International Finance Olympiad

SAMPLE CONTENT BOOKLET

International Finance Olympiad

Kindly Note :

Study Material Comprises of A set of 3 Books

- ☑ Beginners Module for Class 8th
- ☑ Intermediate Module for Class 9th & 10th
- ☑ Advance Module for Class 11th & 12th

This Sample includes roughly
1 Chapter from each module.

GRAND NATIONS AND HISTORY OF FINANCE

CHAPTER 1

LEARNING OBJECTIVES

- Conceptual Framework: History of Finance
- Powerful Nations and Story of Finance
- Spanish Case Study
  Story of Inflation and Hyperinflation

For a financially and economically strong India, we require a robust and respected currency. Our middle class is the key to exponential economic growth. In India, the current middle class population of 160 million is expected to grow by another 100 million by 2015 (NCAER Report, 2011). The difference between mere sustenance and prosperity will be knowledge of utilizing money. Better savings, better investments, better budgeting will lead to financial welfare and creation of enterprises which are value based and will lead to a grander India. Corruption has tarnished our country's image. With adequate financial knowledge and planning, the Indian community would earn passive income (through interest, dividends, rents etc.) and would be more ethical, overall improving the economic image of our nation.

Today the dollars of United States of America enjoy respect as a currency. Gold, as you know understand has always been considered as a worthy commodity for exchange and therefore is considered a safe investment.

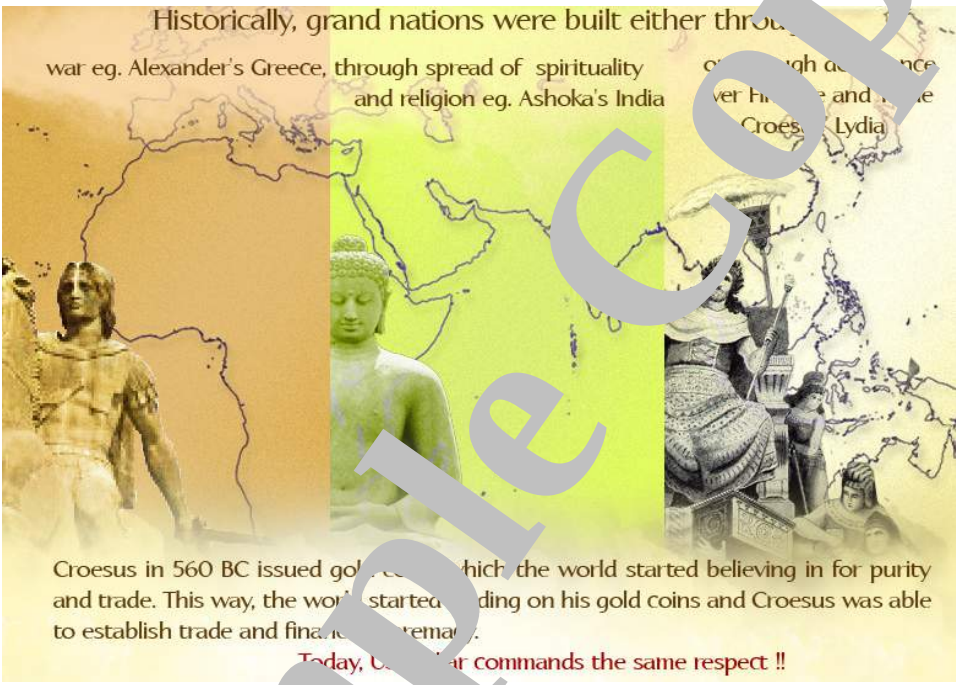
The Ascent of Man, a compelling work by Jacob Bronowski was first televised on BBC in 1974. The Ascent of Man explores the evolution of man from primitive talks of early human migration, provides a foundation for the development of tools, architecture, sculpture, fire, metals and of course alchemy. It then moves on to the creation of mathematics, astronomy, industrial revolution and physics.

The Ascent of Man is arguably one of the finest works on history and provides a historical surmise of the importance of money for the development of all explorations. Infact, it would not be unfair to say that development of a money system preceded any form of medieval – modern exploration and the presence or absence of the same caused success or failure of any such explorative endeavor of humankind.

History taught us that great nations were built either through war (example Alexander's Greece), through message of peace (example Ashoka's India) or through financial strength (example Croesus' Lydia). Of the three, it was Croesus' principle of utilising financial strength to create formidable nation which requires greater discussion.

Croesus in 550 BC created a system of separating gold from silver, which created trust on his kingdom's gold coins and allowed the world to trade on his gold coins or his kingdom's currency. Lydia (now represented as areas of Western Turkey) was arguably the first nation to have minted gold coins and silver coins. Trade had developed worldwide and the coins printed at Lydia became a symbol of trust. Croesus' rise was phenomenal. Today also Croesus' name is synonymous with extreme wealth. Lydia became one of the most wealthy and powerful nation until Cyrus defeated Croesus.

You would later read on of strong and robust monetary systems that through the history have created various powerful nations across the globe. In subsequent pages you would also see how a strong monetary system led to nations winning wars and how misuse of such systems created internal rife, economic anarchy and even revolutions.



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'Mary had a little lamb'- Why is history so important?

There is a peculiarity about history. All developments in the world have been due to a necessity to improve upon existing orders. These developments in some cases created positive evolutionary impacts or in some cases created regressive impacts. To grasp any concept or development, if the need for which it was developed is known, the concept tends to get hammered in. For example, if we understand the need for the development of a telegraph it would be easier for us to understand and appreciate its development and consequently its concept.

"Who could better explain the invention than the inventor himself"

It is said that the first great invention developed by Edison in Menlo Park. Menlo park is incidentally where Google was also born. It was the tin foil phonograph. While working to improve the efficiency of a telegraph transmitter, he noted that the tape of the machine gave off a noise resembling spoken words when played at a high speed. This led him to wonder if he could record a telephone message. He began experimenting with the diaphragm of a telephone receiver by attaching a needle to it. He noted that the needle could prick paper tape to record a message. His experiments led him to try a stylus on a tinfoil cylinder, which, to his great surprise, played back the short message he recorded, "Mary had a little lamb."[1]

Similarly to understand inflation, one can just look back at history and argue that one of the first recorded inflationary cases in the world may have been in Spain after the conquest of South America. Not only does this historical fact make for an exciting reading but also provides a base for understanding inflation.

"Inflation in its easiest form may be defined as too much money chasing too few a goods."

The Spanish conquest of South America led to the discovery of Peruvian mountains rich in Gold and Silver for the world. The natives Incas, who were socialist in nature, had developed a robust barter system and an advanced agricultural system. Although, the Inca's were the real owners of those gold and silver mines but due to their economic structure they never realized the importance of gold and silver which the Spaniards were easily able to exploit. It was in 1545 that an American

Are you angry that the world is so unfair?

Infuriated by fat-cat capitalists and billion bonus bankers? Throughout the history of western civilization, there has been a recurrent hostility to finance and financiers, rooted in the idea that those who make their living from lending money are somehow parasitical on the real economic activities of agriculture and manufacturing. This hostility has three causes. It is partly because debtors have tended to outnumber creditors and the former have seldom felt for the latter. It is also because financial crises and scandals occur frequently enough to make finance appear to be a cause of poverty rather than prosperity, volatility rather than stability. And it is partly because, for centuries, financial services in all countries all over the world were disproportionately provided by members of ethnic or religious minorities who had been excluded from land ownership, from public office but enjoyed success in finance because of their own networks of kinship and trust.

-Adapted from 'The Ascent of Money' by Niall Ferguson (Penguin 2008)

[1] http://inventors.about.com/library/inventors/bledison.htm, Mary Bellis

Indian named Diego Gualpa found the silver mountain of Potosi, now in Bolivia. This discovery led to the immediate mining rush amongst the Spaniards who were ruling those regions of South America. The Incas not only lost their complete independence but were also subjected and exploited to work in those mines.

Like Lydia of 550 BC, Spain by 1550 AD was one of the most economically powerful nations due to their exploitation of South American resources and the main ore was Silver found at Potosi.

And what rises astronomically tends to fall. With such a huge reserve of silver and gold coins, the Spaniards were plush with funds. But there was a catch. Spaniards like other Europeans were warring for better part of the 16th century. There had been little emphasis on production and agriculture. Therefore the supply of goods and services was limited.

Now with their new found wealth after the conquest of South America, Spaniards had enough gold and silver to purchase enough 'need based' and 'luxury' products and services for themselves. The catch unfortunately was limited supply of goods and services and problem was magnified by further wars.

It is notably a classical case where too much money chased too few a products and services. The prices started escalating and Spain was enveloped with Inflation and later on Hyper Inflation. Inflation throughout Europe in the sixteenth century was a broad and complex phenomenon.

In Spain, its main cause was arguably the flood of bullion (precious metal coins) from the Americas, along with population growth and government spending.

In-fact in 1557, due to rising military costs and hyperinflation Spain filed for its first Bankruptcy or Moratorium. Spain to meet its burgeoning government expenditures stopped borrowing from neighboring European nations started defaulting on its payment and consequently went bankrupt.

By 1570, Spain resurfaced again on the back of Money and this time it was due to the creation of their currency coins called the Pieces of Eight. Pieces of Eight were also silver coins that were mined out from the large

[2]Europe and England in the Sixteenth Century, T. A. Morris, 1998, pg 121-122

In Spain, its (inflation's) main cause was arguably the flood of bullion (precious metal coins) from the Americas, along with population growth and government spending. The Flood of Bullion as you would appreciate led to the rapid exploitation of South American resources. Population growth also adds to inflation. The supply is limited and the demand keeps increasing. So does Government spending. Government expenditure tends to put more money in the economic system, thereby fuelling inflation. Had the expenditure been for increase of supply of products or services, it would have been a different case. But in our example, the Spanish Government spending was basically military expenditure, which created further inflationary pressures.

Such was the dominance of the Spanish Pieces of Eight that when the British authorities in Australia wanted to create a local currency, they converted these Pieces of Eight into five shilling coins.

reserves of Potosi. Pieces of Eight became the trusted coin for trade and maintained its dominance well into the nineteenth century.

For Finance aficionados, Potosi still remains proverbial for its wealth. Spaniards today still say something 'vale un Potosi' which means 'worth a fortune[3]

Spanish Colonies *(16th Century)*

Discovery of the Gold rich Potosi Mountains, Bolivia, led to massive mining rush among the Spanish. With the accumulation of huge reserves of the most precious metal, provided the Spanish with uncontrolled wealth supply. Stormed by the rising military cost because of their ongoing wars, soon they became a victim of hyperinflation and began borrowing from other countries. Consistently defaulting on their debt repayment, In 1557, Spain went bankrupt!

[3]"A History of the world in 100 objects",Neil MacGregor, 2010, pg 522

Glossary

Alchemy: *Alchemy is an influential philosophical tradition whose early practitioners' claims to profound powers were known from antiquity. Practical applications of alchemy produced a wide range of contributions to medicine and the physical sciences.*

Croesus: *Croesus was the king of Lydia from 560 to 547 BC until his defeat by the Persian king Cyrus. Lydia (now eastern parts of Turkey) was arguably the richest nation during his reign.*

Cyrus: *Cyrus the Great (576 BC–530 BC) was the founder of Achaemenid Empire. He defeated Croesus and controlled his empire till 530(BC).*

Monetary System: *A monetary system is a scheme developed by a government to facilitate exchange. It also provides a means to generate and measure wealth and debt.*

Incas: *The Inca Empire was the largest empire in pre-Columbian America. The civilization arose from the highlands of Peru sometime in the early 13th century. The Inca Empire was the last sovereign political entity that emerged from the Andean civilizations before conquered by Spaniards.*

Peru: *Peru is a representative democratic republic divided into 25 regions in the continent of South America.*

Need Base Products: *Products that are essentially required.*

Luxury Products: *Luxury goods are products and services that are not considered essential.*

Inflation: *Inflation is a general rise in prices of goods and services. Inflation results in loss of value of money.*

Hyper Inflation: *Extremely rapid or out of control inflation. Hyperinflation is a situation where the price increases are so out of control that the concept of inflation is meaningless.*

Bankruptcy: *A legal proceeding involving a person or business that is unable to repay outstanding debts.*

Moratorium: *A period of time in which there is a suspension of a specific activity until future events warrant a removal of the suspension or issues regarding the activity have been resolved.*

Pieces of Eight: *Pieces of eight are historic Spanish dollar coins minted in the Americas from the late 15th century through the 19th century. Made of silver, they were in widely worldwide circulation by the late 19th century and were legal currency in the United States until 1857.*

Aficionado: *A person who is very knowledgeable and enthusiastic about an activity, subject, or pastime.*

CREDIT, INTEREST, LOANS, DESIRES & ROTTING FISHES

- It is all in here!

CHAPTER 2

LEARNING OBJECTIVES

- Conceptual understanding of "Barter System"
- Evolution of Credit & Interest
- Evolution of "Letter of Credit"
- Conceptual understanding of "Loan for consumption" and "Loan for production"
- Evolution of "Saving"

Creditum, a Latin word for Credit reflected the amount of money with which an individual or a group could be trusted. The concept was simple one could borrow today and repay later. This naturally would mean that the lender would be undergoing a certain amount of risk of losing the money.
For this risk appetite, the lender should be rewarded in some manner.

This reward came to be known as Interest.

Excess has always created debacles. We saw in the previous chapter when Spain had excess of coins, it resulted in inflation and an economic debacle. The French Revolution was also caused due to a currency and stock mismanagement leading to a financial misfortune. Since 2008, we have witnessed a credit charade where expansion of baseless credit facilities almost created another Depression worldwide. Although, these discussions merit further explanation which we would undertake subsequently, we must still understand the evolution and the concept of the word credit.

Credit facilities have been the backbone of any economic system. Assume a situation, when there was no money and we all lived our lives on barter. A situation where few individuals were involved in agricultural activities, few individuals were fishing and few perhaps hunting. The hunters gave away their meat for fish from the fishermen and the fishermen gave away their fishes for say barley. In simplest terms this is what a barter system or an exchange system looked like.

Do You Know!!
In India, we now have a creditworthiness check body called the CIBIL.

From being barbaric to being civilized, humans have come a long way. Civilization in its simplest form 'civility' reflects the ability of humans to co-exist in groups and develop economically, socially and culturally. One of the earliest known civilizations, the Mesopotamian Civilization changed the way humans lived. It marked the beginning of social order and the beginning of a change from individual sustenance to community sustenance. The backbone of this community co-existence was the Barter system.

Barter system for its success had a unique requirement of a single authority in case of defaults on the barter. What if our above mentioned farmers, required fishes but had to wait for the harvesting of barley to initiate this required exchange? Also what if the farmer gave away the barley but the fisherman refused to provide the fishes?

This meant that the authority or the then government was required not only for providing justice but also for providing solutions related to immediate consumption for a future promise of exchange. The solution lay in the development of credit and interest system.

Marc Von De Mieroop in the book 'The origins of Value - The Financial Innovations that created Modern Capital

Markets' discusses the aspect of 'Interest' based on the materials from the period of 3200-1600 BC, as they were found in South Mesopotamia. Historians concur that 'Credit' and 'Interest' have therefore been pivotal for the development of civilizations.

From the same period it becomes evident that any financial obligation that needed to be fulfilled in the future was considered a loan. A promise to deliver wooden objects at a certain point in the future, for example was also phrased as Loan.[4]

The image above shows a fired clay cuneiform inscription of around 1820 BC. The text [illegible] the loan [illegible] 3 grams of silver to Nabi-Ihshu from Sharmas[illegible]. The [illegible] stipulate that the loan will be [illegible]id with [illegible]terest'

[4]The Origins of value: The Financial Innovation that Create Modern Capital Market.- William N Goetzman, K Geerth Rouwenhort Pg 17-25

A loan for consumption is a contract under which the lender provides the borrower with consumable goods. And the borrower is obligated to return the goods with specified quantity & quality, within a given time period.

Whereas a production loan is a borrowing for purposes of generating returns on a commercial stage.

The loan documents as shown in the adjacent image were generally fired clay tablets with cuneiform inscriptions. Because of the nature of the loan contract as a document attesting that something was owed, it could be passed on from the original creditor to another person. This meant that the loan document could also act as a 'Letter of Credit'[5].

Over the 3500 years we still utilize the same concepts. And it is of no surprise as human necessities, although evolved, fundamentally remain the same. The farmers today also borrow from Micro credit agencies to sow seeds, the manufacturer borrows from banks to purchase raw material and we as consumers tend to borrow for fulfilling either our necessities such as homes or education or for fulfilling our wants and luxuries.

The interest paid on these loans are now market determined and regulated and as you can appreciate are a reward that we pay to the financial institutions for the risk that they undertake while providing for a loan against our creditworthiness.

The concept of Loan can broadly be divided as Loans for Consumption and Loans for Production.

Historically and even today, loans for consumption purposes are condemned as imprudent. Going by the same logic you may raise a moral question over the usage of personal credit cards.

Loans for production can be defined as borrowings for commercial purposes and are utilized to generate returns in future. Logic and ethics call for a prudent behavior in dealing with such returns as the allocation of such returns should be towards the repayment of the borrowed loans.

Desire has no barriers. As humans, we moved from the barter system to a more elaborate financial system and so did our desires which moved with the same pace and elaboration.

Because the desire to consume often does not match the timing of the receipts of income, individuals regularly engage in saving (consuming income from the past) and borrowing (consuming income from the future). And as mentioned above, saving is a more prudent form of meeting desire than borrowing for consumption.

[5]The Origins of value: The Financial Innovation that Create Modern Capital Market.- William N Goetzman, K Geerth Rouwenhort Pg 17-25

In the third millennium BC, Mesopotamians used both grains and ingots as mediums of exchange. The customary interest rates were 33.3% per annum for loan of grains and 20% per annum for loan of silver.

The Mesopotamian king Hammurabi (1800 BC) fixed these rates legal maximums, establishing a tradition of interest rate regulations that has lasted to the present.

- Homer, Sidney, Richar Sylla. A history of interest rates, 1996.

In the current context, the central bank manages these interest rates. In India, the role of Central Bank is played by the Reserve Bank of India.

What Hammurabi wrote is still followed, almost 3000 years later!!

It is indeed hard to imagine what the regular Mesopotamian (Sumerian) fisherman who wanted barley must have done. The choice was either storing (letting them rot without the modern facilities) or borrow in lieu of a promise to supply fishes at a later point of time!

Credit, Borrowing, Loans and Interest form the backbone of our neo financial systems but their roots are ancient history. Appreciating their necessity can [illegible] allow us to rationalize on these concepts and perhaps [illegible] some what difficult, allow us to rationalize our desires.

Glossary

Risk: *Risk is the chance that an investment's actual return will be different than expected. Risk includes the possibility of losing some or all of the original investment.*

Risk of Capital: *Risk of Capital is the risk of loss of the amount invested, faced by company / individual.*

Risk of Interest: *It is the risk of loss due to any change in the interest rates.*

Risk of Time Frame: *Risk of time frame is the risk that an investment's value will change according to the different intervals of time.*

Probability: *Probability is a measure of the expectation that an event will occur.*

Richter Scale: *Richter scale is a Quantitative measure of earthquake-strength (magnitude) that indicates the seismic energy released by an earthquake at its epicenter (measured from a distance of 100 miles) on 1 to 10 scale.*

Pledge: *Pledge is a cash deposit or pledging of owned property by a debtor (the pledger) to a creditor (the pledgee) as security for a loan or obligation.*

Default: *Default is the inability to pay interest or principal when due. Default occurs when a debtor is unable to meet the legal obligation of debt repayment. Borrowers may default when they are unable to make the required payments, or are unwilling to honor the debt within a specified time period.*

Sub-prime Crisis: *Sub-prime mortgage crisis is a set of events and conditions that led to the late-2000s financial crisis, characterized by a rise in sub-prime mortgage delinquencies and foreclosures, and the resulting decline of securities backed by said mortgages. It all started in 2006 with US Market tumbling down due to defaults by thesub-prime borrowers.*

Money changers: *A money changer is a person / institution which exchanges the currency of one country for that of another, at a fixed or [illegible] rate.*

Medici Family: *The Medici family was a political, banking family & later a royal house. The family originated in Mugello region [illegible] established the Medici bank in Florence, which was the largest and the most [illegible]ected bank in Europe during the 15th century AD.*

FUNDAMENTALS OF BANKING SYSTEM

03

CHAPTER

LEARNING OBJECTIVES

After reading this chapter you would be able to:

- Understand the background and need for banking.
- Understand the growth of Indian Banking System
- Understand present scenario and role of Banks
- Understand micro aspects of banking

Bank is a German word which means 'to collect'. The main function of the banks is collection of funds as deposits.

According to the Indian Banking Company 1949, "A bank is an institution accepting, for the purpose of lending or investment, in deposit money from public repayable on demand or otherwise, withdrawal by cheque, drafts, order or otherwise."

Need for Banking

Banks are needed in order to:

- Provide security to your funds
- Saving and Investing
- Acquire funds/loans

The banks we see today are not so before 2-3 decades. Even the evolution of banking is not so old.

History of Banking System

The history of banking begins with the banks of merchants of the ancient world, which made grain loans to farmers and traders. This began around 2000 BC in Assyria and Babylonia.

First joint – stock company, the Dutch East India Company was founded in 1602.

Later in ancient Greece and the Roman Empire, lenders accepted deposits and provided loans to borrower. Modern banking was traced in medieval and early Renaissance Italy, Florence, Venice and Genoa. In the 14th century, the Bardi and Peruzzi families of Florence dominated banking. The most famous bank of that era was Medici bank, established by Giovanni Medici in 1397 BC.

Monte dei Paschi di Siena is the existing oldest public bank in the world. It was founded in 1472 by the Magistrate of the Republic of Siena, Italy.

The development of banking spread and the Dutch Republic was established in Amsterdam during the 16th century. In the 20th century, with the help of telecommunications and computing methodologies, banking operations changed dramatically.

Earliest forms of Banking

The earliest banks were used by rulers, exclusively. The wealth was deposited and kept in temples and treasuries, and is believed that their money is kept safely by GOD.

History of Banking in India

Banking in India originated in the last decades of the 18th century. There were three presidency banks: Bank of Bengal, Bank of Bombay and Bank of Madras. They were established under charters from the British East India Company. The Imperial Bank was established in the year 1921 by merging these three presidency banks, which upon India's Independence, became the State Bank of India in 1955. The first banks were The General Bank of India (started in 1786) and Bank of Hindustan (started in 1770).

The oldest bank which is in existence till date is State Bank of India which has its origin from Bank of Bengal. *Union Bank* was established in 1839 by Merchants of Calcutta. It failed in 1848 as a consequence of economic crisis of 1848-49.

Oudh commercial bank, which established in Farizabad was the first Indian joint stock bank. It failed in 1958. The next bank set up was Punjab National Bank in Lahore in 1895 which is now one of the largest banks in India.

In 1906 and 1911 the establishment of banks was inspired by the Swadeshi movement. The movement inspired local businessmen and political figures to form banks for the Indian community. A number of banks established then have survived to the present such as Bank of India, Corporation Bank, Indian Bank, Bank of Baroda, Canara Bank and Central Bank of India.

Reserve Bank of India

The Reserve Bank of India was established on 1st April 1935 under the Act, 1934. It is an apex institution of the Indian monetary system. The executive head of the RBI is called the governor. The first governor was Sir Osborne Smith. It is also known as banker's bank.

In 1955 the Bank of India was nationalized and in 1959, 7 regional banks were nationalized and were known as the associate banks of State Bank of India.

Nationalization of Banks

The nationalization of 14 out of 19 major banks in India took place in July 1969 with deposits of Rs. 50 corers or more and in April 1980, 6 other commercial banks were nationalized. There were 26 nationalized banks (19 + SBI + 6 SBI Associates).

Bank of Sweden is the oldest national banks in the world. It began its operations in 1668.

Interesting Facts on RBI

RBI is the sole authority to issue bank notes in India.

RBI prints currency in 15 languages.

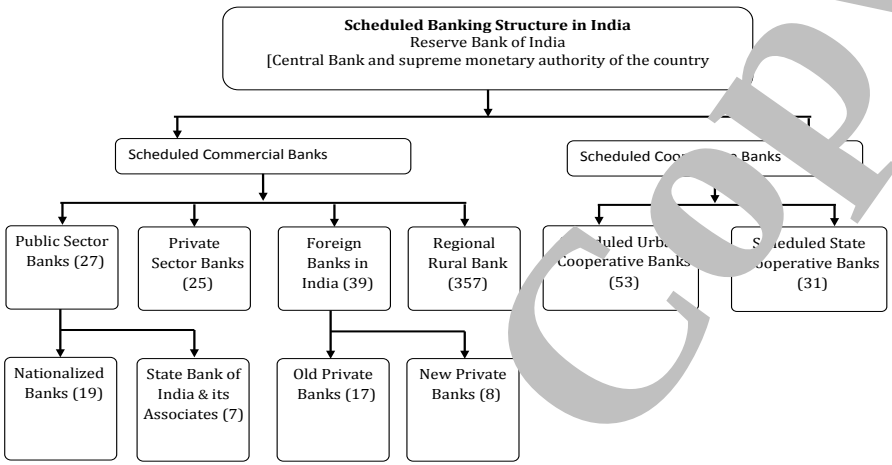
Emblem of RBI is Panther & Palm Tree.

RBI can issue currency notes as much as the country requires after making a security deposit of Rs. 200 crores, 115 crores in the form of gold and 85 crores must be FOREX reserve.

RBI is a member bank of the Asian Clearing union.

RBI is a member of IMF (International Monetary Fund)

Structure of Banking System in India



Com rcial s are pased on profit, while coope e ba e based on cooperative principle.

Public Sector bank means that goes public…

The shares are issued to general public and the government holds mo e than 50% of share

Pu ctor Banks

Th se b s are owned and controlled by the nmen Some of the public banks are – Bank of Indi ra Bank, Dena Bank, State Bank of India, njab l Bank and Union Bank.

Pri te Sector Banks

these banks majority of the shares are held by the vate shareholders and not by government.

Some of the private banks are – Axis Bank, HDFC Bank, ICICI Bank, Indusland Bank and Kotak Mahindra Bank.

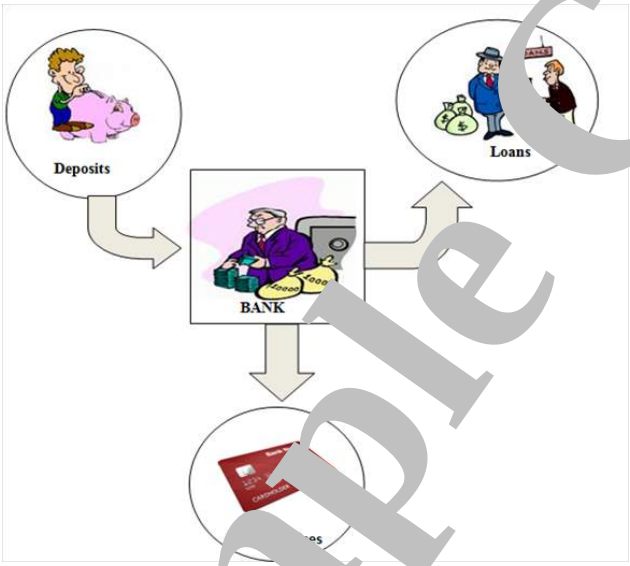
Foreign Banks

In this era of Globalization, many private banks showed their interest in expanding their business globally to serve a large number of customers. Some of them are – American Express Bank, Barclays Bank, Royal Bank of Scotland, HSBC and Citibank.

Regional Rural Banks

These banks were set up with the aim to provide credit/loan for the agricultural and rural sectors. Some of them are – Punjab Gramin Bank, Nagaland Rural Bank, Meghalaya Rural Bank and Andhra Pragathi Grameena Bank.

HOW BANKS WORK



What can be done through banks today?

- Pay bills (electricity, telephone, DTH)
- Transfer money to any part of the country/ world
- Receive money from any part of the country/world
- Carry out investments
- Acquire Demat services
- Acquire loans
- Trade services
- Foreign exchange

Deposits

Deposit is a [illegible] of money placed or kept in a bank account, usually [illegible] gain interest.

SOME IMPORTANT FACTS ABOUT BANKS

What is the minimum deposit required for opening a FD

➢ *Rs. 10,000*

What is the multiple in which we can open a FD

➢ *There is no fixed multiple.*

What is the minimum and maximum period required for FD and RD

➢ **For FD:**

Minimum balance: 7 days

Maximum balance: 10 days

➢ **For RD:**

Minimum balance 12 months

Maximum balance Upto 12 years

Is TDS (Tax Deduction at source) applicable on FD and RD?

➢ *Yes, as per Income Tax Act, 1961 TDS is applicable only on the interest of FD but is not applicable on RD.*

Do banks [illegible] loans on the security [illegible]

➢ *Yes, upto 90%*

Types of Accounts

In Indian Banking System, there are four types of Accounts:

- Current Accounts
- Savings Accounts
- Recurring Deposit Accounts
- Fixed Deposit/Term Deposits

Current Accounts

Current Accounts are the most liquid deposit account. There is no limit prescribed on the number of transactions in a day. Cheque book facility is provided to the account holder. No interest is paid by banks on these accounts. On the other hand, banks charge service charges on such accounts.

Users

- Businessmen
- Joint Stock Companies
- Institutions
- Profit making bodies

Savings Account

Savings Account is used to deposit money in a bank and earn interest over time. Banks are free to decide the interest rate within certain conditions imposed by RBI. These accounts are one of the most popular deposits for individual account. Cheque book facility is provided to the account holder.

The Bank of India has prohibited banks to open savings bank account in the name of any trading or business concerns, whether such concern is proprietary, a partnership firm, or a company, or association.

Recurring Deposit Accounts

Recurring Deposit Scheme aims at providing a person an opportunity to save regular monthly deposits of fixed sums over a period of time. It is most useful for the salaried class. It is one of those time deposit schemes in which the customer has to deposit the agreed amount every month.

The advantages of the scheme over other schemes are:

- It contains an element of compulsion in savings which is welcome to a certain class of depositors.

- Effective rate of interest works out to be higher than the rate as applicable to term deposits.

Fixed Deposit Accounts/Term Deposits

Fixed Deposits are high-interest yielding deposits offered by banks in India. The term "fixed" in Fixed Deposits denotes the period of maturity or term. So a person needs to continue such deposits for the length of time for which the depositor decides to keep the money with the bank. However if depositor wants to break the deposit he can do so by paying a small amount of penalty.

LIST OF RBI CHIEFS

Dr. Raghuram Rajan
September 5, 20[illegible]ls

D. Subbarao
Se[illegible] 5, 2008 to September 4, 2013

Dr. Y.V.Reddy
[illegible]er 6, 2003 to September 4, 2008

Dr. Bimal Jalan
November 22, 1997 to Sep[illegible]r 5, 20[illegible]3

Dr. C[illegible]angarajan
December 22, 1995 to [illegible]r 21 19[illegible]
December 22, 1992 to Dece[illegible]995

S.Venkitaramanan
December 22, 1990 to December 21, 1992

R.N. Malhotra
February 4,1985 to December 21, 1990

A. Ghosh
January 15, 1985 to February 3, 1985

Dr. Manmohan Singh
September 16, 1982 to January 14, 1985

Dr. I.G.Patel
December 1, 1977 to September [illegible]82

M. Narasimha[illegible]
May 2, 1977 to November 30, 1977

[illegible] Puri
Augus[illegible]0, 1975 to May 1, 1977

N.C. Sen Gupta
May 19, 1975 to August 19, 1975

S. Jagannathan
June 16, 1970 to May 18, 197[illegible]

B[illegible]darkar
May 4, 1970 to Ju[illegible], 1970

L.K. Jha
July 1, 1967 to May 3, 1970

P.C. Bhattacharyya
March 1, 1962 to June 30, 1967

H.V.R. Lengar
March 1, 1957 to February 28, 1962

K.G. Ambegaonkar
January 14, 1957 to February 27, 1957

Sir Benegal Rama Rau
July 1, 1949 to January 13, 1957

Sir Chintaman D.Deshmukh
August 11, 1943 to June [illegible]

Sir James Braid Taylor
[illegible], 1937 to February 17, 1943

Sir Osborne A. Smith
April 1, 1935 to June 30, 1937

LIST OF FINANCE MINISTERS

- Liaquat Ali Khan 1946-1947 (interim government)
- John Mathai 1947-1949
- R. K. Shanmukham Chetty 1949-1951
- Chintamanrao Deshmukh 1951-1957
- T. T. Krishnamachari 1957-1958
- Jawaharlal Nehru 1958-1959
- Morarji Desai 1959-1964
- T. T. Krishnamachari 1964-1967
- Morarji Desai 1967-1970
- Indira Gandhi 1970-1971
- Yashwantrao Chavan 1971-1975
- C. Subramaniam 1975-1977
- Morarji Desai 1977-1979
- Chaudhary Charan Singh 1979-1980
- Ramaswamy Venkataraman 1980-1982
- Pranab Mukherjee 1982-1985
- V.P. Singh 1985-1987
- S.B. Chavan 1987-1990
- Madhu Dandavate 1990-1991
- Manmohan Singh 1991-1996
- P.Chidambaram 1996-1998
- Yashwant Sinha 1998-2002
- Jaswant Singh 2002-2004
- P.Chidambaram May 2004 - Nov 2008
- Manmohan Singh Dec 2008 - Jan 2009
- Pranab Mukherjee 24th Jan 2009 - 26 th June 2012
- Manmohan Singh 26th June 2012 - 31st July 2012
- P Chidambaram 31th July 2012 - Till date

BANKS AND THEIR SERVICES

CHAPTER 4

LEARNING OBJECTIVES

After reading this chapter you should be able to:

- Know the concept of cheques
- Understand the meaning and types of loans
- Know the concept of letter of credit
- Understand the concepts of online banking

In the earlier chapter, you have studied that you can make deposits in the banks in various account schemes depending on your needs. Here are some other offered by bank.

Cheque

Earlier the payments were done through cash only but now there is no need to carry it in order to make payments. You can directly pay through cheque. A cheque is a document that orders a payment of money from a bank account.

Types of Cheque

Bearer Cheque

Bearer cheque is a cheque on which the words "or bearer" appearing on the face of the cheque are not cancelled as well as not crossed. The amount can be paid to any person who presents the cheque.

Order Cheque

Order cheque is a cheque on which the words "or bearer" appearing on the face of the cheque are cancelled and "or order" is written. This type of the cheque is payable only to the payee.

Uncrossed Open Cheque

Uncrossed cheque is one which is not crossed. It is also known as open cheque. An open cheque can be a bearer cheque or order cheque.

Crossed Cheque

Crossed cheque is one in which two parallel lines are drawn on the face of the cheque. In such type of cheque the amount is credited only in the payee's account.

Post Dated Cheque

If a cheque is issued for a future date, it is known as post dated cheque. These cheques are not cleared until the date comes.

Cheque Clearing Process

Suppose you got a cheque and now you want to encash it. You will simply go to your bank and present the cheque to the banker. Then the bank will process the transaction and give you the cash or add the amount of the cheque in your account. In case it is added to your account then the balance in your account would be: Previous amount + Amount of the cheque.

If you have done cheque payment then the other person would like to encash the cheque. Then your bank will check whether you have sufficient amount in your account, if there is sufficient amount then the same would be deducted from your account balance and then the balance in your account would be Previous balance – Amount of the cheque. In case you do not have the required amount the cheque would be cleared and would be returned. Bank will also charge penalty in case you have issued a cheque and you do not have sufficient amount in your account.

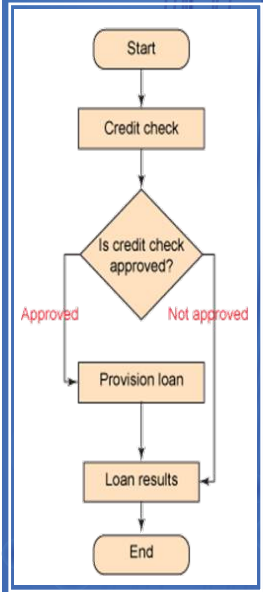
At present, the validity of a cheque is 3 months. It means after receiving a cheque it needs to be cleared within 3 months otherwise it will be considered cancelled.

Loans

Loan is an arrangement to lend money to the borrower, which he needs to repay at a pre-determined time with interest.

Banks have a simple process and customers have to provide appropriate details before the bank confirms or approves a loan. While requesting for a loan, the customer has to specifically mention the purpose of the loan. It can be for personal uses (termed personal loan), or for buying a house or property (termed home loan) or for studies (termed education loan). Banks also perform a background check of the customers to verify that the details provided by the clients are correct.

There are certain other aspects pertaining to a loan and these are mentioned in the loan agreement which is a legal document between the customer and the



bank. These parameters mention the amount of the loan, the duration of payback, the methodology of payment, the interest rate applicable etc.

The bank also verifies the background of the customer before approving a loan. This involves details like proof of income, credit history and other details. Based on this information, the bank decides amount that can be granted as a loan.

Types of loans

I. Based on interest rate methodology

Banks offer loans with fixed interest rates or variable interest rates.

Fixed interest means the interest rate would be fixed and hence the monthly payment will stay the same for the term of the loan.

Banks offer variable interest rate loans, as well. The interest rate can change moving up or down causing the borrower payment to increase or decrease. This type of interest is also called as variable interest rate.

II. Based on the type of security

When a lower amount of loan is allotted to a customer, the bank requires a 'security or mortgage'. A mortgage is an additional pledge of property to the creditor (in this case, the bank is the creditor) as obligation before repayment of debt.

Loans borrowed by a customer after pledging a mortgage to the bank are termed as 'secured loans'. Loans which do not require the mortgage are called as unsecured loans.

Key Differences between Secured or Unsecured Debt

Debt financing is secured or unsecured. Unfortunately, these terms don't mean how secure or unsecure the debt is to the borrower, but how secure or unsecure the debt is to the lender.

Some Do's and Don't's for taking a loan

Do's

- Always compare the total amount repayable.
- Lower amount repayable is always preferred.
- Inquire about penalties for early repayments.

Don't

- Avoid taking a secured loan.
- Avoid taking a loan to pay off previous debt.

Secured Loans

No matter what type of loan you take, you promise to pay it back. With a secured loan, borrowers promise is "secured" by granting the creditor a specific property or collateral.

If customer defaults on the loan, then the creditor can recoup the money by seizing and liquidating (selling off) the specific property that is used as collateral on the debt.

Because the real value of collateral is critical to a secured loan lender, one can also expect a lender to minimize its risk by conservatively valuing your collateral and by lending only a percentage of its appraised value. The maximum loan amount, compared to the value of the collateral, is known as the loan-to-value ratio.

For example, a customer applies for a loan from a bank and is willing to give 'gold' as collateral. In this case, let's say the price of gold is Rs. [illegible]00/ 10 gm and the customer deposits collateral of 1 kg gold. Now, the customer would expect the loan amount to be Rs. 30 lacs. However, the lender would not give a loan of the complete amount. This is done with a low-risk view that the price of gold may also fall below Rs. 30000. In case the price of the collateral i.e. gold remains at Rs. 30000 and the lender gives a loan of Rs. 30 lacs and the customer defaults the payment, the lender would sell the 1 kg gold at Rs. [illegible]000 and recover his money.

However, in case customer defaults and the price of gold has become Rs. [illegible]00/ 10 gm then the value of 1 kg gold will [illegible] 25 lacs. Here, the lender would face a loss of Rs. 5 lacs. Thus, the lender will not be able to recover the full amount he had granted as loan.

To avoid this risk, the lender does not offer loan equal to the full value of the mortgage, but offers a specific percentage of it. In the above example, the lender [illegible] 80% of the total mortgage value as loan. Thus the maximum possible loan that can be borrowed will be

80% of 30 lacs = 24 lacs.

Unsecured Loans have higher interest rates than secured loans because they are not backed by collaterals. Examples of Secured Loans are Car loan, Home loan, Loan against property, Secured business loans and many more. Examples of Unsecured loans are Personal loans, unsecured business loans, credit card loans, bank overdraft and many more.

How to choose which type of loan you should opt?

To make a choice of the type of loan one must think: Which one will save rate of interest for me?

- What is the purpose/ use of the loan?
- For how much time I need the credit?
- Do I have any asset to mortgage?
- Am I willing to mortgage my asset?

This process is often called as 'haircut' and it helps to reduce the risk of the mortgaged asset's price.

Unsecured Loans

In contrast with secured loans, your promise to repay an unsecured loan is not supported by granting the creditor a mortgage or any specific property. The lender is relying upon your credit worthiness and reputation to repay the obligation. The most common form of an unsecured loan is a credit card.

While your property may not face direct risk, defaulting on an unsecured loan does carry serious consequences. True, the lender has no priority claim or authority against a particular property if there is a default, but the creditor can try to obtain a legal judgment against you.

EMI (Equated Monthly Instalment)

The loan repayment in most cases happens in the form of EMI. It involves breaking up the large loan amount into smaller parts and the borrower is expected to pay each part every month over the duration of the loan.

Time Frame

Secured loans may range anywhere from 1 to 30 years, but usually depends on the type of collateral, preference of the buyer, and the bank policies. For example, typical auto loans are offered from 36 to 72 months. Home loans, industry setup vacant land have terms usually from 5 to 30 years. Personal unsecured loans usually range from 12 to 60 months.

For instance, when a person takes a home loan from a bank, the duration of the loan can be 20 years. This means that every month, a particular EMI will be paid by the customer to the bank. Till the loan is paid-off, the bank keeps the home as mortgage.

III. Based on the purpose of the funds:

Personal Loan

Personal loan is a short-term loan provided to meet out personal requirements like medical expenses, marriage expenses, paying bills, etc. It is provided by keeping in mind the repaying capacity of the borrower.

Vehicle Loan

Vehicle loan is provided for purchase of car or other vehicles either for personal or business purposes.

Home Loan

Home loans are provided for purchase of a new house/ land or for construction of a house. Rate of interest charged on these houses may be fixed or fluctuating.

Fixed rate of interest – It remains fixed throughout the period of loan

Fluctuating rate of interest – interest changes according to the current rate in the market.

Business Loan

Business loan is given to business by banks/individuals/ organizations. It may be used to fund large capital expenditures or operations that a business cannot afford.

Holiday Loan

Holiday loan is given to meet out the expenses of a holiday trip. It is given considering the financial position of a borrower to repay it.

Letter of Credit:

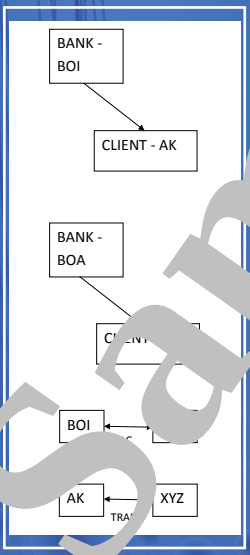
One of the very important functions of banks is to act as an intermediary in case of domestic and international trade.

Letter of credit is a Bank Guarantee.

Two counter-parties involved in a trade do not trust each other.

They need some intermediate authority which both parties can trust.

With a 'letter of credit', both parties can ensure that there is no default.



Let us consider a case where international trade takes place. Suppose a company AK International exports tiles and stones (used in housing) to a firm in Australia. Look at the following two situations:

- The firm AK sends goods from India to XYZ in Australia. XYZ receives the goods but refuses paying for it saying the quality is not satisfactory. XYZ would keep the goods and also default on payment.

- The firm XYZ sends an advance payment of, say, 50% of the total contract value to AK. AK then refuses to supply the goods and keeps the payment.

Please note that when goods are imported or exported, maximum trade across the world happens via the sea route using cargo ships. Internationally, every country has its own set of geographical boundaries, not only on land but also in sea. When the ships carrying the goods leave the marine boundaries of a country, the laws and regulations of the country become no longer applicable. However, when one of the two parties involved in the trade defaults on the payment, the other party has to file a legal suit in the defaulter's country. Thus, AK will have to file a case in Australia and vice-versa, which becomes a very costly and tedious process.

From the above cases, we can conclude that if these occurrences are frequent among various traders across the globe, the lack of mutual trust would cause the international business to come to a standstill. To avoid the situation of mutual distrust, the business community involved financial institutions to act as an arbitrator for their trade. Let us consider the financial institution is a bank. The trade is completed by the banks using 'letter of credit'. *It is a document which is provided by the bank to the seller of goods (or services) which guarantees that the payment will be made by the buyer of the goods once the goods reach their location. This avoids the factor of default by any party involved in the trade.*

In our example, let us involve Bank of India (BOI - associated with AK) and Bank of Australia (BOA - associated with XYZ).

AK International sends all the goods to an authorized shipping company in India. The shipping company performs the role of the verifier. It checks for the quality of the goods, the quantity, breakage, faulty goods (if any) etc. and provides a document called as 'Bill of Lading' to AK Intl. The document is a legal statement which says that the goods have been provided to the shipping company and that they are no longer in possession of AK Intl (i.e. the seller). This document is then submitted by AK to his bank BOI.

The two banks then coordinate with each other to ensure that none of the trading parties default. BOI sends the confirmation statement (bill of lading) to the Australian bank BOA. BOA in return, generates a 'letter of credit' – termed as LC. It blocks the particular amount of money (that is to be paid for the goods) from XYZ's bank account and generates the LC against it. The letter is then sent to the exporter AK, which gives a written guarantee that money will be released as soon as the goods are received by the Australian company XYZ. During the time when the ship is in transit, BOA ensures that the money will remain in XYZ's account but it cannot be withdrawn. This ensures that only after and as soon as the goods are received by the Australian firm, the payment is made to the Indian firm. Thus, by using 'letter of credit' the trade process continues smoothly, eliminating counter-party risk.

Online Banking:

In today's world of technology, banks have incorporated many methods which enable electronic banking features. Instead of the traditional cheque-book methods of money transactions, banks have adopted several advanced features like ATM's, internet banking etc.

What is an ATM card?

An ATM card is a plastic card linked to your bank account that allows you to withdraw cash and make deposits at your bank or ATMs and to withdraw cash from machines owned by other banks. You also may be able to use your ATM card and secret code to buy things and get cash back at stores.

An ATM is a plastic card with a MasterCard or Visa logo on it that is connected directly to your bank account. When you use it, money goes from your account to the company you are paying. It can be used wherever MasterCard or Visa cards are accepted, even overseas.

You can use debit cards in two ways:

- To use your card at an ATM or a point-of-sale (POS) terminal at a store, you have to provide your personal identification number (PIN).
- You can also use your debit card at stores and restaurants that accept these cards, without providing a PIN. You will be asked to sign a receipt.

What is Debit card and Credit card?

A debit card enables you to withdraw money (or make monetary transactions) from your existing bank account. The amount that can be withdrawn is limited to the amount of funds available in your account.

A credit card enables you to withdraw money (or make monetary transactions) by using borrowed money from the bank. You need not have the amount available in your bank account. This is same as borrowing money or taking a loan. According to the terms and conditions of the credit card issuance, the customer gets a specific number of days to repay the money that has been borrowed using the credit card.

Issuing of credit cards is more risky as compared to debit cards, as there is a possibility that the customer may default on the payment due. For this reason, the banks also charge a higher interest for transactions made using credit cards.

The Tea Stall

Economics

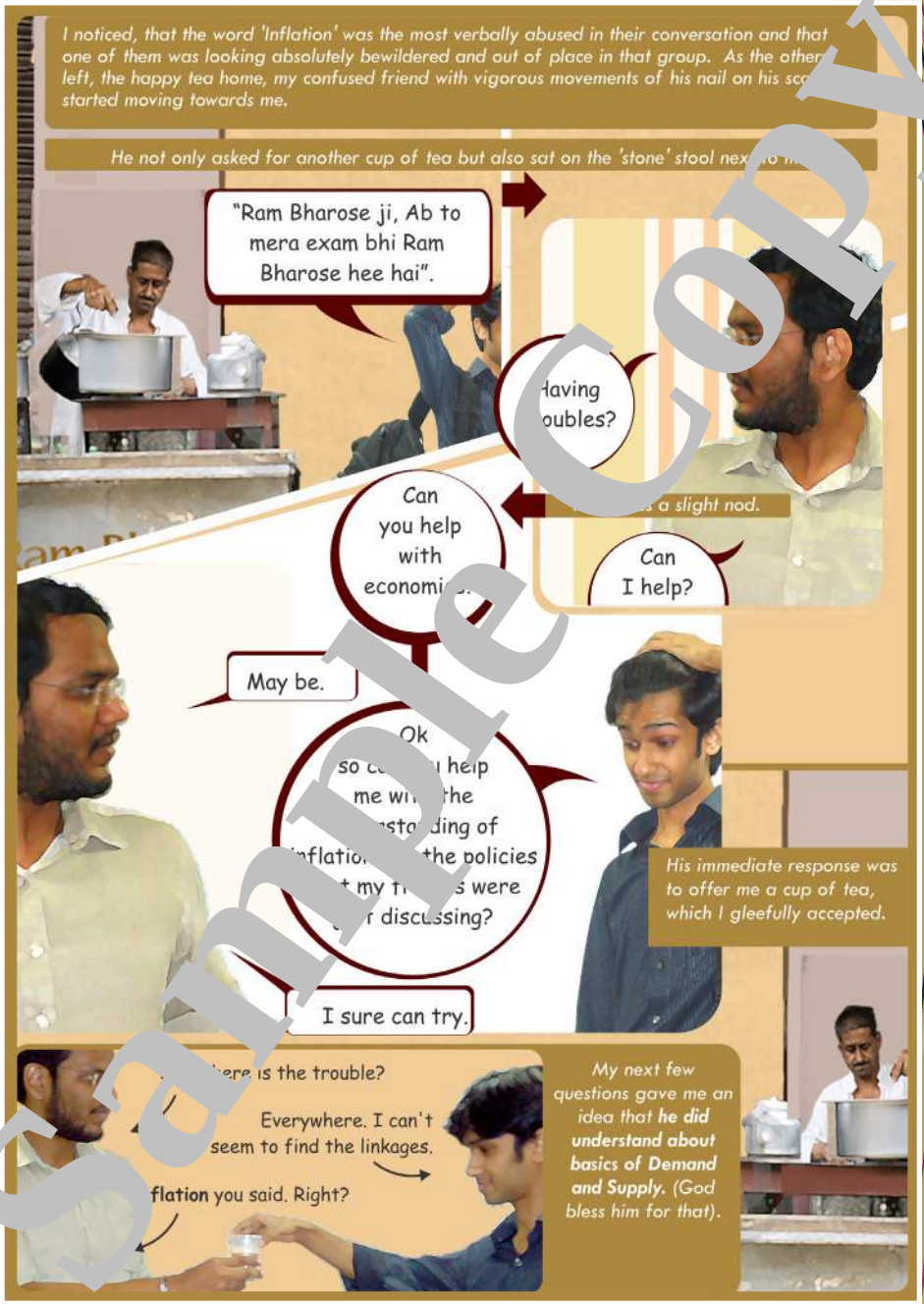
"The tea stall owner's name echoed the sentiments of the Indian Economy!"

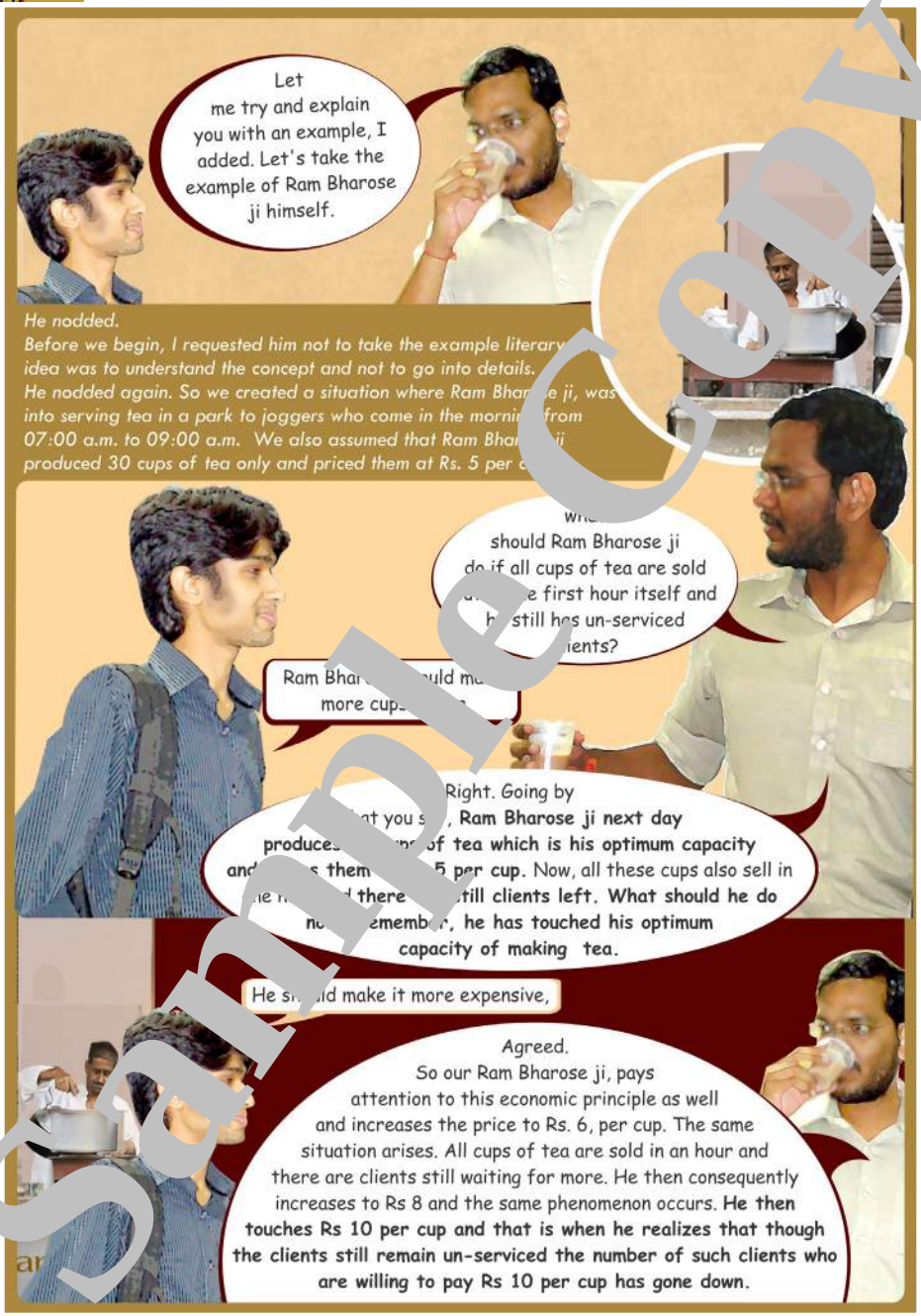
"[illegible] has always been a pleasurable affair. The stall is just round the [illegible] and [illegible]oaches the roadside footpath, something which is the great Indian tradema[illegible]k. At his stall, sipping on a hot cup of tea with cardamom and ginger, one can easily savor the delights of winter."

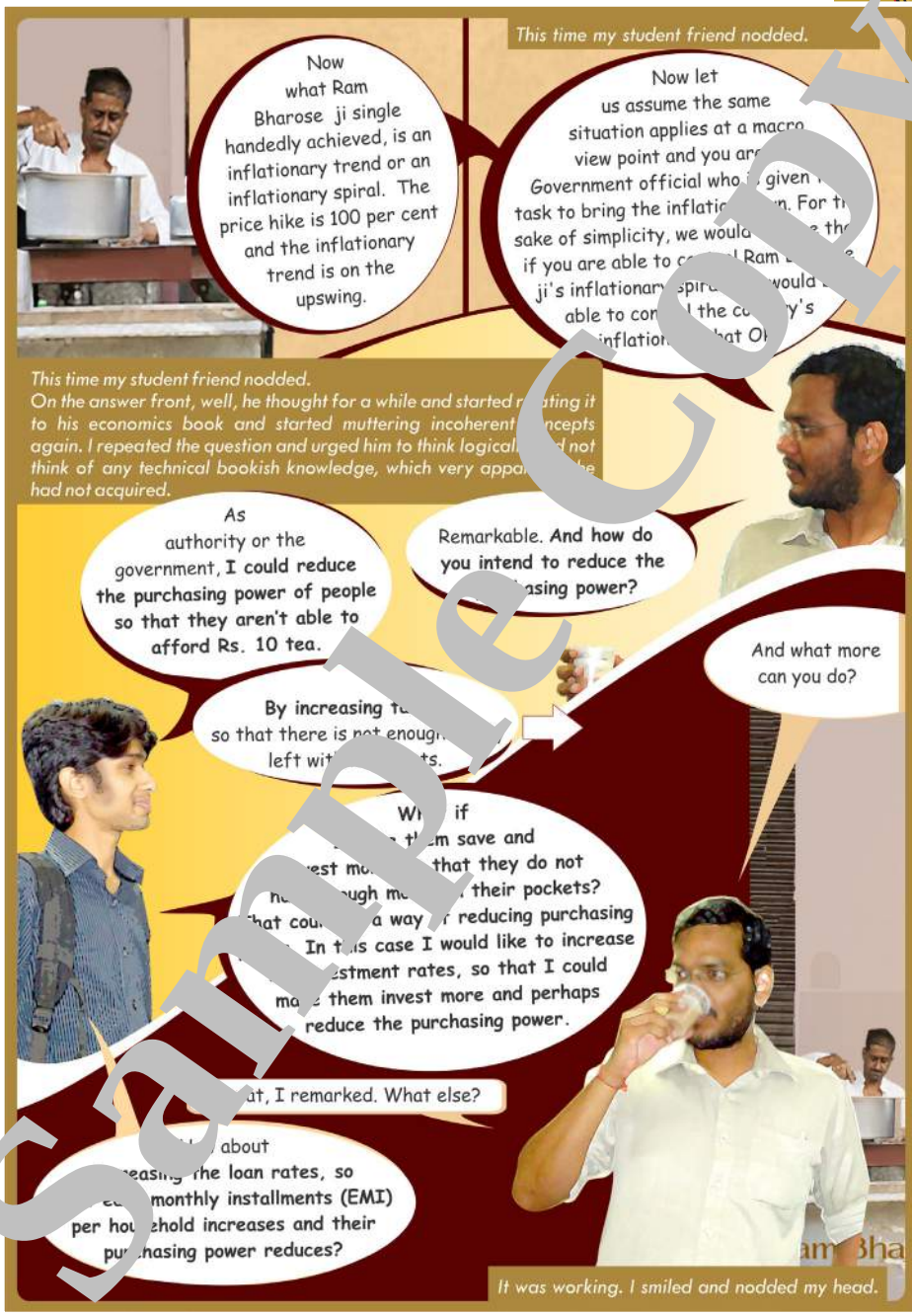
Leaning on the bikes to my left, were students who were randomly reflecting about their college life, exams, girlfriends, boyfriends, movies and just any chatter which may be of interest in that age.

I saw Economics in their hands and the Holmes in me told me that they were Eco-students. I soon realized that their interest in Economics limited to 'o god-help me clear the exams' point of view.

When one is trying to 'memorize' the concepts of fiscal policy, monetary policy and any concept which remotely had the word policy attached to it, you know there is not much learning going on, in any case.


I noticed, that the word 'Inflation' was the most verbally abused in their conversation and that one of them was looking absolutely bewildered and out of place in that group. As the other left, the happy tea home, my confused friend with vigorous movements of his nail on his sc started moving towards me.
He not only asked for another cup of tea but also sat on the 'stone' stool nex
"Ram Bharose ji, Ab to mera exam bhi Ram Bharose hee hai".
Having oubles?
a slight nod.
Can I help?
Can you help with economi
May be.
Ok so c help me wi the sta ding of nflatio the policies t my t s were r discussing?
His immediate response was to offer me a cup of tea, which I gleefully accepted.
I sure can try.
ere is the trouble?
Everywhere. I can't seem to find the linkages.
flation you said. Right?
My next few questions gave me an idea that he did understand about basics of Demand and Supply. (God bless him for that).


Let me try and explain you with an example, I added. Let's take the example of Ram Bharose ji himself.
He nodded.
Before we begin, I requested him not to take the example literary
idea was to understand the concept and not to go into details.
He nodded again. So we created a situation where Ram Bhar e ji, was
into serving tea in a park to joggers who come in the mornin from
07:00 a.m. to 09:00 a.m. We also assumed that Ram Bha ji
produced 30 cups of tea only and priced them at Rs. 5 per c
should Ram Bharose ji do if all cups of tea are sold e first hour itself and h still has un-serviced ients?
Ram Bha uld m more cup
Right. Going by t you s , Ram Bharose ji next day produce of tea which is his optimum capacity and s them 5 per cup. Now, all these cups also sell in there till clients left. What should he do n ememb r, he has touched his optimum capacity of making tea.
He s d make it more expensive,
Agreed.
So our Ram Bharose ji, pays attention to this economic principle as well and increases the price to Rs. 6, per cup. The same situation arises. All cups of tea are sold in an hour and there are clients still waiting for more. He then consequently increases to Rs 8 and the same phenomenon occurs. He then touches Rs 10 per cup and that is when he realizes that though the clients still remain un-serviced the number of such clients who are willing to pay Rs 10 per cup has gone down.


Now what Ram Bharose ji single handedly achieved, is an inflationary trend or an inflationary spiral. The price hike is 100 per cent and the inflationary trend is on the upswing.
This time my student friend nodded.
Now let us assume the same situation applies at a macro view point and you are Government official who is given the task to bring the inflation down. For the sake of simplicity, we would assume that if you are able to control Ram Bharose ji's inflationary spiral you would be able to control the country's inflation that Ob
This time my student friend nodded.
On the answer front, well, he thought for a while and started relating it to his economics book and started muttering incoherent concepts again. I repeated the question and urged him to think logically and not think of any technical bookish knowledge, which very apparently he had not acquired.
As authority or the government, I could reduce the purchasing power of people so that they aren't able to afford Rs. 10 tea.
Remarkable. And how do you intend to reduce the purchasing power?
By increasing taxes so that there is not enough money left with people.
And what more can you do?
What if I make them save and invest more so that they do not have enough money in their pockets? That could be a way of reducing purchasing power. In this case I would like to increase investment rates, so that I could make them invest more and perhaps reduce the purchasing power.
That, I remarked. What else?
What about increasing the loan rates, so that monthly installments (EMI) per household increases and their purchasing power reduces?
It was working. I smiled and nodded my head.

Steps to reduce Inflation

1 Increase taxes

The first as you can easily now figure is part of the **fiscal policy** of the government and in budgets the government determines the tax rates. In this case, the government could consider increasing the tax rates.This time it was my student friend's turn to nod.

2 Increase Investment rates

3 Increase Loan

The latter two are part of the government's mon y to reduce the purchasing power amongst the tea ents, w e agreed was determined by the central bank ountry. Reserve Bank of India is the central bank in ou y's e. The RBI is able to tighten this liquidity with a play us ratios and rates. The most important b RR, k and Reverse Repo Rate

CRR or the cash reserve ratio is the ratio at which co ercial banks are required to keep a percentage of their total deposits the RBI in liquid form. If RBI needs to tighten the liquidity it would incre percentag and vice versa. In our case, RBI would increase the CRR and e commercial banks would have lesser available deposits and consequently would hike the rates at which they lend.

Consequently if the commercial banks feel the need for more funds for lending, they can borrow It from the RBI at the **re** If RBI is required to tighten the liquidity it would hike the repo rate well.

Similarly if RBI wants to borrow m y from cial ba ks, it would be on the basis of the **Reverse Repo** often ons encourages the commercial banks to invest with reduc money flow in the economy and hence would increa Reverse Repo Rate. If commercial banks gain from investing with ney pass the hike on their clients as in the re ns on fixed deposits, savings depo ts et his further encourages our tea clients t est park ir funds in banks.

So let me just summarize the points.

There was a slight gle es.

So that is how Demand side of Inflation is curbed, he chuckled. You basically try and reduce the demand by tightening the purchasing power and reducing the liquidity in the system. It all makes sense.

I be looked of a in his n found, 'self awa

And just to add to this excitement there is the supply side way of correcting the inflation spiral as well...


The reason behind this **whole spiraling was fuelled by the fact** that Ram Bharose ji **could not increase his capacity.** His capacity was fully utilized and any further increase was either not possible or required investments from his side. But, Ram Bharose ji had also realized tho
per cup his clients who were in que had diminished, therefore he wo also ide nt to produce more cups of a and get the back at Rs 8 or eve s 6 so that he can service more cli ts and yet make more mo Is that agr
My student friend agreed and offered me another cup of tea. (For the readers, who are counting the cups of tea that I have had, well, this time I did refuse.)
Now as authority or the government what all could you do to increase the capacity for Ram Bharose ji?
He thought for a while and this time, perhaps, due t his ne found success of logical reasoning with economics confid ly starte course
I could give hi idy o that he can buy more tea within the same And perhaps also on LPG etc, as in whatever the ing required for making tea.
Price List
NOW 10
Few days back 08
Few Months back 06
Then 0
Nice. What else?
I could buy directly the tea from him and **give it to the clients at lesser price.**
ible, in- this is what we s Direct Government Exp nditu en rationing. The ration shops an o come of this philosophy. I further 'Great, but think of perhaps ing which you can do to motivate Ram Bha e ji indirectly to help his capacity strengthening'?
you mean like development of infrastructure associated so that he is able to save time, energy and increase efficiency. Something from a macro view?
Perhaps.

My student friend again nodded and said

It makes sense. For capacity to increase both Ram Bharose and the government have to spend'.

His nods were now accompanied with exclaimed hand movements and sometimes even claps.

And this would be required to overall improve the capacity and helping Ram Bharose to deliver and produce more cups of tea. The Government expenditure can be financed again through taxes which is again a part of the fiscal policy of the government.

This would also b form o Government Exper

ther scal mea at you can think of?

He strained hard. Knocked his he ould not come with an answer. His cerebral pain was reduce once asked him a simple question.

What if Ram Bh was 50 cups for the domestic market and 50 cups port? What could have happened then?

He literally stopped me in th e of the question and clapped and h chil ke innocence blurted,

'We could incre e the on the export and make sure Ram Bharose lies th products only to the Indian market. And that er fiscal measure. "

only te rary, victory is forever. The glea lened, th citemen buoyed to surface and my friend was slowly ow settling in with his economics serendipity.

I hope it makes sense to you now.

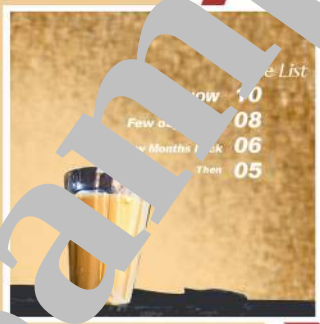
He had a so mile. So , something that you would expect from your front ben ass, my tudent friend became excited in the relationship nflation and the financial markets.

uld the financial markets not increase then when the capitalist like Ram Bharose ji is increasing the prices and is making profits, then why this sudden fall in stocks and everyone in the media attributing it to the inflation?

I stood up from the long overdue stone squat, brushed the back of my pants with hands and gave a long pause. I took my wallet out reached for my business card and gave it to him.

While he keenly eyed the visiting card, I thanked him for the nice cardamom tea that I had earned for my service.

Meanwhile Ram Bharose ji had different plans, he decided not to charge for the of tea that both of us had been drinking.



"Sahab, mera naam itni baari kissi ne nahee liya apni baton mein. Aapko hamari chai bahut pasand aayee hogi. Yeh chai meri taraf se. "

The End