CHAPTER 3

THE CONCEPTUAL FRAMEWORK

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3.1 Introduction:-

Financial Literacy refers to the ability to make informed judgments and to take effective decisions regarding the use and management of the money. The focus of any discussion on financial literacy is primarily on individuals, who usually have limited resources and risk in order to make informed choices. From a regulatory perspective, financial literacy empowers the common person and then reduces the burden of protecting the common person from the elements of the market failure and information asymmetries. Financial literacy can not only make a difference in the quality of life that individuals can afford, but also the integrity and quality of markets. So financial literacy is the process by which investors improve their understanding of financial markets, products, concepts and risk.

3.2 Definition of Financial Literacy[3]:-

Financial literacy is mainly used in connection with personal finance matters. Financial literacy often entails the knowledge of properly making decisions pertaining to certain personal finance areas like real estate, insurance, investing, saving (especially for college), tax planning and retirement. It also involves intimate knowledge of financial concepts like compound interest, financial planning, the mechanics of a credit card, advantageous savings methods, consumer rights, time value of money, etc.

The National Financial Educators Council defines financial literacy as: 'Possessing the skills and knowledge on financial matters to confidently take effective action that best fulfills an individual's personal, family and global community goals.[4]'

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[3]http://www.investopedia.com/terms/f/financial-literacy.asp, asp 05/08/2011, 2020 hrs.

[4] http://www.financialeducatorscouncil.org/financial-literacy-definition.html, 11/08/2011, 1530 hrs.

3.3 Meaning of Financial Literacy:-

Financial Literacy means to know the basic money principles. One can understand financial principles such as interest rates, risk and return, credit management, various investment avenues, banking, insurance, time value of money and taxes. Everything else being equal, people who are financially literate are more likely to achieve their financial goals than people who are not financially literate. Financial literacy can help people to manage their money from time to time, to have proper and safe investment, to get good returns, buy home, educational planning and retirement planning. On the other hand, a lack of financial literacy can be harmful. Financial illiteracy can subject an uninformed person to excessive debt, misleading investments, unreasonable interest rates, and other deceptive practices. Financial Literacy has become a requirement of a people to improve their financial needs.

3.4 Importance of Financial Literacy:-

Financial literacy plays an important role as enlisted below.

1. Due to the complicated financial markets a wide numbers of financial schemes the burden of making sound financial decisions is coming to rest on the shoulders of consumers. To reduce it financial literacy is very important.
2. Financial literacy increases the social security of consumers.
3. To live happily longer with less financial burden one must have to accumulate more funds before retirement to cover living expenses over a longer time. Otherwise, could become a burden for our families.
4. The financial environment seems like it is changing faster. Bull markets, bear markets, rising interest rates, falling interest rates, and the increased number of finance-related articles with conflicting views in the press can make creating and following a financial path difficult.
5. Financial education is important to both the security of individuals and the security of nations.
6. Major inequalities between elements of society, especially along ethnic or racial lines, can be a recipe for disaster. One way to avoid that catastrophic scenario is to ensure that everyone participates in wealth, both in its creation and distribution. Along with

good employment prospects, financial education can play a key role in helping individuals and families build their assets.

7. Just as health education in primary and secondary schools helps children develop good life-long dietary and hygiene habits, good financial education can provide them with the skills and habits necessary to enable them to participate sensibly in financial markets. Moreover, well-informed financial consumers ultimately lead to better financial markets, where better products can be selected for investment in market-place and confidence is raised.
8. To conclude, financial education has a role to play in so many critical areas of everyday life:
   a. Financing home ownership;
   b. Financing higher education;
   c. Financing retirement security;
   d. Making people more astute when saving and investing;
   e. Protecting individuals from those who are of lack of knowledge and give them a proper way for investment in various sectors.

3.5 Investment Avenues:-

Each investment alternative has its own strengths and weaknesses. Some options seek to achieve superior returns like equity, but with corresponding higher risk. Other provides safety like PPF but at the expense of liquidity and growth. Other options such as FDs offer safety and liquidity, but at the cost of return. Mutual funds seek to combine the advantages of investing in arch of these alternatives while dispensing with the shortcomings. There are various investment avenues available in India. Following are various investment avenues.

3.5.1 Gold and Silver:-

The 'yellow metal' is a preferred investment option, particularly when markets are volatile. Today, beyond physical gold, a number of products which derive their value from the price of gold are available for investment. These include gold futures and gold exchange traded funds. Gold and silver, the two most widely held precious metals, appeal to almost all kinds of investors for the different reasons like Historically, have been good hedges against inflation, highly liquid with very low trading commissions, very attractive, expensive and with full of durable. The most important characteristic of gold and silver is that people buy it primarily because of the security it provides against times of trouble. There are some disadvantages also like gold and silver do not provide regular current income, no tax advantage associated with gold and silver, possibility of being cheated, due to increase in rates of gold and silver know a day's not possible for a common person to buy it.

3.5.2 Bank Deposits:-

Perhaps the simplest of investment avenues, opening a bank account and depositing money in it, one can make a bank deposit. There are various kinds of bank accounts: current account, savings account and fixed deposit account. While a deposit in a current account does not earn any interest, deposits in other kinds of bank accounts earn interest. The important features of bank deposits like Deposits in schedule banks are very safe because of the regulations of the reserve bank of India and the guarantee provided by the Deposit Insurance Corporation, which guarantees deposits upto Rs 100000 per depositor of a bank. The interest rate on fixed deposits varies with the term of the deposit. In general, it is lower for fixed deposits of shorter term and higher for fixed deposits of longer term. If the deposit period is less than 90 days, the interest is paid on maturity otherwise it is paid quarterly. Loans can be raised against bank deposits. Most banks calculate interest on the minimum deposit between the 10th and the last date of the month. So the best way to maximize the 1st and the 10th, and a fixed deposit for the rest of the month.

3.5.3 National Savings Certificate:-[5]

National Savings Certificate is an Investment alternative developed by Government of India with an intention to induce persons to a saving habit and to develop National Savings. National Savings Certificate is issued through Post Offices; they are the nodal agency which makes it available to the common public. National Saving Certificates in India is ranked as 'highly secured' in the class of Investments. It is an Investment' which has Tax Advantage while (i) Investing, (ii) during the life and (iii) at the time of maturity of the Investment. The

[5] http://www.nscindia.org.in/, 03/09/2011, 1730 hrs.

enactments of parliament which governs National Saving Certificates in India are The Post Office National Savings Certificates Ordinance, 1944, National Savings Scheme, 1992 and NSC (VIII) Issue Rules, 1989.

Features of NSC Saving Certificate:

a. National Savings Certificate is available in denominations of 100, 500, 1000 and 10000. This means that, an investment in NSC India can be done even with Rs. 100/-.
b. There is no upper Limit to invest in National Savings Certificate. This means you can invest in NSC India any amount of money as there is no ceiling limit for investment.
c. The maturity period of NSC India is 6 years.
d. The Rate of Interest on NSC India is 8% p.a. cumulated half yearly.
e. Pre closure is available for National Savings Certificate after the completion of 3 years.
f. On payment of nominal fees, National Savings Certificate can be transferred to any person. Transfer from one branch to another is also possible.

Advantages of National Saving Certificate

a. National Saving Certificates in India are Highly Secured Investment, since it is secured by Govt. of India.
b. National Savings Certificate has a guaranteed rate of return of 8% p.a. (cumulated half yearly)
c. National Saving Certificates in India are easily available from all post offices, in denominations of Rs. 100/-
d. The principal amount which is invested in NSC India is eligible for tax benefit under 80C
e. Interest which accrues all through the life of National Savings Certificate will be deemed to be re invested, and therefore Accrued interest on NSC will also be considered as invested in National Savings Certificate and therefore the interest accrued will be eligible for benefit under 80C.
f. The interest received at the time of maturity from National Saving Certificates in India will not be subjected to TDS.

g. NSC India Deposits will not be considered as assets U/s 2 (ea) of Wealth Tax Act 1957.

3.5.4 Post Office Schemes:-[6]

These schemes are offered by the government of India. It is Safe, secure and risk-free investment option. It has no tax deduction at source (TDS), nomination facility is available, and nomination can be changed at any time. The instruments are transferable at any post office in India. Post office schemes has attractive rate of interest.

Types of Post Office Schemes:-

a. National Savings Certificates
b. Post Office MIS
c. Post Office RDS
d. Post Office Savings Account
e. Post Office Time Deposits
f. Senior Citizen Saving Schemes

3.5.5 Public Provident Fund:-

Public Provident Fund (PPF) is a savings-cum-tax-saving instrument in India. It also serves as a retirement-planning tool for many of those who do not have any structured pension plan covering them. Individuals and Hindu Undivided Families can open the PPF account. Even in the name of a minor account can be opened. A person can have only one account in his name. The account can be opened in designated post offices, State Bank of India branches and branches of some nationalised bank. ICICI Bank is the first private sector bank which has been authorized to open PPF account. It has some features like

a. Though the period of a PPF account is stated to be 15 years, the number of contributions has to be 16. This is because the 15 year period is calculated from the financial year following the date on which the account is opened. Thus PPF account matures on first day of 17th year.

[6] http://www.simpletaxindia.net/2011/01/post-office-schemes-ppf-elss-bonds-rate.html, 24/01/2012, 2140 hrs.

b. The subscriber to PPF account is required to make a minimum deposit of Rs 100 per year. The maximum permissible deposit per year is 100000.
c. Deposits in PPF account can be deducted before computing the taxable income under section 80/C.
d. PPF deposits currently earn a compound interest rate of 8% of p.a. which is totally exempt from taxes. The interest however is accumulated in the PPF account and not paid annually to the subscriber.
e. The subscriber to a PPF account is eligible to take a loan from 3rd year to 6th year after opening PPF account. The amount of loan cannot exceed 25% of balance standing to the credit of PPF account at the end of 2nd preceding financial year. The interest payable on such a loan is 1% higher than PPF account interest rate.
f. The subscriber to a PPF account can make 1 withdrawal every year from the 6th year to the 15th year. The amount of withdrawal cannot exceed 50% of the balance at the end of 4th preceding year or the year immediately proceeding the year of withdrawal. Whichever is lower less the amount of loan if any, the withdrawal can be put to any use and it is not required to be refunded.

3.5.6 Provident Fund:-

A major vehicle of saving for salaried employees the employee provident fund scheme has some features like each employee has a separate provident fund account in which both the employer and the employee are required to be contribute a certain minimum amount on a monthly basis. The employees can choice to contribute additional amount subject to certain restrictions. While the contribution made by employee is fully tax exempted from the point of view of employee. The contributions made by employee can be deducted before computing the taxable income under section 80/C.

3.5.7 Insurance:-

Insurance is a form of risk management primarily used to hedge against the risk of a contingent, uncertain loss. Insurance is defined as the equitable transfer of the risk of a loss, from one entity to another, in exchange for payment. An insurer is a company selling the insurance; the insured, or policyholder, is the person or entity buying the insurance policy.

The amount to be charged for a certain amount of insurance coverage is called the premium. Risk management, the practice of appraising and controlling risk, has evolved as a discrete field of study and practice. The basic customer needs met by life insurance policies are protection and savings. Policies that provide protection benefits are designed to protect the policy holders or his dependents from the financial consequences of unwelcome events such as death or long term sickness or disability. Policies that are designed as savings contract allow the policy holders to build up funds to meet specific investment objectives such as income in retirement or repayment of a loan. In practice many policies provide a mixture of savings and protection benefits.

Types of Policies:-

a. Endowment Insurance
b. Money Back Plans
c. Whole Life Assurance
d. Unit Linked Plans
e. Term Assurance
f. Immediate Annuity
g. Deferred Annuity
h. Riders

3.5.8 Bonds:-

Bonds are fixed income instruments which are issued for the purpose of raising capital. Both private entities, such as companies, financial institutions, and the central or state government and other government institutions use this instrument as a means of garnering funds. Bonds issued by the Government carry the lowest level of risk but could deliver fair returns. Individuals and NRI's can invest in these bonds

a. The minimum amount of investment is 1000. There is no upper limit.
b. The maturity period is 5 years from the date of issue.
c. There are two options the cumulative and noncumulative option.
d. The interest rate is 8% p.a. payable half yearly.
e. The interest earned is taxable. The bonds are exempted from wealth tax without any limit.

f. The bonds are issued in the form of bond ledger Account or in the form of Promissory notes. Bond ledger account can be opened in the name of the investors at the receiving offices. Bonds in the form of promissory notes are issued only at RBI offices.
g. The bonds are transferable. The bonds ledger account is transferable wholly or impart by execution of prescribed transfer deed.
h. Nomination facility is available. Bonds can be offered as security to banks for availing loans.

3.5.9 Debentures:-

A debenture is a document that either creates a debt or acknowledges it, and it is a debt without collateral. In corporate finance, the term is used for a medium- to long-term debt instrument used by large companies to borrow money. In some countries the term is used interchangeably with bond, loan stock or note. A debenture is thus like a certificate of loan or a loan bond evidencing the fact that the company is liable to pay a specified amount with interest and although the money raised by the debentures becomes a part of the company's capital structure, it does not become share capital.[1] Senior debentures get paid before subordinate debentures, and there are varying rates of risk and payoff for these categories.
Debentures are generally freely transferable by the debenture holder. Debenture holders have no rights to vote in the company's general meetings of shareholders, but they may have separate meetings or votes e.g. on changes to the rights attached to the debentures. The interest paid to them is a charge against profit in the company's financial statements.

Types of Debentures:-

a. Secured Dentures
b. Unsecured Debentures
c. Registered Debentures
d. Bearer Debentures
e. Convertible Dentures
f. Non-convertible DebenturesDebentures can be issued at par, at premium and at discount.

3.5.10 Mutual Fund:-

A mutual fund is a type of professionally-managed collective investment scheme that pools money from many investors to purchase securities.[1] While there is no legal definition of mutual fund, the term is most commonly applied only to those collective investment schemes that are regulated, available to the general public and open-ended in nature. Hedge funds are not considered a type of mutual fund.

The term mutual fund is less widely used outside of the United States. For collective investment schemes outside of the United States, see articles on specific types of funds including open-ended investment companies, SICAVs, unitized insurance funds, unit trusts and Undertakings for Collective Investment in Transferable Securities.

Types

a. Open-end funds
b. Closed-end funds
c. Unit investment trusts
d. Exchange-traded funds.

3.5.11 Precious Stones:-

Precious stones have an appeal for the affluent investors and those who have skills in buying. Precious stones are not suitable for the bulk of investors for the following reasons:-

a. Precious stones can be very illiquid
b. It may not be easy to sell precious stones quickly without giving major price concessions
c. The grading process by which the quality and value of precious stones is determined can be quit subjective.
d. For investment purposes larger precious stones are suitable. Most investment grade precious stones diamonds in particular require huge investments.
e. Precious Stones do not earn a regular return during the period precious stones are held. On the contrary the investor has to incur the cost of insurance and storage.

3.5.12 Art Object:-

Art objects may be in the form of paintings, showpieces etc. the basic advantages of an art objects is that the investor can sell it at any price which he propounds but it is very difficult to find these things and to give a price for which it is worthy. A careful study of this subject and professional advice can give the investor a good return. Investment in Art objects is very risky and long holding pattern investment.

3.5.13 Shares:-

In general 'Share' means 'a part of'. Here a share of a company means a part of a company. And in turn a person holding a particular share means that the people have some part of company's stake. And company is liable to that person for that stake. Share is a document issued by the by the company. A share can also be referred as stock. A single transaction buy/sell is called as a trade and a place where multiple transactions (trading) takes place is called as share market.

Types of Share Market

Shares can be bought from two types of markets Primary Market means buying of directly from the company at the time of IPO and Secondary Market means buying shares in the stock market.

Equity Shares:-

Equity capital represents ownership capital. Equity share Holder Company collective owns the company, bear the risk and enjoy the rewards of ownership. Of all the forms of securities equity share appear to be the most romantic. While fixed income investment avenues may be more important to the most of investors. Equity shares seemed to capture interest the most. The potential rewards and penalties associated with equity shares make interesting even exciting propositions. Equity investment is a favorite topic of concision in parties and gets others.

Equity Shares are classified as follows:-

a. Blue chip shares
b. Growth shares
c. Income shares
d. Cyclical shares
e. Defensive share

f. Speculative shares.

3.5.14 Real Estate:-[7]

The most important asset for individual investors is generally is a residential house. In addition to this the more affluent investors are likely to be interested in other types of real estate like commercial properties agricultural land, semi urban land and time share in a holiday resort.

3.5.15 Commodities:-[8]

A commodity may be defined as an article, a product or material that is bought and sold. It can be classified as every kind of movable property, except Actionable Claims, Money & Securities.

Commodities actually offer immense potential to become a separate asset class for market-savvy investors, arbitrageurs and speculators. Retail investors, who claim to understand the equity markets, may find commodities an unfathomable market. But commodities are easy to understand as far as fundamentals of demand and supply are concerned. Retail investors should understand the risks and advantages of trading in commodities futures before taking a leap. Historically, pricing in commodities futures has been less volatile compared with equity and bonds, thus providing an efficient portfolio diversification option.

Commodity market is an important constituent of the financial markets of any country. It is the market where a wide range of products, viz., precious metals, base metals, crude oil, energy and soft commodities like palm oil, coffee etc. are traded. It is important to develop a vibrant, active and liquid commodity market. This would help investors hedge their commodity risk, take speculative positions in commodities and exploit arbitrage opportunities in the market.

[7] Pathak, B. V. *The Indian Financial System, Second Edition.* India: Dorling Kindersley Pvt. Ltd.

[8] http://www.indiamba.com/Occasional_Papers/OP62.html,12/09/2011, 1112 hrs

3.5.16 Pigmi

Amount of savings are collected daily by appointing agents is called pigmi of credit society. Large number of people takes advantage of this avenue. Same way Cooperative banks also provide this avenue of Investment

3.5.17 NBFC:-

A Non Banking Financial Company (NBFC) is a company registered under the Companies Act, 1956 of India, engaged in the business of loans and advances, acquisition of shares, stock, bond sire-purchase, insurance business, or chit business: but does not include any institution whose principal business is that includes agriculture or industrial activity; or the sale, purchase or construction of immovable property.

3.6 Financial Planning[9]:-

Financial Planning is the process of meeting the life goals through the proper management of finances. Life goals can include buying a home, saving for investors Childs education, or planning for retirement.

The financial planning process consists of six steps that helps that investors to take a holistic approach to assessing where they are financially, using these steps, they can work out where investors are now, what investors may need in the future and what they must do to reach investors goals. The process involves gathering relevant financial information, setting life goals, examining their current strategy or plan for how they can meet their goals given their current situation and future plans.

Financial Planning provides direction and meaning to their financial decisions. It allows them to understand how each financial decisions affects buying a particular investment product might help them to pay off their retirement significantly. By viewing each financial decision as part of a whole, they consider its short and long-term effects on their goals. They can also adapt more easily to the life changes and feel more secure that their goals are on track

Financial Planning is done by some financial planners or consultants. Some are personal financial planner, insurance agent, stock broker, etc.

[9] http://www.fpsb.org, 05/11/2011, 1105 hrs.

3.7 Importance of Financial Planning:-

Financial Planning is process of framing objectives, policies, procedures, programmes and budgets regarding the financial activities of a concern. This ensures effective and adequate financial and investment policies. The importance can be outlined as:-

1. Adequate funds have to be ensured.
2. Financial Planning helps in ensuring a reasonable balance between outflow and inflow of funds so that stability is maintained.
3. Financial Planning ensures that the suppliers of funds are easily investing in companies which exercise financial planning.
4. Financial Planning helps in making growth and expansion programmes which helps in long-run survival of the company.
5. Financial Planning reduces uncertainties with regards to changing market trends which can be faced easily through enough funds.
6. Financial Planning helps in reducing the uncertainties which can be a hindrance to growth of the company. This helps in ensuring stability and profitability in concern.

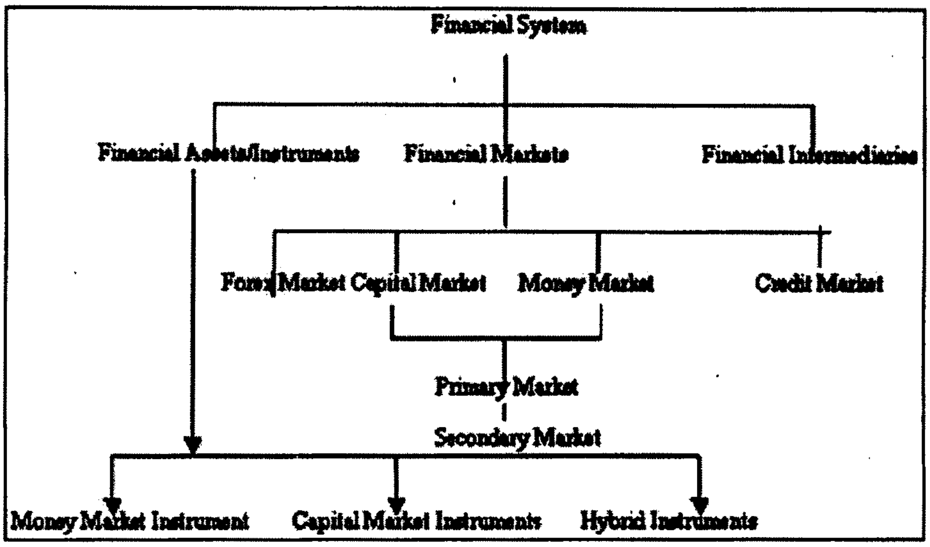
3.8 Investment Management Framework:-

Investment management is the professional management of various securities shares, bonds and other securities and assets e.g., real estate in order to meet specified investment goals for the benefit of the investors. Investors may be institutions insurance companies, pension funds, corporations, charities, educational establishments etc or private investors both directly via investment contracts and more commonly via collective investment schemes e.g. mutual funds or exchange-traded funds.

The term asset management is often used to refer to the investment management of collective investments, while the more generic fund management may refer to all forms of institutional investment as well as investment management for private investors.

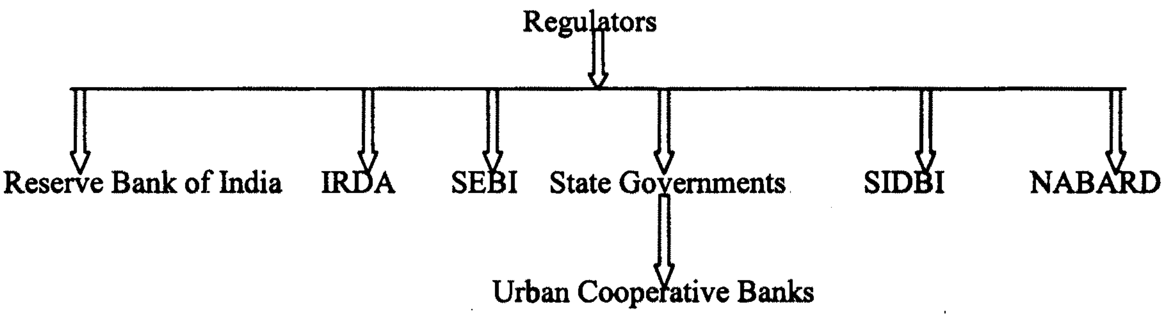
3.9 Different Agencies in India Providing Financial Instruments:-

Financial System of any country consists of financial markets, financial intermediation and financial instruments or financial products[10].



3.10 Regulators and Agencies:-

Different financial institution and agencies work under a formal regulatory body which provide different investment avenues and facilitate investment.



3.10.1 Reserve Bank of India:-

The Reserve Bank of India (RBI) is India's central banking institution, which controls the monetary policy of the Indian rupee. It was established on 1 April 1935 during the British Raj in accordance with the provisions of the Reserve Bank of India Act, 1934. The share

[10] http://www.indianmba.com/Faculty_Column, 12/09/2011, 1112 hrs.

capital was divided into shares of ₹100 each fully paid which was entirely owned by private shareholders in the beginning.[2] Following India's independence in 1947, the RBI was nationalised in the year 1949. The RBI plays an important part in the development strategy of the Government of India. It is a member bank of the Asian Clearing Union. The general superintendence and direction of the RBI is entrusted with the 20-member-strong Central Board of Directors—the Governor (currently Duvvuri Subbarao), four Deputy Governors, one Finance Ministry representative, ten Government-nominated Directors to represent important elements from India's economy, and four Directors to represent Local Boards headquartered at Mumbai, Kolkata, Chennai and New Delhi. Each of these Local Boards consists of five members who represent regional interests, as well as the interests of co-operative and indigenous banks.

i. There are different institutions which work under RBI. They are as follows:-
ii. Commercial Banks
iii. Urban Cooperative Banks
iv. State and District Central Cooperative Banks
v. All India Financial Institutions: FCI, IIBI, Exim Bank, TFCI, SIDBI, NABARD and NHB
vi. Non-Banking Finance Companies including primary dealers
vii. Government Securities Market and Money Market
viii. Foreign Exchange Market.

3.10.2 Insurance Regulatory Development Authority (IRDA):-

The IRDA was set up in 1996 but it was formally constituted as a regulatory of insurance industry in April 2000. The regulator was initially known as the insurance regulatory authority but was subsequently rechristened as a Insurance Regulatory and development authority as it was provided that it had a broader role to perform in a Indian insurance market. It has a not only to frame an issue statutory and regulatory stipulation guidelines and clarifications but it has also to perform a developmental and promotional role. The developmental and promotional role of a regulatory include a facilitating the growth of market by attracting the large number of players and integrating of insurance market with the domestic financial services markets and synchronizing the Indian insurance market with that of global insurance market. Thus the objectives of the IRDA are twofold policy holder protection and healthy growth of insurance market.

Role of IRDA

1. Regulatory- Regulation and Guidelines
2. Developmental and Promotional
   - Facilitating the growth of markets
   - Integrating insurance market with the domestic financial services markets
   - Synchronizing Indian insurance markets with global insurance markets.

3.10.3 Security and Exchange Board of India (SEBI):-

The Securities and Exchange Board of India is the regulator for the securities market in India.

Objectives of SEBI:-

- Protect the interest of the investors in security
- Promote the development of securities market
- Regulating the securities market.

Under SEBI:-

1. Capital Market
2. Capital Market Intermediaries
3. Mutual Funds Including UTI, Venture Capital, FIIs and Corporate Bond Markets.

3.10.4 State Governments:-

State governments in India are the governments ruling States of India and the main ministers in the state are the chief ministers. Power is divided between central government and state governments. While central government handles Military, external affairs etc., the state government controls internal police security etc. Income for central govt. is through Customs duty, excise tax, income tax etc., while state government income comes from sales tax (VAT), stamp duty etc.

State Governments consists of Urban Cooperative Banks.

3.10.5 Small Industries Development Bank of India (SIDBI):-

Small Industries Development Bank of India was set up in 1919 under an act of parliament – the SIDBI 1989. The charter establishing SIDBI envisaged SIDBI to be the principal financial institution for promotion financing and development of industries in the small scale sector and to coordinate the functions of other institutions engaged in similar activities.

SIDBI commenced on its operations on 2nd April 1919 by taking over the outstanding portfolio activities by IDBI pertaining to small scale sector. In pursuance of SIDBI act 2000 and as approved by the government. SIDBI held by IDBI have been transferred to public sector banks LIC, GIC and other institutions owned and controlled by the central government.

Objectives of SIDBI:-

1. Financing
2. Promotion
3. Development
4. Coordination for orderly growth of small scale industrial sector.

SIDBI consists of

- State Financial Corporation
- State Industrial Development Corporate

3.10.6 National Bank for Agriculture and Rural Development (NABARD):-

A development bank came into an existence on 12th July 1982 under an act of Parliament with an initial capital of Rs 100 core. It is apex institution setup for providing and regulating credit and other facilities for promotion and development of agriculture small scale industries, cottage and village industries, handicraft and other rural craft and other allied economic activity in rural areas with a view to promoting integrated rural development and squiring prosperity of rural areas and for matters connected there with or incidental there to.

NABARD promotes sustainable and equitable agriculture and rural prosperity through effective credit support, related services, institutional development and other innovative indicatives.

NABARD consists of:-

- Rural Cooperative Banks
- Regional Rural Banks.

3.11 Types of Financial Advisors:-

3.11.1 Portfolio Manager:-

A portfolio manager is either a person who makes investment decisions using money other people have placed under his or her control or a person who manages a financial institution's asset and liability loan and deposit portfolios. On the investments side, they work with a team of analysts and researchers, and are ultimately responsible for establishing an investment strategy, selecting appropriate investments and allocating each investment properly for a fund- or asset-management vehicle. Portfolio managers are presented with investment ideas from internal buy-side analysts and sell-side analysts from investment banks. It is their job to sift through the relevant information and use their judgment to buy and sell securities. Throughout each day, they read reports, talk to company managers and monitor industry and economic trends looking for the right company and time to invest the portfolio's capital. A team of analysts and researchers are ultimately responsible for establishing an investment strategy, selecting appropriate investments and allocating each investment properly for a fund or asset-management vehicle. Portfolio managers make decisions about investment mix and policy, matching investments to objectives, asset allocation for individuals and institutions, and balancing risk against performance

3.11.2 Accountant:-

Accountants provide them with advice on tax matters. In some cases, accountants must be licensed by the appropriate government regulatory agency.

3.11.3 Estate Planner:-

Estate planners provide them with advice on estate planning issues and put together a strategy to manage their assets at the time of their death. While attorneys, accountants, personal financial planners, insurance agents or trust bankers may all provide estate planning services, they should seek an attorney to prepare legal documents such as wills, trusts and powers of attorney.

3.11.4. Insurance Agent:-

Insurance agents are typically licensed by a regulatory body to sell life, health, property and casualty or other insurance products. Personal financial planners may identify and advise them on their insurance needs, but can only sell investor insurance products if they are properly licensed.

3.11.5. Stockbroker:-

Stockbrokers are licensed by securities regulators to buy and sell securities products such as stocks, bonds and mutual funds. They generally earn commissions on all of their transactions.

3.11.6 Chartered Accountants (CA):-

The Chartered Accountants are entrusted with substantial responsibility under various legislations such as compulsory audit of the all companies, banks, stock brokers, big income-tax assesses, large bank borrowers, etc. This shows the confidence and trust reposed by the Government and society in the profession. The society has increasingly recognized the services of CAs in the entire gamut of management consultancy services including management accounting, management information and control system, international finance information technology and financial services sector. The types of functions generally performed by the Chartered Accountants are quite varied; some of the important ones amongst them are listed below:

a. **Accountancy**
b. **Auditing**
c. **Taxation**
d. **Cost Accountancy**
e. **Special Company work**
f. **Investigation**
g. **Executors and Trustees**
h. **Directorship**
i. **Companies Secretarial Work**
j. **Management Accounting**
k. **Share Valuation Work**
l. **Other Activities**

3.11.7 Tax Consultant:-

A tax consultant is a financial expert specially trained in tax law. Some countries require tax advisors to verify the balance sheets of companies above a certain size. Individuals usually require tax advisors to minimize taxation, to avoid learning the details of tax law in complicated financial situations themselves or to learn the details of tax law from a professional advisor.

3.11.8 Bankers:-

Banker is a money changer, the dealer or one who keeps the bank in a gambling house. One who conducts the business of banking, one who, individually, or as a member of a company, keeps an establishment for the deposit or loan of money, or for traffic in money, bills of exchange, etc.

3.12 Investment Inclination:-[11]

Investment has different meanings in finance and economics. Finance investment is putting money into something with the expectation of gain that upon thorough analysis has a high degree of security for the principal amount, as well as security of return, within an expected period of time. In contrast putting money into something with an expectation of gain without thorough analysis, without security of principal, and without security of return is speculation or gambling. Investment is related to saving or deferring consumption. Investment is involved in many areas of the economy, such as business management and finance whether for households, firms, or governments. Investment inclination is an indication of agreement towards the investment in different avenues in present as well as in future.

Investment Inclination: Current Scenario

Through review of reports and surveys it is revealed that traditional investment avenues rank high on preference list of investors.

The country currently has one of the highest saving rates in the world estimated around 30% of total income of which 10% is invested in Gold. Net retail investment in Gold has increased by 264% year on year to 93 tonnes. Net retail investment comprises individual's purchases of

[11] http://en.wikipedia.org/wiki/Investment, 23/06/2012, 1210 hrs.

coins and bars and accounted for 25% of Indian gold demand in the same period. There is growing domestic interest in gold investment, stimulated by a high savings ratio and increasing gold investment opportunities available to Indian investors. (World Gold Council, 2010).

A joint study by Price Waterhouse Coopers (PWC) and Urban Land Institute of India (ULI) has cited India as one of the emerging markets for real estate sector in the Asia Pacific region. The study classifies India as semi-transparent market in the Asia Pacific region, and ranks it 41st on a global transparency scoring scale. It places Mumbai (ranked 3rd), New Delhi (5th), and Bangalore (10th) among the top 10 prospective cities for real estate investment for the year 2011. (Economic Survey, 2010-11).

Reserve Bank of India (2010) reports that in the year 2008-2009 around 17.5% of savings Bank Deposits were contributed to total assets of all scheduled commercial banks in India which was found incremental to 26.9% in 2009-2010.

Insurance is perceived as need and investment as well in Indian Scenario. Seventy eight per cent of the households are aware of life insurance, only 24 per cent households own a life insurance policy. The ownership is 38 per cent among urban households but a low 19 per cent among rural households (Shukla, 2010). Thus secondary data also confirms that Indian investors are akin towards Gold, Real Estate, Bank Deposits and Insurance as well.

Investment options in India:-[12]

With a goal to connect entrepreneurs with investors, a group of angel investors, including Rajan Anandan, Managing Director, Google India, has come together to launch an online platform, VentureFund.com, with an initial corpus of US$ 100 million. The platform aims to connect entrepreneurs of early stage companies with qualified investors from around the world. Though the platform would be free for investors, entrepreneurs would have to pay a one-time fee of around US$ 100 after being contacted by a prospective investor. "With over 100 million start-ups coming up every year worldwide, this market is very fragmented. But, most of these start-ups look for mentoring and funding. We wanted to create a platform for

[12] www.ibef.org, 10/06/2012, 1112 hrs

both entrepreneurs and investors," said Ashok Kurien, Director in the boards of Zee TV, Sun TV and Playwin.

- The Confederation of Indian Industry (CII) has launched a cluster development programme for Godrej Interio and its six vendors in the industrial town of Bhagwanpur, Uttarakhand. So far, 208 clusters of SMEs have been formed by CII all over India, according to Harinder Jeet Singh, Principal Counsellor at the CII-Avantha Centre for Competitiveness
- The Bengaluru-based Narayana Hrudayalaya Hospitals plans to invest Rs 5,000 crore (US$ 889.67 million) on setting up a chain of 100 low-cost specialty hospitals and at least three more health cities in the country. The low-cost hospitals will add about 30,000 beds in five years. The company will invest Rs 25-30 crore (US$ 4.45-US$ 5.54 million) on each of these hospitals using pre-fabricated construction materials. Nine such projects will be operational in the next 18 months
- VA Tech Wabag has set up the largest desalination plant worth Rs 1,000 crore (US$ 177.93 million) for the Chennai Metropolitan Water Supply and Sewerage Board. The public sector water utility achieved an important milestone, when a pipeline was launched into the sea to take in over 300 million litres of sea water a day. This is the second desalination plant to supply water to the city with the first in operation at Minjur to the North of Chennai as a private sector project
- Mahindra Group is to foray into affordable housing this year to tap demand for such homes. Each project will have 1,000 to 2,000 units spread over 10 acres. A home is to be priced between Rs 700,000 (US$ 12,455.52) and Rs 1500,000 (US$ 26,690.39). Currently, Mahindra Lifespaces is in process of finalising land parcels in Maharashtra and Tamil Nadu (TN)
- Public sector banks (PSBs) plan to install 60,000 more Automated Teller Machines (ATMs) across the country over the next two years. The number of ATMs in the country had reached 98,025 by the end of April 2012, according to data from National Payments Corporation of India

Spice Board of India plans to promote exports of spices by establishing 25-30 spice parks in different parts of the country. This will help in achieving export of spices worth Rs 30,000 crore (US$ 5.38 billion) by 2020, as per Dr G K Vidyashankar, Deputy Director (Marketing), Spices Board. These parks would give a common platform for farmers, traders and exporters.

Government Initiatives

As per the Government projections, Indian infrastructure landscape would attract investments worth Rs 49,000 billion (US$ 871.89 billion) during the 12th Five Year Plan period (2012-17), with at least 50 per cent funding from the private sector.

The Government has signed memoranda of understanding (MoU) with 47 investors, attracting investments worth Rs 243.67 crore (US$ 43.36 million), according to S G Hegde, Joint Director, District Industries Centre, Mangalore. These investments are spread over Dakshina Kannada and Udupi districts in Karnataka. Most of these investments are expected in cashew processing units, ice-block making units, cold storage units and general engineering projects.

Karnataka's State High Level Clearance Committee (SHLCC) has cleared a total of 31 projects worth over Rs 146,656 crore (US$ 26.09 billion). Among the projects cleared, Kalyani Steel received approval for its Rs 12,000 crore (US$ 2.14 billion) carbon alloy steel project and JK Cement's Ltd for its Rs 2,327 crore (US$ 414.05 million) new cement plant.

Buoyed by the success of implementation of public private partnership (PPP) model in airport development, the Government of India plans to invest US$ 30 billion in next 10 years with more existing airports being opened up for modernisation, according to a top official. "The Government has planned to invest US$ 30 billion in next 10 years," said Mr S N A Zaidi, Secretary, Civil Aviation, while addressing the third International Aviation Economics Conference in New Delhi. Stressing on the need for more airports in India, Mr Zaidi said the number of passengers are likely to go upto 260 million and cargo by five million tonnes (MT) by 2020.

Road Ahead

India has been recognised as an investor-friendly, strategic trading partner by the global players. "India is a very logical place to look so I hope I spend some money here," said billionaire Warren Buffett.

India has undergone a paradigm shift due to its competitive stand in the world. The Indian economy is on a robust growth trajectory and boasts of a stable annual growth rate, rising foreign exchange reserves and booming capital markets among others. The recent economic reforms undertaken by the Government during the last few years have made the investment environment conducive for development. If we consider the present state of affairs then Indian operations have occupied a centre stage in the global network. The huge and increasing market, strong financial sector, developing infrastructure, flexible regulatory environment along with the stable and strong outlook of economy makes India an attractive destination for investment.

3.13 Conclusion:-

The Conceptual Framework consists of all the theoretical information required to understand basic concepts regarding study undertaken. It had considered the information regarding the financial literacy and its different aspects. The information of all the risky and less risky avenues is covered. Different regulatory bodies and agencies which play the role of apex body to provide the investment avenues floated in the market and facilitate the investment. Concept of various financial advisors is also included as financial advisors play the important role in the investment of investors.