

# PR SENSE

Communicate the communication

**India's First Corporate ezine**

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**Vishnuram**

**Theme of this Issue**  
Financial (il)literacy

**Guest Editor**  
Vishnuram

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## Pre-FACE: From the desk of Editor-in-Chief

### Present day youth needs more awareness about finance

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**W**ith the booming economy, present day youngsters are exposed to more money, than their earlier generation possessed in the corresponding age. With the new marketing techniques, blowing advertisements, youngsters are attracted towards more of unplanned wasteful expenditure. When we decided to focus on the theme 'Financial literacy', we conducted an online survey to understand the mood of the readers. There was a general feeling cutting across the age group, gender and location that the present day youth needed more awareness about financial management.



We had also received many real case studies of youngsters possessing more than a dozen credit cards and falling into debt trap. In spite of this, we felt happy that many youngsters were keeping financial discipline, but lacked awareness about savings and investments.

In this issue, we have attempted to bring out the realistic situation and suggestions for not falling into debt trap.

Another important aspect is about Education Loan. Now that admission season is started, there is a great responsibility for the banks to support these students with education loan. Education Loan Task Force (ELTF), one of the initiatives of Pre-Sense has been getting lot of complaints against the banks about the harassment of poor students. We have been taking up these cases with Reserve Bank of India and Govt. of India for solution.

Hope you will enjoy this edition of ezine as usual. See you in the next edition.

*K. Srinivasan*

#### Guest Editor



Mr Vishnuram, is a TV journalist turned Corporate communicator turned PR professional. He is passionate about Financial and Education PR. He is fond of travelling to even remote places to explore archaeological and historical facts. He has documented personally his findings with photograph for more than 60 such places.

He can be reached at [vishnaum@gmail.com](mailto:vishnaum@gmail.com)

## ஆகாறு அளவிட்டி தாயினுங் கேடில்லை போகாறு அகலாக் கடை. (திருக்குறள் 478)



Thirukkural 478

By Saint Thiruvalluvar 2000 years back

If your expenditure exceeds the income, it will be disastrous. Even if your income is limited, as long as the expenditure does not exceed the income, it will not ruin you.

### Online snap survey - findings

An online snap survey was conducted during the first week of June 2010 to understand the pattern of expenditure by various people. Broadly, we got the following information. Since the responses (120) are limited, it should not be taken as the correct trend and it is only indicative.

- ü 30 % respondents are ladies; 55% are less than 35 age group; 43% earn less than 3 lakhs 31% earn 3 to 5 lakhs
- ü 35% save less than 5% of their income and 25% save 5 to 10% of their income.
- ü 63% prefer bank deposits' 45% insurance; 32% mutual funds; 25% prefer gold, silver or properties
- ü Around 40 percent spend less than 5% of income for wasteful expenditure. 32% spend between 6 to 10% on wasteful expenditure.
- ü Crazy (thrill) : shopping takes 65% of wasteful expenditure, followed by wasteful parties, junk foods (40%) and wasteful travel (30%)
- ü One-third respondents do not know the importance of savings
- ü Around 50% of the respondents do not possess credit card.

## Some interesting views from the respondents



I feel, the temptation to buy high-end products is increasing among today's youngsters simply because of easy availability of payment options like credit cards. (From Bangalore – age group 31 to 35)

Youngsters think only about enjoyment of life and do not think about the long future. (From Srilanka – age group 26 – 30)

Youth today do spend a lot on unnecessary items, but recently in the past few years I have also noticed that once responsibility sets in, they do set apart a particular sum of money for saving, mostly (owning a flat or ground). (Female 31 to 35 Jaipur)

I effectively use the credit card availing the credit and making the payment (From Delhi – age group 26 – 30)

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Getting into a debt trap is an attitude problem. The credit facilities have made it easier for people with poor attitude towards money to get into a debt trap. If used carefully they are a boon; otherwise you land into trouble; don't blame the institutions; creating awareness is very important. (From Hyderabad – age group 46 +)



I make partial payments of credit cards only. I have not cleared outstanding. I am caught into debt trap. (From Mumbai – age group 26 – 30)

According to me, the main challenge faced by the youth today is dealing with temptation. Temptation related to the thin line between needs and wants of consumers. Consumption has increased manifold based on wants and not needs. The youth are hit by the syndrome of experiencing new and upcoming technologies, lifestyle etc. Most youngsters who have just recently entered into full-time employment are further hit by this syndrome as they have the disposable income minus the family responsibility. I believe that overselling products just digs a deeper grave for youngsters as more disposable income leads to more spend leading eventually to more debts. (from Mumbai - age less than 25)

Youngsters are bombarded with credit cards and do not know the actual benefit and the impact. They do not have knowledge of banking facilities Most of my friends do not have any separate bank a/c other than their salary a/c. Once they shift job, they ignore their previous a/c and they don't maintain a proper financial record. (From Chennai – age <25)

## Credit cards and debt trap

A respondent from Hosur reported:



A friend of mine used to purchase anything, only when he had enough money. He received a credit card from a bank. After receiving the card, he started buying everything, without planning for money. Using the card, he purchased a washing machine for Rs.21,000, but he could not repay the same within the stipulated time. He started paying the money in instalments. Finally, he had to pay Rs.45,000/- towards the principal and interest, after taking loan from another bank. Had he bought the washing machine under bank loan, he could have paid less.

**Debt Trap is a situation where you add on a new debt in order to pay an existing debt**



### Caught by credit card debt – real story

On behalf of Pre-Sense, we spoke to a young person, who got trapped into credit card debts and got the first hand experience from him. (Identity of the person suppressed).

“I am a working professional with a salary of Rs.40,000 plus incentives per month. When I joined the company, I requested my banker to give me a credit card with a reasonable limit. I used the card properly and availed the credit period judiciously in the initial months. I used to clear the bill within the stipulated time. I do not know, how other banks got my contact number. Many banks started calling me offering credit cards with huge limits. They told me that because of my prompt payment and loyalty, they were offering credit cards. Tempted by these offers, I secured 12 credit cards from different banks with varied huge limits. Afterwards, I started using my credit cards left and right to purchase tickets, jewellery, luxury items, etc. At one stage, my liability went upto 4 lakhs. I could not settle the bills within due date. I opted for minimum payment. After 6 months, due to various reasons, I could not pay even the minimum amount. Agencies started knocking at my door. Finally, I had to sell off my jewellery and some more valuable assets to clear the entire debt and huge interest. After clearing the credit card debt, I surrendered all the cards, excepting one, that too with a reduced affordable limit. Now I have started using credit card very carefully. To learn this lesson, I paid a heavy price”

## Plastic bomb - Credit card and Bank loan

Do you want to buy a product worth Rs.10,000/- under a bank loan or through credit card?

If Rs. 10000 is borrowed under loan, for 3 years, the total amount payable is around Rs. 14000/- at 15% interest. If the same amount is drawn under credit card and repaid in 3 years, the total amount payable is around Rs. 20000/-.



*Short term liability should not be used for creation of long term assets.*

## Using plastic is health and finance hazard



**Ms. Indrani Bhagwan Singh, Former Banker**

Most middle class people create assets only by creating liability. Banks offer various loan products to suit individual needs for different purposes. Avail the bank facilities judiciously and create assets comfortably, without straining your purse. People are caught into debt trap due to over borrowing.

Inadequate knowledge about cost of finance and bank facilities is also one of the reasons. Credit cards are to be used judiciously in unavoidable situations and ideally only when you can settle the bill within due date fully. If you carry over the bill and opt for minimum payment option, interest costs will accrue and you will end up paying huge interest money!

## More awareness needed for financial literacy

**Mr Desikan, Founder, Consumers Association of India**

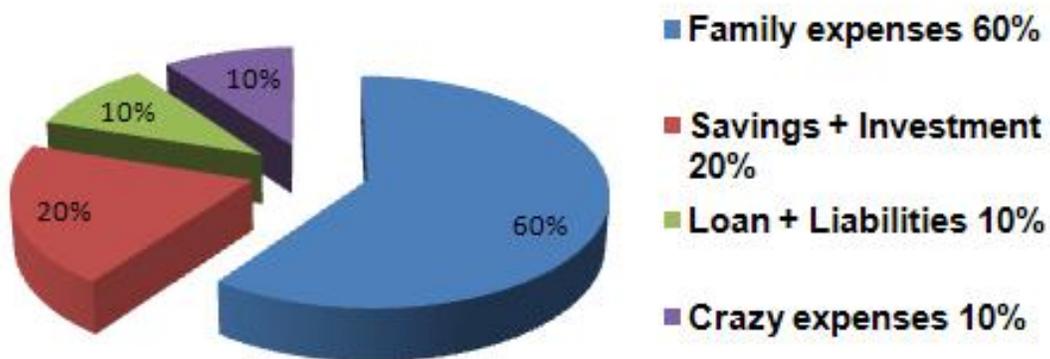
Schools and colleges do not provide adequate knowledge about financial literacy. Many companies pay more salary even to the freshers, more than what they deserve or job needs. This will change and the companies would standardize the salaries, based on the actual work performed.



This phenomenon is causing more financial indiscipline among the youngsters, who handle large money at a very young age. We need to create more awareness about financial literacy among the youngsters. Due to indiscreet usage of credit cards, many people land themselves in problems and then they approach us for solution.

Let 'Savings' be the first expenditure of the month

Suggested model for every 100 rupee income



CREDIT INFORMATION  
BUREAU (INDIA) LIMITED  
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Credit Information Bureau (India) Limited (CIBIL) was incorporated in 2000 with the support of Reserve Bank of India to provide credit information Report (CIR) to the credit grantors on consumer and commercial borrowers, to enable them to take sound credit decisions. Many banks and financial institutions are holding the equity in this company. Presently CIBIL has 175 members, who share the information about the borrowers. CIBIL is now having information about 144 Million accounts of individual and 3.5 Million accounts of commercial borrowers, in addition to suit filed accounts.

When any individual or commercial borrower commits default with any bank or financial institution, their credit rating will suffer.

Website of CIBIL <http://www.cibil.com>

## Important suggestions from online survey



- ü Provide Financial literacy knowledge in Schools & Colleges.
- ü Parental guidance to help the youngsters to prepare proper financial plan.
- ü Youth should get guidance from Financial advisors.
- ü Piggy bank culture should be enforced from Primary schools.
- ü The employers should provide awareness programme to the employees on Financial management frequently.

## Tips to manage personal finance

**Shailesh Dhawla, Communication expert, Gurgaon**



1. Earning doesn't mean anything, what matters is what one is left with. Personal finance is an integral aspect of our lives, so why not manage it.

2. Be your own advisor. In financial matters, you are your best friend. Advice comes at a cost self or external.

3. Keep it simple. 'De clutter' your financials. Clarity with ones finances is half the problem solved. A simple check sheet of what's flowing in and what's flowing out will be very useful. De cluttering would mean:

Maintain ideally 2 bank accounts (salary and savings). Close the salary accounts when you change the company. Or else continue using the existing one.

Just one credit card will do. Create long usage history, and you will be upgraded automatically from time to time.

Keep track of all your investments and figure out a good mix depending on your knowledge, risk appetite and your stage of income and lifecycle. This is also called "asset allocation", which you will learn when you get inside the ring.

4. Invest in learning personal finance. Start with an introductory book and continue enriching the information through popular finance blogs and one magazine. Discuss with your friends and advisors the available choices, but decide on only after clear understanding. My suggestions are:

One book to get started - Rich dad, Poor Dad.

One personal finance magazine - Outlook Money

One blog <http://ranjanvarma.com/>

## Education Loan

Your ezine *Pre-Sense* and online India Vision Group have recently started an initiative "Education Loan Task Force" (ELTF) to create awareness about education loan scheme among students.

Education Loan details are available in the site [www.elft.co.cc](http://www.elft.co.cc). Important aspects of Education Loan are:

1. Banks should not insist on security, margin and guarantor for loans upto 4 lakhs;
2. Monthly interest on education loan should be calculated on simple interest basis and added to the principal amount, one year after the completion of education or six months after getting the employment. The principal and interest will be added and repayment is fixed. (Interest subsidy scheme has come into force from 2009-10)



Many banks have been violating the above guidelines. ELTF has been taking up such cases with Reserve Bank of India and Government of India. If the students and parents find any violation, please inform [action2020elft@gmail.com](mailto:action2020elft@gmail.com) with full details.



[www.prpoint.com](http://www.prpoint.com)



[www.corpezine.com](http://www.corpezine.com)



[www.poduniversal.com](http://www.poduniversal.com)

## PReTTY - How to pay credit card bill of \$0.00?



Do you remember your first credit card? I do. I also remember the first bill. It said I owed \$0.00. Since I had not yet made any purchases, I knew the amount to be true. Therefore, I ignored the bill and threw it away.

The next month I had still not used the card, and so when I received another bill for \$0.00 I threw that one away too. But the following month the credit card company sent me a very nasty note saying they were going to cancel my card if I didn't send them \$0.00.

Concerned about my reputation, I called and talked to them about my statement. They said it was a computer error and told me they'd take care of it. The following month I decided it was about time to try out the troublesome credit card. I figured if there were purchases on my account it would put an end to my ridiculous predicament.

To my dismay however, I found out my credit card had been cancelled when I tried to use it as payment for merchandise. I called the credit card company again, and they apologized again for the computer error, saying they would take care of it.

The next day I got a bill for \$0.00 saying that payment was now overdue. I assumed that since I had talked with the credit card company only the previous day, the latest bill was yet another mistake and I ignored it, trusting that the company would be as good as their word and sort the problem out.

However, the next month I got a bill for \$0.00 saying I had only 10 days to pay my account or the company would have to take steps to recover the debt. Frustrated, I decided to play with the company at their own game, and mailed them a check for \$0.00. To my relief, the computer processed my check and returned a statement the next month telling me I did not owe the credit card company anything.

A week later, my bank called me, wanting to know why I wrote a check for \$0.00. After giving them my lengthy explanation, the bank told me the \$0.00 check had caused their check processing software to fail. The bank could not process ANY checks from ANY of their customers that day because the check for \$0.00 was causing the computer to crash.

The following month I received a letter from the credit card company claiming that my check had been returned and that I now owed them \$0.00. Unless I sent them a check, they would take steps to recover the debt.

After a few more months of frustration, I managed to cancel my account with the credit card company and the problem was solved. I had considered buying my wife a computer for her birthday, but I bought her a typewriter instead. (Source: [www.cleanjokeoftheday.com](http://www.cleanjokeoftheday.com) )

# PRince

www.cartoonwatchindia.com  
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