



Module5

Financial Management & Financial Literacy

Objectives of the training

Understanding
Financial
Literacy



Goods and Services Tax

Planning for
your business
based on your
income and
expenditure



Learning
how to
save



Learning
simple book-
keeping for
your
business



Are you ready?

Let's Begin!

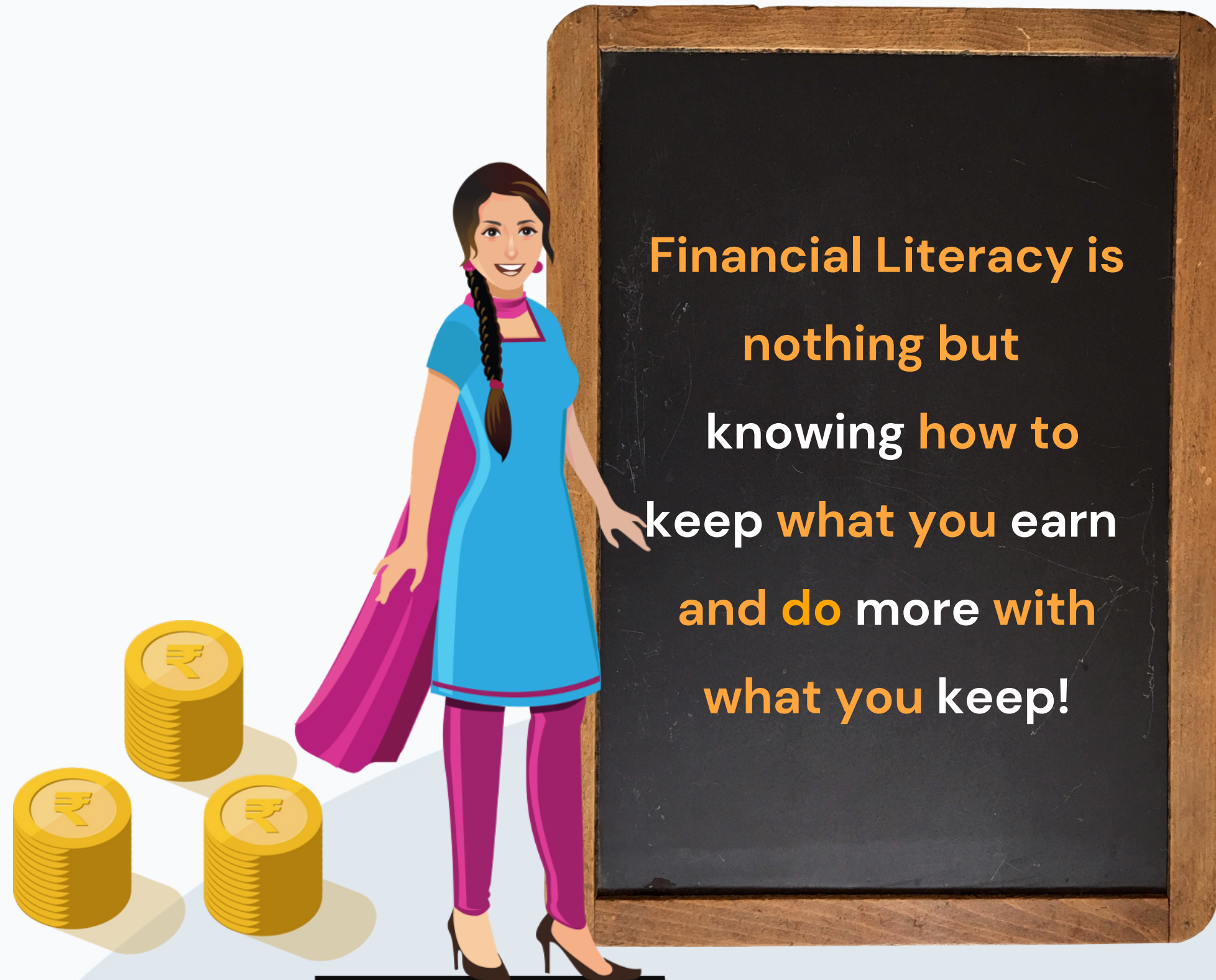


FINANCIAL LITERACY

जनरल स्टोर



What is Financial Literacy?



Why is it important to be financially literate?

➔ To develop your capacity to make good decisions on money matters like household budgets, debt management etc.

➔ To develop your self-confidence and attitude to overcome personal financial issues

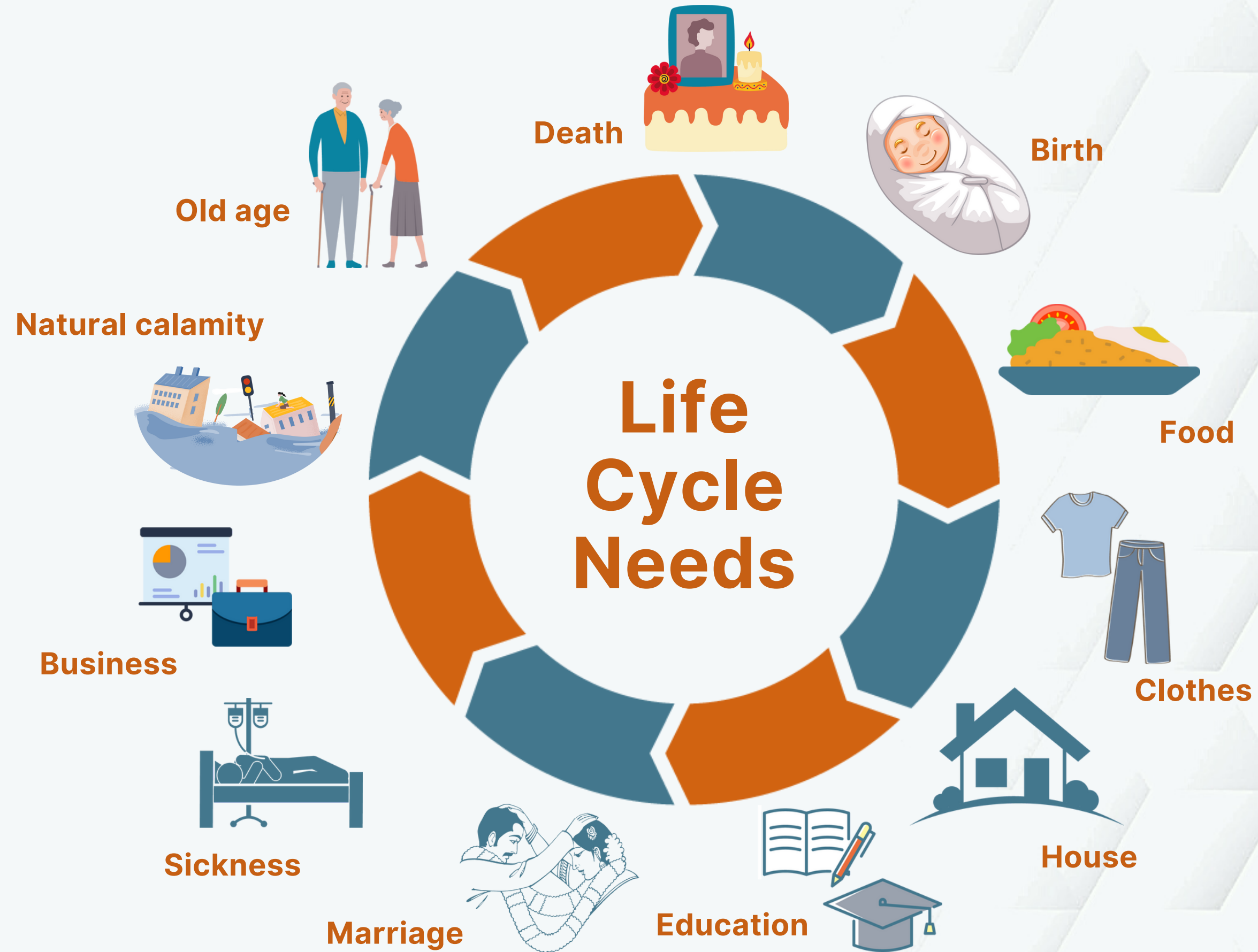
➔ To be prepared ahead of time for life cycle needs



➔ To improve your own financial status and well being by initiating savings plan and investments

➔ To be able to deal with unexpected emergencies without assuming a burden of unnecessary debt

➔ To make you able to convince others to lend you money



What are the 3 things you can do with your money?

X
debt

✓
savings



spend it

save it



or... grow it

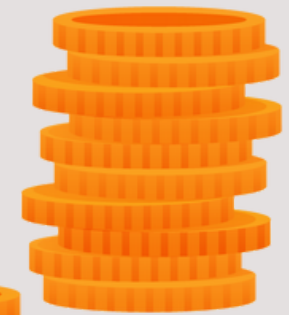
expense



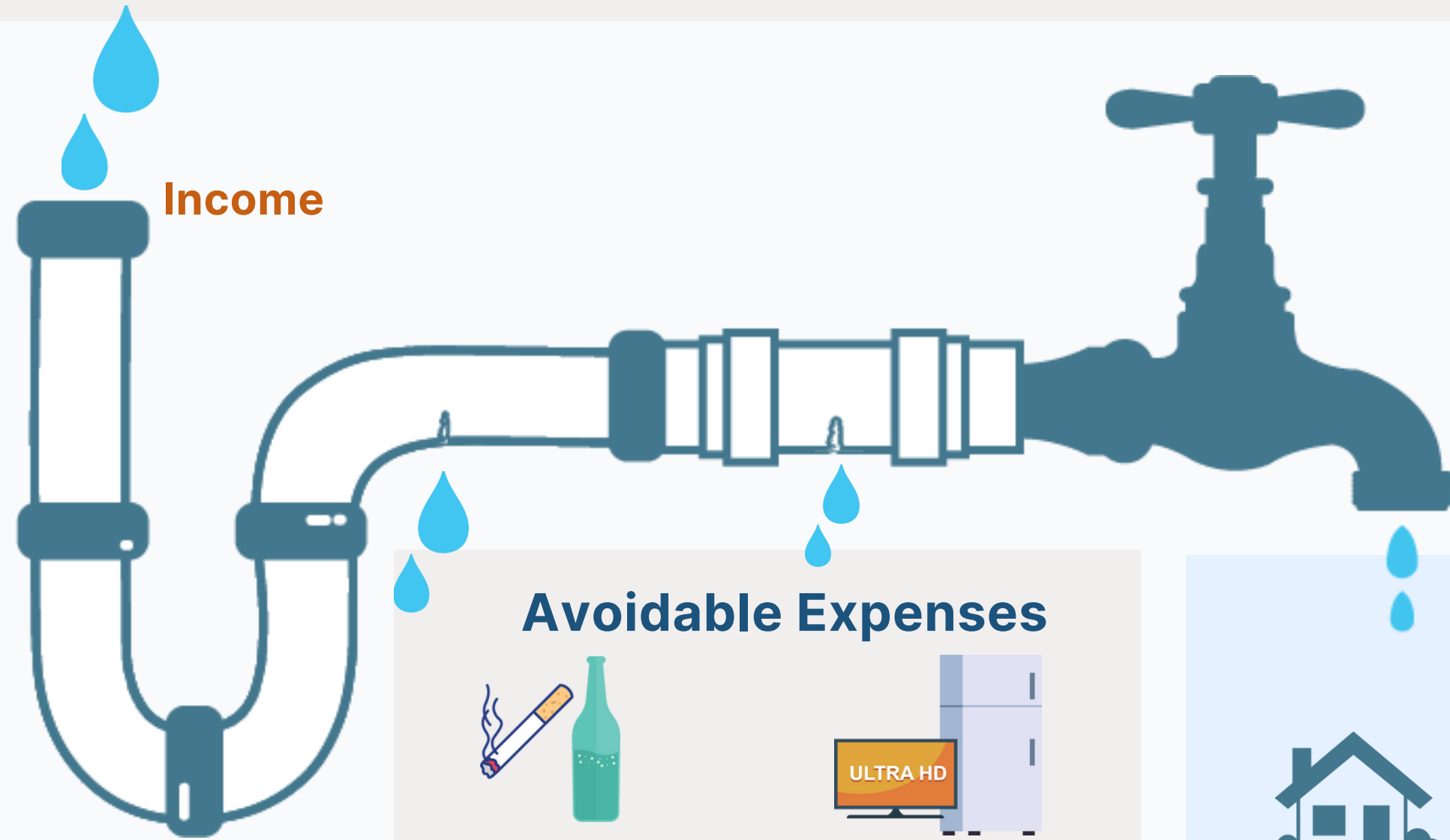
income



managing your money



Understand Your Expenses



You have to decide what is important to you – to meet your basic needs or expending on luxuries or your wants?

Avoidable Expenses

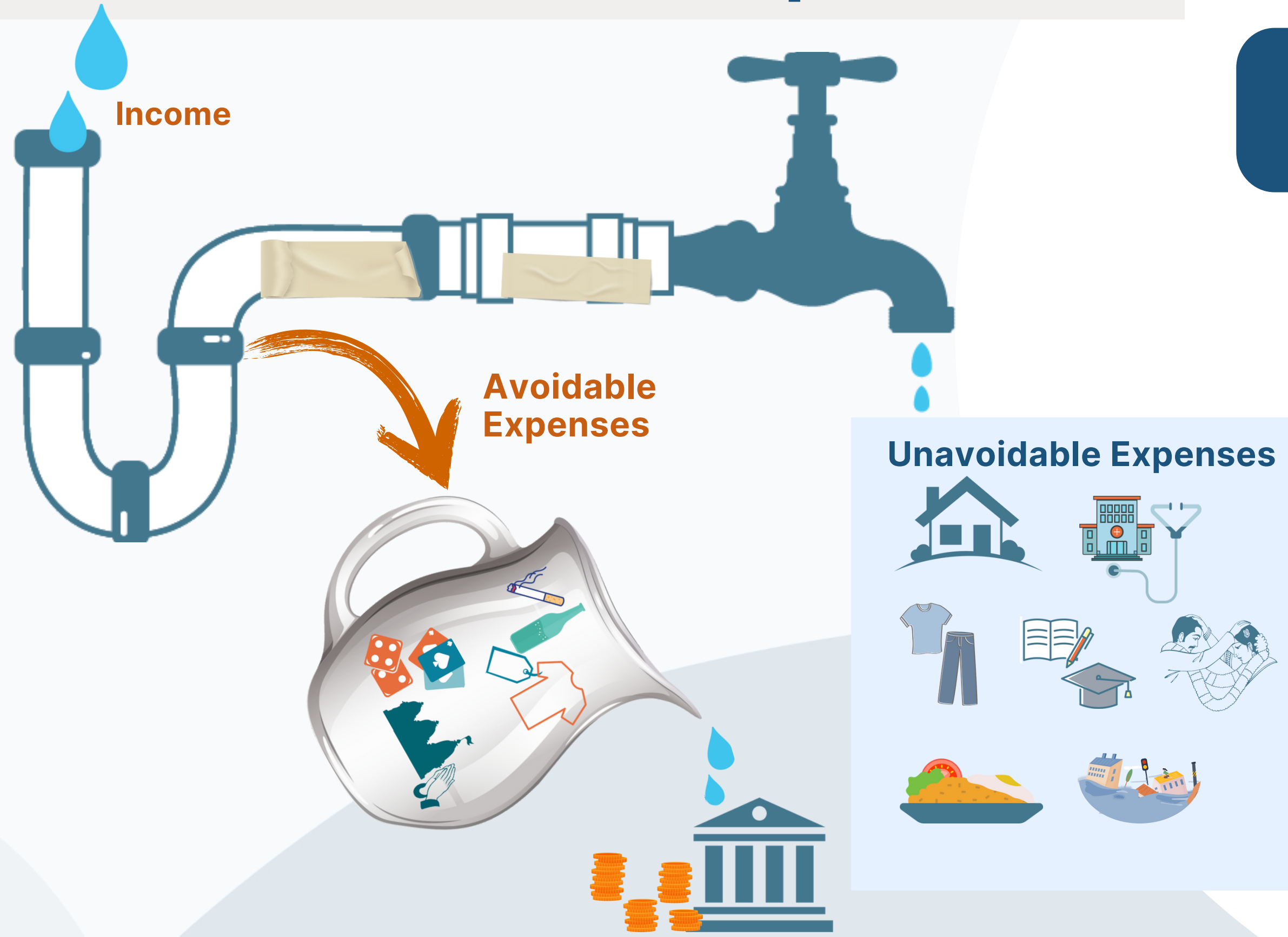
-  Alcohol/Tobacco
-  Luxurious goods
-  Gambling
-  Pilgrimage

Unavoidable Expenses

-  House
-  Sickness
-  Clothes
-  Marriage
-  Food
-  Education
-  Natural calamities



Understand Your Expenses



Plug your avoidable expenses to initiate savings!



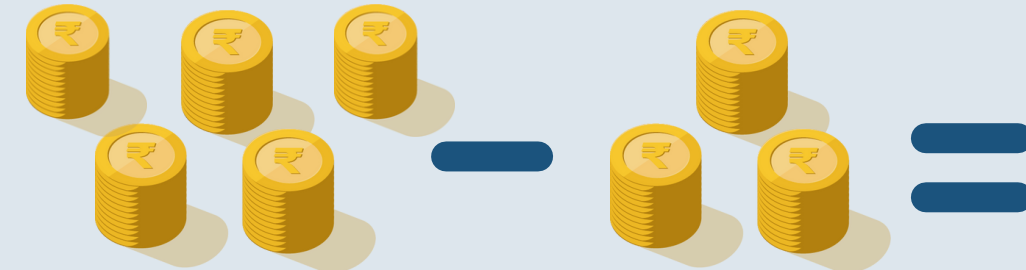
Let's Talk About Savings



Income

Expenditure

Savings



Expenditure

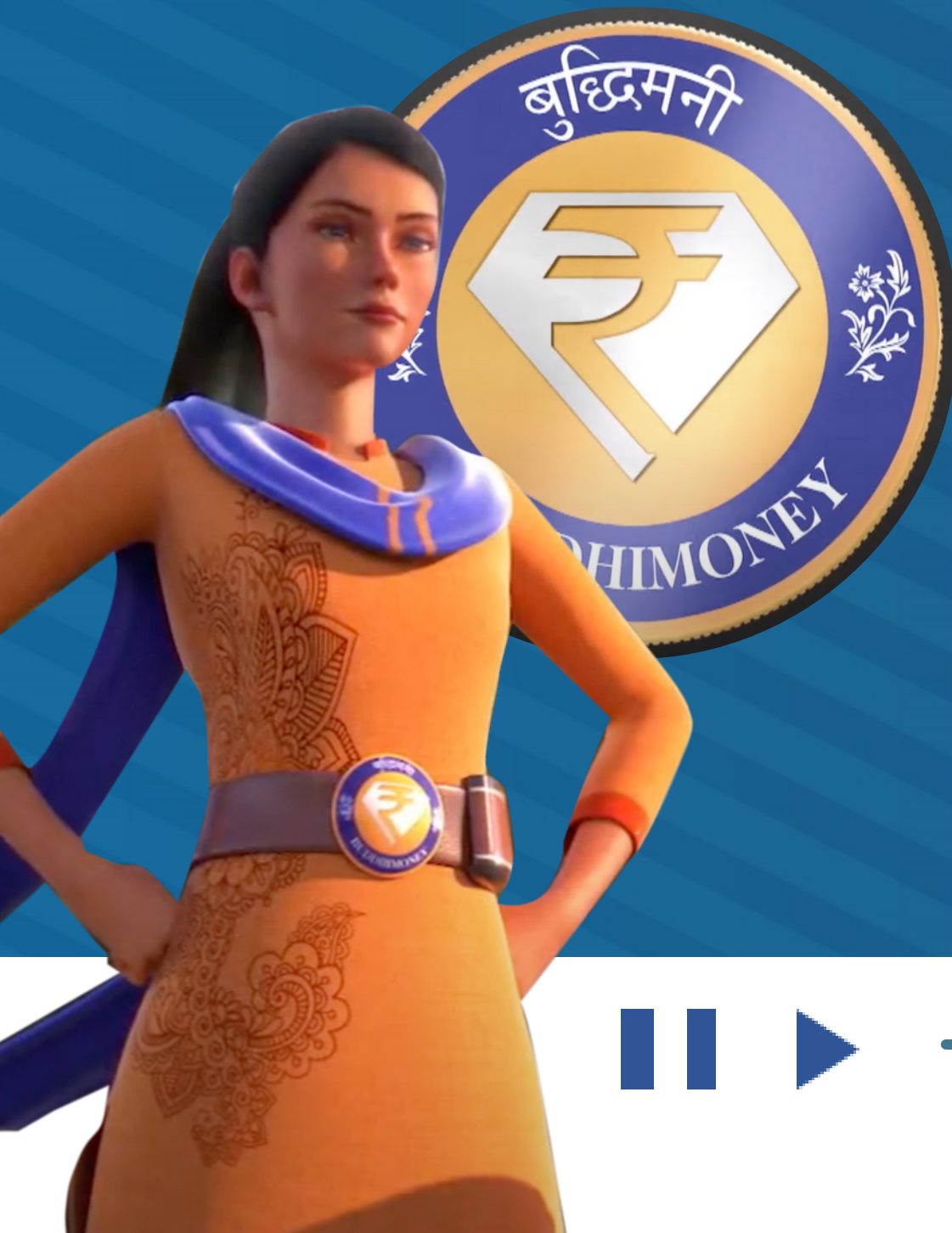
Income

Borrowings

You need to find ways of increasing income and lowering expenses.



The Ant and the Grasshopper



Click link to watch: <https://youtu.be/ji84sV1FRq0>

What did you learn from this story?

It is important to plan for long term!



Understanding Savings



I do Savings so I am paying to self

- To execute my planned future expenditures like children's education, marriage etc.
- To be prepared for emergencies and unexpected events
- To avoid unnecessary debts and financial stress
- To lead a disciplined and prosperous lifestyle



I don't Save so I need to Borrow and I am paying others

- My income is low and expenditures are high.
- My income is irregular and I don't have enough money.
- I can't sacrifice my wants and luxuries for unknown future!
- I have debts and its hard for me to get out.

Saving is putting money aside in present for future use and spending. Savings can be in form of cash or an asset.



What are the options available for savings?

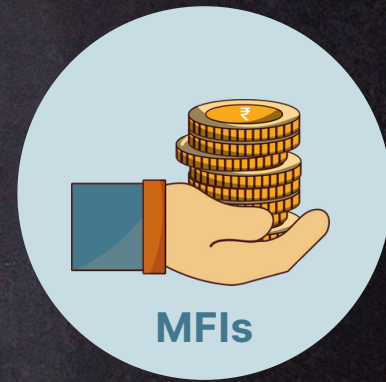
Savings can be of two types:

formal

informal



Formal Savings



- When we put our saving with banking institution or invest in various government or private sectors schemes based on our assessment of future expenditures, it is known as formal savings.
- Formal savings are safe.
- Formal savings are productive i.e. we also earn some interest on it.
- Moreover, we may designate a nominee to whom the benefits will be transferred in the case of our death.



Informal Savings



- When we keep our savings with us or lend to others, it is known as informal savings.
- Informal savings are very insecure as they are not legally protected.
- These usually do not earn any interest.
- These do not have any system of nominees.



Let's Talk About Investments

An Investment is putting your money as an asset that allows it to grow.

You can Invest in different ways:



In Livestock (e.g. cows, goats, pigs, poultry etc.)



In Land (rental units, commercial buildings)



In business (market stalls, restaurants etc.)



In shares or bonds or investment Plans

WHY INVEST?

- To create wealth and security for you and your family
- To establish new income generating activities for you to earn more
- To create jobs for self, family and others
- To enable your children to have some income in future



Let's Talk About Insurance

Insurance is a financial protection in which an insurance company compensates a person or a business for a specified loss caused by e.g. accident, calamities, fire and death. In such an arrangement, an insured party pays an agreed amount of money (premium) in advance to be compensated in case the event happens.



Benefits of Insurance:

Savings deposited will be returned to you with interest

Insurance provides you the payment to cover losses when they occur

Some insurance policies facilitate tax deduction



GENERAL INSURANCE

- It offers financial compensation on any loss other than death.
- The insurance company will pay the assured sum to cover the losses or damages experienced to assets and liabilities.
- Examples includes health insurance, vehicle insurance, shop insurance, travel insurance etc.

LIFE INSURANCE

- It provides financial compensation to the nominee in case of the premature death of the insurer.
- It ensures financial security for family members of the policy holder after his / her death.
- You can either pay the lump sum amount or pay periodic premiums to the insurer while purchasing the policy.



Income Tax Return

An income tax return (ITR) is basically a document that is filed as per the provisions of the Income Tax Act, reporting your income, profits and losses and other deductions as well as details about tax refund or tax liability.

According to the Income Tax Act, Individuals who are less than 60 years of age and has gross total income more than Rs. 2.5 lakhs has to mandatorily file income tax returns.

Benefits of ITR Filing



Income proof



Tax Saving



Easy Loan Approval



Helps in record keeping and avoid unrelated paperwork



Credit Card Processing



Helps in claiming return



Set off or Carry forward Loses



Provides Financial Support to the family



ITR Filing Steps

- Go to the Income Tax e-Filing portal, www.incometaxindiaefiling.gov.in
- Login to e-Filing portal by entering user ID (PAN), Password, Captcha code and click 'Login' if already registered or if not already registered on e-filing portal. Click on "Register Yourself".
- Click on the 'e-File' menu and click 'Income Tax Return' link.
- On Income Tax Return Page:
 - PAN will be auto-populated
 - Select Assessment Year
 - Select ITR Form Number
 - Select Filing Type as "original/Revised Return"
 - Select Submission Mode as "Prepare and Submit Online"
- Click on 'Continue'
- Read the Instructions carefully and fill all the applicable and mandatory fields of the Online ITR Form.
- Choose any one of the options to verify the Income Tax Return in the 'Taxes Paid and Verification' tab:
- Click on 'Preview and Submit' button, verify all the data entered in the ITR.
- Submit the ITR.



Goods & Services Tax (GST)

GST is a consumption tax, which will be levied on supply of goods or services or both at each stage of supply chain starting from manufacture or import and till the last retail level. It is an indirect tax which has replaced many indirect taxes in India such as the excise duty, VAT, services tax, etc., resulting in a greatly rationalized taxation structure.

- Overall reduction in Prices for Consumers
- Reduction in Multiplicity of Taxes, Cascading and Double Taxation
- Benefits to Small Taxpayers
- Uniform Rate of Tax and Common National Market
- Consumption Based Tax
- Broader Tax Base and decrease in “Black” transactions
- Free Flow of Goods and Services – No Checkpoints
- Non-Intrusive Electronic Tax Compliance System

An orange circle containing the text 'Benefits of GST' in white. A large orange arrow points from the circle towards the list of benefits on the left.

**Benefits
of GST**



Safeguards on GST Refunds

DOS

- 
- A 3D rendered illustration of a woman with dark hair, wearing a yellow top with a purple shawl, purple pants, and colorful striped shoes. She is sitting on a red stool with wooden legs, with her hands resting on her lap.
- ✓ Use only GST portal www.gst.gov.in for claiming refunds
 - ✓ For any information on filling GST refund claims check only www.gst.gov.in/help/refund
 - ✓ For official and authentic information check for news & update section of www.gst.gov.in
 - ✓ In case of any query or clarification, please call GST helpdesk at 1800-103-4786
 - ✓ Do remember GST portal never asks for any personal information or refund details on e-mails, WhatsApp or SMS

Safeguards on GST Refunds

DON'TS

- 
- A 3D rendered woman with dark hair, wearing a blue and orange outfit with a large blue collar and a brown belt with a circular emblem. She is pointing her right index finger upwards.
- ✗ Do not reply to any messages claiming to process GST refunds
 - ✗ Do not open any link or attachment in any such message
 - ✗ Do not call at any number shared or respond to any call to update account information
 - ✗ Never provide any personal details or other information on any platform other than official GST portal
 - ✗ Do not trust on information from any source other than official GST portal; be careful of fraud websites with similar portal name and interface

Legal Compliances for Kirana

Key Registrations and Licences

The Shops and Establishment Act, 1953

- Register your shop by submitting an application along with the required legal fee.
- The shop owner is bound to prominently display this certificate at his shop and ensure periodic review of the certificate.
- The shop owner has an obligation to inform of the closing of the shop within a prescribed time to get the certificate cancelled.

Trade License

- You are expected to obtain this license to ensure that your store abides by all standards, regulations, ethical and safety norms.
- The permission must be granted by the nearest local municipal authority.
- Documents required for obtaining trade license are as follows:
 - PAN Card
 - Certificate of establishment
 - Bank statement of the establishment of the trade
 - Premises proof in the form of either electricity bill, water bill or sale deed
 - Colour photograph
 - ID proof and Address Proof of the owner/partners
 - Front facing photograph of the trading business with goods that are traded in proper display



Key Registrations and Licences

FSSAI Licensing

Any business in India that deals with food is classified as a 'Food Business' by the Food Safety and Standard Authority of India (FSSAI). Through this classification, FSSAI imposes numerous legal compliances on a grocery store. Below are a few factors essential to the process of licensing under FSSAI:

- The owner of a grocery store is known as a Food Business Operator (FBO). The FBO needs to first realize the 'capacity' of the shop/food business, in order to apply for a specific category of license. The type of license granted to an FBO is mainly determined on the basis of turnover.
- An FBO may obtain a state license by applying on Form B of Schedule 2 and submitting to the nearest designated officer along with required documents and the prescribed fee.

Sign Permit

You decide to put up a big sign outside your grocery store to attract people, but you realize you're not attracting customers with your sign but some trouble, instead. Some cities have regulations on the size, location, type or even the lighting of a sign you put outside your grocery store.

Goods and Services Tax (GST)

- Every grocery store owner, on registration, will get a GSTIN, a 15-digit code which is a unique GST identification number. Registration becomes compulsory only when the business crosses a specific annual turnover.
- An annual turnover greater than Rs. 20 Lakhs invites mandatory registration with GST. Under normal GST returns, shopkeepers have to file returns on quarterly and annual basis.



Government Schemes

Jan-Dhan Yojana (JDY)

- Basic savings bank account is opened.
- No requirement to maintain minimum balance.
- Interest is earned on the deposit.
- Rupay Debit card is provided.
- Accident Insurance Cover of Rs. 1-2 lakh available with RuPay card.
- Overdraft facility up to Rs. 10,000 to eligible account holders.
- Eligible for Direct Benefit Transfer (DBT), Pradhan Mantri Jeevan Jyoti Bima Yojana (PMJJBY), Pradhan Mantri Suraksha Bima Yojana (PMSBY), Atal Pension Yojana (APY), Micro Units Development & Refinance Agency Bank (MUDRA) scheme.

Pradhan Mantri Jeevan Jyoti Bima Yojana (PMJJBY)

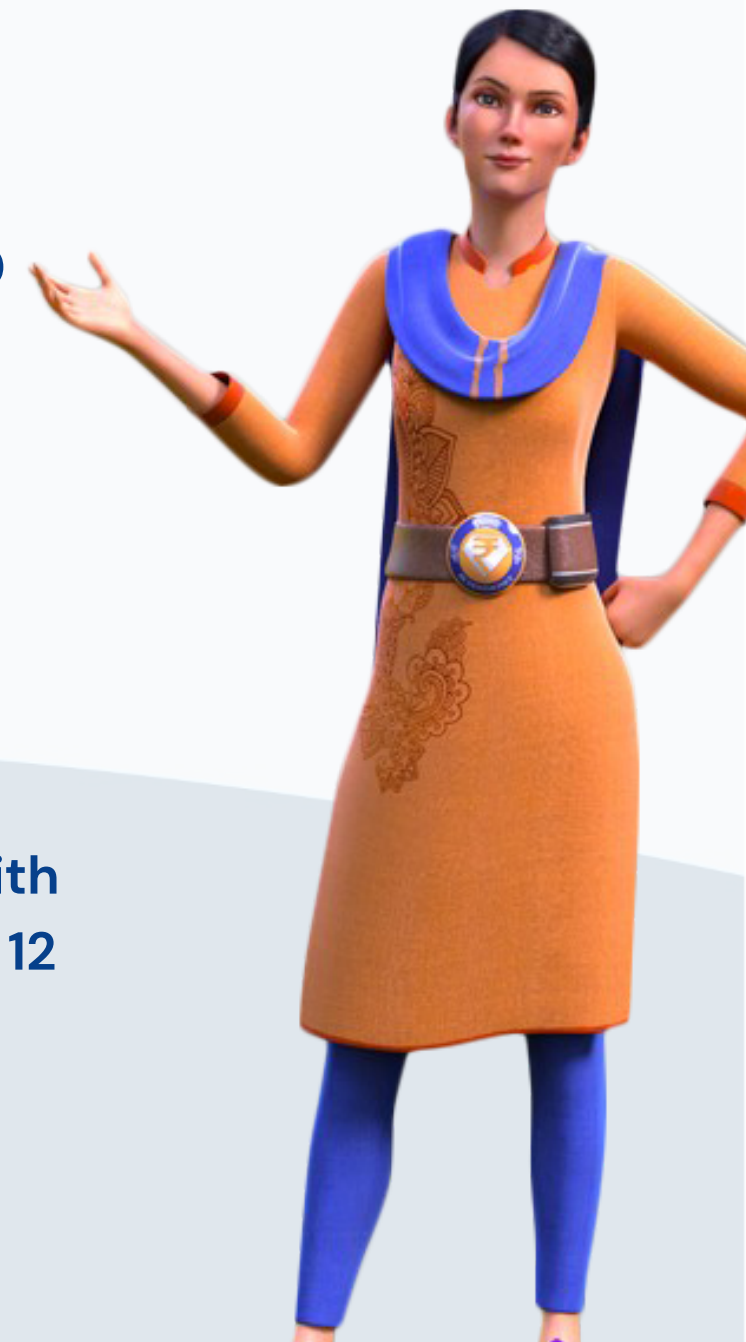
- The policy offers life insurance coverage to people in the age group of 18 to 50 years
- Risk coverage under this scheme is for ₹2 Lakh in case of death of the insured, due to any reason
- Premium amount is Rs. 330

SBI General Insurance

- Health insurance policy to cover you and your family
- No medical check up up to 55 years, pre-post hospitalization coverage, nursing & ICU expenses
- Tax exemption under Sec 80D

Pradhan Mantri Suraksha Bima Yojana (PMSBY)

- The policy offers personal accidental coverage to the insured individual of age between 18 to 70 years;
- The policy offers ₹2 lakh as death or disability (total & partial) benefit in an accident
- An yearly term insurance scheme with premium amount Rs. 12



Components of Book-keeping



Day Book: To capture end of day sales and purchase



Credit Register: To track the amount of debt entrepreneur owes /is owed and by whom



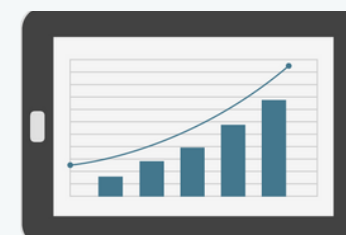
Tax return report: To show the income earned by your business with the amount of tax payable



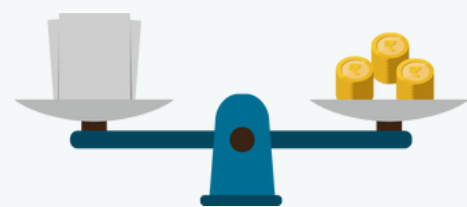
Ledger: To provide complete record of financial transactions over the life of a business



Balance sheet: To show what you own, what you owe and how much you invested in your business



Profit & Loss Statement: To know the business profit and loss status



Trial Balance: To ensure the entries in bookkeeping system are mathematically correct



Cash flow statement: To show the flow of cash in and cash out of the business

Needs of Financial Reports Created in Book-Keeping



Profit & Loss Statement

- It helps you compare your sales and expenses and make forecasts future performance of your business.
- It is useful in assessing the risk of your business not achieving certain level of income in future.
- It also enables you to increase your earnings by reducing unnecessary expenses and increasing incomes.
- It also provides valuable information required by a banker while sanctioning a loan.

Cash Flow Statement

- It shows your liquidity that means you know whether you have enough cash to keep your business operating or not.
- It helps you predict future cash flows and in making long term business plans.
- Updated cash flow statement is required for you applying for a loan or credit.

Needs of Financial Reports Created in Book-Keeping

Balance Sheet

- The balance sheet provides a look at the current health of your business and whether it has the ability to expand or needs to reserve cash.
- It provides information regarding your assets, liabilities and equity, which are important for tax calculations and claiming tax deductions.
- It gives interested parties (banks, corporates etc.) an idea of the financial position of your business, in order to allow them make informed financial decisions.

Tax Report

- This document provides details of all income/sales and/or expense/purchase which an entrepreneur is required to file with the tax administrative authorities.
- This is used by tax authorities to calculate net tax liability of your business.
- It helps the taxpayer keep track of his returns filed, and stay 100% compliant.
- It can be used for checking consistency of various tax returns and for performing end-of-year audits.



Methods of Book-Keeping

MANUAL BOOK-KEEPING



- Paper-based traditional way
- Transactions are recorded manually
- Cheaper and easier to maintain

DIGITAL BOOK-KEEPING



- Computerized or mobile-based
- Transactions are recorded automatically using a software
- Easier, faster and free of errors



Advantages of Maintaining Books Digitally



Digital system stores data in a specific place giving the owner real-time access to the information.

Digital system is easy to use and with improved speed and productivity. All financial data can be accessible in a few clicks.

Maintaining books digitally give you increased data security. With digital system you can back up your data and avoid losing any information.

Using digital data is more cost-effective than manually recording data. It works faster and saves your business time.


Digital book-keeping is more reliable as it prevents human errors and produce perfect and reliable facts and figures of your business accounts.

Over the tedious and monotonous job of manual book-keeping, digital applications provide a more simple and standardized system with revolutionary mode of accounting.

Digital Book-Keeping




Insert video hyper link here



What did you learn today?



What did you find useful for your financial management?



Will you maintain the books you were taught today?





THANK YOU!

FOR MORE UPDATES



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