vineeta Singh's remarkable journey as the founder of Sugar Cosmetics is a tale of unwavering determination and entrepreneurial spirit. Born in Delhi in 1984, Vineeta completed her schooling there. With a bachelor's degree in Electrical Engineering from the prestigious Indian Institute of Technology, Madras, she went on to pursue her MBA at IIM Ahmedabad, graduating in 2007.

While Vineeta received a tempting job offer of 1 crore INR per annum, she turned it down, driven by her burning desire to establish her own startup. Her path crossed with Kaushik Mukherjee during her MBA years, and they eventually tied the knot in 2011. Kaushik Mukherjee now serves as the President and COO of Sugar Cosmetics, making them a formidable entrepreneurial duo often dubbed the “Ironman couple.”

Despite numerous lucrative job offers post-MBA, Vineeta remained resolute in her entrepreneurial aspirations. Relocating to Mumbai, she embarked on a journey to transform her dreams into reality. Her initial professional experience at Deutsche Bank in 2005 and a directorial offer from Quetzal Verify Private Limited, a multinational investment company, couldn't sway her from her path.

Vineeta's entrepreneurial journey had its share of setbacks, including two failed startups and the weight of turning down a high-paying job. However, a pivotal moment came when she founded Fab Bag, a beauty subscription company. This endeavor opened her eyes to the significant gap in quality cosmetics for Indian women.

With a keen understanding of the market and the needs of Indian consumers, Vineeta and Kaushik Mukherjee took the plunge and founded Sugar Cosmetics in 2015. In the face of skepticism and adversity, they pressed on. Their dedication eventually attracted investors, including India Quotient and Singapore-based RB Investments in 2017.

Sugar Cosmetics witnessed remarkable growth, starting with an initial revenue of INR 52 lakhs, which swiftly multiplied to INR 3 crore in the first year. By the end of 2017, their sales had surged to INR 11 crore. Fiscal year 2020 saw their sales reach INR 105 crore, and in FY22, the company boasted an operating revenue of INR 210.9 crore, up from INR 148.9 crore in the previous fiscal year.

Vineeta Singh's story is nothing short of inspiring, especially for women in India. Her unwavering dedication, resilience in the face of adversity, and the success of Sugar Cosmetics serve as a testament to the power of pursuing one's passion and dreams

CHAPTER 13



CENTRAL BANK OF INDIA - RBI

GUPSHUP TIME



Didi, I also wonder who prints our currency? Where is it done? Can't we print unlimited notes to remove poverty and distribute it amongst the poor and needy people like me...



(laughing) Oh Rahul, you are very sweet. But it's not like this..we have many regulatory bodies in India who take care of all the financial matters related to the Indian economy. It is the RBI.



Oh I know ..I have heard of it..It's in baseball called 'Runs Batted In'.



No... no... it's the Central Bank of India, called the Reserve Bank of India.

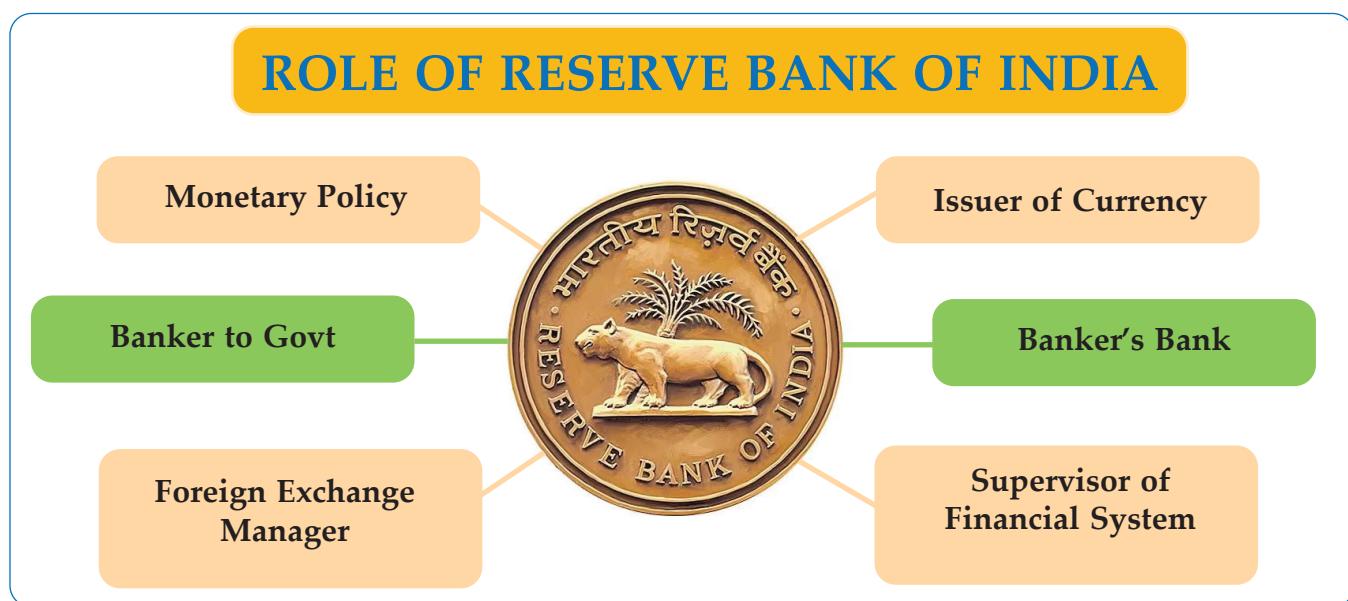
Okay..please tell me in detail about it..

Introduction to Reserve Bank of India: The Reserve Bank of India (RBI), established in 1935 under the Reserve Bank of India Act, 1934, serves as India's central bank with the primary responsibility of overseeing and managing the nation's financial system. It is also called as "banker's bank" and a regulator for the banking sector, the RBI also actively supports the government's developmental projects and policies, contributing significantly to India's progress.

Initially headquartered in Kolkata, the RBI relocated to Mumbai in 1937. Originally a privately-owned institution, it underwent nationalization in 1949 and is now under full ownership of the Government of India.

Objectives of RBI

To regulate the issue of Bank notes and keeping of reserves with a view to securing monetary stability in India and generally to operate the currency and credit system of the country to its advantage; to have a modern monetary policy framework to meet the challenge of an increasingly complex economy, to maintain price stability while keeping in mind the objective of growth.



The RBI carries out several fundamental tasks:

Note Issuance: Exclusive control over currency note production lies with the RBI, except for the one rupee note which falls under the purview of the finance ministry.

Government's Banking Institution: The RBI conducts banking operations for both the central and state governments. It offers advice on monetary policy matters and handles the management of public debt.

Banker to Banks: Referred to as the “banker’s bank,” the central bank performs analogous functions to those of commercial banks in relation to their patrons.

Credit Management: Through regulating the money flow in the national financial system, the RBI manages inflation, making timely policy choices to address systemic issues.

Foreign Reserves: To ensure stability in foreign exchange rates, the central bank trades in foreign currencies, taking appropriate actions whenever necessary.

Developmental Role: The RBI executes various duties and makes essential determinations to bolster the government's developmental objectives.

The RBI board

The board of the RBI consists of a Governor, not more than four Deputy Governors and other members who are appointed by the central government.

InfoBite:

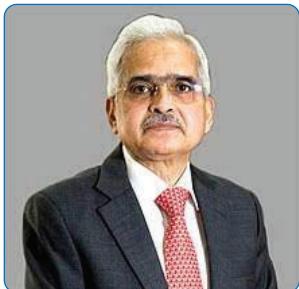
At \$632bn, India's forex kitty 5th highest globally



Source: Times of India, Mar 12,2022



FINLAB ACTIVITY



Identify the famous personality

Designation: _____

First Governor of RBI _____



Whose statues are placed at the entrance RBI Building in Delhi? What does they signify?



Identify the correct symbol for Indian Rupee



Identify the correct logo of RBI.

Who gave this logo and in which year?



What does the alphabets used in currency notes depict?

Who has the authority to sign the currency notes of India?

- (a) Lt. Governor of Delhi
- (b) Union Minister of Finance
- (c) RBI Governor
- (d) Minister of State Finance

CHAPTER 14



SEBI - SECURITIES EXCHANGE BOARD OF INDIA

GUPSHUP TIME



Manika didi, have you ever seen the movie 'The Scam of The Big Bull' about the stock broker Harshad Mehta and Ketan Parekh? Many people have lost their hard-earned money in the manipulations made by these two people in stock markets. I have read about them in the newspaper too. See these clippings:

5Ws AND 1H

- Harshad mehta and Co manipulated BSE in 1992
- The 'Security Scam' was estimated around Rs. 2,000–4,000 cr
- They took advantage of loopholes in the banking system
- Mehta learned with bank employees for fake bank receipts
- This money was used to raise share prices up to a whopping 4,400%
- Mehta then sold these shares at a significant profit



WHAT HAPPENED NEXT?

- People started looking up to him the 'Big Bull'
- Tax dept conducted raids on February 28, 1992
- Mehta was convicted and charged with 74 criminal offences
- In 2001, he passed away at the age of 47 due to a cardiac arrest
- The scam triggered many changes in India's financial regulatory system
- Securities Laws (Amendments) Act 1995 was brought in



Source: Money Control, 2020



Yep, watched them. Those guys turned the stock market into a game. People lost their hard -earned money because of their tricks.



Unbelievable! People trusted them with their money, and they fooled everyone.

Right. By the way, you know Rakesh Jhunjhunwala, the stock market expert?

Yes, I heard about him. What's his story?

RAKESH JHUNJHUNWALA

Big Bull of Dalal Street

- Rakesh Jhunjhunwala was born in Mumbai on July 5, 1960
- He was a Chartered Accountant by qualification and training.
- Started investing in the stock market when he was in college, attaining his degree.
- He has a privately-owned stock trading firm called RARE Enterprises.
- It derives its name from the first two letters of his name and that of his wife Rekha.
- Earned his first big profit in 1986 when he bought 5,000 shares of Tata Tea at Rs. 43 and the stock rose to Rs 143 within three months.
- His portfolio includes companies like Star Health, Titan, Rallis India, Escorts, Canara Bank and Tata Motors among others.
- An investor with a Midas touch, Jhunjhunwala was the 48th richest man in the country.
- Often referred to as 'India's Warren Buffett' and the 'Big Bull of Indian markets', his net worth was \$5. billion.



- Jhunjhunwala's latest venture Akasa Air's maiden flight took off on August, 2022.
- He is survived by his wife Rekha Jhunjhunwala and two children.



He's like a stock market wizard. When he buys, stocks go up. When he sells, they go down.



This must be a crazy ride with him.

True. But then, there's SEBI, the stock market superhero.

SEBI? What do they do?



They make sure everyone plays fair. No more tricks like before.



Got it. They keep the market clean.

Exactly. No more funny business. SEBI keeps things honest.



Good for them. Let's hope no more scams happen.



Cheers to that! Honest investing is the way to go.



SECURITIES AND EXCHANGE BOARD OF INDIA (SEBI):

SEBI, which stands for Securities and Exchange Board of India, is like the referee of the stock market. Just like in a game, they make sure everyone follows the rules. Just imagine that stock market is like a big playground where people buy and sell shares of companies. SEBI's job is to keep an eye on this playground and make sure nobody cheats or plays unfairly.

They make sure that companies give the right information to people before they invest their money. If someone tries to do something tricky or harmful, SEBI steps in to stop them. The Securities and Exchange Board of India was constituted as a non-statutory body on April 12, 1988 through a resolution of the Government of India. It was established as a statutory body in the year 1992 came into force on January 30, 1992.

This regulatory authority acts as a watchdog for all the capital market participants. Its main purpose is to provide a safe environment for financial market enthusiasts that facilitate the efficient and smooth working of the securities market.

The three primary functions for SEBI are:

1. **Protective Function :** To protect investors and financial participants
2. **Regulatory Function:** Regulate :To keep check on business in financial markets
3. **Development Function:** Basically train all participants,promotion of fair Trade Practices,Encourage self regulation

Powers of SEBI:



Source: ZFunds.in



FINLAB ACTIVITY



भारतीय प्रतिभूति और विनियम बोर्ड
Securities and Exchange Board of India



What are the functions of SEBI?

Identify the famous personality:

Name: _____

Designation: _____

Where are the headquarters of SEBI?

What is the trading settlement period in India?

T + 2

T + 1

T + 3

T + 4

SEBI comes under the Jurisdiction of which Ministry?

Note

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