Financial Education Workbook for Class IX

Disclaimer

This book is presented as a reading and teaching material with a sincere purpose of making the reader financially literate. It is not intended to influence the reader in making a decision in relation to any particular financial product/s or service/s.

Published by: The Secretary, Central Board of Secondary Education
Shiksha Kendra, 2, Community Centre,
Preet Vihar, Delhi-110301

Design, Layout & Printed by: National Institute of Securities Markets (NISM) for National Centre for Financial Education (NCFE)
Plot no. 82, Sector 17, Vashi, Navi Mumbai - 400703
Tel: +91 22-66735100 | Fax: +91 22-66735110
Website: ncfeindia.org
भारत का संविधान

उद्देश्यों
हम, भारत के लोग, भारत को एक सम्पूर्ण प्रभुत्व-संपन्न समाजवादी पंचविंदूरीक लोकतंत्रात्मक गणराज्य बनाने के लिए, तथा उसके समस्त नागरिकों को:

सामाजिक, आर्थिक और राजनीतिक ज्याद,
विद्या, अभियांत्रिक, विश्वास, धर्म,
और उपासना की स्वतंत्रता,
प्रतिष्ठा और अवसर की समता
प्राप्त कराने के लिए
tथा उन मध्य में व्यक्ति की मार्गिता
'और राज्य की एकता और अर्थव्यवस्था
सुनिश्चित कराने वाली बंपुत्र बढ़ाने के लिए
वृद्धि संकल्प होकर अपनी इस संविधान सभा में आज तारिख 26 नवम्बर, 1949 ई को गूढ़कर्तार इस संविधान को अंगीकृत,
अधिनियमित और आयोजित करते हैं।

1. संविधान (कान्तिवतमा संप्रेक्षण) अधिनियम, 1976 की धारा 2 (3.1.1977) से "प्रभुत्व-संपन लोकतंत्र गणराज्य" के स्थान पर प्रतिवर्तित।
2. संविधान (कान्तिवतमा संप्रेक्षण) अधिनियम, 1976 की धारा 2 (3.1.1977) से "राष्ट्र की एकता" के स्थान पर प्रतिवर्तित।

भाग 4 के
मूल कर्त्तव्य

51 क. मूल कर्त्तव्य - भारत के प्रत्येक नागरिक का यह कर्त्तव्य होगा कि वह

(क) संविधान का पालन करें और उसके आदेश, संशोधन, गरीबवाद और राष्ट्रपति का आदर करें;

(ख) स्वतंत्रता के लिए हमारे राज्यीय आदेशों को प्रेषित करने वाले उच्च आदेशों को दर्शन में संबोधित रखें और उनका प्राप्त करें;

(ग) भारत की प्रभुत्व, एकता और अर्थव्यवस्था की रक्षा करें और उन्हें रक्षित रखें;

(घ) राष्ट्र की रक्षा करें और आवश्यक कार्य जाने पर राष्ट्र को सेवा करें;

(ङ) भारत के सभी लोगों में समर्पित और समान भागीदार की भाग्य का निर्माण करने के लिए धर्म, राज्य और प्रदेश या वर्ग वर्ग पर अभिव्यक्ति सभी भागीदारों से आये हों, ऐसी प्रथाओं का अवरोध करने जो दिखाई देने के समझ के सिद्ध हैं;

(च) हमारी सामाजिक संस्कृति की गैरकार्यात्मक बदलाव का महत्वपूर्ण और उच्च अर्थव्यवस्था का परिवर्तन रखें;

(ँ) प्रकृतिक गृहीतों के जिससे अंतर्गत वा, पृथ्वी, जल और वन भी हैं, रक्षा करें और उनका लंबीकरण करने तथा प्राणों मात्र के प्रति

प्रेम रखें;

(ट) वैज्ञानिक, सूचकांक, वाणिज्य और आर्थिक रूप से सुधार का भाग्य का निर्माण करें;

(ब्र) साधारण कार्य को संयुक्त रखें और हिंसा से दूर रहें;

(ब्य) विज्ञान और समाजीक संस्थाओं के धर्मों में उच्च मान की ओर बढ़ने का अवधि प्रसार करे जिससे एक निर्देश बढ़ते हुए प्रत्यक और उपर्युक्त को वह उपलब्ध को दूर रहें;

(ब्य) यदि माता-पिता या संस्कृत है, तो वह तथा चौथा वर्ण तक की आयु वाले अपने, संघर्षित, चमक या प्रतिकृत प्रकृति के लिए क्रियाओं के अवसर प्रदान करें;

1. संविधान (कान्तिवतमा संप्रेक्षण) अधिनियम, 2002 की धारा 4 द्वारा प्रतिवर्तित।
THE CONSTITUTION OF INDIA

PREAMBLE

WE, THE PEOPLE OF INDIA, having solemnly resolved to constitute India into a SOVEREIGN SOCIALIST SECULAR DEMOCRATIC REPUBLIC and to secure to all its citizens:

JUSTICE, social, economic and political;

LIBERTY of thought, expression, belief, faith and worship;

EQUALITY of status and of opportunity; and to promote among them all

FRATERNITY assuring the dignity of the individual and the unity and integrity of the Nation;

IN OUR CONSTITUENT ASSEMBLY this twenty-sixth day of November, 1949, do HEREBY ADOPT, ENACT AND GIVE TO OURSELVES THIS CONSTITUTION.

1. Subs. by the Constitution (Forty-Second Amendment) Act, 1976, sec. 2, for "Sovereign Democratic Republic" (w.e.f. 3.1.1977)

2. Subs. by the Constitution (Forty-Second Amendment) Act, 1976, sec. 2, for "unity of the Nation" (w.e.f. 3.1.1977)

THE CONSTITUTION OF INDIA

Chapter IV A

FUNDAMENTAL DUTIES

ARTICLE 51A

Fundamental Duties - It shall be the duty of every citizen of India-

(a) to abide by the Constitution and respect its ideals and institutions, the National Flag and the National Anthem;

(b) to cherish and follow the noble ideals which inspired our national struggle for freedom;

(c) to uphold and protect the sovereignty, unity and integrity of India;

(d) to defend the country and render national service when called upon to do so;

(e) to promote harmony and the spirit of common brotherhood amongst all the people of India transcending religious, linguistic and regional or sectional diversities; to renounce practices derogatory to the dignity of women;

(f) to value and preserve the rich heritage of our composite culture;

(g) to protect and improve the natural environment including forests, lakes, rivers, wild life and to have compassion for living creatures;

(h) to develop the scientific temper, humanism and the spirit of inquiry and reform;

(i) to safeguard public property and to abjure violence;

(j) to strive towards excellence in all spheres of individual and collective activity so that the nation constantly rises to higher levels of endeavour and achievement;

(k) who is a parent or guardian to provide opportunities for education to his/her child or, as the case may be, wards between age of 6 and 14 years.

1. Subs. by the Constitution (Eighty-Sixth Amendment) Act, 2002
The CBSE's Financial Education curriculum for classes VI-X, is marked for its strong dynamism, continuous evolution and development. The curriculum has been developed by adopting a functional approach. In the current climate of psychological, social and economic changes, society is influenced by explosive knowledge creation and exponential technology growth.

The need of financial education is to improve understanding of basic financial concepts and using them in our daily life. To know about various financial products and to become more aware of financial risks and opportunities to enable each one of us to make informed choices, and in return we can improve our financial well-being.

The vision of financial education is that it could enable students, at their level of need, to understand the role of money in their life, the need and use of savings, the advantages of using the formal financial sector and various options to convert their savings into investments, protection through insurance and a realistic recognition of the attributes of these options.

This financial doctrination will help us learn more about the importance and advantages of savings, necessity of staying out of unproductive loans that are beyond our capacity to repay, borrowing with formal financial sector, concept of interest and the power of compounding, time value of money, inflation, the need to insure, role of major financial sector institutions such as ministries, regulators, banks, stock exchanges and insurance companies and basic concept regarding relation between risks and rewards. Through this we can help ourselves and others in managing money more effectively by accessing appropriate financial products and services provided by various financial regulators.

Financial education will help especially those who are financially excluded at present.

The objective of this workbook is to create awareness and educate students on access to financial services, availability of various types of products and their features and to make students understand their rights and responsibilities as clients of financial services.

Teachers handling the course need to inform themselves regarding the effective use of course content, teaching methodology, management of group work and independent individual work, management of large classes, appropriate use of assessment tools, grading and record-keeping to benefit their students.

We would like to thank the stakeholders- Reserve Bank of India, Securities and Exchange Board of India, The Insurance Regulatory and Development Authority of India and Pension Fund Regulatory and Development Authority for taking the time and effort in development of these books.

The development of this book would never have been possible but for the sincere effort, devotion and leadership of Ms. Sugandh Sharma, Additional Director (Research & Innovation), CBSE and Mr Sandeep Sethi, Education Officer with his team. Any further suggestions are welcome and will be incorporated in the future editions.
Acknowledgements

ADVISORY BODY
Mr. Y.S.K. Seshu Kumar, Chairman, CBSE
Ms. Sugandh Sharma, Additional Director (Research & Innovation), CBSE
Mr. D.T. Sudarshan Rao, Joint Secretary & Incharge (Academics & Training), CBSE

NCFE ADVISORY BODY
Shri Sandip Ghose, Director, NISM
Shri G. P. Garg, Registrar, NISM & Head, NCFE
Shri Gyan Bhushan, ED, SEBI
Shri A. G. Das, CGM, PFRDA
Shri T V Rao, GM, RBI
Ms. KGPL Ramadevi, Dy. Director, IRDAI
Dr. Minoo Nandragoj, Professor, NCERT
Shri Sandeep Sethi, Education Officer, CBSE
Ms. Poonam Sodhi, Deputy Secretary, CISCE

MONITORING AND EDITING BOARD
Ms. Sharmila Raheja
Dr. Parul Pathak
Ms. Disha Grover
Mr. Shrey Raheja
Ms. Sareena P. U.
Ms. Reshu Singhal
Ms. Sowdhamani Arvind
Mr. Sandeep K Biswal
Ms. Renu Anand

GROUP OF SCHOOLS (Material Production)
Cambridge School, Ghaziabad
Delhi Public School, Ghaziabad
Delhi Public School, Indirapuram, Ghaziabad
Delhi Public School, Mathura Road, Delhi
Delhi Public School, Srinagar
Delhi Public School, Vasundhara, Ghaziabad
DLF Public School, Ghaziabad
Gurukul The School, Ghaziabad
Kesari Devi Bajaj Public School, Ghaziabad
Modern School, Barakhamba Road, Delhi
N.H. Goel World School, Chhattisgarh
Sanskriti School, Delhi
Seth Anandram Jaipuria, Ghaziabad
Shiv Nadar School, Noida
Uttam School for Girls, Ghaziabad

Concept and Design by: Jeetendrakumar Solanki, NISM
Poem: Tanessa Puri, R.N. Poddar School, Mumbai
Caricatures: Madhav Gupta, Bal Bharti School, Rohini, Delhi
Script: Maharaja Sawai Man Singh Vidyalaya, Jaipur
Crosswords, Jumbled Words, MCQ's:
Riya Bhuyan, Divya Aggarwal, Veni Gupta, Mayank Pugalia, Satvik Bhatt, Aman Surana, Sanket Sharma
and Yatharth Sreedharan
# Index

<table>
<thead>
<tr>
<th>Subjects</th>
<th>Topics</th>
<th>Page No.</th>
</tr>
</thead>
<tbody>
<tr>
<td>History</td>
<td>1. Part I: Investment</td>
<td>1</td>
</tr>
<tr>
<td></td>
<td>Part II: Financial Sector Reforms and Opening of Insurance Market</td>
<td></td>
</tr>
<tr>
<td></td>
<td>2. Source of Funds</td>
<td>5</td>
</tr>
<tr>
<td>Political Science</td>
<td>1. PAN Card and Aadhar Card</td>
<td>9</td>
</tr>
<tr>
<td></td>
<td>2. Part I: Grievance Redressal Mechanism in Insurance</td>
<td>13</td>
</tr>
<tr>
<td></td>
<td>Part II: Credit cards and Debit cards</td>
<td></td>
</tr>
<tr>
<td>English</td>
<td>1. Risk and Protection</td>
<td>18</td>
</tr>
<tr>
<td></td>
<td>2. Natural Disasters</td>
<td>19</td>
</tr>
<tr>
<td>Economics</td>
<td>1. Part I: RBI: Central Bank</td>
<td>22</td>
</tr>
<tr>
<td></td>
<td>Part II: Budgeting</td>
<td></td>
</tr>
<tr>
<td></td>
<td>2. Part I: Banks and Loans</td>
<td>29</td>
</tr>
<tr>
<td></td>
<td>Part II: Inflation</td>
<td></td>
</tr>
<tr>
<td>Mathematics</td>
<td>1. Insurance terminology scramble</td>
<td>33</td>
</tr>
<tr>
<td></td>
<td>2. Introduction: Risk and Insurance</td>
<td>35</td>
</tr>
</tbody>
</table>
I am Saif and this year I will tell you about pension, IRDA and financial sector reforms.

I, Munaf, will explore different agencies for borrowing, different sources of funds and tell you a story about risk and protection.

I, Mudra, will tell you about PAN card and Aadhaar card, the types of loans provided by banks and about inflation.

I, Rashi, will make you understand the roles and functions of Reserve Bank of India and IRDAI. And I will tell you the difference between a Debit and Credit card.
Intelligent Management

Bonds, real estate, gold, fixed deposits and shares
Intelligent ways to invest our money and prepare
Along with some pension for old-age to take care

Different agencies for borrowing and financing
Through debentures, equity and preference shares we shall be glancing
Pan card and Aadhar card pictures have us prancing
Looking at management and financial lancing

There is insurance of various types
Nowadays there are many credit and debit cards with stars and stripes
There’s RBI and IRDA to ease the economy of all it’s gripes
And the budget to allocate money to all issues and calm the hypes

When our neighbour lost his job, dad said it’s recession
But when dad lost his job, he said it was depression
I think it’s time we asked our teacher for an honest confession
Of what is what and what are her suggestions

Loans and collateral is also there
Inflation and what it does to make us pull our hair
Are our riches the ones we learn or the ones we wear?
Carefully, let’s read, learn and for a happier tomorrow prepare
Class VIII Review

Types of Insurance
- Health Insurance
- Life Insurance
- Travel Insurance
- Home Insurance
- Motor Insurance

Types of Tax
- Income Tax
- Custom Duty
- Sales Tax
- Property Tax
- Excise Duty
- Value Added Tax

Documents required for Kids bank account
- Proof of age and address of minor
- Proof of relationship between guardian and applicant
- Proof of identity of the minor
- Photographs of minor
Now we will take you to Class IX. We will learn more...

Yeah, we will have fun.

This was Class VIII.
Saif’s family wants to make their money grow. Please help the family by providing them with information about the types of investment. Also suggest who should invest where? (As per their earnings and needs)

- **Direct Equity**
  Direct Equity investment refers to the buying and holding of shares on a stock market by individual investors in anticipation of dividends and capital gains with changes in the value of the stock.

- **Mutual Funds**
  Mutual Funds are professionally managed pools of money from investors with similar investment objectives. Each mutual fund represents many individual stocks from a variety of industries and is managed by a fund manager.

- **Insurance**
  Life Insurance policies are investments that protect you and your family against an uncertain future. There are a variety of policies which cover your life and invest your money towards your plans for the decided amount of insurance.

- **Gold**
  Gold is a traditionally favoured investment option. An investor can buy gold as a long term investment.

- **Fixed Deposit**
  Fixed Deposit is a safe investment with reliable and known returns. One can invest in FDs with a predefined goal for its returns. One knows the amount of returns as well as the timing of returns on investment in case of an FD.
• Bonds
Bonds are a fixed income bearing investment product in which an investor lends money to a company or government in return for interest.

• Real Estate
Real estate is an investment option which can generate an ongoing income source in the form of rent and also can rise in value over time. It is generally the single largest investment that most of us make in our lifetime.

1) Direct equity refers to____________.
   a) buying and holding of shares
   b) pools of money from investors
   c) the investments that protect you and your family
   d) a fixed income bearing investment

2) Mutual funds are____________.
   a) shares on a stock market
   b) investment options which can generate an ongoing income source
   c) safe investments with reliable and known returns
   d) professionally managed pools of money from investors

3) Bonds are____________.
   a) fixed income bearing investment
   b) safe investment with reliable and known returns
   c) traditionally favoured investment option
   d) investment options which can generate an ongoing income source

4) Gold is ____________.
   a) a safe investment with reliable and known returns
   b) a fixed income bearing investment
   c) a traditionally favoured investment option
   d) an investment that protects you and your family

5) Fixed Deposit is____________.
   a) buying and holding of shares
   b) a safe investment with reliable and known returns
   c) a fixed income bearing investment
   d) a traditionally favoured investment option

Part II:
Financial sector Reforms and Insurance

By 2000, the insurance sector in India had come a full circle from being an open competitive market to nationalization and back to a liberalized market again. Insurance Regulatory and Development Authority of India (IRDAI) a statutory body was set up under the IRDAI Act, 1999 for protecting the interests of the policyholders and regulating, promoting and ensuring orderly growth of the insurance industry in India. The IRDAI is a ten member body appointed by the Government of India consisting of Chairman, five full-time members and four part-time members.
Major Functions of IRDAI include:
• Protecting policyholders' interests
• Registering and regulating insurance companies
• Licensing and establishing norms for insurance intermediaries
• Specifying financial reporting norms of insurance companies
• Regulating investment of policyholders' funds by insurance companies
• Ensuring the maintenance of solvency margin by insurance companies
• Ensuring insurance coverage to rural areas as well as vulnerable sections of society

Since 2000, IRDAI has been serving as an independent regulatory authority for insurance industry and to instill confidence among the policyholders in the financial viability of the insurance companies. IRDAI has been playing a pivotal role in the insurance sector with a fundamental commitment to discharge its mandate for orderly growth of insurance sector.

Overview of insurance sector
Before the opening up of the insurance sector, there was only the Life Insurance Corporation of India offering life insurance policies. Four subsidiary companies under the flagship of General Insurance Corporation of India were offering general insurance or non-life insurance policies; and Export Credit Guarantee Corporation of India Ltd. (ECGC) as a specialised insurer. After private sector companies were allowed into the insurance sector, the industry has so far witnessed the entry of 23 new private companies in the life segment and 22 in the non-life segment. Five of the private non-life insurers operate exclusively in the health sector. Most of the private insurers have set up businesses in collaboration with foreign partners or banks. The Agricultural Insurance Company, set up as a specialized insurer for crops, is operating in the public sector. As on March 2014, there are 52 insurance companies in operation in addition to the General Insurance Corporation of India, the only reinsurer.

The Insurance Intermediaries who offer service to the policyholders both at the point of sale and during the policy contract include insurance agents, corporate agents including banks, brokers, micro insurance agents, web-aggregators and others like Common Service Centres. There are also third party administrators servicing health insurance policies, surveyors and loss assessors for assessing losses pertaining to general insurance claims and insurance repositories to keep insurance policies in dematerialized or electronic form.

The insurance sector in India still has long way to go. Although by the end of financial year 2013, there were 17861 insurance offices across the country servicing around 42.10 crore policies, the Insurance Penetration is 3.96% and the Insurance Density is `2722/-. 
1) IRDAI stands for __________________.
   a) Indian Rural Development Authority  
   b) Indian Revenue Development Authority  
   c) Insurance Regulatory and Development Authority of India  
   d) Indian Railway Development Authority

2) IRDAI is a ___ member Body.
   a) 5  
   b) 7  
   c) 12  
   d) 10

3) The members of IRDAI are appointed by ________________.
   a) Government of India  
   b) Planning Commission of India  
   c) Ministry of Finance  
   d) President of India

4) Major function of IRDAI includes
   a) protecting policyholder's interests. 
   b) registering and regulating insurance companies. 
   c) ensuring insurance coverage to rural areas as well as vulnerable sections of society. 
   d) all of the above.

5) By the end of Financial Year 2013 there were ______ insurance office across the country.
   a) 14831  
   b) 18922  
   c) 17253  
   d) 17861

6) The Insurance Penetration for India is ________.
   a) 3.96%  
   b) 3.92%  
   c) 3.90%  
   d) 6.96%
Classification of source of funds

In case of proprietary and partnership concerns, the funds may be raised either from personal sources or borrowings from banks, friends etc. In case of company form of organization, the different sources of business finance which are available may be categorized using different basis viz., on the basis of the period, source of generation and the ownership. A brief explanation of these classifications and the sources is provided as follows:

On the basis of period
On the basis of period, the different sources of funds can be categorized into three parts. These are long-term sources, medium-term sources and short-term sources.

- **Long term**: Shares and debentures, Loans from financial institutions
- **Medium term**: Certificate of deposits, lease financing and loans from financial institutions
- **Short term**: Trade credit, Customer Advance, Overdraft, Discounting of Bill

On the basis of ownership
On the basis of ownership, the sources can be classified into 'owner's funds' and 'borrowed funds'. **Owner's funds** means funds that are provided by the owners of an enterprise, which may be a sole trader or partners or shareholders of a company. **Borrowed funds** on the other hand, refer to the funds raised through loans or borrowings.

- **Owner's fund** – Equity, retained earnings
- **Borrower's fund** – Loans from financial institutions, debentures, trade credit, certificate of deposits

On the basis of source of generation
Another way of categorizing the sources of funds can be whether the funds are generated from within the organization or from external sources. **Internal sources of funds** are those that are generated from within the business. **External sources of funds** include those sources that lie outside an organization, such as suppliers, lenders, and investors.

- **Internal sources** – Retained earnings, Receivables, Disposing of surplus inventories
- **External sources** - Debentures, Loans from financial institutions, Certificate of deposits

Some of the important sources of financing are as follows:

**Equity Shares**
A company divides its capital into shares, which are then offered to investors to raise capital. These are termed as issuing shares. The owners of equity shares are the owner of the
company in proportion to their shareholding. Companies raise long term funds by issuing shares. There is no obligation on the part of the company to pay any fixed return (i.e. interest, dividend etc.) to the investor. Further, the company repays the capital amount to the investors only at the time of closing of the company.

Company may distribute its profit to shareholders which is called dividend. Further, value of shares will increase and decrease based on the performance of the company.

**Preference Shares**
Preference Shares are different categories of shares where in preference share holders get preference over equity share holders for payment of dividend and payback of capital. They have to pay a fixed amount of dividend to the investor in case of profit.

**Debentures**
Debentures are issued to raise loan from the investor at a specific rate of interest for a specific period. The company has to pay interest and repay the amount invested after a specific period. Debenture holders are not the owners of the company.

**Loan from Financial Institutions**

**Demand Loan**
In a demand loan account, the entire amount is paid to the debtor at one time, either in cash or by transfer to his savings bank or current account. No subsequent debit is ordinarily allowed except by way of interest, incidental charges, insurance premiums, expenses incurred for the protection of the security etc. Repayment is provided by instalment without allowing the demand character of the loan to be affected in any way. There is usually a stipulation that in the event of any instalment remaining unpaid, the entire amount of the loan will become due. Interest is charged on the debit balance, usually with monthly rests unless there is an arrangement to the contrary. No cheque book is issued. The security may be personal or in the form of shares, Govt. paper, fixed deposit receipt, life insurance policies, goods, etc.

**Term Loans**
A term loan is generally granted for fixed capital requirements, e.g. investment in plant and equipment, land, flat (apartment house) and building etc. These may be required for setting up new projects or expansion or modernization of the plant and equipment. It is granted for a fixed period exceeding three years and is repayable according to the schedule of repayment. The period of term loan may extend up to 10 years and in some cases up to 20 years.

The borrower has to pay interest on the loan amount at pre-decided interest rate. Further, at the end of period, the borrower has to return the loan amount to bank. General loans are given against security of assets.

**Cash Credit**
A cash credit is a drawing account against credit granted by the bank and is operated in the same way as a current account in which an overdraft limit has been sanctioned. The principal advantages of a cash credit account to a borrower are that, unlike the party borrowing on a fixed
loan basis, he may operate the account within the stipulated limit as and when required and can save interest by reducing the debit balance whenever he is in a position to do so. The borrower can also provide alternative securities from time to time in conformity with the terms of the advance and according to his own requirements. Cash credits are normally granted against the security of goods e.g. raw materials, stock in process, finished goods. The borrower has to pay interest only on amount withdrawn, using cash credit facility, and for the period it remains outstanding.

**Overdraft**
When a bank lets its account holders draw over and above his own balance up to the extent of the limit stipulated it is known as overdraft facility. This limit is given on the basis of credit worthiness of the account holder. There is no restriction, unlike in the case of loans, on drawing more than once. In fact, as many drawings and repayments are permitted as the customer would desire, provided the total amount overdrawn, i.e. the debit balance at any time does not exceed the agreed limit. The borrower has to pay interest on pre-decided rate of interest for the period of overdraft.

**Discounting of Bill**
Banks also advance funds by discounting bills of exchange. A bill of exchange is a negotiable instrument. It is a document where the buyer of the goods promises to pay a particular amount on a specific date. When bills of exchange are presented before the bank for discounting, It credits the amount to the borrower’s account after reducing discount. The amount of discount is the income of the bank.

**Raising fund from Customers and Suppliers**

**Customer’s Advance**
Sometimes the company/ individual may ask their customers to arrange some advance payment. It is popular when the price of order is very high or goods ordered are very expensive. It represents a part of the payment towards the price of the product which will be delivered.

**Trade Credit**
Trade credit is the process of buying equipment and supplies for your business from suppliers or vendors, without making payment immediately. In other words, trade credit is “buy now, pay later”. Trade credit is commonly used by business organisations as a source of short-term financing. It is granted to those customers who have reasonable amount of financial standing and goodwill.

**Retained Earnings**
Retained earnings are profits generated by a company that are not distributed to shareholders as dividends but are either reinvested in the business or kept as a reserve for specific objectives such as, to pay off a debt or purchase a capital asset.

**Lease Financing**
Lease financing is one of the important sources of medium and long-term financing where the owner of an asset gives another person, the right to use that asset against periodical
payments. The owner of the asset is known as lessor and the user is called lessee. Under lease financing, lessee is given the right to use the asset but the ownership lies with the lessor and at the end of the lease contract, the asset is returned to the lessor or an option is given to the lessee either to purchase the asset or to renew the lease agreement.

### Jumbled Words

<table>
<thead>
<tr>
<th>Jumbled Words</th>
<th>Clue</th>
<th>Solution</th>
</tr>
</thead>
<tbody>
<tr>
<td>tqyuEl ehSsar</td>
<td>Document issued by a company, which entitles its holder to be one of the owners of the company.</td>
<td></td>
</tr>
<tr>
<td>eneePrrefc sherSa</td>
<td>Company stock with dividends that are paid to shareholders before common stock dividends are paid out</td>
<td></td>
</tr>
<tr>
<td>uneDrsebet</td>
<td>A long-term security yielding a fixed rate of interest, issued by a company and secured against assets.</td>
<td></td>
</tr>
<tr>
<td>Csaht itdCer</td>
<td>A short-term cash loan to a company.</td>
<td></td>
</tr>
<tr>
<td>rvertOfda</td>
<td>Deficit in a bank account caused by drawing more money than the account holds.</td>
<td></td>
</tr>
<tr>
<td>Terda Cdre</td>
<td>Credit extended to you by suppliers who let you buy now and pay later.</td>
<td></td>
</tr>
</tbody>
</table>

1) ___________ is a negotiable instrument.
   a) Debentures  
   b) Demand Loan  
   c) Retained Earnings  
   d) Bills of Exchange

2) ___________ is a drawing against credit granted by the bank.
   a) Demand Loan  
   b) Term Loan  
   c) Cash Credit  
   d) Trade Credit

3) ___________ is a loan account in which the entire amount is paid to the debtor at one time.
   a) Demand Loan  
   b) Term Loan  
   c) Cash Credit  
   d) Trade Credit

4) ___________ is generally granted for fixed capital requirements.
   a) Demand Loan  
   b) Term Loan  
   c) Cash Credit  
   d) Trade Credit

5) _________ is issued to raise loan from the investor
   a) Debenture  
   b) Retained Earnings  
   c) Trade Credit  
   d) Bills of Exchange

6) Profits generated by a company that are not distributed to shareholders as dividend are known as ___________.
   a) Retained Earnings  
   b) Debentures  
   c) Bills of Exchange  
   d) Demand Loan

Now, we know the main services of funds like shares, debentures, loans etc.
**PAN Card and Aadhaar Card**

1. **What is PAN?**
   Permanent Account Number (PAN) is a ten-digit alphanumeric number, issued by the Income Tax Department.

   PAN enables the department to link all financial transactions of the “person”. It also acts as an identifier for the “person” with the tax department.

   A typical PAN is **EMMPS2280E**

2. **What is the purpose of having a Permanent Account Number (PAN)?**
   It is mandatory to quote PAN on return of income, all correspondence with any income tax authority and challans for any payments due to Income Tax Department.

   It is also compulsory to quote PAN in all documents pertaining to economic or financial transactions notified from time-to-time by the Central Board of Direct Taxes.

   Examples of such transactions are sale and purchase of immovable property or motor vehicle or payments of hotel bills or payments in cash, of amount exceeding ₹ 25,000/-, in connection with travel to any foreign country.

   It is also mandatory to mention PAN for obtaining a telephone or cellular telephone connection.

   Likewise, PAN has to be mentioned for making a time deposit exceeding ₹ 50,000/- with a Bank or Post Office or depositing cash of ₹ 50,000/- or more in a Bank.

3. **Is it compulsory to quote PAN on return of income?**
   Yes, it is compulsory to quote PAN on return of income.

4. **Who must have a PAN?**
   All existing assesses or taxpayers or persons who are required to furnish a return of income, even on behalf of others, must obtain PAN.
Any person, who intends to enter into economic or financial transactions where quoting PAN is mandatory must also obtain PAN.

The Assessing Officer may allot PAN to any person either on his own or on a specific request from such person.

5. Who does not require PAN?
Persons, having only agricultural income and those who do not have any taxable income, are not required to obtain or quote PAN. Such persons will file a declaration (Form 61) in respect of transactions where quoting of PAN is mandatory.

6. Where to apply for PAN?
The Income Tax department has authorized certain entities such as UTI Investor Services Ltd (UTIISL) and National Securities Depository Limited (NSDL) to dispense PAN services from facilitation Centers in all cities or towns where there is an Income Tax office. Further, PAN number may be applied online.

7. Can a person obtain or use more than one PAN?
Obtaining or possessing more than one PAN is against the law.

Aadhaar

Aadhaar is a 12–digit unique number which the Unique Identification Authority of India (UIDAI) will issue to all residents of India. The number will store basic demographics and biometric information – photograph, ten fingerprints and iris – of each individual in a central database.

Aadhaar will be easily verifiable, unique and robust enough to eliminate the large number of duplicate and fake identities in government and private databases. Aadhaar is a random number generated, devoid of any classification based on caste, creed, religion and geography.

- It is a 12 digit number, not only a card
- It is for every individual, including infants. This means that each individual of a family will have separate Aadhaar UID number
- It enables identification and is for every resident. It does not establish citizenship and is only for Indians.
- Getting Aadhaar is voluntary, not mandatory.
- It is for every resident, irrespective of existing documentation. This means individuals without identification documents can also get Aadhaar.
- Each individual will be given a single unique Aadhaar ID number. One cannot have multiple Aadhaar numbers.
- Aadhaar UID number can be used by ration card, passport or any ID based application. It will not replace other IDs.
- UID Authority of India will give 'yes' or 'no' response for any identification authentication queries. Other information will not be accessible to public and private agencies.
Once a person is on the Aadhaar database the person will be able to establish identity easily. Aadhaar will become the single source of identity verification. Residents would be spared the hassle of repeatedly providing supporting identity documents each time they wish to access services such as obtaining a bank account, passport, driving license and so on. By providing a clear proof of identity, Aadhaar will also facilitate entry for poor and underprivileged residents into the formal banking system and the opportunity to avail services provided by the government and the private sector.

**Benefits of Aadhaar**

- Great potential for underprivileged, poor and the marginalized sections of the society, mostly living in the rural areas.
- Clear proof of identity and also unchangeable.
- Facilitate entry for poor and underprivileged residents into the formal banking system.
- Opportunity to avail services provided by the government and the private sector.
- Giving migrants mobility of identity.
- Financial inclusion with deeper penetration of banks, insurance and easy distribution of government benefits schemes.

1. What are the various ID proofs?

2. Which are the places where we need ID proof?

3. Is Aadhaar meant only for rural areas?

### Jumbled Words

<table>
<thead>
<tr>
<th>Jumbled Words</th>
<th>Clue</th>
<th>Solution</th>
</tr>
</thead>
<tbody>
<tr>
<td>NAP</td>
<td>Ten digit alphanumeric number issued by Income Tax department</td>
<td></td>
</tr>
<tr>
<td>adaharA</td>
<td>Twelve digit unique number issued by UIDAI</td>
<td></td>
</tr>
</tbody>
</table>

1) PAN stands for
   - a) Permanent Amount Number
   - b) Primary Account Number
   - c) Permanent Account Number
   - d) Permanent Account Nominee

2) PAN has to be mentioned for making a term deposit exceeding __________.
   - a) ₹ 40000
   - b) ₹ 100000
   - c) ₹ 10000
   - d) ₹ 50000

3) PAN number is not required by person having ________.
   - a) Government job
   - b) private job
   - c) agriculture income
   - d) income less than ₹ 100000

4) Obtaining or using more than one PAN by a person is ________.
   - a) legal
   - b) against the law
   - c) allowed, under certain circumstances
   - d) formal

5) Aadhaar is a _____ digit unique number.
   - a) 10
   - b) 12
   - c) 16
   - d) 15
6) Aadhaar can be used by ________.
   a) every individual   b) only adults
   c) only infants       d) only senior citizens

7) Aadhaar UID number can be used by ____________.
   a) Ration Card       b) Passport
   c) any ID based application d) All of the above

I am going to apply for my Aadhaar card.
Policyholder Protection

There is a regulatory framework protecting the interests of policyholders. IRDAI (Protection of Policyholders's Interests) Regulation 2002 contains provisions relating to various disclosures to be made at the point of sale, time lines for servicing the customers and grievance redressal procedure etc.

Grievance Redressal

If a customer is unhappy with an insurance company or an intermediary associated with the company, he should approach the **Grievance Redressal Officer** of the company first and give the complaint. It is preferable to give a complaint in writing along with the necessary support documents. An insurance company is required to resolve a grievance within two weeks of its receipt.

In case the complaint is not resolved within two weeks of its receipt or if it is unattended, the complainant can approach the **Consumer Affairs Department** of IRDAI for registering his complaint either at IRDAI Call Centre or at Integrated Grievance Management System (IGMS). IRDAI plays a facilitating role by taking up the complaint with the insurance companies in resolving and responding to the complaint.

**Channels of receiving Grievances at IRDAI**

- Calling Toll Free Number 155255 (i.e. IRDAI Grievance Call Centre)
- Sending an e-mail to complaints@irda.gov.in
- Registering a complaint on Integrated Grievance Management System at www.igms.irda.gov.in
- Sending the complaint through letter / courier to IRDAI, Hyderabad

**Role of IRDAI in Grievance Redressal**

- Facilitates registration of complaints against insurers
- Facilitates resolution of complaints by insurers
- Monitors timeliness of disposals.
- Takes up complaints on a sample basis for off-site supervision
- Uses MIS based on complaints for monitoring market conduct and regulatory compliance

IRDAI does not adjudicate upon complaints or investigate complaints.
1) Role of IRDAI in grievance redressal is to_____________.
   a) facilitate registration of complaints against insurers
   b) facilitate resolution of complaints by insurers
   c) monitor timeliness of disposals
   d) all of the above

2) IGMS stands for_____________.
   a) International Grievance Management System
   b) Integrated Grievance Management System
   c) Indian Grievance Management System
   d) Instant Grievance Management System

3) Which regulation contains provisions relating to various disclosures to be made at the point of sale?
   a) IRDAI Regulation Act 2004
   b) IRDAI Regulation Act 2003
   c) IRDAI Regulation Act 2001
   d) IRDAI Regulation Act 2002

Part-II:
Credit Cards And Debit Cards

Steps in making a Credit Card Payment

1. Give the card at the billing counter.
2. Check the billing amount and the amount entered by the merchant.
3. Enter the card security code.
4. Merchant generates two slips i.e. merchant copy and the customer copy.
5. Sign and give the merchant copy at the billing counter.
6. Collect the customer copy and the card.

Steps in making a Credit Card Payment for Online Purchase

1. Select your card type.
2. Provide your Credit Card details i.e. Enter the Credit Card number, Expiry Date, Customer Name, Card Verification Value (CVV) Code (usually 3 digit code found on back side of the card).
3. Confirm payment i.e. enter the authentication password, if required.
4. Receive online confirmation i.e. Transaction Reference Number that is generated on successful completion of the transaction.
Look at the statement below and answer the questions that follow:

1. **Total Amount Due**: The total bill amount to be paid.
2. **Minimum Amount Due**: It is the minimum amount required to be paid.
3. **Statement Date**: The period for which you are billed.
4. **Payment Due Date**: Date by which you need to make payments to avoid any penalties.
5. **Available Credit Limit**: The difference between your total Credit Limit and Total Amount Due.
6. **Summary of Transactions**: It indicates the date, place and amount of each transaction made during the statement period.

---

**Credit Card Statement**

**Name**: MR. ABC XYZ

<table>
<thead>
<tr>
<th>Date</th>
<th>Merchant City</th>
<th>Details</th>
<th>Amount (Rs)</th>
</tr>
</thead>
<tbody>
<tr>
<td>09.01.2008</td>
<td></td>
<td>PAYMENT RECEIVED</td>
<td>2,000.00-0/-</td>
</tr>
<tr>
<td>20.01.2008</td>
<td></td>
<td>SERVICE CHARGE</td>
<td>141.00</td>
</tr>
</tbody>
</table>

---

**Payment Details**

<table>
<thead>
<tr>
<th>Date</th>
<th>Cheque No.</th>
<th>Bank &amp; Branch</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

---

**Payment Coupon**

<table>
<thead>
<tr>
<th>Card Account Number</th>
<th>Total Payment Due</th>
<th>Minimum Payment Due</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>5,760.89</td>
<td>288.04</td>
</tr>
</tbody>
</table>

---

**Statement Date**

<table>
<thead>
<tr>
<th>Statement Date</th>
<th>Payment Due Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>20 Jan 2008</td>
<td>10 Feb 2008</td>
</tr>
</tbody>
</table>

---

**Opening Balance**

<table>
<thead>
<tr>
<th>Opening Balance</th>
<th>Payments</th>
<th>Credits</th>
<th>Purchases</th>
<th>Cash Advance</th>
<th>Charges</th>
<th>Total Payment Due</th>
</tr>
</thead>
<tbody>
<tr>
<td>1,676.89</td>
<td>2,000.00</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
<td>141.00</td>
<td>5,760.89</td>
</tr>
</tbody>
</table>

---

**Available Credit Limit**

<table>
<thead>
<tr>
<th>Available Credit Limit</th>
<th>Statement Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>94,239.11</td>
<td>20 Jan 2008</td>
</tr>
</tbody>
</table>

---

**Name**: MR. ABC XYZ

**Number**: XXXXXXXXXXXX

---
Amrita, a class X student, studies in a residential school. She is a very good painter and wants to give an oil canvas painting to her parents on their marriage anniversary. She needs ₹1200 to buy the material. She does not have the money but also does not want to ask her parents for the money as she wants to surprise them with the gift. Amrita starts thinking of various options from where she can get the money. She suddenly recalls the credit card that her father once gave her. She calls up her uncle to ask him if she can use the card. Her uncle tells her various advantages and disadvantages of credit cards.

**Advantages**
1. They allow you to make purchases on credit without carrying around a lot of cash. This allows you a lot of **flexibility**.
2. They allow **accurate record-keeping** by consolidating purchases into a single statement.
3. They allow **convenient** remote purchasing – ordering/shopping online or by phone. They allow you to pay for large purchases in small, monthly instalments.
4. Under certain circumstances, they allow you to **withhold payment** for merchandise which proves defective.
5. They are **cheaper** for short-term borrowing – interest is only paid on the outstanding debt, and not the full credit limit.
6. Many cards offer **additional benefits** such as insurance cover on purchases, cash back, reward points and discounts on holidays.

**Disadvantages**
1. You may become an impulsive buyer and tend to **overspend** because of the ease of using credit cards. Cards can encourage the purchasing of goods and services you cannot really afford.
2. Credit cards are a relatively expensive way of obtaining credit if you don't use them carefully, especially because of the **high interest rates** and other costs.
3. Lost or stolen cards may result in **misuse** of the card and cause inconvenience.
4. The use of a large number of credit cards can get you even further into **debt**.
5. Using a credit card, especially remotely, introduces an element of risk as the card details may fall into the wrong hands resulting in **fraudulent purchases** on the card. Fraudulent or unauthorized charges may take months to investigate and resolve.
Debit Card

A debit card provides the card holder electronic access to his or her bank accounts. Debit card usually also allows for instant cash withdrawal just like the ATM Card. Unlike credit card, payments using a debit card is immediately transferred from the cardholders designated bank account.

Advantages of Debit Card
• You don't need to find a bank to withdraw funds.
• You can use your debit card almost anywhere, to pay for your purchases.
• No monthly interest charges on your spending.
• It allows you to have ATM access.

Disadvantages of Debit Card
• Less secure than credit card because of its direct connection to the holder’s account.
• If your account is low on funds you can't use your debit card for a purchase if the purchase amount exceeds your balance.
• If stolen, it can be misused.

Jumbled Words

<table>
<thead>
<tr>
<th>Jumbled Words</th>
<th>Clue</th>
<th>Solution</th>
</tr>
</thead>
<tbody>
<tr>
<td>tiredC Cdra</td>
<td>plastic cards, allowing the holder of the card to purchase goods and services without using cash, also called buying on credit.</td>
<td>Debit Card</td>
</tr>
<tr>
<td>Detib Cdra</td>
<td>plastic payment card, provides the cardholder electronic access to his or her bank account at a financial institution.</td>
<td>Plastic Card</td>
</tr>
</tbody>
</table>

1) ______________ card creates a liability on the card holders, which bears high rate of interest.
   a) Credit Card   b) Debit Card
   c) Plastic Card  d) Identity Card

2) ____________ card allows immediate transfer of money from the account of the card holder.
   a) Credit Card   b) Debit Card
   c) Plastic Card  d) Identity Card

3) In a credit card statement, Statement date means ______________.
   a) date by which we need to make payment  b) date of billing
   c) date when card was issued           d) period for which we are billed

4) In a credit card statement, total amount due means ______________.
   a) total bill amount to be paid       b) minimum amount required to be paid
   c) billing amount                     d) credit limit amount

I am going for shopping with my father’s debit card. YIPPEE!
Risk and Protection

Sheetal and Simran are friends from the same class and regularly go home together. Sheetal always carry an umbrella and Simran makes fun of her. She simply smiles and says, it protects her against the sun and rain and so, she does not feel it an additional burden to carry along with the text books in her school bag. One day, it suddenly started raining and as Simran never cares for protection, she was not carrying either raincoat or umbrella. Sheetal invited Simran to her house and both walked under one umbrella. After reaching Sheetal’s home, Simran found that Sheetal’s father was carefully sorting out a bunch of papers and making notes. Sheetal’s mother asked both the friends to wash their hands and have snacks and refreshments arrange for them, without making much noise. When Simran asked Sheetal’s mother, why uncle was so serious, she just laughed and said, “Actually, your uncle is finalizing purchase of an insurance policy?”. “What is an insurance group policy?” Simran asked making a face. Sheetal’s mother explained, “Insurance offers protection against unforeseen risks, just like a raincoat or umbrella protects against rain. “What is a risk?” Simran asked. Sheetal ‘s mother said “See Simran, we face many risks in our life. For e.g. if you drench yourself in rain, you may fall sick. There is a risk of illness. Due to rain, there could be a short circuit of electricity. There is a risk of electronic breakdown of this LED TV as well as other domestic appliances. There is a risk of theft of our car which is parked in the garage and there is also risk of an accident while crossing the road. So risk is an inherent part of our life. Many a times, such accidents or incidents will not be in your control. While we cannot avoid most of these risks, by purchasing insurance, we can transfer them to the insurance company.” Simran asked, “How does this happen”? Sheetal's mother explained, “suppose the downpour is heavy, resulting in a flood and our car gets immersed in water, damaging a few vital parts necessitating for repairs. Then, since we have insured our car, the insurance company will reimburse the expenses of repairs.” Simran asked innocently, “But Aunty, why cannot the rain be stopped?” and then, she sneezed. Sheetal’s mother said, “See, can we stop you from sneezing?” Every one laughed.

1) Sheetal carries an umbrella to protect herself from, __________.
   a) the wind   b) the dirt
   c) the rain   d) her studies

2) ________________ offers protection against unforeseen risks.
   a) Insurance   b) Umbrella
   c) Illness     d) Medicine

Fun Time
Natural Disasters

India experiences severe natural disasters at regular intervals. Among the various types of natural disasters affecting different parts of the country, floods, cyclones, earthquakes and droughts cause maximum damage to life and property; and heat wave, cold wave, avalanches, landslides, fire, and pest attacks also take heavy tolls on life and property every year. The Latur earthquake of 1993-94, the Orissa super cyclone of 1999, the Bhuj earthquake of 2001, the Tsunami of December 2004 and the Uttarkhand floods of 2013 are some of the most severe natural disasters that have struck the country in the recent past.

Time to safeguard ourselves against natural disasters.
India’s Key Vulnerabilities

- Coastal States, particularly in the East Coast and Gujarat, are vulnerable to **cyclones**.
- 4 crore hectare land mass is vulnerable to **floods**.
- 68 per cent of net sown area is vulnerable to **drought**.
- 55 per cent of total area is in Seismic Zones III-V and vulnerable to **earthquakes**.
- Sub-Himalayan/ Western Ghats are vulnerable to **landslides**.

For decades, the financing of disasters has relied on a reactive approach consisting of the diversion of funds from the State/ Central Government’s budgets. Such “ex-post” funding approaches are inefficient, often poorly targeted and insufficient. Efforts should be to promote a more proactive approach to risk financing such as insurance.

**Protection for Individuals**

As a consequence of natural disaster, it is common to find a number of families being left in the lurch by the death of a lone breadwinner. Thus, with the help of financial benefit of life insurance policies, one can overcome post-disaster shocks, at least on financial front.

**Protection for Household and business infrastructure**

**Loss of properties** of the affected population will not only take away their life time assets but also their earning abilities. The need for property insurance is imminent.

**Public liability coverage**

Public Liability Insurance Act, 1991 has made it mandatory for all establishments handling hazardous chemicals to provide **compensation** to third party victims of industrial accidents. There is need to have similar insurance for all places of public utility such as schools, malls, theatres, hospitals, hotels and religious places etc.

**Protection for Crops and livestock**

Every year million hectares of cropped area gets affected due to natural disasters and losses run into thousands of crores of rupees. India’s livestock sector is one of the largest in the world and plays a critical role in the welfare of the country’s rural population. Having insurance for crops as well as livestock, helps in recovering the **financial loss** post-disasters, without looking forward for external aid/financial support from Government or any other agency.

(Source: Planning Commission of India, Tenth Five Year Plan document)
<table>
<thead>
<tr>
<th>Jumbled Words</th>
<th>Clue</th>
<th>Solution</th>
</tr>
</thead>
<tbody>
<tr>
<td>turlaN asisterDa</td>
<td>Example: Earthquake, cyclones, floods, droughts, etc.</td>
<td></td>
</tr>
<tr>
<td>aeuuEhqktr</td>
<td>Violent shaking of the ground</td>
<td></td>
</tr>
<tr>
<td>coeCyns</td>
<td>System of winds rotating inwards to an area of low barometric pressure</td>
<td></td>
</tr>
<tr>
<td>oIFsdo</td>
<td>Overflow of a large amount of water beyond its normal limits</td>
<td></td>
</tr>
<tr>
<td>rhsutDgo</td>
<td>a prolonged period of abnormally low rainfall, leading to a shortage of water.</td>
<td></td>
</tr>
</tbody>
</table>

1) Public Liability Insurance Act, ________ has made it mandatory for all establishments handling hazardous chemicals to provide compensation to third party victims of industrial accidents.
   a) 1991       b) 1992
   c) 1990       d) 1993

We have different insurance schemes for different natural disasters
Meaning:

- The Reserve Bank of India (RBI) is the central bank i.e. the apex institution of monetary and banking system of our country. It was established on 1st April 1935 during the British Raj in accordance with the provision of the Reserve Bank of India Act, 1934. Initially it was constituted as a private shareholders’ bank. It was nationalized on 1st January, 1949 and is fully owned by the Government of India.
- The general direction and superintendence of the RBI is entrusted with the Central Board of Directors headed by the Governor of the RBI. The Central Board is supported by four local boards in Delhi, Kolkata, Chennai and Mumbai.
- The Preamble of the RBI describes its basic functions i.e. to regulate the issue of bank notes, keep reserves to secure monetary stability in India and operate the currency and credit system in the best interests of the country.

Functions of RBI

The main functions of the RBI are given below

a) Issue of Currency: The RBI is the sole authority for issuing currency in India except one rupee notes and coins. RBI issues new currency and also destroys old currency which is not fit for circulation. Every banknote issued by Reserve Bank of India (₹10, ₹20, ₹50, ₹100, ₹500 and ₹1000) shall be legal tender at any place in India. At present, there is no printing of ₹2 and ₹5 denominations note due to coinisation. However, recently Central Government has printed ₹1 notes. Notes of the denomination ₹1, ₹2 and ₹5 issued earlier which are still in circulation continue to be legal tender throughout the country and are acceptable for transactions. No one can refuse to accept these notes throughout the country. Since the coins are issued by Government they constitute the liabilities of the Government, one rupee note is also liability of the Government of India. Reserve Bank of India decided to withdraw from circulation all banknotes issued prior to 2005 as they have fewer security features as compared to banknotes printed after 2005. It is a standard international practice to withdraw old series notes.

b) Banker to Government: Like individuals, businesses and banks, governments also need a banker to carry out their financial transactions in an efficient and effective manner, including the raising of resources from the public. Reserve Bank of India is the banker to the central government and also acts as the banker to those state governments that have entered into an agreement with it. The Reserve Bank maintains its accounts, receives money into and makes payments out of these accounts and facilitates the transfer of
government funds. The Government keeps its cash balances in the current account with the RBI. The RBI is also charged with the responsibility of managing the public debt. As debt manager, it manages the government’s domestic debt with the objective of raising the required amount of public debt in a cost-effective and timely manner.

c) **Banker to Banks**: Similar to individual consumers, banks also need their own mechanism to transfer funds and settle inter-bank transactions - such as borrowing from and lending to other banks. As the banker to banks, the Reserve Bank fulfills this role. All banks operating in the country have accounts with the RBI. As the banker to banks, RBI focuses on:
- Clearing and settlement of **inter-bank obligations**.
- Providing efficient means of **funds transfer** for banks.
- Maintaining **bank accounts** for the purpose of statutory reserve requirements.
- Acting as **lender of the last resort**.

d) **Controller of Credit and money supply**: An important function of RBI is to control the total supply of money and bank credit in the economic interest of the country. RBI formulates monetary policy for the afore-said purposes. The main objectives of monetary policy of RBI are:
- Maintaining **price stability**.
- Ensuring adequate **flow of credit** to the productive sectors of the economy to support economic growth.
- **Financial stability**.
- The RBI controls credit and money supply through its monetary policy.

RBI uses several direct and indirect instruments in the formulation and implementation of monetary policy.

e) **Regulator and Supervisor of the Banks**: As regulator and supervisor of the banking system, the Reserve Bank protects the interests of depositors, ensures a framework for orderly development and conduct of banking operations conducive to customer’s interests and maintains overall financial stability through preventive and corrective measures.

f) **Custodian of Foreign Exchange**: The Reserve Bank plays a key role in the regulation and development of the foreign exchange market by regulating transactions related to the external sector and facilitating the development of the foreign exchange market. It ensures smooth conduct and orderly function of the domestic foreign exchange market and manages the foreign currency assets and gold reserves of the country.

g) **Regulator of Payment and Settlement System**: In this role, RBI focus on the development and functioning of safe, secure and efficient payment and settlement mechanisms.

h) **Maintains financial stability**: RBI does this by continuous monitoring of the financial system.

i) **Developmental Role**: In this role, RBI ensures credit availability to the productive sectors of the economy, establishes institutions designed to build the country’s financial infrastructure, expands access to affordable financial services and promotes financial education and literacy.
Case Study

Suppose Ram deposits ₹ 1000 in a bank. The bank keeps 20% of ₹ 1000 for meeting the withdrawal requirements of its customers and lends the remaining to Sohan. Now, Sohan deposits this amount in his bank. Sohan’s bank also keeps 20% of it and gives the remaining to Mohan. How much money is created in this process so far?

Now again, suppose, the Central Bank asks commercial banks to keep 25% instead of 20% with themselves in the above example. How much fund will be created for similar transactions in the new reserve requirements? Comparing the two situations, where is the creation of more money?
Exercise

1. Who controls and supervises foreign exchange?
________________________________________________________________________

2. Explain the structure of RBI?
________________________________________________________________________
________________________________________________________________________

3. What do we find on the seal of RBI?
________________________________________________________________________

4. Which agency issues one rupee notes and small coins in India?
________________________________________________________________________

5. Explain the Minimum Reserve System.
________________________________________________________________________
________________________________________________________________________

6. How does RBI act as a Banker’s Bank?
________________________________________________________________________
________________________________________________________________________

7. RBI restricts money supply due to inflationary pressure. How will RBI use its following instruments:

   i) Open Market operation:
   ______________________________________________________________________

   ii) CRR:
   ______________________________________________________________________

   iii) SLR:
   ______________________________________________________________________

   iv) Bank Rate:
   ______________________________________________________________________

8. What is the reserve requirement by RBI if out of the total deposits worth ₹100000, commercial banks lend ₹80000 to its customers?
________________________________________________________________________
Part II: Budgeting

Preparation
A Sample Budget: Sumit Kumar, a full–time tour guide, gets a monthly salary of ₹15,000. After he pays his taxes and health insurance, his net salary is ₹ 12,000. This is what Sumit's monthly budget looks like:

<table>
<thead>
<tr>
<th>Expenses</th>
<th>Amount (Debit)</th>
<th>Income</th>
<th>Amount (Credit)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fixed Expenses</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>House Rent</td>
<td>2,500</td>
<td>Salary</td>
<td>12,000</td>
</tr>
<tr>
<td>Maintenance Bill</td>
<td>400</td>
<td>Interest on savings</td>
<td>200</td>
</tr>
<tr>
<td>Telephone bill</td>
<td>250</td>
<td>Gift received</td>
<td>500</td>
</tr>
<tr>
<td>Conveyance</td>
<td>500</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Insurance Premium</td>
<td>200</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Variable Expenses</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Food</td>
<td>4,500</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Medicines</td>
<td>400</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Entertainment</td>
<td>600</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Clothes</td>
<td>500</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Misc. Expenses</td>
<td>200</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Savings</td>
<td>2,650</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>12,700</td>
<td>Total</td>
<td>12,700</td>
</tr>
</tbody>
</table>

Budgeting Your Financial Resources

Everyone needs a balance in every aspect of life, more so when it involves money. We all must spend wisely so that we never end up spending more than what we earn and also save a part of our earning for future. We must take our spending decisions very wisely, but it is not a very easy
task as sometimes the urge to spend overpowers us when we see something that we really like. In such a situation, we forget our income and our expenses exceed our earnings! So, to avoid such situations, we all must plan our budget, i.e. keep track of our expenses and income for the entire month and at the end compare both to find whether our income exceeds our expenses or vice versa and take necessary measures, if need be. Given below is a sample of monthly budget.

**Case Study**

**Pihu's income and expenses:**
Pihu works part-time at a greeting card company and net monthly income is ₹ 15000.

**Her Planned fixed monthly expenses include:**
- ₹ 4500 for rent (she shares an apartment with two friends).
- ₹ 2000 for conveyance
- ₹ 1000 for mobile

**Her planned variable expenses include:**
- ₹ 2500 for food
- ₹ 1500 for clothes
- ₹ 1000 for entertainment
- ₹ 500 for personal items
- ₹ 2000 for saving for higher studies

**Pihu’s actual expenses include:**
- ₹ 4500 for rent
- ₹ 1500 for conveyance
- ₹ 1250 for mobile
- ₹ 2750 for food
- ₹ 2000 for clothes
- ₹ 1000 for entertainment
- ₹ 1000 for personal item
- ₹ 1000 for saving for higher studies

1. What is the difference between Pihu’s planned expenses and her actual expenses?

2. In what areas did she overspend?

3. In what areas did she spend less than she planned?

4. How much money did she have at the end of the month to put into savings?
1) RBI stands for ____________.
   a) Reserve Bank of India  
   b) Rural Bank of India  
   c) Regional Bank of India  
   d) Reverse Bank of India

2) RBI was established on _____________
   a) 1st April 1934  
   b) 1st April 1935  
   c) 1st April 1936  
   d) 1st April 1933

3) RBI was nationalized on _____________
   a) 1st January 1949  
   b) 1st January 1948  
   c) 1st January 1951  
   d) 1st January 1950

4) RBI is headed by _____________
   a) Government of India  
   b) President of India  
   c) Governor of RBI  
   d) Prime Minister of India

5) Basic function of RBI is:
   a) issue of bank notes  
   b) make budget for the country  
   c) issue debit and credit cards  
   d) monitoring all other banks of India

6) RBI controls credit and money supply through its _____________
   a) fiscal policy  
   b) banking policy  
   c) monetary policy  
   d) public debt policy

---

### Jumbled Words

<table>
<thead>
<tr>
<th>Jumbled Words</th>
<th>Clue</th>
<th>Solution</th>
</tr>
</thead>
<tbody>
<tr>
<td>dugtBe</td>
<td>An estimate of income and expenditure for a set period of time.</td>
<td></td>
</tr>
<tr>
<td>Chas eRveser itRoa</td>
<td>Commercial banks are required to keep certain percentage of total deposits in central bank as reserve</td>
<td></td>
</tr>
<tr>
<td>yutroattS qidiyuLt atRio</td>
<td>Commercial banks are required to maintain some amount in the form of gold.</td>
<td></td>
</tr>
</tbody>
</table>

---

**Fun Time**

RBI regulates all other Banks
Types of Loans

Loan is a certain amount of money which a borrower takes from the lender with the promise of returning it back within a fixed period of time. A certain amount of interest rate is fixed by the banks for different types of loans as applied by the borrower. The borrower pays back the interest and the money in installments according to the agreement between the two.

The common loan types available in India:

Home loan
Everyone dreams of having their own home. But buying a home requires a large amount of money at once which many people can’t afford. To fill this gap banks provide home loans.

Personal Loan
Personal loans are meant to meet the personal needs of an individual. People can use this money for anything they want. They can use this money for going on a holiday with their families. The rate of interest of this type of loan is comparatively higher.

Vehicle loan
Vehicle loans or car loans fulfill your dream of having a car or a bike. This is a secured loan hence if the installments are not paid on time the lender has the right to take back the vehicle.

Education Loan
Banks also provide education loan to students who want to pursue higher studies. Once the student completes his/ her course and starts earning, they themselves can pay back the loan.

Gold Loan
Gold loans can be availed from banks and other financial institutions in exchange for keeping physical gold as security. It is considered to be one of the easiest loans to procure since the loan is provided on the basis of the actual gold submitted by the borrower.

Agricultural Loans
To cater to the needs of agricultural farmers, banks offer various types of loans. Farmers can buy seeds, insecticides, tractors and other equipment needed for agriculture using the loan money and can pay back once their crops are harvested.

Over Draft
Over draft is a type of loan where banks allow their customers to withdraw more money than they have in their account.
Business Loans
This type of loan is provided to either existing business or those venturing into new business on the basis of borrower's credentials. To avail such loans the borrower needs to have a clear cut business plan to convince the banks.

Process of applying for a loan
Taking a loan is not as complicated as most people think. The only thing which should be paid attention to is that genuine documents should be submitted to the bank on time. Different types of loans in India require different types of documents.

Few steps involved while applying for a loan are
• Loan Application Form
An application form for loan is provided by the banks which should be filled correctly and the type of loan you need should be mentioned clearly.

• Credit history check
Credit history check is done by the bank to know the credit worthiness of the borrower. CIBIL (Credit Information Bureau India Limited) collects and maintains the records of individual's payments pertaining to loans and credit cards.

• Submission of Required Documents
The customers need to produce their identity proofs and other certificates to the bank so that they can trust you for providing loan. Hence, submission of the required documents is a very important procedure involved for the sanctioning of a loan.

• Approval of Loan
Now, after reviewing all the submitted documents of the borrower, banks may approve or reject the loan application.

1) CIBIL stands for _______________
   a) Current Information Bureau India Limited  b) Central Information Bureau India Limited
   c) Credit Information Bureau India Limited  d) Cooperation of Indian Banks Information

2) The loan which can be availed from Banks and other financial institutions in exchange for physical gold is ________________.
   a) Gold Loan  b) Education Loan
   c) Jeweller Loan  d) Home Loan

3) A type of loan where banks allow their customers to withdraw more money than they have in their account is ________________.
   a) Gold Loan  b) Education Loan
   c) Overdraft  d) Home Loan

4) Loan provided to students who wants to pursue higher studies is ________________.
   a) Gold Loan  b) Education Loan
   c) Jeweller Loan  d) Home Loan

5) Loan availed from bank for buying a house is ________________.
   a) Gold Loan  b) Education Loan
   c) Jeweller Loan  d) Home Loan

6) Loan meant to meet personal needs is ________________.
   a) Gold Loan  b) Education Loan
   c) Personal Loan  d) Home Loan

7) Loans that fulfill your dream of having a car or a bike or any other vehicle is ________________.
   a) Gold Loan  b) Education Loan
   c) Vehicle Loan  d) Home Loan
Inflation – Its Causes and Effects

What is inflation?
You may have heard your grand parents saying how things were different when they were of your age. It only cost a rupee to watch a movie. In all these years prices have risen. That is inflation.

Inflation is the persistent rise in general prices of goods and services in an economy.

How is inflation measured?
Mathematically, inflation is nothing but the rate of increase in price. Inflation is measured by calculating the increase in the rate of a price index i.e. Wholesale Price Index (WPI) and Consumer Price Index (CPI). WPI is the price of a representative basket of wholesale goods. CPI measures changes in the price level of a market basket of consumer goods and services purchased by households. The WPI is used extensively as a measure of inflation in India.

What are the types of inflation?

▪ Demand Pull Inflation:
It arises when aggregate demand in an economy outpaces aggregate supply. When there is excess demand in the economy, producers are able to raise prices and achieve bigger profit margins because they know that demand is running ahead of supply.

▪ Cost Push Inflation:
Cost-push inflation occurs because of rise in input prices i.e. rising costs. The producers increase their prices to protect profit margins.

▪ Supply Shock:
It is a type of cost-push inflation. The basic concept of supply-shock inflation relates to a considerable increase in the cost of goods and services that are considered to be essential and somewhat difficult to substitute. Often, supply-shock inflation involves a trickledown effect that will cause changes in many sectors of the marketplace.

What is the cure for inflation?
Inflation can be controlled by better demand as well as supply side measures.

<table>
<thead>
<tr>
<th>Wholesale Price Index (WPI)</th>
<th>Consumer Price Index (CPI)</th>
</tr>
</thead>
</table>
| • Index of prices prevailing in the whole-sale market. | • Index of prices prevailing in the retail market.
| • Covers a fixed basket of goods comprising primary articles, minerals, fuel prices, machinery etc. | • Index presenting the basket of essential commodities purchased by the households – food, fuel, lighting, housing, clothing etc.
| • Measured weekly in India; | • Measured monthly in India.
|                           | • CPI is measured separately for 3 groups in India – Urban Non Manual Employees, Industrial Workers, Agricultural Labour. |
Exercise
Use the given words/phrases to fill in the blanks:
1) Inflation is described as a general increase in _________.
2) The government measures inflation by looking at price changes of a _________.
3) Inflation reduces the _________ of money over time.
4) Fall in production causes fall in supplies and therefore _________ in prices.
5) Cost push inflation occurs due to rise in _________ prices.

<table>
<thead>
<tr>
<th>Basket of goods</th>
<th>Rise</th>
<th>Purchasing Power</th>
</tr>
</thead>
<tbody>
<tr>
<td>Price levels</td>
<td>Input</td>
<td></td>
</tr>
</tbody>
</table>

Jumbled Words

<table>
<thead>
<tr>
<th>Jumbled Words</th>
<th>Clue</th>
<th>Solution</th>
</tr>
</thead>
<tbody>
<tr>
<td>aonL</td>
<td>Amount given by the banks to the borrower with an interest.</td>
<td>Amount</td>
</tr>
<tr>
<td>oiomcEcnc tvAciiyt</td>
<td>Any activity which helps in earning money.</td>
<td>Activity</td>
</tr>
<tr>
<td>Bsnak</td>
<td>Financial organizations where funds are mobilized.</td>
<td>Finance</td>
</tr>
<tr>
<td>terllalaoC</td>
<td>Security, which the banks keep against lending of loans.</td>
<td>Security</td>
</tr>
<tr>
<td>vgsinSa</td>
<td>Amount of money which is not spent.</td>
<td>Savings</td>
</tr>
<tr>
<td>anilloftnt</td>
<td>persistent rise in the price of goods and services over a period of time.</td>
<td>Increase</td>
</tr>
<tr>
<td>tosC hPus ialNfnt</td>
<td>Increase in price of a commodity due to the increase in price of raw material.</td>
<td>Increase</td>
</tr>
<tr>
<td>ndDmae luPl Illanfion</td>
<td>Increase in price of a commodity due to the increase in the demand of goods.</td>
<td>Increase</td>
</tr>
<tr>
<td>eDoaInfit</td>
<td>A general decrease in prices over a period of time.</td>
<td>Decrease</td>
</tr>
</tbody>
</table>

1) Inflation is persistent rise in general _________ of goods and services.
   a) price        b) demand
   c) supply       d) production

2) Demand pull inflation arises when _________
   a) Aggregate Demand > Aggregate Supply
   b) Demand > Supply
   c) Aggregate Demand < Aggregate Supply
   d) Demand < Aggregate

3) Cost-pull inflation arises due to _________
   a) rise in final goods prices
   b) rise in labour wages
   c) rise in input prices
   d) decrease in input price
Worksheet - 1

Write the words which are described by the following statements in the spaces provided. (You can choose the words from the cloud below).

1) Amount paid by policy holder for the initial portion of a loss before the insurance company pays. __________
2) Protection for a dwelling against perils like fire and lightning. __________
3) Accident, theft, damage, destroyed, unexpected. __________
4) Fee paid to the insurer to be covered under the specified terms. __________
5) Many high school students are covered under their parents for this type of insurance. __________
6) Consumer who purchases a policy. __________
7) People must have this type of insurance to drive their vehicle. __________
8) Contract between the individual and an insurer specifying the terms of the insurance. __________
9) Title of people receiving money from a life insurance policy after the insured person dies. __________
10) Arrangement between an individual and an insurer for protection against risk. __________
11) Insurance which helps to provide income during an illness or injury. __________

Worksheet - 2

Say 'Yes' or 'No'
1) Auto insurance is required by law to drive an automobile. __________
2) Insurance plays a small role in most individual's financial plan. __________
3) Most individuals or families can afford health care and medical expenses. __________
4) Life insurance is necessary for everyone. __________
5) Disability insurance is necessary only for people with disabilities. __________
6) When renting an apartment, the renter should purchase renter's insurance because the owner's insurance will not cover the renter's possessions. __________
7) Liability is the minimum amount of insurance required by law for driving an automobile. __________
8) Insurance plays a large role in most individual's financial management plan. __________
9) Health care costs are extremely high and it can be hard for the average person to afford health care. Large medical expenses could wipe out an individual's savings. __________
10) Life insurance is necessary only for those individual who have someone depending on them financially. __________
11) Disability insurance is necessary for anyone with a job. __________
12) The owner's insurance will cover the building's structure, but not the contents in a rented apartment. __________
**Introduction: Risk and Insurance**

Risk is an inherent part of life. The term risk means the chance of suffering loss due to possibility of adverse events beyond the control of man. The events that give rise to such risks are known as perils. Human lives, individual properties, industries, infrastructures and other assets may be destroyed, lost or made non-functional due to sudden occurrence of floods, hurricanes, tornadoes, earthquakes and other perils of nature. There can also be loss of life and property due to man-made perils such as accidents, occurrence of fire, burglary etc. With the progress of civilization, protection against risks assumed various forms of social, economic and financial security. Man learnt mastery of risks as an integral part of the development process. People learnt to live against brutal forces of nature and thus evolved the concept of insurance as a part of risk management.

Insurance is a social device which combines the risks of individuals into a group, using funds contributed by members of the group to pay for losses. The essence of the Insurance scheme is that

1. It is a social science
2. It is an accumulation of funds
3. It involves a group of risks
4. It is a transfer of risk to the whole group.

Insurance as security is needed for all human beings as man wants security. He is afraid of uncertainty, disability and death. Old age and death are certain for every human being, while accident, illness, disability and destruction of assets may be random. The principal source of income of an individual comes from the compensation for work performed by him. If this source of income gets cut off, then the family will make social and economic adjustments like

- Children may have to go to work at the cost of education.
- Family members might have to accept charity from relatives, friends etc. at the cost of their independence and self-respect.
- Standard of living of the family might have to be reduced to a level below what they are usually accustomed to.

Insurance is an arrangement through which a person can plan for the continuation of income when certain events, e.g. disasters, illness, accident, death, or old age may disrupt one's ability to earn his/her livelihood.

Universally, insurance business is classified into Life Insurance and General Insurance. Life is invaluable and loss of life cannot be compensated by any amount of money. Therefore, life insurance policies are termed as benefit policies of protection and are normally considered a means of protecting one's family against the unforeseen circumstances of death of the earning
member. Further, there are various types of life insurance policies which help in accumulating savings, making life insurance a common form of long term investment. Therefore, it is also seen as a saving and investment option catering to the needs at various stages of life. The general insurance industry provides many benefits to society by offering financial protection to individuals, families, businessmen and industries in the event of unforeseen catastrophe, losses to their assets and property. The insurance companies invest premium collected in the capital market and transfer their risks/ spread losses across the globe through reinsurance.

How insurance works
Insurance works on the principle of law of large numbers where losses of a few are shared by many.

Example 1
In a village, there are 400 houses, each valued at ₹ 20,000. Every year, on an average, 4 houses get burnt, resulting to a total loss of ₹80,000.

<table>
<thead>
<tr>
<th>Number of houses</th>
<th>400</th>
</tr>
</thead>
<tbody>
<tr>
<td>Value of each house</td>
<td>₹ 20,000</td>
</tr>
<tr>
<td>Houses that get burnt every year (average)</td>
<td>4</td>
</tr>
<tr>
<td>Total loss (4 houses X ₹ 20,000)</td>
<td>₹ 80,000</td>
</tr>
<tr>
<td>Contribution to be made by 400 house owners to compensate for loss of ₹80,000 = ₹80,000 / 400</td>
<td>₹ 200</td>
</tr>
</tbody>
</table>
If all the 400 owners come together and contribute ₹200/- each, the common fund would be ₹80,000/- This is enough to pay ₹20,000 to each of the 4 owners whose houses got burnt. Thus, the risk of 4 owners is spread over 400 houses/house-owners of the village.

But is this small sum of ₹200/- really the premium? Answer to this question is No as we will have to add the costs & expenses of management with a small margin for profit.

**Example 2:**
In a particular town having 1000 households, on an average, 10 people die every year. Although it is estimated that 10 persons are prone to death in a year, it is not known which 10 individuals. Let us assume that each family is to be given an assured benefit of ₹2 lakh due to death of the earning member of the family.

<table>
<thead>
<tr>
<th>Number of Person</th>
<th>1000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Economic value of each Person</td>
<td>₹2,00,000</td>
</tr>
<tr>
<td>Persons that may die during the year (average)</td>
<td>10</td>
</tr>
<tr>
<td>Total loss (10 persons x ₹2,00,000)</td>
<td>₹20,00,000</td>
</tr>
<tr>
<td>Contribution to be made by 1000 people to compensate for loss of ₹20,00,000 = ₹20,00,000 / 1000</td>
<td>₹2,000</td>
</tr>
</tbody>
</table>

Therefore, with a small amount of ₹2000/- each, 1000 people feel assured for payment of ₹2 lakh each in case of death.

---

**Jumbled Words**

<table>
<thead>
<tr>
<th>Jumbled Words</th>
<th>Clue</th>
<th>Solution</th>
</tr>
</thead>
<tbody>
<tr>
<td>Riks</td>
<td>Chance of damage or loss</td>
<td></td>
</tr>
<tr>
<td>racnlesnu Plociy</td>
<td>Document evidencing the insurance contract.</td>
<td></td>
</tr>
</tbody>
</table>

1) _______ means chance of suffering loss due to possibility of adverse events which are beyond control.
   a) Risk
   b) Peril
   c) Loss
   d) Accident

2) The events that give rise to risks are known as ____________.
   a) risks
   b) perils
   c) losses
   d) accidents

3) The essence of the Insurance scheme is that it _____________.
   a) is a social science
   b) is an accumulation of funds
   c) involves a group of risks
   d) all of the above

4) _____________ is an arrangement through which a person can plan for the continuation of income when certain events disrupt one’s ability to earn livelihood.
   a) Risk
   b) Insurance
   c) Perils
   d) Hedging

5) Insurance business can be classified into _______ insurance and general insurance.
   a) life
   b) motor
   c) personal
   d) car

---

We can protect ourselves from risk by getting insured.
**Across**

2. Rate of interest at which central bank lends to commercial banks
3. A tool which helps people manage their money
4. This type of inflation occurs because of rise in production cost
5. Persistent rise in prices of general goods and services
8. Money invested by owner in business
10. Small parts in which a company’s capital is divided

**Down**

1. Another name for bank card or check card
6. A contract which guarantees compensation in times of loss
7. Apex bank of India
9. A card which will be issued by UIDAI to all residents of India
Time for more crosswords Munaf.

Gaming and learning together, isn't it great?

ACROSS
1 _____ is a source of finance issued to raise loan from the investor at specific rate of interest for a specific period.
4 _____ is a persistent rise in general prices of goods and services in an economy.
5 _____ is a contract for a fixed sum to be paid regularly to a person, typically following retirement from service.
6 _____ are the type of expenses that change each month.

DOWN
2 _____ is a planning tool that can be used to help individuals and families manage their money.
3 _____ is the chance of suffering loss due to possibility of adverse events beyond control of man.
4 _____ is the money which is earned/received by the person.
7 the Unique Identification Authority of India issues _____ for residents of India.
1. Visit your nearest vegetable market and obtain changes in the price level of the following items and find out the percentage of inflation or deflation in the market between first Monday and third Monday.

<table>
<thead>
<tr>
<th>Sr. no.</th>
<th>Item</th>
<th>Price per kilogram</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>1st Thursday</td>
</tr>
<tr>
<td>01</td>
<td>Potatoes</td>
<td></td>
</tr>
<tr>
<td>02</td>
<td>Tomatoes</td>
<td></td>
</tr>
<tr>
<td>03</td>
<td>Onions</td>
<td></td>
</tr>
<tr>
<td>04</td>
<td>Garlic</td>
<td></td>
</tr>
<tr>
<td>05</td>
<td>Ginger</td>
<td></td>
</tr>
</tbody>
</table>

2. Visit at least 3 Banks/post office in your locality and find out the following banking details mentioned in the table below:

<table>
<thead>
<tr>
<th>Name of Bank/Post Office (PIN Code)</th>
<th>Types of accounts offered</th>
<th>Minimum Balance to be maintained</th>
<th>Interest Rate on Deposits</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
3. Visit any bank and note the eligibility criteria and documents required for Education loans.

4. Visit a bank and note the details of opening and operating an account under Pradhan Mantri Jan Dhan Yojana (PMJDY) and the benefits associated with the account.

5. Write down tips for safe online shopping using a credit / debit card.

6. Make a list of security features of a credit and a debit card.

7. Survey 10 people from your family/friends/neighbors and check for the availability of the documents mentioned in the table below. Please tick (√) on the documents which are available.

<table>
<thead>
<tr>
<th>SI No.</th>
<th>Name of Person</th>
<th>Age (Years)</th>
<th>Documents</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td>PAN Card</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Aadhaar Card</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Ration Card</td>
</tr>
<tr>
<td>01</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>02</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>03</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>04</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>05</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>06</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>07</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>08</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>09</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>10</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Total</td>
</tr>
</tbody>
</table>

Explain them the importance of PAN Card, Aadhaar Card and Ration Card.

8. How to apply for a PAN card? Write down the steps and visit the websites www.incometaxindia.gov.in/Pages/tax services/apply-for-pan.aspx and https://www.tin-nsdl.com/pan/pan-index.php

9. How to apply for an Aadhaar card? Write down the steps.

10. Suppose you are given a pocket money of ₹1000 per month. Prepare a budget taking into consideration the following spending:
<table>
<thead>
<tr>
<th>Expenses</th>
<th>Quantity</th>
<th>Minimum Price of the Product</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Chocolates/sweets</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Crayons/Colours</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Clothes</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Games</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Food</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Stationary (pen, pencils, books, covers etc.)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Others: Please mention</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total Expense</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total Savings</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td></td>
<td>₹ 1,000/-</td>
</tr>
</tbody>
</table>