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Removing the Fear of Finance



My dream is to see that every Indian has adequate finance skills, so that they can take the right decisions for themselves, their spouse, their children and their parents. If not, they would take the wrong financial decisions and waste their family's lives and wealth.

I have come across several instances where people do not get their financial basics right. While poor people, who are unaware, are often cheated, the rest also might not have the right knowledge. The middle class, in particular youngsters, are more focussed on health than finance. They know how to avoid saturated fats and do regular exercise, but they don't have adequate finance skills. The situation of the poor is even more pitiable. Consider a few cases:

❖ A beggar in Dharavi worked very hard all her life and collected alms every day. She was thrifty and spent much less, than she would collect and saved most of her earnings. She

was separated from her son 50 years ago and was still hoping he would return. That day never came and the old woman died. When it was time to move the body, the neighbors discovered that she had stored over Rs 3,50,000 under her mattress. She did not know of her wealth, nor could she trust a bank where she could have earned much more interest and lived more comfortably. She was a thrifty woman with high integrity, but low financial literacy.

❖ Many people take car loans. They select the loan just based on interest rates. A bank offers a car loan at 10%, but charges 3% upfront fee. Another bank gives the same loan at 11%. The customer goes to bank that gives him a three-year loan at 10%. What he does not get is that the effective rate of those loans are 12.8% and 11.6%, respectively. Highly educated engineers, MBA, often don't get this math right. Poorer, less educated people are waiting to be robbed.

Involve the youngsters

Our youngsters need all our help since education is expensive and jobs are not easy to find. Our labour laws make it tough to hire youngsters in permanent jobs. Many firms are leasing workers, which gives flexibility to hire and fire.

I would like every finance professional to spread his talents to people around him. Inform students how they can win scholarship for college education. Students should know that they can do MBA in the US and some universities give 100% tuition waiver. Inform those going abroad how to finance higher education in dollars. Help budding graduates to choose their careers. Let them know that last year, over 90% engineers found no jobs. Every graduate needs to learn soft skills for interviews

Adequate finance skills will ensure people take the right decisions for themselves, their spouse, their children and their parents. If not, they would waste their family's lives and wealth. My dream is to motivate people around me to spread finance skills to everyone

and choose right companies.

Help the young graduates to plan their work life retirement cycle early. Many of them have no idea of financial markets. All they have seen in their life is bank account and bank FD. They need to understand the importance of financial planning to buy their car at the right time, save for their marriage, and plan their house, marriage expenses and later kids' education. All along, they need to plan their retirement.

Beating inflation

The RBI Governor promises on a Rs 100 note: "I PROMISE TO PAY THE BEARER A SUM OF HUNDRED RUPEES"

The cash that we all have is a promise by the RBI Governor to pay us that money. Is that promise worth its money in gold? Not really. In 1969, I could buy a masala dosa for 25 paise. Today, that dosa costs Rs 35. A person could have bought 400 dosas with Rs 100 in 1969. Today, the same person can buy approximately three dosas with the same money. That means the money has lost value. Today, when you want to buy 400 dosas, it would cost you Rs 14,000. Had you kept your Rs 100 of 1969 under the mattress and taken it to the RBI Governor now, could

you expect Rs 14,000? No. The Governor can give you a new Rs 100 note or two Rs 50 notes. Thus, the value of money in India goes down with inflation, which was about 11% during 1969 to 2016. All of us have to beat the inflation while investing our nest egg.

We have a menu of financial asset options in fixed deposits in banks or highly-rated companies, debt mutual funds, treasury bonds, commercial paper, equity mutual funds etc. Apart from the financial assets, there are real assets.

Indian investors have shown a preference for real assets like gold and real estate. These two assets have consistently beaten inflation. Equity mutual funds have been a mixed response with great returns sometimes and unexpected losses other times. We must educate investors in understanding their risk profiles and plan their portfolio carefully.

My dream is to motivate and enthuse people around me to spread finance skills to everyone — students, young graduates, working mothers, poor car driver, maids, our colleagues, and more. If we do this consistently, everyone will be more confident of the financial markets. ■