Financial Education

Workbook

Class : X

Financial Education Workbook for Class X

Draft Edition.

Disclaimer

This book is presented as a reading and teaching material with a sincere purpose of making the reader financially literate. It is not intended to influence the reader in making a decision in relation to any particular financial product/s or service/s.

Published by:	The Secretary, Central Board of Secondary Education Shiksha Kendra, 2, Community Centre, Preet Vihar, Delhi-110301
Design, Layout & Printed by:	National Institute of Securities Markets (NISM) for National Centre for Financial Education (NCFE) Plot no. 82, Sector 17, Vashi, Navi Mumbai - 400703 Tel: +91 22-66735100 | Fax: +91 22-66735110 Website: ncfeindia.org

भारत का संविधान

उद्देशिका

हम, भारत के लोग, भारत को एक [1]सम्पूर्ण प्रभुत्व-संपन्न समाजवादी पंथनिरपेक्ष लोकतंत्रात्मक गणराज्य बनाने के लिए, तथा उसके समस्त नागरिकों को:

सामाजिक, आर्थिक और राजनैतिक न्याय,
विचार, अभिव्यक्ति, विश्वास, धर्म
और उपासना की स्वतंत्रता,
प्रतिष्ठा और अवसर की समता
प्राप्त कराने के लिए
तथा उन सब में व्यक्ति की गरिमा
[2]और राष्ट्र की एकता और अखंडता
सुनिश्चित करने वाली बंधुता बढ़ाने के लिए

दृढ़संकल्प होकर अपनी इस संविधान सभा में आज तारीख 26 नवम्बर, 1949 ई० को एतद्द्वारा इस संविधान को अंगीकृत, अधिनियमित और आत्मार्पित करते हैं।

1. संविधान (बयालीसवां संशोधन) अधिनियम, 1976 की धारा 2 द्वारा (3.1.1977) से "प्रभुत्व-संपन्न लोकतंत्रात्मक गणराज्य" के स्थान पर प्रतिस्थापित।
2. संविधान (बयालीसवां संशोधन) अधिनियम, 1976 की धारा 2 द्वारा (3.1.1977) से "राष्ट्र की एकता" के स्थान पर प्रतिस्थापित।

भाग 4 क

मूल कर्त्तव्य

51 क. मूल कर्त्तव्य – भारत के प्रत्येक नागरिक का यह कर्त्तव्य होगा कि वह

(क) संविधान का पालन करे और उसके आदर्शों, संस्थाओं, राष्ट्रध्वज और राष्ट्रगान का आदर करे;

(ख) स्वतंत्रता के लिए हमारे राष्ट्रीय आंदोलन को प्रेरित करने वाले उच्च आदर्शों को हृदय में संजोए रखे और उनका पालन करे;

(ग) भारत की प्रभुता, एकता और अखंडता की रक्षा करे और उसे अक्षुण्ण रखे;

(घ) देश की रक्षा करे और आह्वान किए जाने पर राष्ट्र की सेवा करे;

(ङ) भारत के सभी लोगों में समरसता और समान भ्रातृत्व की भावना का निर्माण करे जो धर्म, भाषा और प्रदेश या वर्ग पर आधारित सभी भेदभाव से परे हो, ऐसी प्रथाओं का त्याग करे जो स्त्रियों के सम्मान के विरुद्ध हैं;

(च) हमारी सामासिक संस्कृति की गौरवशाली परंपरा का महत्त्व समझे और उसका परिरक्षण करे;

(छ) प्राकृतिक पर्यावरण की जिसके अंतर्गत वन, झील, नदी, और वन्य जीव हैं, रक्षा करे और उसका संवर्धन करे तथा प्राणी मात्र के प्रति दयाभाव रखे;

(ज) वैज्ञानिक दृष्टिकोण, मानववाद और ज्ञानार्जन तथा सुधार की भावना का विकास करे;

(झ) सार्वजनिक संपत्ति को सुरक्षित रखे और हिंसा से दूर रहे;

(ञ) व्यक्तिगत और सामूहिक गतिविधियों के सभी क्षेत्रों में उत्कर्ष की ओर बढ़ने का सतत प्रयास करे जिससे राष्ट्र निरंतर बढ़ते हुए प्रयत्न और उपलब्धि की नई ऊंचाइयों को छू ले;

[1](ट) यदि माता-पिता या संरक्षक है, छह वर्ष से चौदह वर्ष तक की आयु वाले अपने, यथास्थिति, बालक या प्रतिपाल्य के लिये शिक्षा के अवसर प्रदान करे।

1. संविधान (छियासीवां संशोधन) अधिनियम, 2002 की धारा 4 द्वारा प्रतिस्थापित।

THE CONSTITUTION OF INDIA

PREAMBLE

WE, THE PEOPLE OF INDIA, having solemnly resolved to constitute India into a [1]**SOVEREIGN SOCIALIST SECULAR DEMOCRATIC REPUBLIC** and to secure to all its citizens :

JUSTICE, social, economic and political;

LIBERTY of thought, expression, belief, faith and worship;

EQUALITY of status and of opportunity; and to promote among them all

FRATERNITY assuring the dignity of the individual and the [2]unity and integrity of the Nation;

IN OUR CONSTITUENT ASSEMBLY this twenty-sixth day of November, 1949, do **HEREBY ADOPT, ENACT AND GIVE TO OURSELVES THIS CONSTITUTION.**

---

1. Subs. by the Constitution (Forty-Second Amendment) Act, 1976, sec. 2, for "Sovereign Democratic Republic" (w.e.f. 3.1.1977)
2. Subs. by the Constitution (Forty-Second Amendment) Act, 1976, sec. 2, for "unity of the Nation" (w.e.f. 3.1.1977)

THE CONSTITUTION OF INDIA

Chapter IV A

FUNDAMENTAL DUTIES

ARTICLE 51A

Fundamental Duties - It shall be the duty of every citizen of India-

(a) to abide by the Constitution and respect its ideals and institutions, the National Flag and the National Anthem;

(b) to cherish and follow the noble ideals which inspired our national struggle for freedom;

(c) to uphold and protect the sovereignty, unity and integrity of India;

(d) to defend the country and render national service when called upon to do so;

(e) to promote harmony and the spirit of common brotherhood amongst all the people of India transcending religious, linguistic and regional or sectional diversities; to renounce practices derogatory to the dignity of women;

(f) to value and preserve the rich heritage of our composite culture;

(g) to protect and improve the natural environment including forests, lakes, rivers, wild life and to have compassion for living creatures;

(h) to develop the scientific temper, humanism and the spirit of inquiry and reform;

(i) to safeguard public property and to abjure violence;

(j) to strive towards excellence in all spheres of individual and collective activity so that the nation constantly rises to higher levels of endeavour and achievement;

(k) who is a parent or guardian to provide opportunities for education to his/her child or, as the case may be, ward between age of 6 and 14 years.

---

1. Subs. by the Constitution (Eighty - Sixth Amendment) Act, 2002

PREFACE

The CBSE's Financial Education curriculum for Classes VI-X, is marked by its strong dynamism, continuous evolution and development. The curriculum has been developed by adopting a functional approach. In the current climate of psychological, social and economic changes, society is influenced by explosive knowledge creation and exponential technology growth.

Financial education is needed to improve our understanding of basic financial concepts and how to use them in our daily life. We need to know about various financial products and to become more aware of financial risks and opportunities to enable each one of us to make informed choices, and in return we can improve our financial well-being.

The vision of financial education is that it could enable students, at their level of need, to understand the role of money in their life, the need for and use of savings, the advantages of using the formal financial sector and the various options to convert their savings into investments, protection through insurance and a realistic recognition of the attributes of these options.

This financial education will help us learn more about the importance and advantages of savings, the importance of staying out of unproductive loans that are beyond our capacity to repay, borrowing from the formal financial sector, the concept of interest and the power of compounding, the time value of money, inflation, the need to insure, the role of major financial sector institutions such as ministries, regulators, banks, stock exchanges and insurance companies and basic concepts about the relation between risks and rewards.

Through this we can help ourselves and others in managing money more effectively by accessing the appropriate financial products and services provided by various financial regulators.

Financial education will help especially those who are financially excluded at present.

The objective of this workbook is to create awareness and educate students on access to financial services, the availability of various types of products and their features and to make students understand their rights and responsibilities as clients of financial services.

Teachers handling the course need to inform themselves regarding the effective use of course content, teaching methodology, management of group work and independent individual work, management of large classes, appropriate use of assessment tools, grading and record-keeping to benefit their students.

We would like to thank the stakeholders - the Reserve Bank of India, Securities and Exchange Board of India. The Insurance Regulatory and Development Authority of India and the Pension Fund Regulatory and Development Authority - for taking the time and effort to develop these books.

The development of this book would never have been possible but for the sincere effort, devotion and leadership of Ms. Sugandh Sharma, Additional Director (Research & Innovation), CBSE and Mr Sandeep Sethi, Education Officer with his team. Any further suggestions are welcome and will be incorporated in the future editions.

Acknowledgements

ADVISORY BODY

Mr. Y.S.K. Seshu Kumar, Chairman, CBSE
Ms. Sugandh Sharma, Additional Director (Research & Innovation), CBSE
Mr. D.T. Sudarshan Rao, Joint Secretary & Incharge (Academics & Training), CBSE

NCFE ADVISORY BODY

Shri Sandip Ghose, Director, NISM
Shri G. P. Garg, Registrar, NISM & Head, NCFE
Shri Gyan Bhushan, ED, SEBI
Shri A. G. Das, CGM, PFRDA
Shri T V Rao, GM, RBI
Ms. KGPL Ramadevi, Dy. Director, IRDAI
Dr. Minoo Nandrajog, Professor, NCERT
Shri Sandeep Sethi, Education Officer, CBSE
Ms. Poonam Sodhi, Deputy Secretary, CISCE

MONITORING AND EDITING BOARD

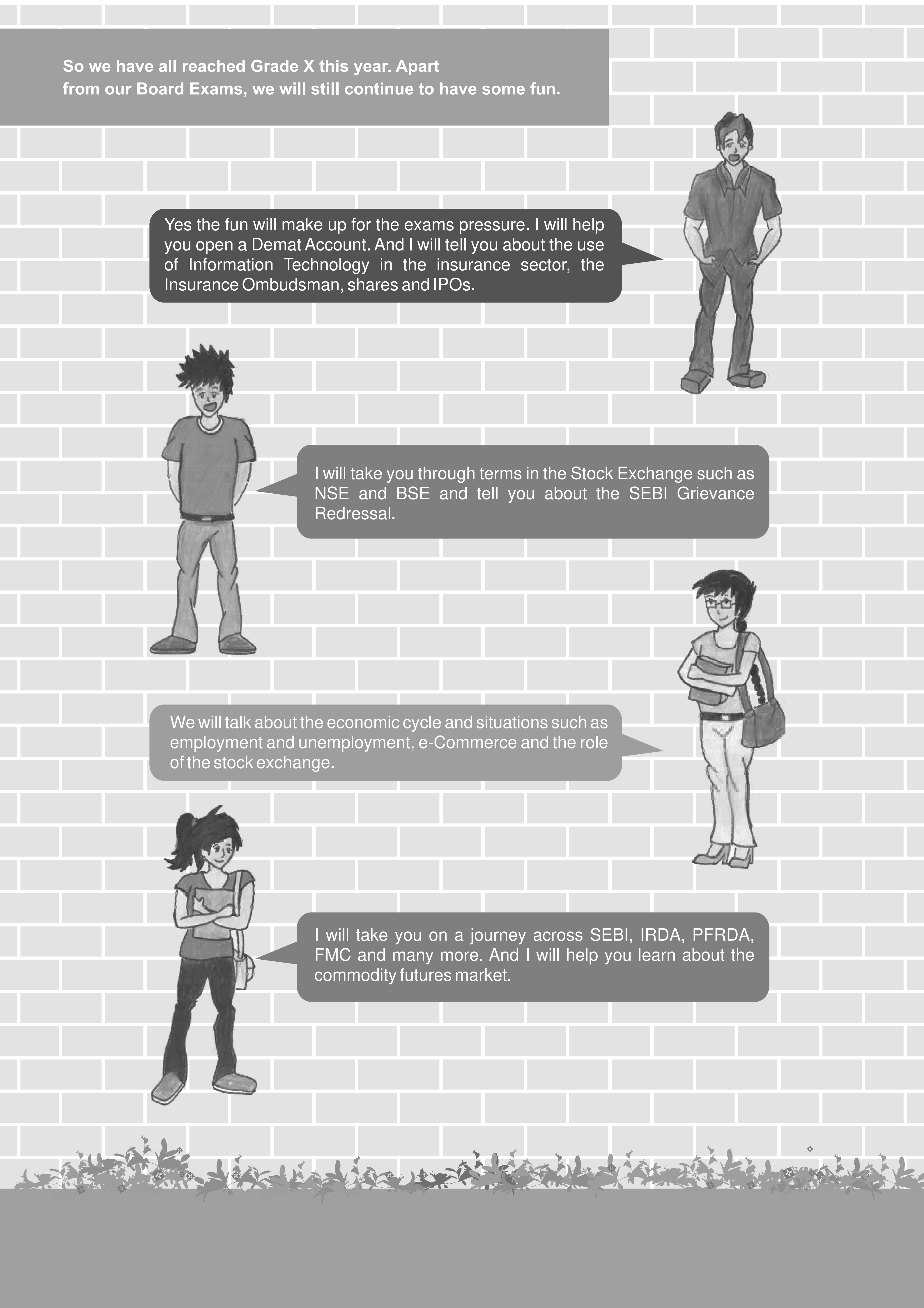
Ms. Sharmila Raheja
Dr. Parul Pathak
Ms. Disha Grover
Mr. Shrey Raheja
Ms. Sareena P. U.
Ms. Reshu Singhal
Ms. Sowdhamani Arvind
Mr. Sandeep K Biswal
Ms. Renu Anand

GROUP OF SCHOOLS (Material Production)

Cambridge School, Ghaziabad
Delhi Public School, Ghaziabad
Delhi Public School, Indirapuram, Ghaziabad
Delhi Public School, Mathura Road, Delhi
Delhi Public School, Srinagar
Delhi Public School, Vasundhara, Ghaziabad
DLF Public School, Ghaziabad
Gurukul The School, Ghaziabad
Kesari Devi Bajaj Public School, Ghaziabad
Modern School, Barakhamba Road, Delhi
N.H. Goel World School, Chhattisgarh
Sanskriti School, Delhi
Seth Anandram Jaipuria, Ghaziabad
Shiv Nadar School, Noida
Uttam School for Girls, Ghaziabad

Concept and Design by : Jeetendrakumar Solanki, NISM
Poem : Tanessa Puri, R.N. Poddar School, Mumbai
Caricatures : Madhav Gupta, Bal Bharti School, Rohini, Delhi
Script : Maharaja Sawai Man Singh Vidyalaya, Jaipur
Crosswords, Jumbled Words, MCQ's : Reshu Singhal, Adnan Kohli, Sadiq Wazir, Riya Bhuyan, Divya Aggarwal, Veni Gupta, Mayank Pugalia, Satvik Bhatt, Aman Surana, Sanket Sharma and Yatharth Sreedharan

Index


So we have all reached Grade X this year. Apart from our Board Exams, we will still continue to have some fun.
Yes the fun will make up for the exams pressure. I will help you open a Demat Account. And I will tell you about the use of Information Technology in the insurance sector, the Insurance Ombudsman, shares and IPOs.
I will take you through terms in the Stock Exchange such as NSE and BSE and tell you about the SEBI Grievance Redressal.
We will talk about the economic cycle and situations such as employment and unemployment, e-Commerce and the role of the stock exchange.
I will take you on a journey across SEBI, IRDA, PFRDA, FMC and many more. And I will help you learn about the commodity futures market.

Shadows of Financial Management

And there all markets are flooded with dot - com booms
Seems like the economic slump brought some gloom
Equity shares, face value and stock exchange
Important terms for once we shall arrange.

Into the categories of e-Commerce, we shall dive
The role of the stock exchange shall bring the class alive
What is it that provokes every economy to strive?
Is it officials- hundreds or five?
Or is it the ability to connive?

Studying shares of companies and with Demat accounts to open
By then, all our wrong notions about financial education would be broken

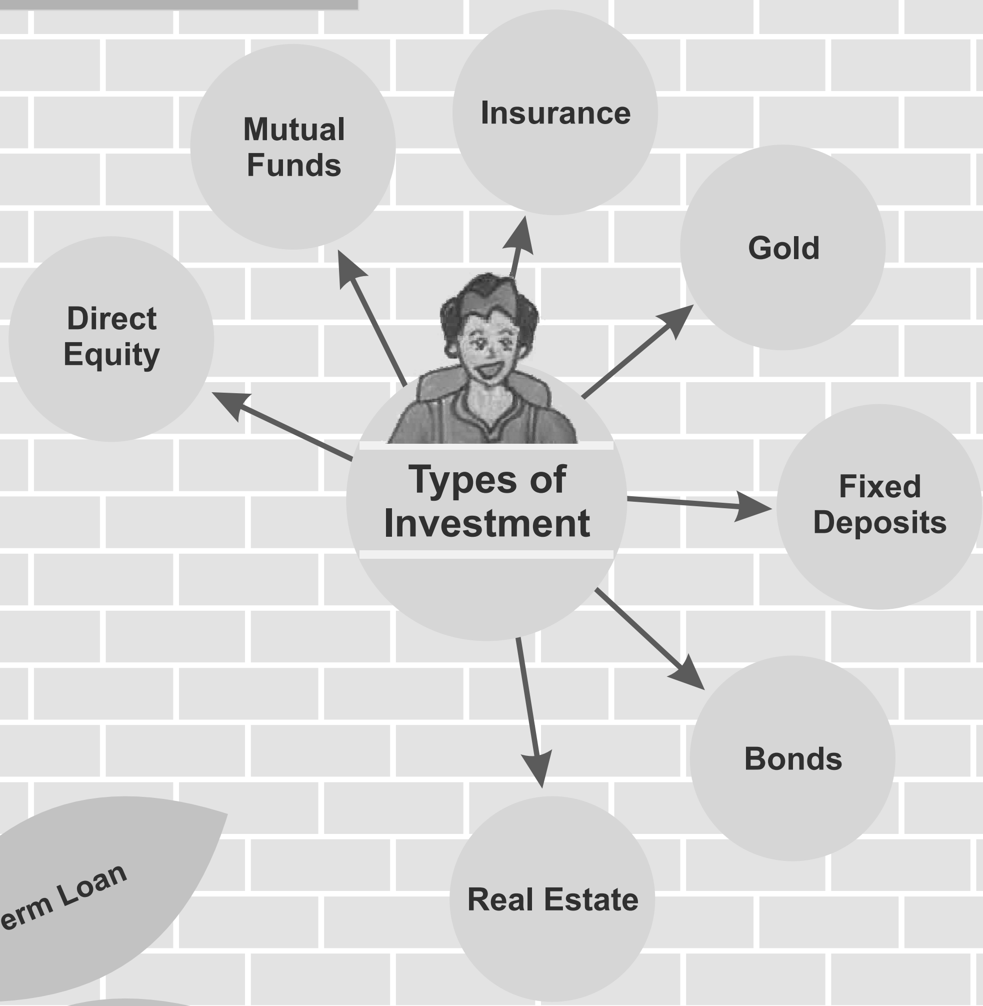
Current and Demat accounts and their difference
What we take home from class is our personal inference
Asking questions and conquering any hindrance

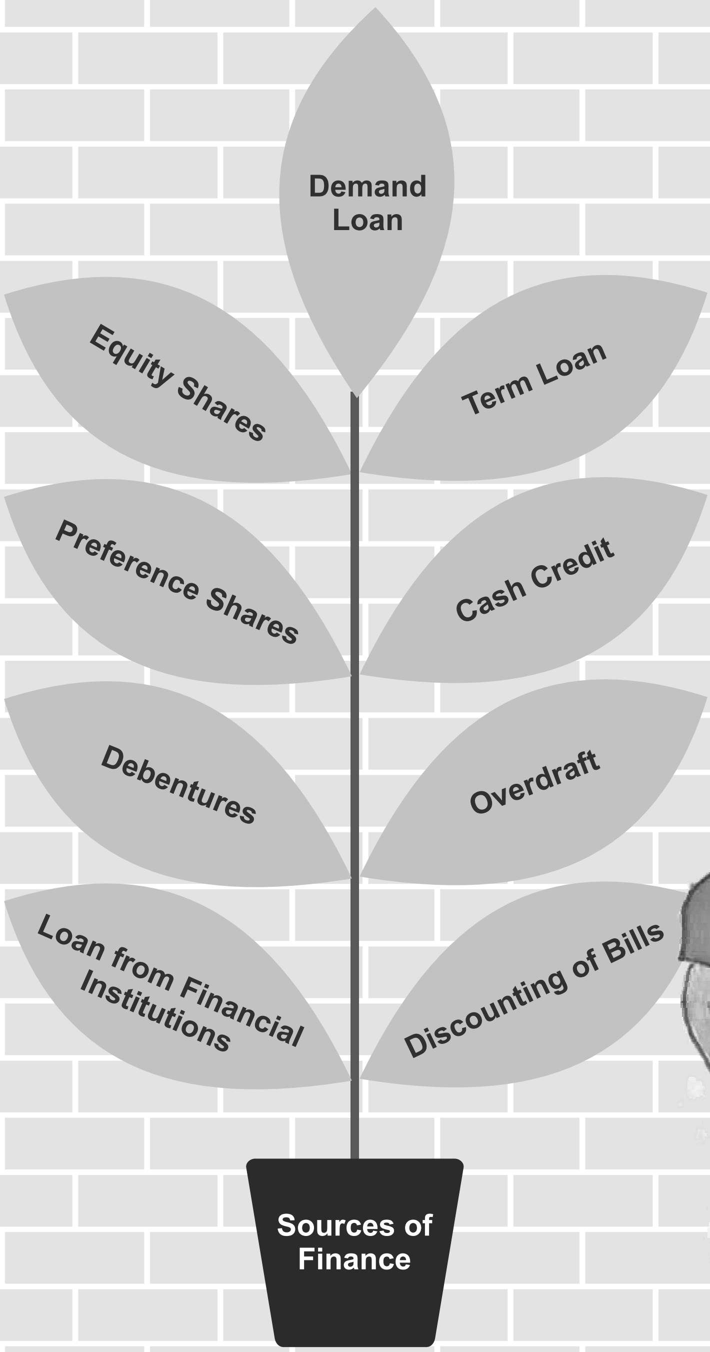
For financial freedom we all undoubtedly crave
And the lessons of this book we shall have to save
Because one day when we all grow up to become big and brave
We all want to be smart with our millions and not someone's slave

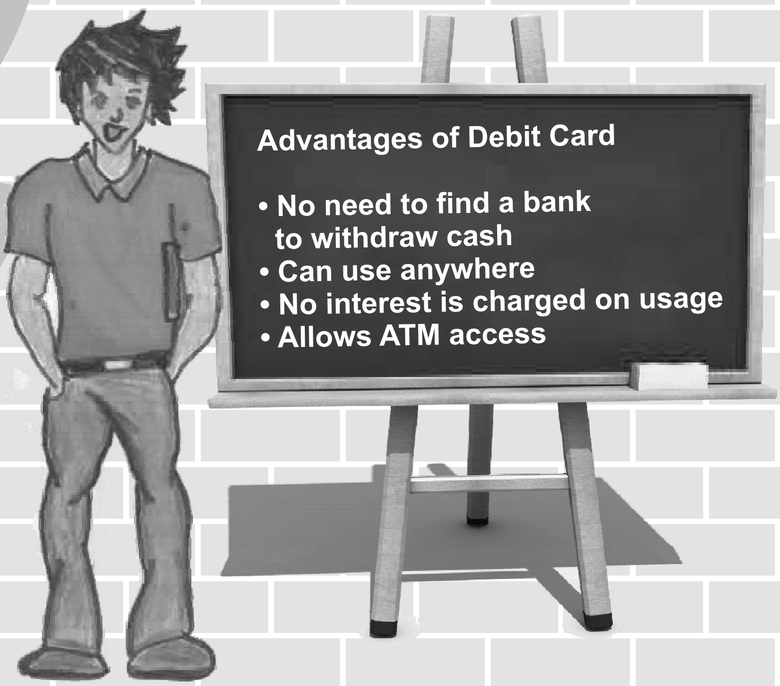
The world is expanding, growing and glowing
Let's find out, at this pace, when we can get going
Because soon it'll be time for us to tell the world
all that we will soon be knowing.

Business Cycle
Portfolio
Demat Account
E-commerce
Employment

Class IX Review



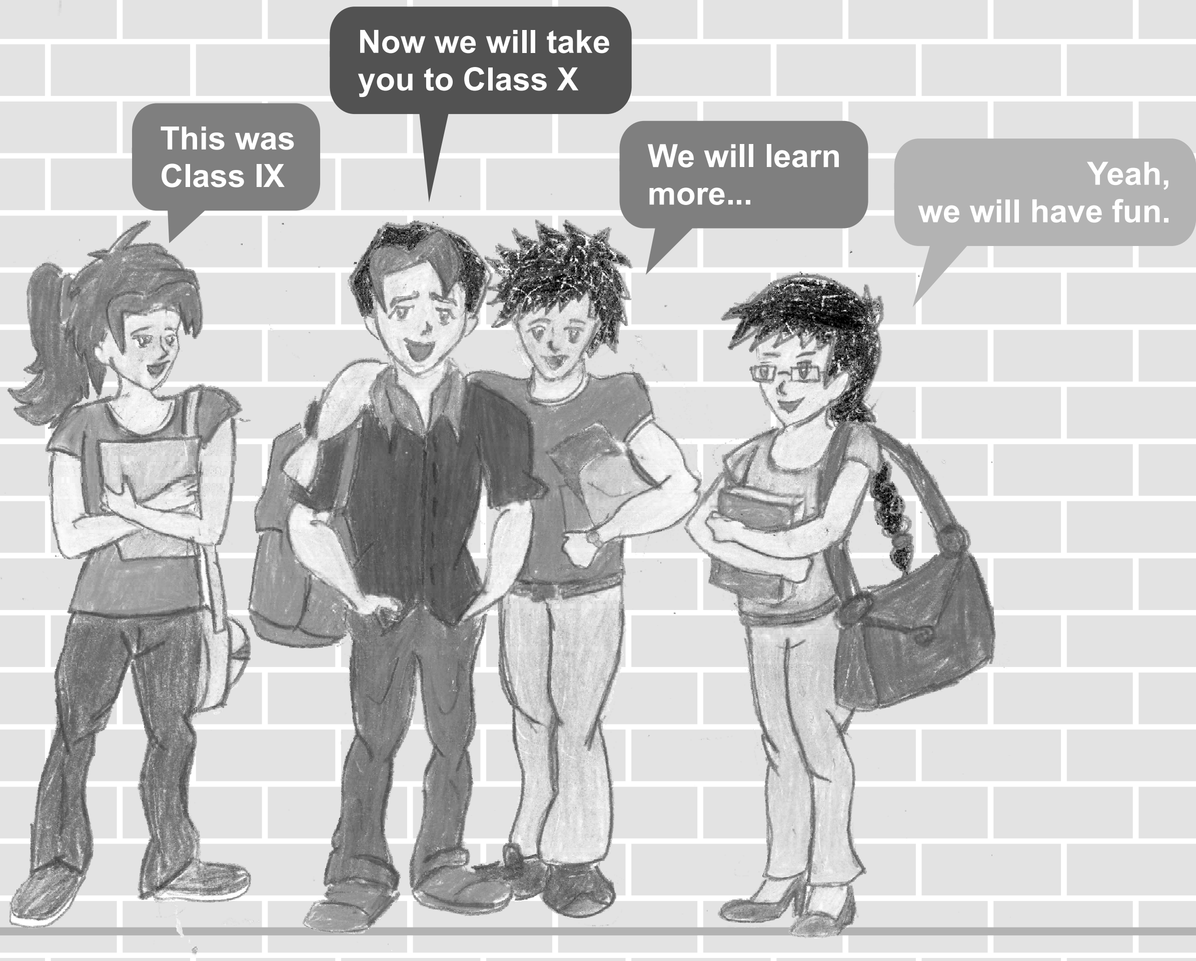





Financial Protection
Against Natural Disasters
• Protection for individuals
• Protection for households and business infrastructure
• Public Liability coverage
• Protection for crops & livestock


Functions
• Issuer of Currency
• Banker to the government
• Banker to banks
• Controller of credit and money supply
• Regulator & Supervisor of the bank


Types of Loans
Home Loan
Personal Loan
Vehicle Loan
Education Loan
Gold Loan
Agriculture Loan
Business Loan


This was Class IX
Now we will take you to Class X
We will learn more...
Yeah, we will have fun.

Part I: Electronic Commerce (e–Commerce)

The 'Dot Com' Boom!

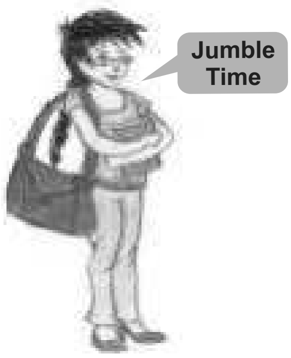
With a lot of expectations, Yash goes to a bookshop and asks about a novel that he wants to read. The sales person tells him that the book is out of stock. On asking where he can get a copy of the novel, Yash finds out that he can buy the novel online, too! He goes home, logs on to his computer, connects to the Internet, accesses an online bookstore website and buys the noval for ₹ 250 plus ₹ 40 delivery charge. Yash pays with his credit card and is told his book will be delivered in 3–5 days. This encourages him to find out more about e-commerce.

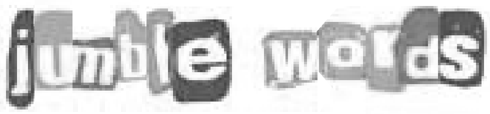
e-Commerce is a type of business model, or part of a larger business model, that enables a firm or individual to conduct business over an electronic network, typically the Internet. It is a more advanced form of mail order purchasing through a catalogue. Almost any product or service can be offered via e-commerce, from books and music to financial services and plane tickets.

Some of the goods and services available:
- Retail stores such as bookstores, music stores and toy stores . See www.bookadda.com.
- Auction sites through which an individual buyer and seller can buy or sell goods online. See www.ebay.in
- Banks customers can access their accounts online, make deposits and payments and find the balance in their account.
- Railways/Airlines/Cinema theatres allow you to book tickets on-line and pay for them on-line using a credit card or electronic cash. See www.irctc.co.in

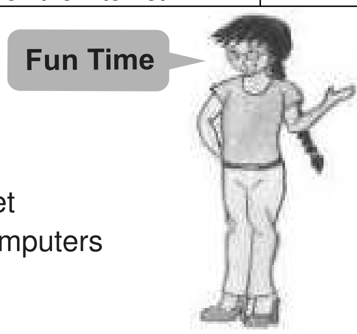
True/False

1) e-commerce is a segment of the mail order business.__________
2) e-commerce enables a firm or individual to conduct business over on electronic network, typically the Internet.________
3) Plane tickets cannot be bought via e-commerce.___________





Jumbled Words	Clue	Solution
owBers	To look through	
Sechar	To look for something	
nneOli	Connected to the Internet	
tLoeac	To find something	
eitS	A place on the Internet	
wdKorey	Use this to help find something on the Internet	



1) By Electronic Commerce we mean:
   1) commerce of electronic goods
   2) commerce that depends on electronics
   3) commerce that is based on the use of the Internet
   4) commerce that is based on transaction using computers connected by telecommunication network.

2) Which one of the following is not an e–commerce activity?
   1) An individual buys a book on the Internet.
   2) A bookstore employee downloads a digital copy of the book and prints it along with cover
   3) An individual reserves a hotel room over the Internet.
   4) An individual transfers funds to a supplier through RTGS.

Part II:
Beware! (e–Commerce)

E–commerce has provided consumers a convenient way to shop in terms of effort and time. Most things are now available on the Internet and so anyone can hunt for the items they want by exploring web pages. When they find what they want, they can pay with a debit / credit card.

However, certain software and devices can quickly acquire the details of your credit/debit card. This information can be misused and lead to a huge bill. You should take precautions while making transactions online.

1. Use a credit card with a very low borrowing limit for transacting business online.
2. Be aware of spam. Spam is unsolicited, bulk business emails.
3. Choose an online shopping web site that displays the complete information about their business, such as the street address as well as phone number.
4. Always read the policy before shopping at a site. Some policies say that your data will be shared, which infringes your privacy.
5. Check that there is a lock icon in the status bar and select websites that started with "https:". These sites have a secure server.
6. Keep records of all your online transactions.
7. A lot of Internet sites make false claims. Do your research and verify if those claims are correct.

Advisory
To protect yourself from fraudulent use of your ATM/debit card and Internet banking, take the following precautions:

ATM Withdrawals:
1. While making an ATM withdrawal, look out for suspicious devices around the ATM. This may lead to data leakages.
2. If there is only one AM machine installed in the room, do not allow anybody into the room, while you are making your transaction.
3. Block the view of the number pad, so that nobody can see your ATM PIN.
4. If your card gets stuck in the machine, inform the guard on duty. Do not get help from, strangers.

E–commerce/POS transactions using ATM/Debit card and Internet banking

1. While making transactions at a merchant establishment (POS), keep your eyes on the person swiping the card. If the merchant asks for your PIN, enter the PIN yourself.
2. Avoid public computers like cyber-cafes for e–commerce transactions/ Internet banking.
3. Update your PC with the latest antivirus, anti–malware, personal firewall etc.
4. Do not respond to any email asking for your account credentials like card number, validity, PIN and expiry date. The bank does not ask customers for their account credentials.
5. Do not respond to emails/calls stating you have won a lottery.
6. Erase the CVV number on back of the card and memorise it or store it in a safe place.
7. Do not use phone banking unless your phone device is secure.

Financial Regulatory Bodies In India

The financial system in India is regulated by independent regulators in the areas of banking, insurance, capital market, commodities market, and pension funds. However, the Government of India plays a significant role in guiding the financial system in India and influences the roles of such regulators to some extent.

The following are five major financial regulatory bodies in India:-

- Reserve Bank of India (RBI) : The Reserve Bank of India is the apex monetary and banking Institution of India. It is also the central bank of the country. It was established on 1st April 1935 during the British Raj in accordance with the provision of the Reserve Bank of India Act, 1934. Initially it was constituted as a private shareholders' bank. It was nationalised on 1st January 1949 and is fully owned by the Government of India.

  The general direction and superintendence of the RBI is entrusted with the Central Board of Directors headed by the Governor of the RBI. The central board is supported by four local boards at Delhi, Kolkata, Chennai and Mumbai. The Central Office of the Reserve Bank was initially established in Calcutta but was permanently moved to Mumbai in 1937. The Central Office is where the Governor sits and where policies are formulated.

- Securities and Exchange Board of India (SEBI) : The Securities and Exchange Board of India (SEBI) was first established in 1988 as an administrative body. It became an autonomous statutory body on 12 April,1992 as per the provisions of the SEBI Act,1992. SEBI has been established with the prime mandate to protect the interests of investors in the securities market. It is also mandated to promote the development of, and to regulate the securities market. The head office of SEBI is located at Mumbai.

- The Insurance Regulatory and Development Authority of India (IRDAI) is a statutory body which is mandated to regulate and develop the insurance sector in India. It is established as per the provisions of the IRDAI Act, 1999. Its head office is located at Hyderabad

- Pension Fund Regulatory and Development Authority (PFRDA) was established by the Government of India on 23rd August 2003. The government has, through an executive order dated 10th October 2003, mandated the PFRDA to act as a regulator for the pension sector. The mandate of the PFRDA is development and regulation of the pension sector in India. It has been accorded statutory status as per the provision of the PFRDA Act, 2013. Its head office is located at New Delhi.

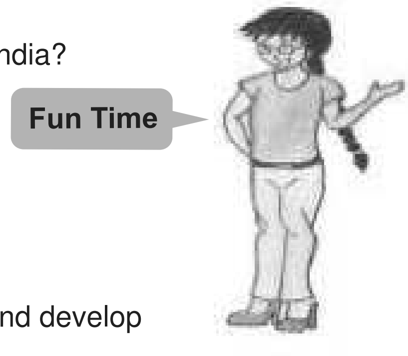
- Forward Market Commission India (FMC) : The Forward Markets Commission is a regulatory authority overseen by the Ministry of Finance (MoF). It is a statutory body set up in 1953 under the provisions of the Forward Contract (Regulation) Act, 1952. The FMC provides regulatory oversight in order to ensure financial integrity and market integrity and to protect and promote the interest of investors in commodities derivative. The head office of the FMC is located at Mumbai.

True/False

1) While transacting online, you should use a credit card with a very high borrowing limit.________
2) One should avoid online shopping websites that display the complete data about their business.________
3) One should always look at a policy before shopping there.________
4) There are lots of Internet sites that make false claims.________

jumble words

Jumbled Words	Clue	Solution
ecemrmoce	Business conducted over an electronic network.	
renitent	Global system of interconnected computers.	



1) Which one of the following is not a financial regulatory body in India?
   a) SEBI b) RBI
   c) SBI d) IRDAI

2) SEBI was established in _____ as an administrative body.
   a) 1998 b) 1988
   c) 1990 d) 1992

3) ___________ is a statutory body that is mandated to regulate and develop the insurance sector in India.
   a) PFRDA b) IRDAI
   c) SEBI d) RBI

4) _________ acts as a regulator for the pension sector.
   a) PFRDA b) IRDAI
   c) SEBI d) RBI

5) _____________ is a regulatory authority overseen by the Ministry of Finance.
   a) PFRDA b) IRDAI
   c) SEBI d) FMC

6) The RBI was nationalised in ______.
   a) 1947 b) 1950
   c) 1949 d) 2000

7) The superintendence of the RBI is entrusted to:-
   a) the Governor of the Reserve Bank of India b) the President of India
   c) the Government of India d) the Prime Minister of India

8) The central office of the RBI is located in:-
   a) Kolkata b) Mumbai
   c) Delhi d) Jaipur

Part I: Information Technology in the Insurance Sector

Quality of service is essential for manufacturers to demonstrate the value of their product, and insurance is no exception. Insurance is a financial service where token amounts of money are collected for providing risk coverage through an insurance contract. Customers recognise the value of such an intangible service not only at the poinht of sale but also when the service is delivered and throughout the duration of the policy contract. The electronic, telecom and cyber platforms (ETC) have changed the dynamics of commerce and industry. After the financial sector was liberalised, the banking industry moved briskly towards e-commerce, offering paper-less service to its customers. The pan-Indian network of (ATMs) and core banking solutions that integrate all core banking operations, such as recording of transactions, passbook maintenance, interest calculations on loans and deposits, customer records, balance of payments and withdrawals have made people forget the long queues during the pre-liberalisation banking era. When the insurance sector was opened up, the importance of IT for increasing insurance penetration was recognised by all the stakeholders starting with the regulator.

The Regulatory Mandate

The policy-makers at the time when the insurance sector was opened up showed considerable foresight by enabling the integration of IT while formulating the regulatory framework. From its early days, the Insurance Regulatory and Development Authority of India (IRDAI) has not only recognised the importance of IT for supporting sales, operations and services, but also pioneered the concept of using call centres for customer service.

The IRDAI anticipated the innovative marketing strategies being brought in to the country by private insurance companies and has to balance the twin objectives of its Mission statement:
I) protecting the interests of policyholders and
ii) ensuring the orderly growth of the insurance sector.

Through its various Regulations, the regulator has notified the do’s & don'ts for various stages of the insurance business starting from advertising of products up to handling the policyholder’s grievances. Recognising the importance of advertising on the Internet, the IRDA (Insurance Advertisements) Regulations, 2000 state that :
I) every insurer or intermediary's website or portal shall include disclosure statements which outline the site's specific policies vis-à-vis the privacy of personal information for the protection of both their own business and the consumers they serve;
ii) and display their registration/licence number on their website.

New channels of insurance distribution

Private insurance companies have brought global practices of consumer centric approaches and innovative forms of distribution, such as tele-marketing and using Internet channels, which are the cheapest and the best way to reach the diverse population of the country. Simultaneously, the manner of premium payments included all forms of money including paperless money, such as bank transfers, credit card/debit card, Internet and e-transfer. Besides having robust IT systems in place to serve customers in an efficient and effective manner, insurers started soliciting business directly using these alternative forms of ETC channels as a way to reduce the cost of commissions to traditional intermediaries.

Market - driven Interventions

The insurance industry has also seen the growth of IT adoption in various fields such as automation of agency licensing process and on line examinations for insurance qualifications. The Insurance Information Bureau (IIB), promoted by the IRDA, provides a bundle of services related to motor insurance to multiple stakeholders such as the public, police, transport departments and insurers through its service package called V - Seva. The services are provided through call centres, SMS and the Internet and provide information on the insurance status of the vehicle, stolen vehicles, ownership of recovered vehicles, accident record etc. One can find out the insurance status of a vehicle that caused an accident by furnishing basic information about the registration number of vehicle and identity details of the person using the web portal of the IIB.

Supply - side benefits to the policyholder

New Products

Using the latest technology and weather mapping data, insurers have developed innovative insurance policies such as weather insurance, which covers crops and is the requirement of rural India. The rainfall index is created by assigning weights to critical time periods of crop growth. Past weather data is mapped on to this index to arrive at a normal threshold index. The actual weather data is then mapped to the index to arrive at the actual index level. If there is a material deviation between the normal index and the actual index, compensation is paid to the insured on the basis of a pre-agreed formula.

Price

When the client purchases a policy using the Internet, the insurer need not pay any commission to the traditional agent and this reduces the price of the policy. With the lower premium against the given Sum Assured, customers can buy life cover with higher coverage at the click of a mouse.

Place

The Internet has changed the definition of place. Sitting in any corner of the world, one can pay their life insurance premium online. Travel insurance can be purchased at an airport kiosk. One can renew their motor insurance sitting at home through the Internet. So, in a way, the Internet has removed the barriers of geography. However, the regulatory guidelines stipulate that for policies issued in electronic form, the terms and conditions of the policies need to be drafted in simple and plain language.

People

Insurance is a complex subject that needs to be explained in a clear and simple way for the busy common man today. The people working in the back office at the call centre have to be trained to provide the correct information. There is also tying and bundling of insurance by some service providers such as travel agents who offer travel insurance and car dealers who offer car insurance. They use e-mail, telephone and the Internet to offer sales and to track the policy status, renewal of policies, etc.

Process

Speed and accuracy of service delivery are the hallmarks of customer - friendly processes. The introduction of cashless form of claim settlement in health insurance policies is one reason for the growing popularity of health insurance. Since there are integrated systems in place at the end of the health care provider, the insurer and the third-party administrator, the policyholder is able to avail of the cashless facility in network hospitals in less than 24 hours, which shows the efficiency of the processes. In fact, all three components of ETC are used by the third-party administrator (or insurers where they do not have a TPA) in a well-knit manner to give the policyholder a WOW experience.

Promotion

- Web aggregators: To promote on-line sales, several websites have emerged as a tool for generating insurance leads. Some of them started getting data from insurers to enable buyers to compare the products on-line. In an attempt to bring credibility to the information provided by such players, licensed web aggregators are introduced into the market to compile and provide information about the insurance policies of various companies on a website in a responsible manner. These entities maintain the website, provide information on insurance products, carry out price comparisons of the products of different insurers and offer leads to the insurer/intermediary.

- **SMS technology:** India is the second-largest mobile phone user in the world, with over 900 million users. Recognising the potential to reach out to people and look into the problems associated with the marketing of Unit Linked Insurance Policies (ULIPs), the IRDAI has introduced a mobile application through which one can compare the features of ULIPs such as premiums and benefits. By accessing the website www.m.irda.gov.in with any mobile device, the user can get real-time access to the IRDAI repository of ULIPs where one can view and select various ULIP policies and compare their features.

Storage of insurance policies in electronic form

The tangible element of insurance services is the Policy Bond. The Insurance Repository system will enable policyholders to buy and keep insurance policies in dematerialised or electronic form (e-Policies). e-Policies will eliminate paper and the associated risks of storage and loss and provide convenience and safety to the customer. It will also make it an economical preposition for Insurance companies to issue and service e-policies compared with traditional paper policies. This reduced cost will make lower ticket policies much more viable and is expected to give a further boost to the penetration of insurance in India. The e-Policy helps to:

- Maintain, store and retrieve of policies and the information in them
- Make modifications with speed and accuracy
- Increase efficiency and transparency
- Reduce the cost of issuing and maintaining insurance policies.

By having an “e-Insurance Account”, it may be possible for the policyholder to do away with the multiple documents needed to comply with the KYC requirements of various insurers.

Demand-side interventions for the policyholder

Handling of grievances

Grievance redressal is an important component of policyholder protection. The Integrated Grievance Management System (IGMS) offers an on line system to register the complaints of the policyholder and to track their status on a real-time basis. The complaints registered through IGMS will flow simultaneously to the insurer’s system and the IRDAI repository and any status updates will automatically get mirrored at the IRDAI repository.

The IRDAI call centre is an additional channel for lodging complaints over the phone or via e-mail which automatically flows through IGMS. The call centre also educates policyholders about the grievance redressal mechanism, such as the Insurance Ombudsman etc.

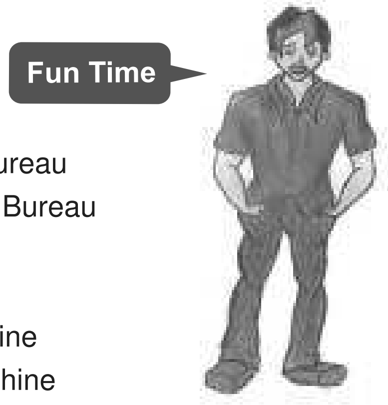
Insurance Education

Harnessing the power of the Internet to educate consumers, the regulator has launched an exclusive consumer education website (www.policyholder.gov.in) that is a one-point reference for anyone who wants to know more about general insurance. This website has self-explanatory menus and gives information in simple language on topics such as:

- Buying insurance
- Making a claim
- Policyholder Protection and Grievance Redressal.

It also contains handbooks on some popular insurance subjects in 13 languages, including English and Hindi. These handbooks provide useful information on buying insurance, standard claim procedures/documentations, Do’s and Don'ts for a policyholder, FAQs, etc. The handbooks, comic series on insurance subjects, Consumer Affairs annual booklets and other documents are available in pdf format, which can be easily downloaded.

From the consumers’ perspective, all available resources must converge to create a damand for financial services. The Internet in India is still pre-dominantly in English and content has to be accessible in local languages for wider reach. According to a joint research report by Wipro Technologies and the Internet and Mobile Association of India (IAMAI), the mobile value added service market will reach $9.5 billion by 2015 from $ 4.9 billion in 2012. The report indicates that by service category, nearly 47% of users avail of education information and services through the Internet on their mobile phones. The growth so far has been incremental and there is need to re-engineer the business processes and combine various systems and channels to reap the benefits of technology so that affordable financial services / insurance solutions can be brought to the doorstep of millions of Indians who do not have access to formal financial services.



1) IIB stands for:-
   a) Insurance Information Bag
   b) Internet Information Bureau
   c) Insurance Introduction Bureau
   d) Insurance Information Bureau

2) ATM stands for:-
   a) Automated Teller Money
   b) Automatic Teller Machine
   c) Automated Teller Machine
   d) Automatic Transit Machine

3) The Insurance Regularity and Development Authority has not only recognised the importance of IT for supporting, sales, operations and services, but also pioneered the concept of using ________ for customer service.
   a) service centres
   b) call centres
   c) customer centres
   d) help desk

4) The importance of advertising on the Internet is mentioned under
   a) IRDA Regulations 2000
   b) IRDA Regulations 2002
   c) IRDA Regulations 2004
   d) IRDA Regulations 2006

5) ________________ is a financial service where token amounts of money are collected for providing risk coverage through a contract.
   a) Pension
   b) Mediclaim policy
   c) Insurance
   d) Bank contract

6) ________________ will enable policy holders to buy and keep insurance policies in electronic form.
   a) Insurance Repository System
   b) Insurance Depository system
   c) Insurance sector
   d) Insurance Demat Account

7) ________________ offers an online system to register the complaints of the policyholder and to track their status on a real-time basis.
   a) IGMS
   b) IPMS
   c) SCORES
   d) RPG

8) The ______________ provides an additional channel for lodging complaints over the phone or email, which automatically flows through IGMS.
   a) IGMS call centre
   b) IGMS service centre
   c) IGMS redressal forum
   b) IRDA call centre

Part II: Insurance Ombudsman

The Insurance Ombudsman scheme was created by the Government of India for individual policyholders to have their complaints settled out of the court system in a cost-effective, efficient and impartial way. The Redressal of Public Grievances Rules 1998 (RPG Rules) contain provisions for the appointment and office term, etc of the Insurance Ombudsman and include stipulations about staffing and administration of the Ombudsman Centre, the powers of the Ombudsman, the manner of lodging complaints and the disposal of complaints by the Ombudsman either by way of Recommendation or Award.

There are 12 Ombudsman Centres, covering the country, established in Ahmedabad, Bhopal, Bhubaneswar, Chandigarh, Chennai, Delhi, Guwahati, Hyderabad, Kochi, Kolkata, Lucknow and Mumbai. Five more locations have been identified by the Governing Body of Insurance Council (GBIC), which was established to set-up and facilitate the Institution of Insurance Ombudsman in India under Redressal of Public Grievances Rules, 1998.

One can approach the Insurance Ombudsman having jurisdiction over the location of the insurance company office where the complaint was originally filed if:

- Insurance company does not resolve the complaint after approaching them.
- The complaint is not resolved to the satisfaction of policyholder or
- If the insurer has not responded at all for 30 days.

The complaint to the Ombudsman can be about:

- Any partial or total repudiation of claims by an insurer.
- Any dispute about premium paid or payable in terms of the policy.
- Any dispute on the legal construction of the policies as far as it relates to claims.
- Delay in the settlement of claims.
- Non-issue of any insurance document to you after you pay your premium.

The complaint can pertain to any policy taken in the capacity as an individual and the value of the claim including expenses claimed shall not be above ₹ 20 lakh.

The settlement process

The Ombudsman acts as counsellor and mediator recommending the full and final settlement to the company which should comply within 15 days. If a settlement by recommendation does not work, the Ombudsman will pass an award within 3 months of receiving the complaint with the detailed reasoning, which is binding on the insurance company but not binding on the policyholder. The Ombudsman can also award an *ex-gratia* payment.

Once the Award is passed, the insurance company has to comply with the award within 15 days. The Insurance Regulatory and Development Authority of India (IRDAI) does not act as an Appellate Authority on the decisions of the Insurance Ombudsmen. However, the complainant has no obligation to accept the decision of the Insurance Ombudsman and has the option to approach the Consumer Forum for disposal under the Consumer Protection Act, 1986 or the Court.

True/False

1) The electronic, telecom and cyber platforms (ETC) have changed the dynamics of commerce and industry.________
2) E-commerce provides paper-less services to the customer.________
3) When the client purchases a policy using the internet, the insurer need not to pay a commission to the traditional agent and this reduces the price of the policy.________

Fun Time

1) ______________ Rules 1998 contain provisions for the appointment and office term, etc. of the Insurance Ombudsman.
   a) Redressal of Public Grievances
   b) Redressal of Security Exchange
   c) Insurance Public Grievances
   d) Ombudsman Grievances Cell

2) The _________ is the governing body established to set-up and facilitate the institution of Insurance Ombudsman in India under RPG Rules, 1998.
   a) NSIC
   b) GBIC
   c) NSIM
   d) UPSC

3) The ______________ scheme was created by the government of India for individual policyholders to get their complaints settled out of the court in a cost-effective, efficient and impartial way.
   a) Insurance Ombudsman
   b) Insurance Agent
   c) Redressal of Public Grievances
   d) Insurance Public Grievances

Commodity Futures Market

A market is a place where the forces of demand and supply operate, and where buyers and sellers interact (directly or through intermediaries) to trade goods, services, contracts or instrument, for money.

The commodities market has two segments. The first is where goods/ commodities are traded directly between buyers and sellers. This market is usually popular for trading in agricultural commodities and is known as the mandi / spot market or ready market in India. These markets are established and regulated by the State Government.

The other segment of the commodities market is the forward market where buyers and sellers enter into contracts. Contracts are of two types: Ready delivery contracts and forward contracts. A ready delivery contract provides for the delivery of goods and the payment there of, either immediately or within a period not exceeding 11 days after the date of the contract. A forward contract is a contract for delivery of goods and payment of price after a period of 11 days. Forward contracts are regulated by the Central Government under the Forward Contracts (Regulations) Act, 1952.

The Rationale for Forward Contracts

The demand and supply of agricultural commodities varies according to the seasons. The farmer usually finds that the price of the commodities he produces is at the lowest soon after the harvest because supplies are abundant and prices are high during lean season when supplies are low. This fluctuation in the prices of commodities adversely affects the farmers (as they realise lower prices of their produce in the harvest season) and consumers (as they have to pay higher prices in the lean season). Forward contracts provide a market mechanism to balance this imbalance of the supply demand pattern of agricultural commodities.

Types of forward contracts

A forward contract is a derivative contract. A derivative contract is an enforceable agreement whose value is derived from the value of an underlying asset. The underlying asset can be a commodity, currency, bond or stock, or indices of commodities, stocks etc. A futures contract (or hedge contract) is one type of forward contract, which is highly standardised. These contracts are traded on recognised Commodity Exchanges just as stocks are traded over Stock Exchanges. Futures contracts are used generally for protecting against the risk of adverse price fluctuation.

Regulation of the commodity futures market in India

India has a long history of commodity futures trading. Commodity futures contracts and the commodity exchanges are regulated by the government under the Forward Contracts (Regulation) Act, 1952. The nodal agency to regulate the futures market is the Forward Markets Commission (FMC), situated at Mumbai. Futures trading is organised in goods or commodities that are permitted by the government. Trading in commodity futures contracts can be done between, with and through members of the recognised Exchange. At present, 113 commodities are allowed for futures trading in the commodity exchanges recognised under the FCR Act.

Role of an Exchange in futures trading

The Exchange provides a trading platform that converges the bids and offers emanating from all over the country. This creates competitive conditions for trading. The Exchange also provides facilities for clearing, settlement and arbitration. The Exchange may also provide a financially secure environment by putting in place a risk management mechanism and guaranteeing the performance of contracts.

Participants in commodity futures markets

- Hedgers enter into a futures contract to manage the risk of adverse price fluctuation on an existing or future asset. Examples are stockists, exporters, producers and farmers. They require some people who are prepared to accept the counter-party position (speculators).
- Speculators are those who trade without having any exposure in the spot market, with the sole intention of earning a profit. They see the opportunity of a price movement that is favourable to them. They are prepared to accept the risk being transferred by hedgers. They provide liquidity to the market.
- Arbitrageurs simultaneously buy and sell in two markets so that the selling price is higher than the buying price by more than the transaction cost, resulting in risk-less profit. Their behaviour helps remove price imperfections in different markets.

Benefits of commodity futures market

Forward/ Futures trading performs two important functions, namely, price discovery and price risk management.

Price discovery
Trading in commodity futures is transparent and large-scale participation ensures that the most efficient futures price is discovered. Futures prices give an advance forecast of likely prices at a future point of time. This could be useful input for stakeholders in taking business decisions. The price signals emanating from the futures market help farmers decide on the cropping pattern. In the absence of a proper mechanism for forecasting future prices or their dissemination, farmers have to base their decision on the prices of the last harvest, which often leads to a situation of over - production followed by a fall in production.

Price risk management
The need for price risk management arises from price risks in most commodities, i.e., the risks of value losses resulting from adverse price variations. One can cover the price risk by entering into a futures contract which would lock in the price of the commodity (hedging). Producers, traders and processors and exporters / importers use an online platform through exchanges for price risk management.

Major commodities in which futures trading is being conducted in India.

- Edible oilseeds and Oils- Mustard seed, Soy oil, Coconut oil, Crude palm oil, etc.
- Food grain – Wheat, Gram, Bajra, Maize, etc.
- Metals – Gold, Silver, Copper, Zinc, Aluminium, Nickel, Lead, Steel, etc.
- Spices – Turmeric, Pepper, Jeera, Cardamom, Red chillies, etc.
- Fibres – Cotton, Jute etc.
- Other – Sugar, Rubber, Natural gas, Crude oil etc.

True/False

1) A market is a place where the forces of demand and supply do not operate.________
2) The demand and supply of agricultural commodities varies according to seasons._______

jumble words

Jumbled Words	Clue	Solution
utuFser toncarCt	Used for protecting against the risk of adverse price fluctuation	
vtvieDrie toncarCt	Type of Forward contract	
CMF	Nodal agency to regulate the futures market	
utsoralSepc	Traders who do not have exposure in the spot market	
ragsurAeitbr	Help in removing price imperfections in different markets	

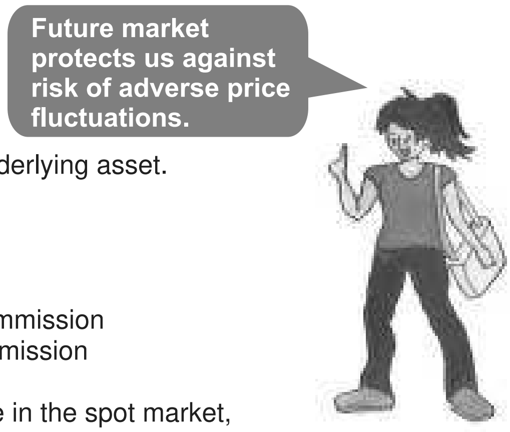
1. The mandi/spot market or ready market in India is established and regulated by the:-
   a) Central Government. b) State Government.
   c) Government of India. d) State Board.

2. A contract that provides for the delivery of goods and the payment of price therefore, either immediately or within 11 days.
   a) Forward Contract. b) Ready Payment Contract.
   c) Ready Delivery Contract. d) Ready Delivery Payment Contract.

3. A forward contract is a contract for delivery of goods and payment of price after a period of ________days.
   a) seven b) nine
   c) fifteen d) eleven

4. A_________ is a contract of goods and payment of price after a period of 11 days.
   a) Ready Delivery Contract b) Forward Contract
   c) Future Contract d) Present Contract

5. Forward contracts are regulated by the central government under the Forward Contracts Act _____.
   a) 1962 b) 1972
   c) 1942 d) 1952



6. A _______________ contract is an enforceable agreement whose value is derived from the value of the underlying asset.
   a) derivative b) commodity
   c) forward d) present

7. The___________ regulates the futures market.
   a) Forward Markets Contract b) Future Markets Commission
   c) Forward Markets Commission d) Fund Markets Commission

8. ___________ are those who trade without having exposure in the spot market, with the sole intention of earning profit.
   a) Brokers b) Speculators
   c) Arbitrageurs d) Traders

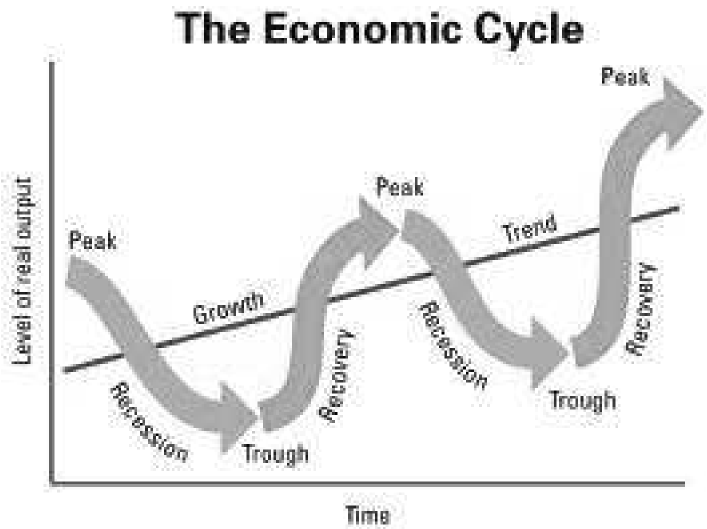
Part I: Economic Depression

Economists differ in their opinion of what exactly constitutes recession and depression. Many define recession as two or more quarters of reduced Gross Domestic Product (GDP). GDP is the total market value of all final goods and services produced in a country in a given year. Per capita GDP is often used to measure the standard of living of the people of the country.

An economic recession means a general decline in economic activity. It is part of a business cycle. The fluctuation in economic activity that an economy experiences over a period of time is known as a business cycle. A business cycle is defined in terms of periods of expansion and recession. During expansion, the economy grows in real terms, which is reflected in an increase in GDP, employment, industrial production, sales and personal incomes. During recession, the economy contracts. Expansion is measured from the trough (or bottom) of the previous business cycle to the peak of the current cycle, while recession is measured from the peak to the trough. A recession is generally characterised by:

- Decline in GDP
- Decline in industrial output
- Higher unemployment
- Decline in spending by the people of the country.

Many people believe that negative growth in GDP for two consecutive quarters is the technical definition of recession. However, the other characteristics mentioned above are equally important.



Part II: Investing in Shares

Adi wants to start a company. M/s Unisev Tattoos Limited, with six friends. Adi invests ₹ 10,000 and invites his friends to invest ₹1000 each, to which all the friends agree. Thus, the total capital of the company is ₹ 16000. This amount is called the equity of the company.

Adi decides to split the equity of the company into 1600 equal parts so that each part is of value ₹ 10. Each of these 1600 equal parts is called an equity share (or a share of the company). Thus, 1600 equity shares make up the total capital of ₹ 16,000. ₹10 is the face value of each share.

Since each of the six friends pays ₹1000, each of them gets 100 equity shares. As Adi had invested ₹ 10,000, Adi gets 1000 equity shares. All of them become shareholders of the company.

Uniserv Tattoos operates for about a year and everyone expects the company to declare some profit at the end of the year.

Pratham, one of the six friends wants to sell all 100 shares because he needs the money, but Pratham expects slightly more than ₹1000 because the money was invested for a year. Ashtam, another of the friends is willing to pay Pratham ₹12 per share as the company is expected to pay some portion of its profit to the shareholders. ₹12 is the market value of each share, i.e., the price at which the shares are now available in the market. Ashtam pays ₹ 1200 to Pratham and buys the 100 shares from Pratham.

The difference between the market value and the face value is the premium. Thus, Ashtam pays a premium of ₹ 2 per share. If the market value is lower than the face value, then the shares are said to be at a discount.

For the whole year the company makes an excellent profit of ₹5000 and Adi decides to distribute ₹3200 to the shareholders. The shareholders will each get a share of the profit in proportion to their shareholdings at the rate of ₹ 2 per share. This is called the dividend. Dividend is payable on the face value of a share.

Now, answer the following questions.

1. What is the dividend received by Adi?

____

____

2. What is the dividend received by Ashtam?

____

____

Part-III: Initial Public Offering (IPO)

Initial Public Offering (IPO)

Businesses usually go public to raise large sums of money in exchange for securities. The initial offering of securities to the public is called the initial public offering (IPO).

Choosing a Merchant Banker

Tying up with a SEBI - registered merchant banker is important for the longterm success of the IPO. They are usually responsible for buying and selling the securities to the public and investigating the company’s business to verify the financial information given to investors.

Filing a prospectus and issue of offer document

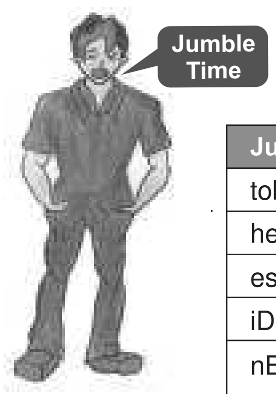
A company must file a registration statement containing detailed information about the business, its financial history and its future plans with SEBI. This statement becomes the preliminary prospectus once it's filed with SEBI, which informs the business of any necessary changes. The statement becomes the official prospectus or the offer document once all necessary amendments are made. This offer document is issued to the public to help them determine whether they want to purchase the stock on offer.

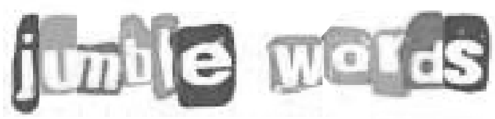
Price discovery

The IPO-issuing company doesn't fix the price in advance. Rather, it gives a price band to potential investors within which they are entitled to bid. Investors bid for the IPO by stating the quantity as well as the price of the IPO shares at which they are willing to purchase. The IPO's final price is then determined on the basis of all the bid prices.

Allotment of Shares

After the share price is determined, allotment of shares is made on a full or *pro-rata* basis. Information about the allotment is sent to the investors through a letter and the IPO-issuing company credits the allotted shares in the demat account of each investor. In the case of partial allotment or non-allotment, the company refunds the money to the investor account. The shares are then available for trading.





Jumbled Words	Clue	Solution
tokcS	Shares, debentures, bonds, etc.	
hesrolckotSd	Holder of shares, debentures, bonds, etc.	
esensRioc	Slowdown in economic activity.	
iDeeosspnr	Extreme recession that lasts two or more years.	
nBsuseis cCyel	Period of expansions and contractions in the level of economic activities around a long-term growth trend.	
omputneeylm	Situation in which a person cannot find work.	

1) Market value of all final goods and services produced in a country in a given year is _______.
   a) DDP   b) GDP
   c) PDP   d) PCI

2) ____________ is used to measure the standard of living of the people of the country.
   a) Per capita GDP   b) National Income
   c) Gross Domestic Product   d) Demand Domestic Product

3) During ______________ the economy grows in real terms.
   a) Expansion   b) Depression
   c) Recession   d) Increment

4) During __________, the economy contracts.
   a) Expansion   b) Depression
   c) Recession   d) Increment

5) If the market value of shares is less than their face value then shares are said to be ________.
   a) at discount   b) at premium
   c) at par   d) a buffer

6) The initial offering of securities to the public is known as _________.
   a) IPO   b) BPO
   c) Public Offer Share Issue   d) Share Issue

7) There are _____________ movements in the stock prices.
   a) Upward   b) Downward
   c) Stable   d) Up and down

8) Investing all your money in the stock of a single company is very __________.
   a) safe   b) easy
   c) risky   d) moderate

Benefits of Insurance

To individuals

Insurance is an arrangement through which a person can plan for the continuation of income for the family when uncertainties, such as natural catastrophes, and certainties, such as illness, accident, death or old age, disrupt or destroy one's ability to earn a livelihood. These are basic threats that cut off income, create a sudden increase in expenses, or lead to losses such as property damage. Insurance is related to the protection of human life and assets that generate benefit and income for the owner and his/her family members. In business, a huge amount is invested in the property, i.e., the building and plant and machinery. Insurance reduces the uncertainty of business losses due to fire, accidents, earthquakes, etc.

To society

Insurance is a social arrangement where many people contribute to mitigate the losses of a few. This method of sharing the losses of a few by many is the core philosophy of insurance. Insurance inclusion helps in having a better standard of living, higher productivity, and access to quality health care, thereby greater longevity, and paves way for the social uplift of society as a whole.

To the economy

The government needs to finance infrastructure, i.e., roads, bridges, communication and railway lines, which require huge capital investment. As life insurance contracts are long-term contacts, insurers, who receive premium from their many policyholders, have become the principal source of capital for the economy by investing their funds. Non-life insurance provides cover to trade and industry against losses due to fire, earthquake, flood, storm, natural calamities, acts of God etc. Therefore, business and the economy would be seriously handicapped in the absence of insurance.

Difference between banking and insurance

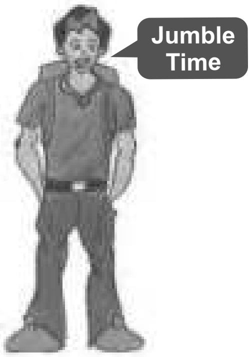
? Insurance and banking are in fact complimentary. While banks help to save and build assets through loans, insurance provides the security required for protecting them on an ongoing basis.

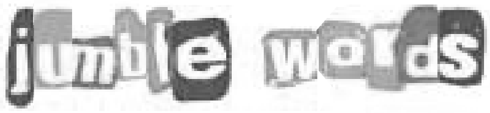
- Banking consists of two major components, lending and borrowing, where as the core activities of insurers are risk pooling and risk transfer to spread the risks.
- Banks transmit the monetary policy of RBI to the economy. Insurers, on the other hand, make an important contribution to economic growth by providing people and their businesses with protection against adverse unforeseen events.

- Insurance is also a means of security for the bank because it provides protection to the banker in the case of loss to assets created out of loans. There are a number of loan-linked products:
    - Home loans
    - Vehicle Loans
    - Industrial Loans
    - Educational loans
    - Small Loans / Micro Insurance

Deposit - Linked - Group Insurance policies
- Personal Accident Cover
- Health Cover
- Package Covers (Shopkeeper's & Householder's policies).

One has to understand the benefits of insurance to protect oneself from the vagaries of nature and to manage the risks.

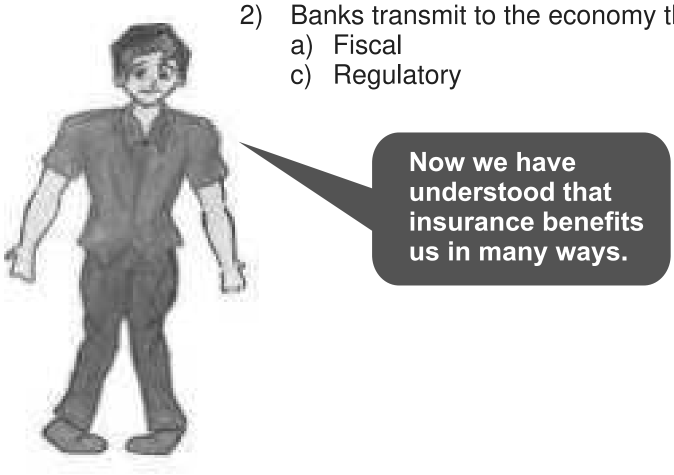


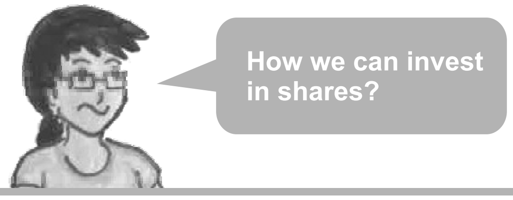


Jumbled Words	Clue	Solution
dLginen	Depositing money in a bank	
roorwginB	Taking money from a bank	
siRk	Chances of loss	
Isurecann	Gives security from risk	

1) Banks help to save and build assets through loans, whereas insurance provides ___________ for protecting them.
   a) Security b) Cover
   c) Liability d) Money

2) Banks transmit to the economy the _____________ policy of the RBI.
   a) Fiscal b) Monetary
   c) Regulatory d) Securing





Part-I: Learning to Trade

Things to know before investing in stocks

Investing in stocks is one of many options for investing your money.
Just because the newspaper and the financial media talk nonstop about stock investing doesn't mean that it's the only way to invest your money. It's merely one option. One could invest in a bank fixed deposit or bonds or precious metals or foreign currency. All of these things involve some level of risk, offer some level of return, and have varying degrees of liquidity.

Investing in stocks comes with risk.
There are up-and-down movements in stock prices. This constant movement in stock prices is a risk that an investor must be willing to take for investing in the stock market.

Open an account with a brokerage.
To invest in stocks you must open an account with a brokerage. A brokerage firm is a company that has access to the stock exchange, so they'll take instructions from you, go to the stock exchange and buy or sell stocks according to your instructions.

When you open an account with a brokerage firm, you usually deposit some money with them by transferring it from your savings account. Once the money is there, you can ask the broker to buy a certain amount of whatever stock you want. Typically, the broker charges a fee for doing your transactions.

Diversify your investment.
Investing all of your money in the stock of a single company is very risky. If that stock does

poorly or the company goes bankrupt, you'll probably lose most or all of your money. It's common sense not to put all your eggs in one basket.

Consider an appropriate mix of stocks to invest.

One common strategy to reduce risk when investing in stocks is to invest in a lot of different companies. If you buy stock in 10 different companies, you're going to reduce your risk of losing money. If few of those company's stocks are not doing well, the rest of the might companies will make up for that.

Income from dividends.

While investors are very interested in the rise and fall of the value of stocks, they're also very interested in the dividends that many stocks pay. Dividends are small payments that companies make to each stockholder. That dividend money is in addition to the normal value of the stock.

Exercise

1) A person should have a ____________ account before investing in shares.

2) What is meant by offer document?

____

____

3) Why do companies issue shares?

____

____

Part-II: Stock Exchange and Economy

Stock Exchanges provide trading facilities to investors and traders through stock brokers. The Bombay Stock Exchange (BSE) and the National Bank Exchange of India (NSE) are the major stock exchanges of India. The securities traded on a stock exchange include: shares issued by companies, derivatives, debenture, bonds, etc.

Stock exchanges play a vital role in the functioning of the economy by providing the backbone to a nation's economic infrastructure. Stock exchanges help companies raise money to expand. They also provide individuals with the ability to invest in companies.

Stock exchanges work as first - level regulator for the securities market

Stock exchanges also work as the first-level regulator for the securities market and impose regulations for the trading of securities. Further, stock exchanges impose various disclosures and corporate governance requirements on the companies whose securities are listed and traded on the stock exchanges. A clearing house or clearing corporation acts as counter-party to each trade and not the stock exchanges. If the stock exchanges do not fully carry out their duty of overseeing the stock trading process, the investing public will lose faith in the fairness and safety of the securities market. If this happens, then all of the economic activity that the stock exchanges create will decrease and this will lead to an overall drop in economic activity. Indian stock exchanges are highly regulated by the Securities and Exchange Board of India (SEBI). All the Indian stock exchanges are required to be recognised as a stock exchange by SEBI. SEBI has put various conditions and requirements on the stock exchanges.

1. **Business Expansion**
   Stock exchanges provide companies with the ability to raise capital to expand their businesses. When a company needs to raise money, it can issue shares of the company to the public. This is done by listing the shares on a stock exchange. Investors are able to buy shares of public offerings and the money that is raised from investors is used by the company to expand operations, buy another company or hire additional workers. All of this leads to increased economic activity, which helps drive the economy.

2. **Widespread Investing**
   Stock exchanges allow any person to invest in the best companies. Investors, both large and small, use the stock exchange to buy into a company's future. Investing would not be possible for the average person if there was not a centralised place to trade stocks.

   The ability of the average person to invest in these companies leads to increased wealth for the investors. This increased wealth then leads to additional economic activity when the investors spend their money.

3. **Increased Investor Class**
   The stock exchanges provide order and regulation to the process of stock trading. Without the regulations and the shareholder protections that the stock exchanges provide few people would be willing to invest in stocks. Because of the oversight of the stock exchanges the average person has the confidence to invest in stocks and this leads to more people becoming a part of the investor class. The investor's wealth grows over time, which allows them to contribute more to the economy.

Stock exchanges have multiple roles in the economy. This may include the following:

Raising capital for businesses

The stock exchange provides companies with the facility to raise capital for expansion by selling shares to the investing public.

Mobilising savings for investment

The stock market helps mobilise savings from households and redirect it to firms to promote business activity resulting in stronger economic growth.

Barometer of the economy

At the stock exchange, share prices rise and fall depending, largely, on market forces. Therefore, the movement of share prices and in general of the stock indexes can be an indicator of the general trend in the economy.

Exercise

Q1. What is the role of the stock exchange in the economy?

____

Q2. How do stock exchanges help companies to expand their businesses?

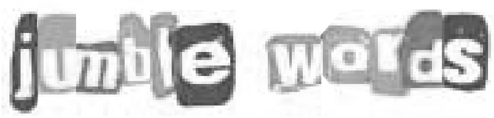
____

Q3. Direct jobs are provided by stock exchanges. Do you agree?

____

Q4. What will happen if stock exchanges do not carry out their duties fairly?

____



Jumbled Words	Clue	Solution
foltpoori	Collection of financial assets	

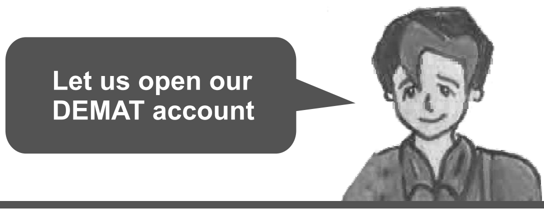
1) __________ provides trading facilities to investors and traders.
   a) A stock exchanges b) A stock brokers
   c) SEBI d) A government

2) _____________ works as the first-level regulator for the securities market.
   a) A stock exchanges b) A stock brokers
   c) SEBI d) A government

3) The Indian stock exchange is highly regulated by ________.
   a) the CBI b) the SBI
   c) the BSI d) the SEBI

4) Which of the following is NOT a role of stock exchanges?
   a) Mobilising savings for investors b) Raising capital for business
   c) Barometer of the economy d) Regulating the Indian stock market

Subject: Maths
Class: X
Term: 1



Trading and DEMAT Account

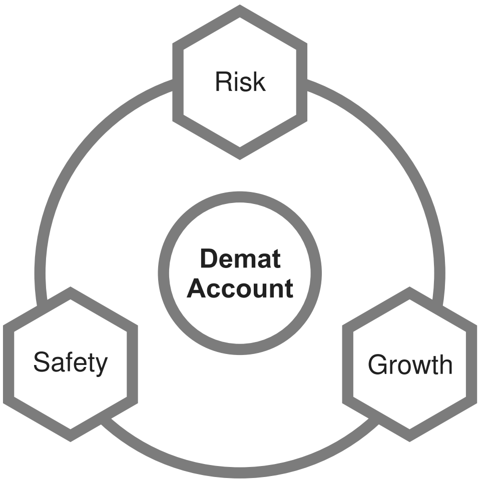
Case Study

Ravi has ₹10,000 and he wants to invest this money. He is confused about where this money should be invested since he feels that the amount is very small. Then his friend Mohan suggests that he invest the amount in shares. But Ravi doesn't know how to invest in shares or how to deal in the share market. So Mohan advises him to open a trading account with any SEBI- registered stock broker and open a demat account with any SEBI-registered Depository participant. He tells him the following facts about Trading and Demat accounts:

- To trade in stocks, one needs a trading account as well as a demat account.
- You should understand the concepts related to trading and demat accounts before you open an account.
- A trading account offers the convenience of buying and selling shares from home / or the office.
- A demat account allows the investor to keep shares in an electronic form.

Demat Account facts

- You can open multiple demat accounts
- There are no charges for opening a demat account.
- There can be a maximum of 3 account holders per account.
- The names of the account holders cannot be changed.
- Nil balance is allowed.



Assignment

1) To trade in stocks, one needs a _______________ account.
2) A demat account can have ___________________ balance.
3) A demat account can have a maximum of_________________ account holders.
4) To open a demat account, the requirements are different from a normal bank account. (YES/NO)._________

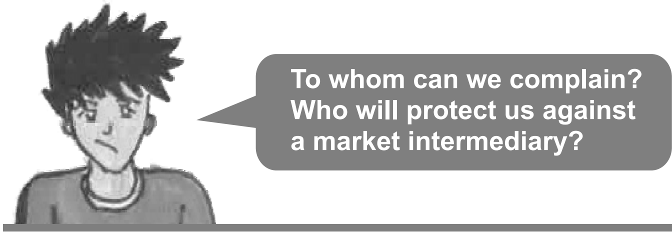
jumble words

Jumbled Words	Clue	Solution
meatD ntoccAu	Shares and securities are held electronically	
cskotS	Shares, debentures, etc.	

1) For trading in stocks, we need a____________ account.
   a) Demat b) Remat
   c) Bank d) Loan

2) What are the charges for opening a demat account?
   a) Rs 1,000 b) Rs 1,500
   c) Rs 2,000 d) No charges

3) One can open __________ demat accounts.
   a) Single b) Two
   c) Multiple d) Four



SEBI Grievance Redressal

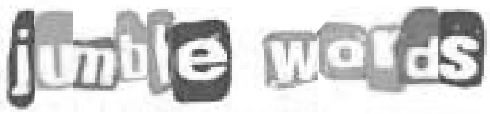
SEBI Grievance Redressal System

SEBI has developed a centralised web-based system for lodging and tracking investor complaints which is known as SCORES (SEBI Complaint Redress System). Any person who has a grievance against a listed company (e.g., non-payment of dividend or issues related to transfer of securities) or against any market intermediary, can file a complaint using SCORES.

SCORES can accept complaints against any market intermediary that is registered with SEBI. This includes R&T agents, portfolio managers, depositories and their participants, debenture trustees, credit rating agencies, custodians, stock exchanges, merchant bankers, asset management companies, collective investment schemes, bankers to an issue and brokers.

A complaint registered on SCORES is scrutinised by SEBI to determine if the subject matter falls under its purview. If it falls under SEBI's purview, SEBI will forward the complaint to the concerned entity/intermediary, with an advice to send a written reply to the investor. The entity or intermediary also needs to file an 'action taken' report in SCORES within a reasonable period, not later than 30 days.

Stock exchanges have been directed by SEBI to resolve disputes at their end within 15 days, failing which the conciliation process of the exchange would start. The Investor Grievance Redressal Committee shall be allowed 15 days to amicably resolve the issue, else the IGRC will estimate the claim value - in case the claim is admissible to the investor, and the investor will be given monetary relief from the Investor Protection Fund in a phased manner, till the arbitration process opted for by the member is complete.

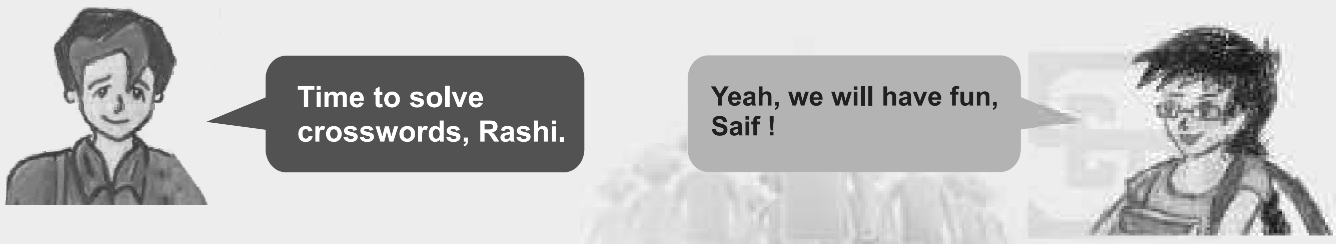


Jumbled Words	Clue	Solution
ROCESS	SEBI Complaint Redressal System	
IBES	Regulates Indian security market	

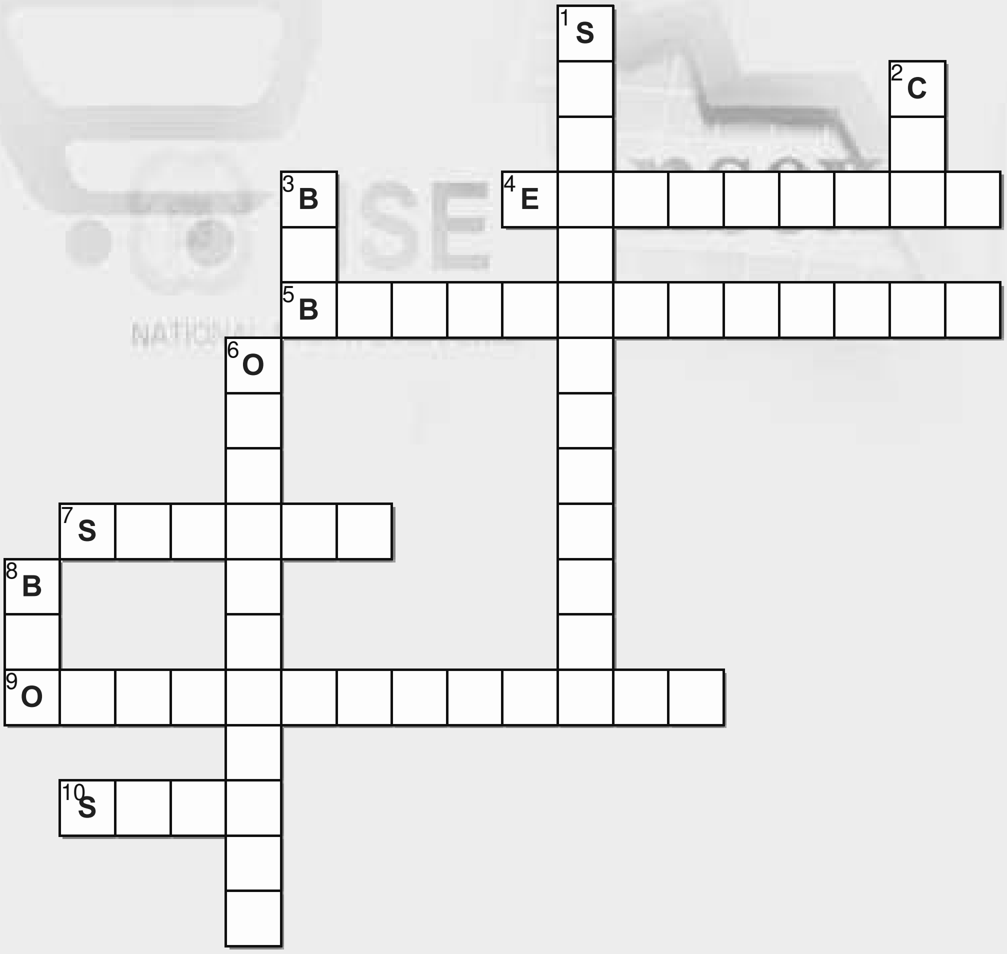
1) SEBI has developed a centralised web-based system for lodging and tracking investor complaints that is known as
   a) CORES b) SCORES
   c) SEBI Redressal Forum d) SCORAS

2) The entity or intermediary needs to send an action taken report to SCORES within a reasonable period not more than ____ days.
   a) 30 b) 40
   c) 15 d) 20

3) The stock exchange is supposed to resolve disputes at their end within ____ days.
   a) 30 b) 40
   c) 15 d) 20



CROSSWORD



Across

4. Type of business model which enables a firm to conduct business over an electronic medium

5. Fluctuations in economic activity that an economy faces over a period of time

7. Indicator of prices throughout BSE, it is the short form of sensitive index

9. Document launched by a company which invites people to buy its shares

10. All Indian stock exchanges need to be recognised by this body

Down

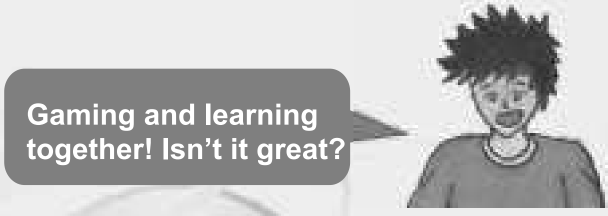
1. Provides trading facilities to stock brokers

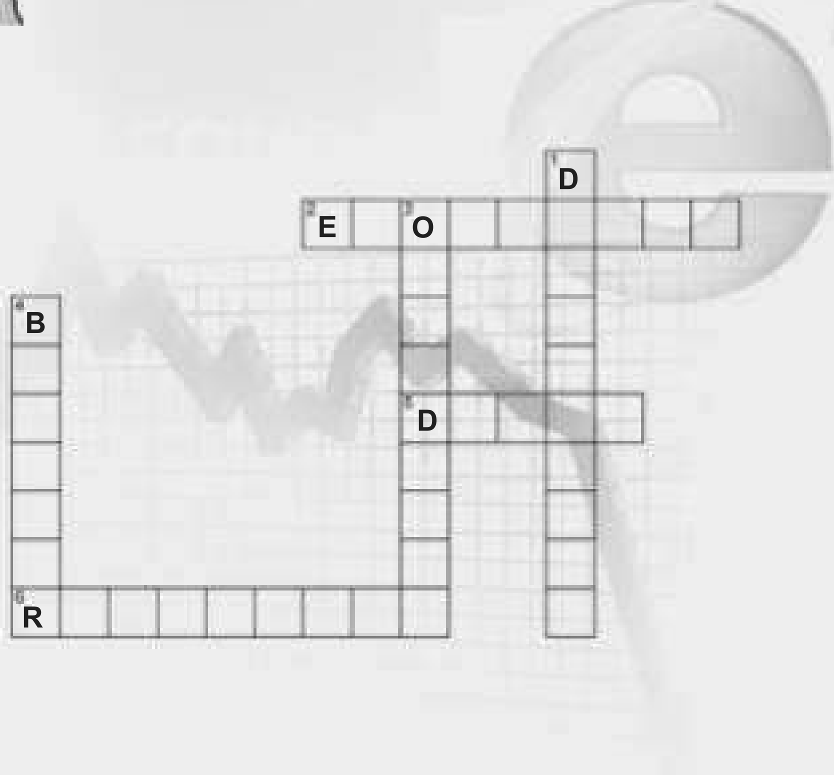
2. E- commerce transactions among consumers

3. Branch of e- commerce where manufacturers sell to distributors

6. Process of contracting another company or person to do a particular function

8. This type of outsourcing includes book-keeping, drafting, call centres etc.



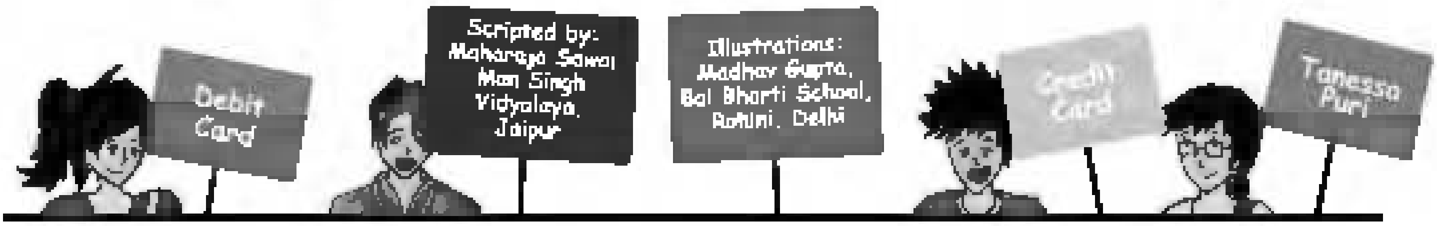


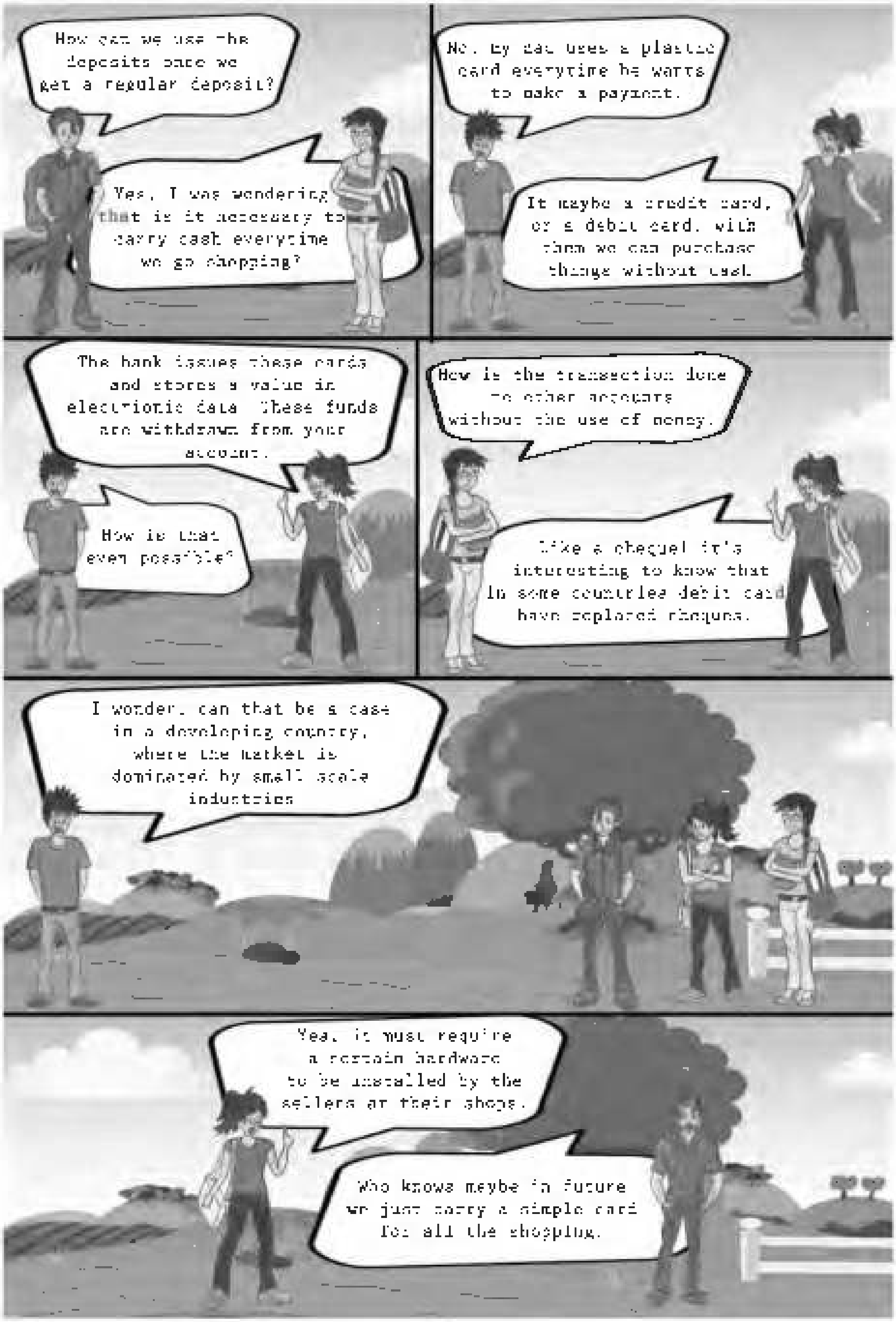
ACROSS
2 _____ enables a firm or individual to conduct business over the Internet.
5 To trade in stocks, one needs a trading and _____ account.
6 _____ means general decline in economic activity.

DOWN
1 _____ contract is defined as an enforceable agreement whose value is derived from the value of an underlying asset.
3 The Insurance _____ scheme was created for individual policyholders to have their complaints settled out of the courts system in a cost-effective, efficient and impartial way.
4 _____ is used to open websites.

ABBREVIATIONS

1. GDP
2. B2C
3. PFRDA
4. C2B
5. IRDAI
6. C2C
7. SEBI
8. IPO
9. B2B
10. KPO
11. BPO


Debit Card
Scripted by: Maharaja Sawai Man Singh Vidyalaya, Jaipur
Illustrations: Madhav Gupta, Bal Bharti School, Rohini, Delhi
Credit Card
Tanessa Puri


How can we use the deposits once we get a regular deposit?
Yes, I was wondering that is it necessary to carry cash everytime we go shopping?
No, my dad uses a plastic card everytime he wants to make a payment.
It maybe a credit card, or a debit card, with them we can purchase things without cash.
The bank issues these cards and stores a value in electronic data. These funds are withdrawn from your account.
How is that even possible?
How is the transaction done to other accounts without the use of money.
Like a cheque! it's interesting to know that in some countries debit card have replaced cheques.
I wonder, can that be a case in a developing country, where the market is dominated by small scale industries
Yea, it must require a certain hardware to be installed by the sellers at their shops.
Who knows maybe in future we just carry a simple card for all the shopping.

Prepared by: