

8.1 Introduction to Money Management

In this lesson you will learn :

1. What is Financial Literacy
2. The difference between needs, wants and luxuries
3. To calculate income and monthly expenditures

Circle on your top 2 goals with regard to money

Save more money

Open a bank account

Earn well

Buy something expensive for yourself

Stop spending too much

Buy a gift for someone close

Skill India
कौशल
Invest money

Get a loan

Help others save money

Make a monthly budget & spending plan

Thinking
Box

Let's learn what is financial literacy

Financial literacy is knowing to manage money well. It is understanding the way money is saved, spent, and invested.

Financial literacy helps us to make wise decisions about money and improve our lives. A strong foundation of these financial skills will help in achieving various life goals:- education, work, retirement and even for emergencies. It also prevents us from getting tricked into spending more money.

Financial literacy is also an important skill for the workplace. All leaders and managers in companies must understand and manage budgets well.

Financial Literacy

Gopal earns Rs. 20,000 every month at his job. He spends Rs. 10,000 every month for rent and other bills. He spends Rs. 3000 every month on a gym membership, but he hardly uses it. He also uses the remaining Rs. 7000 on shopping and eating in restaurants.

Gopal does not have any money saved for emergencies. He is also not spending money on important things like insurance. Gopal needs to learn about budgeting, saving money, deposits and insurance. This will make him financially literate.



Here are some financial literacy skills. Mark the ones that you would like to learn.

- Making a budget
- Using bank account facilities
- Using online banking
- Paying bills online
- Managing money/salary effectively
- Saving money for emergencies
- Saving money for the future
- Planning to handle loans

Let's learn the difference between needs, wants and luxuries

Money can be spent on different kinds of things. The things we spend money on are called expenses. In the previous example, Gopal's expenses include rent, bills, gym membership, shopping and eating at restaurants. Like Gopal, many people don't understand the difference between needs, comforts and luxuries.

Let us understand 3 types of expenses we can keep track of.

1. Needs: Needs are things that we must have in order to live. Needs are things that all people must have in their lives to survive - like food, water, basic clothing, and a safe place to live. Needs are the most important expenses. While making a budget, the expenses for needs must be addressed first. These are the things that if we do not spend money on, can lead to an unhealthy or dangerous life.

- Groceries for food
- House to live in
- Electricity bill
- Drinking water
- Clothes
- Health and medical expenses

2. Wants: Wants are things that we would like to have in your life. These are things that we desire, but we don't need to live or survive. These things give us a more comfortable, improved, easier life. Wants are not as important as needs when making a budget. The expenses are budgeted based on how much money is available after spending on needs.

- Going to the movies
- Eating out in restaurants
- Shopping for branded items
- Traveling

3. Luxuries: Luxuries are things that are the most attractive and most expensive. Luxuries are very costly things that are not essential to our survival. They are expensive or difficult to purchase. While making a budget, luxuries are the last expenses to address. Money that is left over after needs and wants can be used for luxuries.

- Designer clothes
- Costly phones and gadgets
- Luxury cars
- Large houses, land



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Sort this list of items into needs, wants and luxuries.

1. Groceries
2. Gym membership
3. A trip to Europe
4. Mobile phone
5. Diamond bangles
6. Rent for a house to live in

Needs	Wants	Luxuries

Let's learn to calculate income and monthly expenditures

Let's look at Sunitha's life.

Sunitha earns Rs. 7,000 every month at her regular job. Every Saturday, she also works as an assistant to a veterinarian. She gets Rs. 4,000 every month for that. Sunitha has a scooter that she rents out to tourists sometimes. She earns Rs. 2,000 to Rs. 3,000 there.

Sunitha pays Rs. 4,000 as rent in a shared apartment and Rs. 3,000 for monthly groceries. She spends Rs. 500 on her phone bill, Rs. 1000 on her electricity bill and Rs. 500 on her health insurance. She sends Rs. 1,000 to her brother. Sunitha pays Rs. 1,000 for French class. She spends Rs. 1,000 on movies and restaurants while hanging out with her friends. She saves Rs. 1,000 to Rs. 2,000 every month.

Let's calculate Sunitha's income.

Income	
Salary from regular job	Rs. 7000
Salary from assistant job	Rs. 4000
Income from scooter rental	Rs. 2000-3000
Total income	Rs. 13,000-14,000

Now let's look at Sunitha's expenditure.

Expenditure	
Apartment rent	Rs. 4000
Groceries	Rs. 3000
Phone bill	Rs. 500
Electricity bill	Rs. 1000
Health insurance	Rs. 500
Money sent to brother	Rs. 1000

French class	Rs. 1000
Movies and restaurants	Rs. 1000
Total expenditure	Rs. 12,000


The money that Sunitha saves is not included in expenditure because she still has the money. She has not spent it.

Activity Time!

Calculate Tariq's income and expenditure.

Tariq earns Rs. 10,000 salary every month. He also has an investment scheme with the bank where he gets Rs. 500 in his bank account every month. Tariq's mother sends him Rs. 6,000 every month. Tariq pays Rs. 5,000 for his hostel fees and Rs. 3,500 for monthly groceries. He spends Rs. 600 on his phone bill and Rs. 400 on his health insurance. He spends Rs. 2,500 to repay his bike loan. He spends Rs. 2,000 on a bike trip with his friends every month. He saves the rest of his money.

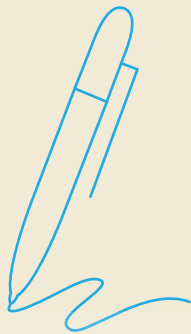
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What I learnt today:

Put a ✓ if you know this topic well.

1. Financial literacy is understanding the way money is saved, spent, and invested.
2. The things we spend money on are called expenses.
3. Things needed to survive - Needs
4. Things that we desire - Wants
5. Costly things that are not essential to our survival - Luxuries
6. All Income - All expenses = Savings

8.2 Basics of Banking

In this lesson you will learn :

1. What is banking and types of Bank account
2. How to create bank accounts
3. How to make bank transactions using passbooks, cheques, debit, and credit cards



Tick the banking activities that you have done.

- Visited a bank
- Opened a bank account
- Deposited money in a bank
- Used a debit card in a shop
- Used a debit card to withdraw money from an ATM
- Wrote a cheque

**Thinking
Box**

Let's learn what banking is and the types of bank accounts

A bank is an institution licensed by the government to keep our money safe and loan money to us. All financial activity can be done through a bank.

To use a bank, you need a bank account. You can open a bank account by going to the bank branch or website. We need to understand the types of bank accounts.

1. Savings Account

A savings account can be opened by someone who wants to save money in the account. A savings account is used to deposit money. Anybody can have a savings account.

What can we do with a bank account?

- Save our money safely
- Withdraw cash
- Send money to people easily
- Take loans
- Use a debit/credit card.

2. Current Account

Business owners and entrepreneurs use a current account. They need to make and receive more payments than an average person.

3. Salary Account

A salary account is a bank account opened by an employer through which they pay everyone who works for them. The salary for a person is sent to their salary account.

4. Fixed Deposit Account

This type of account is opened when a person wants to keep money in an account for some time and earn interest on the money. An amount of money is put into a fixed deposit account and kept there for a fixed period. Fixed deposit accounts are also commonly called FD Accounts.

5. Recurring Deposit Account

Recurring deposit accounts are commonly called RD Accounts. In a RD, a person regularly deposits a fixed sum of money. This can be every month or once a quarter. Unlike FDs, where you need to make a lump sum deposit, the sum deposited in a RD account is smaller and more frequent. **For ex:** You can deposit Rs. 500 every month for 2 years.



Choose the correct answer to the question.

1. RD account is short form for _____

- Fixed deposit account
- Recurring deposit account

2. What kind of bank account is used by business owners?

- Current account
- Savings account

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Let's learn how to create bank accounts

1. Visit Bank Branch or Apply Online

To open any bank account, go to the bank's branch. Or you can visit the bank's website to get the bank account opening form. This form requires you to fill in personal details - your name, permanent address, date of birth, names of your parents or spouse, and your signatures to commit to the basic terms and conditions of the bank.

What you need to open a bank account:



2. Submit correct documents.

Indian banks compulsorily need certain documents to be submitted for a new account to be opened. You need to submit mandatory documents such as an Aadhaar Card or PAN Card and submit two recent passport-size photos. Other documents will vary from one bank to another.

1. Bank opening form

2. Aadhaar Card and PAN Card



3. Two recent passport-size photos

4. Money to deposit

3. Wait for Bank to Assess Documents

Banks usually take one to two days to approve an account request. You can wait for the bank to reach out to you for verification or clarifications.

4. Collect Your Account Details, Debit Card, and Internet Banking Details

Once your bank approves the application, a new bank account is open. The bank gives you your bank account number and a customer ID to use for online banking. You will also get a debit card to start using the money in the bank account.



What are the four steps to starting a bank account?

1. _____
2. _____
3. _____
4. _____

What documents do you need to start a bank account?

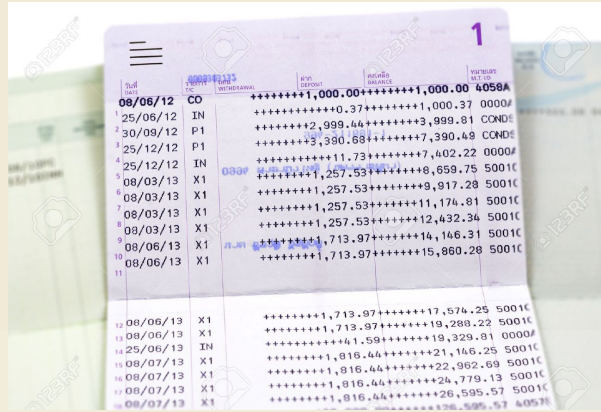
- _____
- _____
- _____
- _____

Let's learn to make bank transactions using passbooks, cheques, debit, and credit cards

With a bank account, there are many ways to do financial transactions. This includes using a passbook, cheque, and debit and credit cards.

Passbook

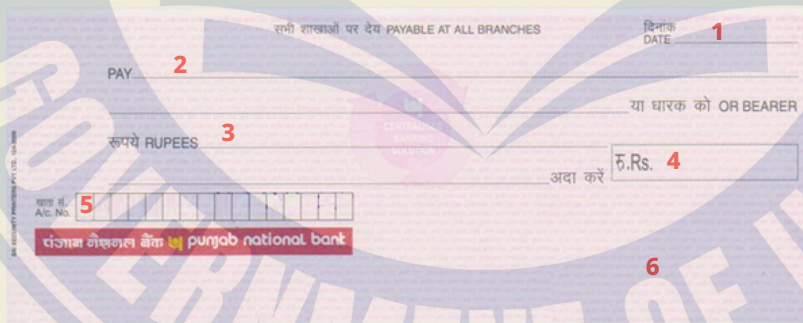
A bank passbook is a physical notebook you have when you have a bank account. It has important bank details like your account number and bank branch recorded on a page. The passbook is used to record on paper the details of your banking transactions. The details can be printed and recorded on the passbook when you withdraw and deposit money.



Cheque



A cheque is an official order by one person telling the bank to send their money to another account. A cheque is a physical paper where the details must be filled out correctly. The cheque has to be taken to the bank and deposited. The bank processes the cheque and makes the money transfer. Here's how you can write a cheque.



1. **Date:**
Write the date for when you want the money to be transferred. If you want the transfer to happen after 1 or 2 months, you can write that date.
2. **Name:**
Write the name of the person or organization you want to send the money to in the 'Pay' line.
3. **Amount of money in words:**
Write the amount of money in words. Write the word 'only' at the end. (For example, for Rs. 10,000, write 'Ten Thousand Only'.)
4. **Amount of money in numbers:**
Write the amount of money in numbers.
5. **Account Number:**
Write your account number clearly, without any mistakes.

6. Signature:

Put your signature here.

7. Cross the cheque:

Make two parallel lines in the top left of the cheque and write 'Account Payee' only. This ensures that the money is strictly transferred to an actual bank account of the intended person
Crossing the cheque increases the security of the cheque. It prevents the cheque from being cashed by someone else.

Debit Card

A debit card is an official plastic card given by the bank. It can take money from the bank account without directly going to the bank. You can apply for a debit card when you have a bank account.

You will need a PIN to use a debit card. The PIN is a number that you can remember easily. You must not share your PIN with anyone.



Your debit card can be used in different ways.

- **To take cash from an ATM,**
You can visit an ATM and use the debit card to withdraw cash. You insert your debit card into the machine and then use your PIN. You can follow the options on the screen and withdraw money.
- **To pay at the billing counter,**
You can use a debit card to pay at a billing counter with a card payment machine. Make sure to check the amount in the payment machine. Then, use your PIN.
- **To pay on online websites,**
You can use a debit card to pay online shopping and online ticket booking. Websites will have an option for you to select 'Debit Card' as the payment method. You can insert your card details on the website (like the 16-digit card number) and pay. Make sure to read the instructions on the website carefully.

Credit Card

A debit card allows you to pay using the money in your bank account. A credit card allows you to borrow money from the bank to make a payment. Money borrowed from the bank using a credit card must be paid back to the bank with an interest amount. You can apply for a credit card at your bank. Credit cards can also be used, like a debit card, to pay at the billing counter and to pay on online websites.

How to use a debit or credit card safely

	Do	Don't	
	Report a lost or stolen card to your bank immediately.	Share your debit or credit card PIN with anyone.	
	Check how much money is in your account before using the debit card.	Give your debit or credit card details to suspicious websites.	

Activity Time!**Choose a correct answer to the question.**

1. What can you use to withdraw cash from an ATM?
 - a. Debit card
 - b. Passbook
2. You get a call on your phone. A person tells you that they are calling you from the bank. They ask you to share your debit card PIN with them. What must you do?
 - a. Share the PIN with the person
 - b. Tell the person that you will not share the PIN with them
3. Choose the correct way to write the amount on the cheque. (Note - the word 'Rupees' is already included in cheques.)
 - a. Two Thousand only
 - b. Two Thousand Rupees

What I learnt today:**Skill India**
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Put a ✓ if you know this topic well.

1. There are many types of bank accounts - savings accounts, current accounts, salary accounts, fixed deposit accounts, and recurring deposit accounts.
2. To open a bank account, you need to visit the bank, fill in a form, and submit personal documents like Aadhaar and PAN card.
3. Cheques, credit cards, and debit cards can be used to do financial transactions with a bank account.

8.3 Online Banking and Digital Transactions

In this lesson you will learn :

1. What is Online banking
2. How to perform digital transactions

Circle the words that you have heard before. If you know more about how to do this process, share it with your classmates.

Thinking Box

Net banking

Login ID

Electronic payment

One Time Password

Online transfer

Let's learn what is online banking

What are some things we can do at a bank?

- Open a bank account
- Apply for a debit card
- Send money to someone else
- Get details of all your transactions (your bank statement)

All these bank activities can now be done online through online banking. Online banking is also known as net banking or web banking.

Benefits of online banking



Bank activity can be checked conveniently on a phone or computer.



Payments can be made easily.



Money can be transferred easily.



Loan applications can be processed quickly.



Look at the options from this online banking page. What actions can be done when these buttons are clicked?

1. What happens in this online banking option?

- Shows all the transactions made in your bank account
- Gives cash from the ATM

Account Statement

2. What happens in this online banking option?

- You can transfer money to another account.
- You can apply for a loan.

Payments/Transfers

Let's learn how to perform digital transactions

A transaction is the exchange of one thing for another thing. A financial transaction usually includes money.

Johny wants to buy a book. He can pay money and buy the book.



He can scan the QR code and buy the book.

Shwetha wants to book a train ticket. She can pay money at the railway station and buy the ticket.



She can use her debit card and book the ticket.



She can use net banking to book the ticket.

Financial transactions can happen in 2 ways - **digital transactions** and **cash transactions**.

- **Cash transactions** are when physical money is used during the transaction. For example, if you give cash to a shop or if your employer gives your salary as cash.
- **Digital transactions** are when money is transferred electronically and not through cash. When you use a debit card to buy clothes on a website, the money is transferred electronically. There are many ways in which digital transactions can happen.
 1. Credit card
 2. Debit card
 3. Online banking
 4. Digital wallets
 5. UPI payments

The Digital India programme is a programme of the Government of India to transform India into a digitally empowered society. "Faceless, Paperless, Cashless" is one of the goals of Digital India, to help people to do cashless, digital transactions.

Activity Time!

Let's look at some financial transactions. Are they cash transactions or digital transactions?

1. Divya needs to book bus tickets. But she doesn't have time to go and buy it at the ticket counter. So she buys the tickets on her mobile app using her credit card. Is this a cash transaction or a digital transition?
2. Rekha paid the restaurant bill with a 500 rupees note. She's waiting for the change. Is this a cash transaction or a digital transition?
3. Akash goes to the market to buy onions. He forgets to take his wallet, so he does not have any cash. But the vendor has a digital wallet. So Akash pays with his phone. Is this a cash transaction or a digital transition?

What I learnt today:

Put a ✓ if you know this topic well.

1. Online banking helps us do banking activities on the internet.
2. Online banking is easy and convenient to use.
3. Digital transactions are financial transactions that are done electronically, without physical cash.

8.4 Mobile Banking Apps

In this lesson you will learn :

1. How to perform Mobile banking
2. How to use Mobile banking applications
3. Safe mobile banking

What are some financial transactions that can be done using a mobile banking app?

*Thinking
Box*

Let's learn how to perform mobile banking

Netbanking and mobile banking are two of the most common ways to do online financial transactions/ money transfers. It can quickly be done using a web browser on a device (laptop/ PC/ mobile) connected to the internet or using a specific mobile app.

Steps to use net banking:

1. Get the net banking credentials from your bank. When you open a bank account, they will give you the net banking details, or you can apply for it.
2. Set up your User ID and Password. It's important to always remember these details.
3. Use the login details on your bank's website. We can open the bank's website on any safe web browser, like Google Chrome or Internet Explorer.
4. When you log in, you'll be able to view many pages where you can do different activities. Read the words and instructions given on the net banking page carefully.

You can use net banking for the following activities:

1. Check account statement
2. Transfer funds
3. Pay for online shopping
4. Pay bills
5. Apply for a new cheque book
6. Apply for a credit/debit card
7. Apply for loans



Imagine that you have a net banking account. What transactions would you do with it now?

Let's learn how to use mobile banking applications

Steps to use mobile banking

1. Download the mobile banking app that is specific to your bank. You can download the app from Google Play Store or App Store. In some banks, you need to register for mobile banking by submitting a form at the bank. Some banks allow you to use SMS or phone banking to register for mobile internet banking.
2. Check with your bank to find the correct details.
3. Use your net banking user ID and password to log into the app.
4. Set up an MPIN. It is your secret password to access the mobile banking app. You need to enter the MPIN every time you log into the app.



Google Play

What is the difference between net banking and mobile banking?

1. Net banking is done through a web browser on your computer or phone. Mobile banking can be done on an app on a smartphone or a tablet.
2. You need to open the banking website to use net banking. In mobile banking, you need to download and use the banking app on the phone.



Eswar is learning all about online banking. Read his thoughts. Choose if he's using net banking or a mobile banking app.



I'm going to use the bank website to transfer money to my brother.

- a. Eswar is using mobile banking.
- b. Eswar is using net banking.



I need to use the MPIN to use this app

- Eswar is using mobile banking.
- Eswar is using net banking.

Let's learn safe mobile banking

It's important to be safe while using net banking and mobile banking. Here are some best practices you must always follow.

- Set a strong password for your online banking account. Change the password once in 6 months or a year.
- Never share your password, MPIN or OTP with anyone. Your bank will never ask you for those details.
- Avoid using online banking on any public WiFi (or open network) connection.
- Always sign out of the website or the app after using it.

Activity Time!

Choose the correct answer to the question.

- What must you do after using the net banking site?
 - Log out of my account
 - Leave the account logged in so I can use it the next day
- What must you do with your password for safe online banking?
 - Share your password with a stranger
 - Change your password often.

What I learnt today:

Put a ✓ if you know this topic well.

- Netbanking is done on a computer through a website using login details.
- Mobile banking is done on a smartphone through a mobile app using login details.
- It's important to be safe while using online banking by being careful with all the login details.











8.5 Online Payments

In this lesson you will learn :

1. Making online payments through digital wallets
2. How to transfer money online using BHIM UPI, PayTM, Google Pay
3. The benefits of online payments

Tick the UPI App that you have used or seen someone else use.

-  Google Pay
  PayPal
  Samsung Pay
-  paytm
  PhonePe
  MobiKwik
-  amazon pay
  BHIM

Thinking
Box

Let's learn about making online payments through digital wallets

Online payments can be done using many methods. One of the most convenient ways to make online payment is through the use of digital wallets.

A digital wallet is an online payment app that can be used on any mobile device. It securely stores your payment information and passwords. On a digital wallet app, you enter your credit card, debit card, or bank account information. When you are shopping, you can use the digital wallet app - you don't need to carry cash or cards!



When you use a digital wallet, you must follow certain safety measures.

1. Set a strong password for opening the app.
2. Do not share the password with anyone.
3. Do not use digital wallets when you are connected to public WiFi networks.
4. Always close the wallet app after you finish using it.



Why do you think apps that can store payment information and transfer money are called digital wallets?

Hint: Think about the uses of a normal wallet. Write how they compare to the uses of a digital wallet.

Let's learn how to transfer money online using BHIM UPI, PayTM, Google Pay

Google Pay, Paytm and BHIM UPI are some of the most common digital wallets used in India. You can download them from the app store on your smartphone.



Here are a few ways in which these apps can be used to make payments or transfer money.

Using the phone number

You can enter the phone number of the person to whom you want to send the money in the digital wallet app. You must first check if they also use a digital wallet on their phone.



Using the QR code

A QR code is a square, black and white code that you can scan with the camera and use. Everybody who uses a digital wallet will have their own unique QR code. Anybody can scan the code and send the money.



At shops that accept payment through digital wallets, the QR code is displayed for us to scan and use.

Ask your friend for the QR code on their app to scan and send money to them.



Choose the correct answer to the question

Q1. What is this?

- a. QR code
- b. Phone number



Q2. Your cousin lives in another city. You want to send them some money. You both have BHIM UPI on your phone. You also know their phone number and address. What is the safest and easiest way to send them money?

- a. Put money in an envelope and post it to them.
- b. Send money using the BHIM app with their phone number


Let's learn the benefits of online payments

Digital wallets give us many benefits. Let's look at a few of them.

- It is more convenient and faster to use, compared to cash and debit cards.
- It helps you to easily keep track of expenses.
- It makes it easy to send money to friends and family.
- It is safer than using a physical wallet, which can be stolen and misused. Digital wallets have security features to stop others from using your digital wallet. Even if your mobile device is stolen, you can disable your digital wallet remotely.

**Activity
Time!**

What are two ways in which using a digital wallet can make your life easier?


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What I learnt today:

Put a ✓ if you know this topic well.

1. A digital wallet is an online payment app that you can use on any smartphone.
2. We can use a phone number or a QR code to make payments on a digital wallet.
3. Payments are easier, quicker and safer while using digital wallets.

8.6 Salary

In this lesson you will learn :

1. Difference between gross salary and net salary
2. The components of salary
3. What is income tax

In your own words, explain what you know about “salary”.

**Thinking
Box**

Let's learn the difference between gross salary and net salary

Salary is the regular payment that an employer agrees to pay to their employee.

It is an agreement between the employee (who agrees to work with their skills and their time) and the employer (who agrees to pay them on a regular schedule). The most common schedule for salary payment is monthly.

It's important to understand how salary is calculated and discussed so that we can be fully informed in those conversations.

We often think that salary is just the amount of money we get in the bank at the beginning of every month. But the word 'salary' can have many meanings, depending on how it is used.

Let's look at an example:

Garima signs an employment contract with a total salary of Rs. 6,00,000 every year.

How do we find out how much money she will get every month or what is her salary?

Is it Rs. 6,00,000 split over 12 months of the year?

Will Garima get Rs. 50,000 in her bank account at the beginning of every month?

No she will not! Let's find out why.

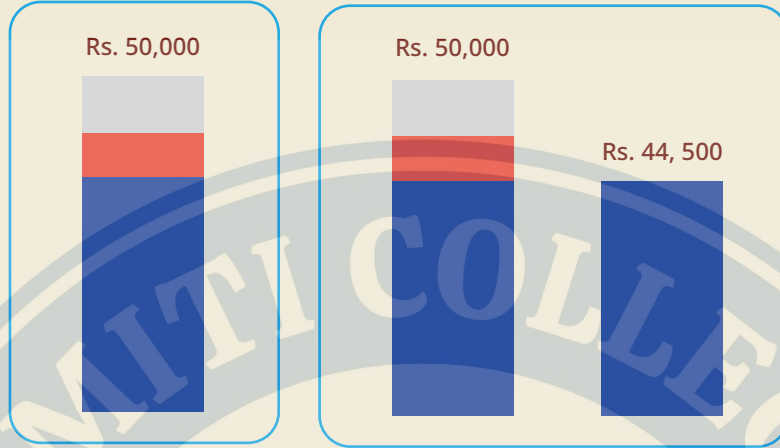
The company agrees that Garima's total salary is Rs. 6,00,000 every year. That is a salary of Rs. 50,000 every month. There are other things that total amount is used for. The company will pay Garima's taxes on her behalf to the government. Garima's tax amount is Rs. 5,000 every month. That amount will be removed.

The company directly sets up a provident fund (PF) for Garima. The amount is Rs. 500 every month. It must be regularly paid to the provident fund. So this is removed from the total amount.

This is what Garima's salary now looks like.

Rs. 50,000 is called Garima's **gross salary**. It is the total amount of salary before **deductions** are made. A deduction is money that is removed from the gross salary to pay for tax and provident fund. She does not receive the money directly in hand. But she gets the benefits of her tax being paid and the provident fund set up.

The money that is left over every month is her **net salary**. It is the amount of salary after the deductions are removed. In Garima's case, her net salary is Rs.44,500.



Look at the graphic representations of some salaries. Label the gross salary and the net salary. The first one is done for you as a reference.

1.

2.

3.

Let's learn the components of a salary

We have learnt that a salary is not a simple fixed amount. It has many parts and sections. We know that the gross salary is split into deductions and net salary. There are other components of a salary. Let's look at some of them. Let's take a peek at Praveen's salary.

When Praveen's salary is calculated, the company will give him a document with his salary calculated in a table like this.

Earnings	Per Month	Deductions	Per Month
Basic salary	15,000	Provident Fund (PF)	2,500
Dearness allowance	5,000	Income Tax	1,500
House rent allowance	10,000		
Conveyance allowance	5,000		
Medical allowance	500		
Gross Salary	35,500	Gross Deductions	4,000
Net salary every month	31,500		

- Earnings:** This is all the money that Praveen earns or gains.
- Basic salary:** This is a fixed amount in Praveen's salary. It depends on Praveen's job designation.
- Allowances:** There are different types of allowances given to Praveen for specific uses like house rent and medical expenses.
- Deductions:** This is the money that Praveen must pay out of his gross salary. It is money that's not available for Praveen to use.



List any 3 components of a salary.

1. _____
2. _____
3. _____

Let's learn how to calculate salary, taxes and savings

Tax is a compulsory payment that the government collects from citizens. The money collected through tax is used by the government for taking care of the country. There are different types of taxes

Income tax is a part of the salary that is paid by each person directly to the government. Each person pays a different tax amount. Not everyone pays the same income tax amount. The amount is calculated based on the conditions set by the government every year. The government specifies that a person who earns a particular amount has to pay a certain amount of tax.

In most cases, the company you work for calculates the income tax for your salary and pays it on your behalf. This is called TDS or tax deducted at the source.

If a person has income apart from their salary, they must also pay tax on that amount. For example, Praveen earns a salary and he pays tax for that. He also owns a house from which he earns rental income. He must also pay tax for that income amount.



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Activity Time!

Choose the correct answer to the question

Q1. What is tax?

- a. Amount paid for a person's retirement
- b. Amount paid to the government

Q2. How do we know how much income tax we need to pay?

- a. The government sets the conditions.
- b. We can pay whatever amount we want.



What I learnt today:

Put a ✓ if you know this topic well.

1. The total amount of salary before deductions are made is called gross salary. The money left over after all deductions are made is called net salary.
2. Salary consists of various components like basic salary, allowances and deductions.
3. Income tax is paid by each individual depending on their salary and conditions set by the government.

8.7 Savings

In this lesson you will learn :

1. What are savings
2. The types of savings options
3. How to save effectively

If you could save Rs. 500 for 10 months, what would you use the savings for?

If you could save Rs. 10,000 for 20 years, what would you use the savings for?

**Thinking
Box**

Let's learn what savings are

Savings is an amount of money that is put aside without being spent. You can make savings in different amounts and for different reasons

Shana's monthly salary is Rs. 40,000. Let's look at her expenses.

Rent	10,000
Course fees	7000
Groceries	2500
Utilities	1000
Cell phone bill	500
Gas bill	1000
Eating at a restaurant twice a month	2000
Total expenses	Rs. 24,000

After her expenses, Shana has Rs.16,000 left of her money. She can choose what to do with the money.

Option 1: Shana can decide to increase her expenses:

- She can eat more often at restaurants.
- She can buy books instead of using the free library in her office.
- She can move to a bigger apartment with higher rent.

Option 2: Shana can plan her spending to get something important to her:

Shana has been wanting to buy a more comfortable bed for herself. The bed she likes costs Rs. 50,000. She does not get that amount of money every month. Shana also wants to save a little money every month for her retirement.

So what's the best thing for Shana to do with her Rs. 16,000?

She can save it.

She can split the savings into two sections. If she saves Rs. 10,000 every month for 5 months, she can buy her bed. She can also save Rs. 6,000 every month until she retires.

Savings can be small amounts of Rs. 10 every week or Rs. 100 every month. Savings can be for different purposes. They can be short-term like saving for a few months or years for buying an item for your house or purchasing a useful online course. They can also be for long-term like saving for 30 to 40 years for retirement.



Calculate the expenses and savings for Pandi and Sasha.

1. Pandi's salary is Rs. 16,000. He spends Rs. 4000 for rent in his shared apartment, Rs. 3000 for all his bills, Rs. 2000 for fuel expenses, and Rs. 3000 for groceries. He also spends Rs. 2000 on buying clothes every month and Rs. 2000 on his hobby.

Pandi's salary	
Pandi's total expenses	
Pandi's savings	

2. Sasha's salary is Rs. 16,000. She spends Rs. 4000 for rent in her shared apartment, Rs. 2500 for all her bills, Rs. 1000 for taking public transport and Rs. 2500 for groceries. She also spends Rs. 1500 for watching a few movies every month and Rs. 1000 on buying one video game.

Sasha's salary	
Sasha's total expenses	
Sasha's savings	

Let's learn the types of savings options

There are a few types of savings that a person can consider doing with their money. Imagine savings are different pots of money kept for different things. On each pot, you write what you're saving for.

You put some money in each pot whenever you can. And when the pot has enough money, you take it and use the money.



Let's look at a few types of savings pots that you can have.

Long-term Savings

A long-term saving or fund is money that is put aside for a big expense many years from now. When you are young, it is difficult to think about retirement or your child's college fund. These expenses seem very far away. They are also expenses that need a lot of money.

Long-term savings help us to prepare for big expenses in the future. We can do that by saving small amounts of money over a long period of time. The long-term savings pot is to be opened and used after many years.

Emergency Savings

Emergencies are problems that can arise suddenly without expectation. Some emergencies can be expensive. A medical emergency can suddenly require you to spend a large amount of money. An emergency fund is money that is saved and put away to use in case of an emergency. It can make it easier to deal with emergencies.

When you have an emergency savings fund, it's important to know clearly what is an emergency and what isn't. It can be tempting to use an emergency fund for expenses like going on vacation or spending on a friend's wedding. When you set up an emergency fund, decide what kind of emergencies you will use it for. The emergency savings pot is to be opened and used during the time of an emergency.

Goal Savings

A goal savings fund is money that you save for a specific goal that you've set for yourself. A goal fund can be different things for different people - maybe you want to buy a new bike or go on a vacation trip or an expensive pair of shoes. The amount of time it takes to save a goal savings fund depends on how much money you need for the purchase.

If you want to buy a bike for Rs. 90,000 and you save Rs. 3000 every month, your goal savings fund is completed in 30 months. If you want to buy a new suit for Rs. 8000 and you save Rs. 3000 every month, you can buy the suit in 3 months.

You have Rs. 1000 to use for savings every month. How much money would you put into each of these savings pots? (You can write a goal for yourself in the goal savings pot.)



Long-term savings

Emergency savings

Goal savings

Let's learn how to save effectively

The habit of saving is an important habit to build - like exercising regularly and eating healthily. It's also important to note that not everyone can save all the time. Sometimes, we need our entire income to cover important expenses. Your budget is full of important expenses. Savings are for when there is money left for saving after covering important expenses.

Here are some tips to save money wisely and effectively.

1. Keep track of everything you spend money on. Write it in a notebook or record it on your phone.
2. Find simple ways to cut your spending. Avoid spending time scrolling on shopping websites, if you don't need to buy anything specific. Wait and think before buying non-essential things like clothes and devices.
3. Set a clear goal for your savings.
4. Put your savings money in a place where you can't easily spend it. For small savings goals, use an envelope or a box to put the money. For larger savings amounts, put your money in a deposit account or in another bank account.

Activity Time!

Set 3 savings goals for yourself to reach by the time you reach the age of 40. (Take a look at Rohith's goals for some ideas.)

Rohith's Goals



I want to save Rs. 500 every month for my retirement.
I want to save Rs. 80,000 to set up a painting studio.
And I want to save an emergency fund of 2 lakhs.
These are my savings goals for my 40th birthday!

My Savings Goals

1. _____
2. _____

What I learnt today:

Put a ✓ if you know this topic well.

1. Savings is an amount of money that is put aside without spending it.
2. The different options for savings are - long term, emergency and goal based savings.
3. You have to develop the habit of saving for it to become a normal part of your life.

8.8 Loans and Insurance

In this lesson you will learn :

1. What are loans
2. Types of loans
3. What is insurance

What is a loan? Explain it in your own words.

Thinking
Box

Let's learn what loans are

Income is money that you get. Expenses are money that you spend. Savings are money that you put away. A loan is money that you borrow.

Sometimes, we choose to buy something or we have an expense for which we don't have the total amount of money. We don't have the time to save for it as well. So we have the option of taking a loan.

A loan is money that you borrow from someone or from an institution (like a bank). The money can be paid back in smaller amounts over a period of time.

There are specific conditions under which a loan can be taken. It's important to understand these conditions. Some loans have to be paid back in a specific amount of time.

Loans also have to be paid back with interest. What does this mean? Interest is the price we pay for borrowing money. It is usually given as a percentage amount.

Leela takes a loan of **Rs. 50,000** from the bank which must be paid back in 1 year with an interest of 8%. It's not enough for Leela to pay **Rs. 50,000** to the bank. She has to pay **Rs. 54000...** The interest amount is **Rs. 4000**.

Loans must be repaid according to the agreed conditions. It is good to repay loans on time to avoid fines. The total amount of money pending for a person to pay back to loans is called debt. (The word 'debt' is pronounced at det, without the 'b' sound.)

Leela's total debt is Rs. 52,193.



Choose the correct answer to the question.

Q1. What is the correct definition of a loan?

- a. A loan is money that is borrowed
- b. A loan is money that is saved for later

Q2. "A loan amount needs to be paid back within a required amount of time." True or false?

- a. True
- b. False

Let's learn the types of loans

There are different ways to take a loan. You can take an informal loan from friends or from family. The most common way to take an official loan is from a bank. Banks offer different types of loans for different purposes. Here are some of the most popular types of loans offered by banks.

1. Education Loans

An education loan is given by the bank specifically for the purpose of paying the fees for college education. Some education loans offer the option where you don't have to start the monthly repayments until you finish the college course.

2. Auto loans

This is a loan that is given for the purchase of a vehicle like a car or a bike.

3. Personal loan


Personal loans are taken for special personal expenses. Personal loans can be approved in a short period of time. This makes them convenient and easily accessible. Personal loans also have higher rates of interest than other types of loans. They also have to be repaid within a few years.


4. Home loan


A home loan is a large amount of money borrowed from the bank to buy a home or build a home. Home loans usually have the flexibility to be paid over a long period of time.

Here are 3 friends who need to take loans for specific reasons. What type of loans do they need to take?

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1.  I want to buy a car. What kind of loan should I take from the bank?

2.  I'm going to nursing college. I need to take a loan to pay for my fees. What loan do I need to take from the bank?

3.  I'm going to buy my own apartment. What kind of loan should I take from the bank?

Let's learn the types of loans

What are some of the ways in which someone can lose a large amount of money?

- Natural disasters like fire, flood, earthquake which can destroy the house, farm etc.
- Major sickness in the family, resulting in large medical bills.
- Losing the person who earns the maximum amount of income in a family
- Damage of car, truck or family property which is used to earn money

Insurance is a form of managing money that helps people in emergency situations like this. Insurance is meant to prepare us financially for emergencies. Insurance is given by companies called insurance companies.

With an insurance plan, we pay the insurance company a certain amount of money. In case of an emergency, the money required is paid from the insurance plan (within the conditions set in the insurance).

For example, Abisha has medical insurance with a cover of Rs. 5 lakhs. She has to pay Rs. 6,000 every year for the insurance. When Abisha fell very ill with COVID-19, her total hospital bill was Rs. 2 lakhs. Her bill was covered by the insurance.

Activity Time!

Why do you think medical insurance is useful and important? Discuss with a friend and write down your reasons below.



What I learnt today:

Put a ✓ if you know this topic well.

1. Loan is money that you borrow. You can borrow informally from friends and family. You can borrow from a bank as well.
2. Some of the different types of loans are - education loan, auto loan, personal loan and home loan.
3. Taking an insurance plan by paying money regularly helps us in emergency situations.

8.9 Legal Literacy

In this lesson you will learn :

1. Policies given by Govt of India - Introduction to Legal Literacy Mission, RTI & Public Grievances
2. Basic employee rights
3. Minimum wages

Circle the words that you know the meaning of:

Legal | Justice | Contract | Courtroom | Law |
Constitution | Fines | Illegal | Rights

Thinking
Box

Let's learn some policies given by the Govt. of India for legal literacy

Legal literacy is being aware of the protection given to citizens by the law. Legal literacy is important because it helps us to receive all the benefits that the law gives us. If we do not understand anything about the legal process, we cannot participate in the good work of the law. The Government of India has special initiatives that help keep its citizens informed about the law.

Legal Literacy Mission is an initiative to educate people about the Constitution. It aims to give everyone the knowledge of the law. The Mission conducts camps, workshops and seminars for people across the country. They focus specifically on the most disadvantaged and disempowered people in the country who can benefit from understanding the law.

Right to Information (RTI) is an Act by the Government of India. It guarantees that any Indian citizen can request any information (that is supposed to be public knowledge) from any department of the state or central governments. The government must provide the correct information in 30 days. This ensures that we can have access to information from the government. This also gives us the ability to hold the government accountable when it does not follow the constitution.

Applying for RTI is a simple process. It can be done either offline or online through the official website of the RTI.

Public Grievances Portal is an online portal set up by the Government of India. Citizens can use this portal to make any complaints related to the working of the government. The complaints can be related to government schools, post services, roadways, etc. When you make a complaint on the portal, the complaint is checked and assessed. If it is a valid complaint, it is then addressed by the government.



Choose the correct answer to the question

Q1. What is legal literacy?

- a. Having knowledge and awareness of law-related things
- b. Having knowledge of numbers and letters

Q2. What is the full form of RTI?

- a. Roads to Interstates
- b. Right to Information

Let's learn what employee rights are

Legal literacy is being aware of the protection given to citizens by the law. Legal literacy is important because it helps us to receive all the benefits that the law gives us. If we do not understand anything about the legal process, we cannot participate in the good work of the law. The Government of India has special initiatives that help keep its citizens informed about the law.



1. All employers and employees must follow the conditions given in the employment letter.

This is a contract that includes all the details of the working conditions you have agreed to - how much salary you will be paid, your work responsibilities, what are the consequences if you do not fulfill your responsibilities, etc. Insist on receiving an employment letter when you join a company for work. Read the letter carefully before signing it.

An employment letter is a legally binding contract. So it must be taken seriously.



2. Wrongful termination is illegal.

Wrongful termination is when an employer removes you from your job for an illegal reason. An employer must mention the reasons you can be removed from your job in the employment letter.

If an employer terminates your employment for any reasons other than what is mentioned in the letter, it is called wrongful termination. For example, it is illegal to take someone's job away from them because of their age, gender, disability or religion.



3. Leaves and other benefits must be provided to all employees.

Employers must provide their employees with allowances for taking leave. Every female employee is entitled to paid maternity leave for 26 weeks which can be used during pregnancy and/or after the delivery.



4. Employers must ensure that the work place is a safe and free from sexual harassment.

Employers have an obligation to make sure that all employees, women employees in particular, are protected from harassment from the workplace. If you experience harassment in your workplace, you can send a complaint to the Internal Complaints Committee (ICC) in your company. All companies must have an ICC set-up.

Knowing our rights as employees is important for us to make sure that employers are providing us with all the required provisions for us to be dignified workers.



Choose the correct answer to the question

Q1. Why is it important to check the employment letter?

- a. Because it is a legally binding document
- b. Because it should not have spelling mistakes

Q2. What is wrongful termination?

- a. When someone takes leave for their job
- b. When someone is removed from a job for illegal reasons

Q3. "Female employees are entitled to paid maternity leave."

True or false?

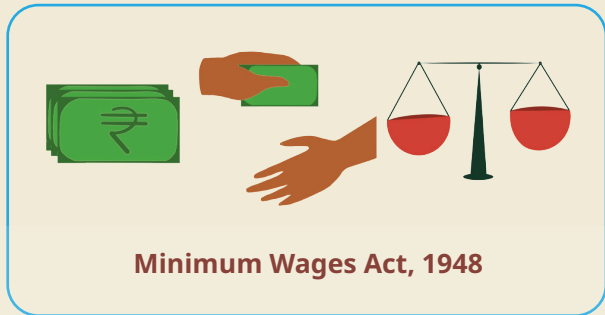
- a. True
- b. False

Let's learn about minimum wages

What are minimum wages?

Minimum wage is the least amount of money that an employer can pay someone, so that they can live a dignified life with basic needs. The minimum wage in India is not the same for everyone in the country. It is different in different States and cities.

The provision of minimum wages also ensures that all the work and labor of people is paid for fairly. It is illegal in India to bring a person into employment and not pay them for their work.



How can an Indian citizen get free legal services?

So what can we do if we require legal assistance for issues like wrongful termination or failure to pay fair wages? We can make use of the National Legal Services Authority.

National Legal Services Authority (NALSA) provides free legal services to people from vulnerable (weaker) sections of society. NALSA offers many useful legal services for people. People can apply for legal aid or financial help for legal fees through NALSA. NALSA also helps to set up alternative forums where legal issues can be discussed and resolved quickly.

Who is eligible for free legal services?

- A member of a Scheduled Caste or Scheduled Tribe
- A victim of trafficking in human beings
- A woman or a child (under the age of 18)
- A person with disability
- A person who is a victim of hardships like mass disaster, caste atrocity, flood, drought, earthquake, etc.
- An industrial workman
- A person whose annual income is under a certain amount (This differs in each state. You can find more information on www.nalsa.gov.in)

Activity Time!

Rajesh and his family have been severely affected by the flood in his town. However, they have not received the compensation that is legally due to them.

How can Rajesh get free legal services?
