# Jaadu Ginni Ka
# Financial Literacy for Everyone

Facilitator Guide

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## Overview

Welcome to 'Jaadu Ginni Ka' – a unique financial literacy programme supported by the Vodafone Foundation.

We congratulate you on becoming a facilitator for this financial literacy programme. Financial literacy is defined as 'the ability to make informed judgments and to take effective decisions regarding the use and management of money'. For a country like India, it forms the essential bedrock of financial inclusion and can go a long way in promoting the prosperity of citizens at large.

Your role as a facilitator is vital as you will help participants in their journey of becoming financially literate and learning the essentials of making informed judgments and taking effective decisions with respect to their personal finances.

Through this programme, participants will learn the basics of finance including banking, insurance, investments and wise borrowing. They will also be introduced to various government schemes that can be beneficial for them in managing their money. With your guidance and support, they will understand the process of financial planning so that they can plan and save for their future. The programme includes a special session on helping participants in using their mobile phones as a tool for managing their money.

The learning material for this course has been designed to not only familiarise the learners with basic concepts but to also give them opportunities to apply their learning by 'discussing' and 'doing'. It is replete with activities and real life examples that you can use to clarify concepts.

We hope that you and the participants find this journey rewarding.

All the best.

## Session 1: Basic Financial Concepts

| | |
|---|---|
| **Duration** | 1 hour |
| **Learning Objectives** | • Understand the concepts of income and expenses, savings and debt and their interrelation.<br>• Record income and expenses using a basic financial diary.<br>• (Optional) Understand inflation, assets and liabilities, profit and loss. |
| **Resources** | • 2 Videos – 1 for each topic<br>– Basic Financial Concepts<br>– Financial Diary<br>• Pack of Playing Cards with 36 cards<br>• Sample Diary Pages (if available)<br>• Blank Sheets of Paper (A4 Size)<br>• Learning Pages<br>• Question Pages with 10 MCQs and explanations |
| **Suggested Session Flow** | • Introduction – 10 minutes<br>• Introduction to Basic Financial Concepts – 20 minutes<br>• Introduction to Financial Diary – 15 minutes<br>• Other Financial Concepts – Discretionary<br>• Q&A (Questions and Answers) – 15 minutes |

Congratulations on beginning the journey of learning more about managing your money and finances. Our best wishes are with you and we hope that you will enjoy this journey.

| | |
|---|---|
| **Introduction** | • Introduce yourself.<br>• Get to know the participants – go around the room asking for their names and why they have joined the programme. Record this information so that you can ask them at the end of the programme if their objectives were met.<br>• Tell them what they can expect from the programme.<br>• Give any other information as necessary including days and slots for subsequent sessions.<br>• Tell them the learning objectives of today's session. |

In this session, you will:

**1)** Understand key financial concepts to help you make sense of the world of money.

**2)** Record income and expenses in a basic financial diary to help you track your money.

## Topic I: Introduction to Basic Financial Concepts

| | |
|---|---|
| **Introduction to Basic Financial Concepts** | • Play the video on basic financial concepts for this topic.<br>• Break the ice by discussing the video: Do you identify with what you saw?<br>• Recapitulate key concepts in detail with the information provided for this topic and clarify doubts. Please feel free to use the Learning Pages or SamVaad app, if needed.<br>• Use the example of a balance to discuss the interrelation between income and expenses. You may show the illustrations provided on the relationship between income and expenses to clarify concepts.<br>• Activity – Card Game<br>Conduct the following activity:<br>Distribute the playing cards among the participants. You may distribute a set of cards per participant or per group depending on the number of participants attending the session. Tell them to segregate the cards as income and expenses. Discuss with participants the various sources of income and expenses. Invite them to share what they do to earn a living and ask them about their expenses.<br>***Note:*** *Remind the users that alcohol, cigarettes and paan masala are potentially harmful for health. Gambling is considered a bad habit.*<br>*Additional Notes on the Card Game Activity:*<br>• *There are 36 cards in the deck circulated to you. Please note that the items mentioned on some cards may be an expense for some people while being a source of income for others. For e.g. a tailor earns money through stitching clothes and hence it is a source of income for her/him. For people who get clothes stitched and pay the tailor, it is an expense item. Some other cards that may fall in this category are plumbing, carpentry and manual labour. Do point this out to your participants to avoid confusion.*<br>• *In case, your training schedule has Sessions I and II slotted together, you may choose to leave the cards with the participants and tell them that they will re-use them in Session II. Collect the cards post Session II.* |

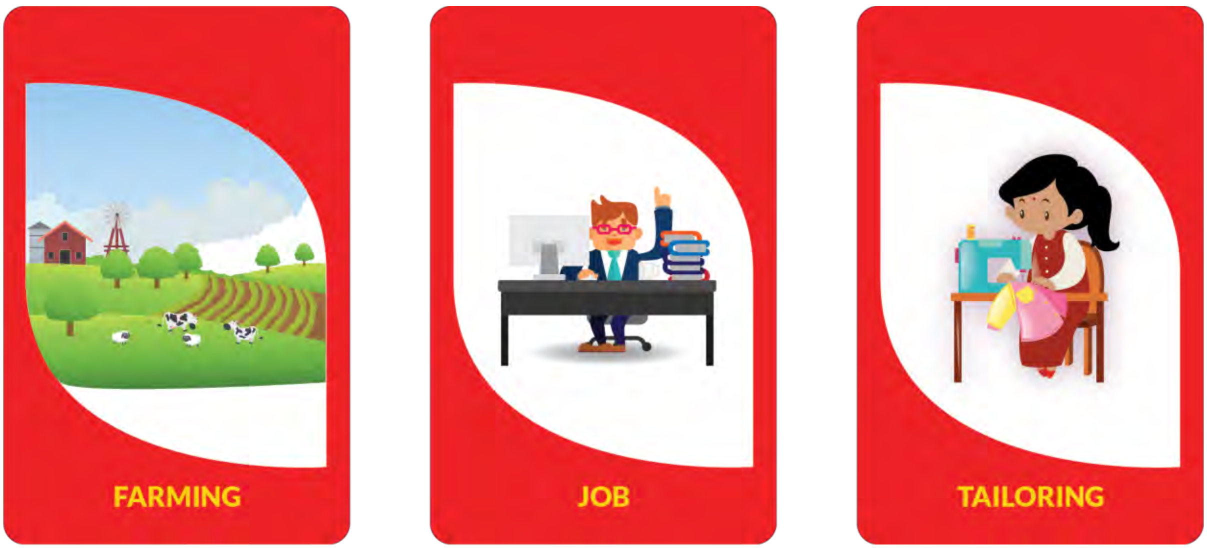
## Objective: Understand key financial concepts to help you make sense of the world of money.

### Income

Income is the money that we earn from various sources like salary, wages, and earnings from farming or from running our own business. We can also earn money by teaching, tailoring, making handicrafts, weaving handlooms, etc. We also earn money from money by investing money. We will discuss more about investments in a later session.

**We should always strive to increase our income through hard work and honest means.**

Sources of Income: Examples




### Expenses

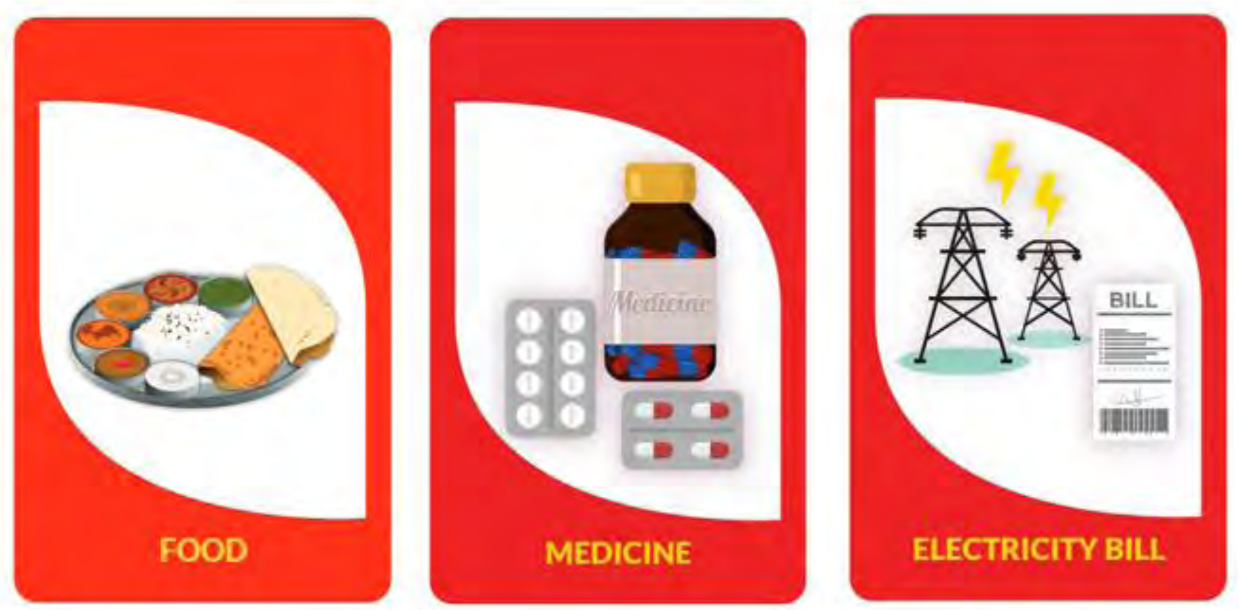
Expenses are incurred when we spend money on buying goods or services. Common examples of expenses include:

- Educating children
- Buying food and clothes
- Payment of bills like electricity, mobile and gas
- Making occasional big purchases like a bike or a television
- Buying a monthly train or bus pass
- Spending money during festivals, marriages and illness

We even end up spending money by indulging in bad habits such as gambling or by buying goods and services to enhance our social stature.

**We should always be careful while spending.**

Examples of Expenses




## Balancing Income and Expenses – The Savings and Debt Puzzle

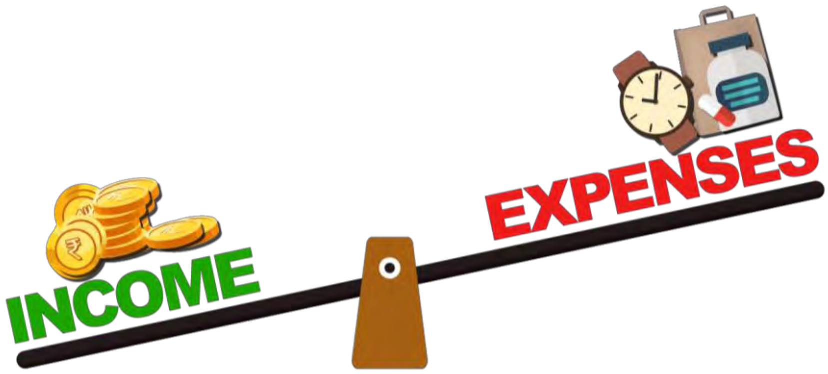
Managing your money begins with managing your income and your expenses. Our income is generally limited but our expenses are unlimited. When we try to balance income and expenses, there are three possible scenarios that can occur.

### 1) Income > Expenses : Savings

When our income exceeds our expenses, we save the surplus money.

Savings is money that we are left with after we meet our day to day expenses. This money can be invested or used to meet future expenses or during emergencies.

**We should always try and save more. Our savings can be invested to make money from money.**

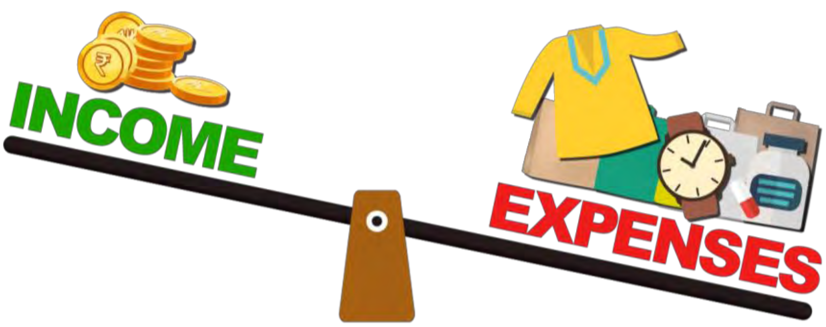



### 2) Income < Expenses : Debt

When our income is less than our expenses, we need to borrow money to meet our expenses.

Debt is money that we borrow from an institution like a bank or another person like a moneylender or a friend to meet our expenses. We need to repay debt and the interest charged on it at a future date from our future income. It is best to avoid moneylenders and only borrow from recognised financial institutions like a bank or from a friend, if required.

**We should try to spend less so that we can avoid taking on debt** except in certain circumstances which we will discuss later in another session.



### 3) Income = Expenses

When our income and our expenses are equal, we are unable to save anything. This is a risky situation because if we have no savings then we will not be able to meet future expenses or have enough money to deal with emergencies.

This is not an advisable scenario and **we should always try to spend less than we earn**.

## Topic II: Introduction to Financial Diary

| | |
|---|---|
| **Introduction to Financial Diary** | • Distribute the first three pages of the financial diary.<br>• Play the video on maintaining a financial diary for this topic.<br>• Reinforce the steps of maintaining a diary. Feel free to use the Learning Pages or SamVaad app, if needed.<br>• Activity - My Financial Diary<br>Conduct the following activity:<br>Tell the participants to fill in the first two pages about themselves and their family members. Then ask them to fill the daily format for yesterday or for the previous week. Please try and see each format individually so that specific questions can be addressed.<br>Explain the weekly and monthly formats.<br>• Assignment - Record Income and Expenses<br>Share the following D-I-Y (Do It Yourself) assignment with the participants:<br>They have to complete the weekly format for the last week or the following week before the next session. They should also attempt to complete the monthly format for the last month.<br>Encourage them to record their expenses and income daily and involve their family in the task.<br>***Note:*** *You can also allow participants to attempt the assignment in the classroom, if time permits.* |

### Objective: Record income and expenses in a basic financial diary to help you track your money.

It is commonly believed that we can manage only what we track. If we have to manage our money, it is important to track our expenses and income and our borrowing and saving habits. Experts advise that we should record all our financial transactions daily in a financial diary, so that we can analyse them and draw insights from them.

#### Steps for Creating a Basic Page in a Financial Diary

Follow these instructions for creating a simple first record for your diary.

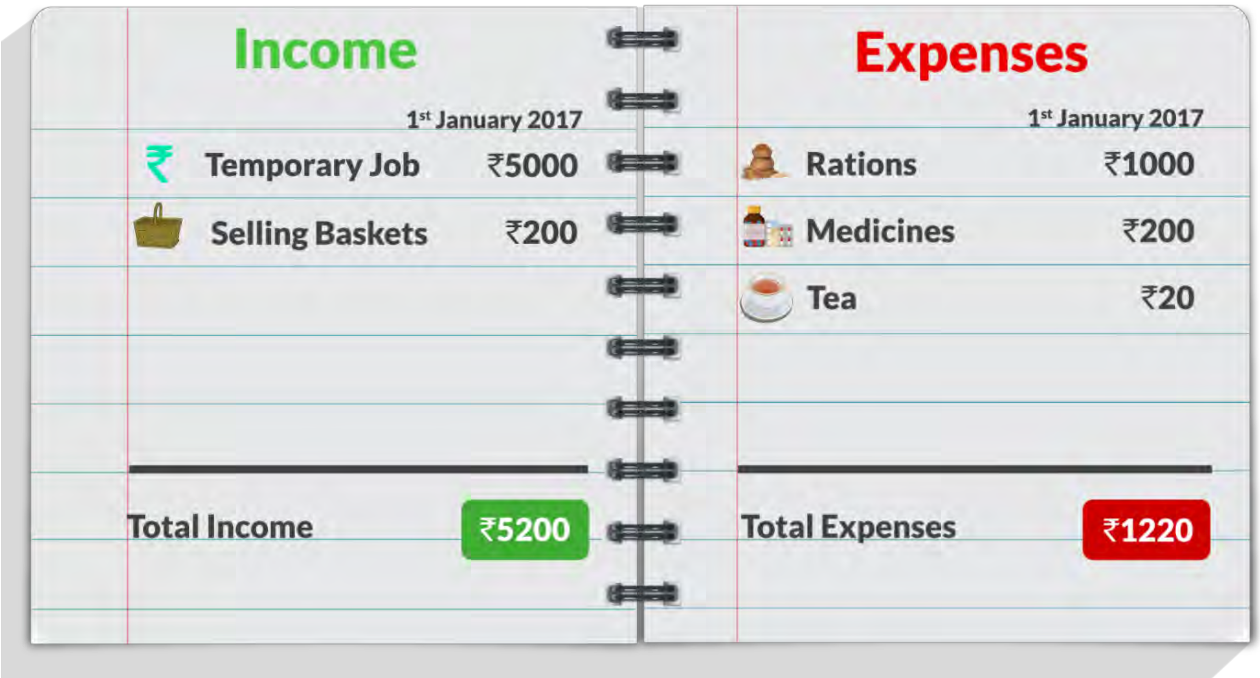
- Take a notebook or a sheet of paper.
- Divide the page into two halves and write the date.

- On the left hand side record all income. Write how much money you or your family member earned and how it was earned.
- On the right hand side record all expenses. Write how much money you spent, on whom and how it was spent.
- Add all income and expense items separately so that you have two total amounts.
- Continue this practice daily.
- At the end of the month, you should add all the income and expenses separately for that given month so that you know your monthly income and monthly expenses.

### Important Points to Remember

- Fill in the diary daily as far as possible.
- Write down all items even if they are small.
- You can also get someone else to check totals if you are not confident.

You can download and print the sample diary pages from the course content provided on the SamVaad app. Happy Recording.



## Optional: Other Financial Concepts

| | |
|---|---|
| **Other Financial Concepts** | This is an optional section that has additional basic concepts. If you feel that the participants understand income, expenses and other associated concepts already discussed and time permits, you may introduce these concepts. These concepts have been covered later in relevant sessions. |

You will now be introduced to a few more financial concepts. You can come back to this part later if you wish to. Each of these terms will be discussed again in detail in subsequent sessions.

### 1) Inflation

As time passes, the prices of most products and services that we buy and spend on keep increasing. This is generally referred to as **inflation**. For example, the price of milk was Rs. 20 per litre a few years back while the price of milk is Rs. 50 per litre now.

It is important to remember that **inflation affects all our expenses**.

### 2) Assets and Liabilities

An **asset** is something that we own and that has long term value. Assets can be sold for money or used to earn money.

Examples include physical assets like your own house, jewellery and savings in a deposit. Education or personal skills are also assets as they help us in increasing our income.

A **liability** is something that we owe someone. Liabilities have to be paid off from future income or by selling assets.

Examples include a loan taken for your son or daughter's marriage or to buy a house.

### 3) Profit and Loss

Consider the following scenarios:

1. Uma buys vegetables for Rs. 500 and sells them at Rs. 600.
2. Uma buys vegetables for Rs. 500 and sells them at Rs. 400.

In the first scenario, Uma sold the vegetables for Rs. 100 more than what she bought them for. Hence, she made a profit of Rs. 100.

When you sell something, **Profit** is the money that you are left with over and above the cost of whatever is sold.

In the second scenario, she sold the vegetables for Rs. 100 less than what she bought them for. Hence, she made a loss of Rs. 100.

When you sell something, **Loss** is the money that you could not recover from the cost of whatever is sold.

## Q&A (Questions and Answers)

| **Questions and Answers** | There are 10 questions in this session. Please follow general instructions given for this section at the beginning of your handbook. |
|---|---|

### Questions

**Please select the correct answer for each question:**

**1)** Kabir earned Rs. 5,000 in May. His monthly expenses for May will be Rs. 9,000. He has no savings. How can he meet his expenses?

1. Earn more in his free time
2. Borrow money
3. Spend less
4. All of the above

**2)** Prem spent Rs. 15 on buying tea. He decided not to record it in his diary because it is a small item. Is Prem right?

1. Yes
2. No

**3)** You can earn money on money.

1. True
2. False

**4)** Why should you save?

1. To meet unexpected expenses
2. For meeting future goals
3. For making big purchases
4. All of the above

**5)** You should always try and reduce income and increase expenses.

1. True
2. False

6) Noor earns Rs. 5,000 every month and spends Rs. 4,000 every month. Which of the following statements is true?

   1. She saves Rs. 100 per month.
   2. She saves Rs. 1,500 per month.
   3. She saves Rs. 9,000 per month.
   4. She saves Rs. 1,000 per month.

7) Mansur records all his income and expenses daily in a financial diary. Which of the following statements is true?

   1. Mansur is following the correct practice.
   2. Mansur is wasting his time.
   3. Mansur should not maintain a financial diary.
   4. Mansur should record expenses only.

8) Usha saves regularly from her income. This is a good practice.

   1. True
   2. False

9) Arun borrows money to meet his entertainment expenses. This is a good practice.

   1. True
   2. False

10) James teaches children in his free time and charges for his services. What is the most likely outcome of this?

   1. Decreasing his Income
   2. Increasing his Expenses
   3. Decreasing his Expenses
   4. Increasing his Income

## Answers and Explanations

| Question No | Correct Option | Explanation |
|---|---|---|
| 1 | 4 | Borrowing money is an option but generally not advised. |
| 2 | 2 | All items should be recorded in the financial diary. |
| 3 | 1 | One can make money on money by investing money. |
| 4 | 4 | You should save for meeting unexpected expenses and future goals and also to make big purchases. |
| 5 | 2 | We should always increase income and reduce expenses. |
| 6 | 4 | Savings is the surplus money left after expenses are met. Hence, Rs. 5,000 (income) - Rs. 4,000 (expenses) is Rs. 1,000 (savings). |
| 7 | 1 | You should record all income and expenses in your diary. |
| 8 | 1 | You should save regularly. |
| 9 | 2 | Taking on a debt for meeting entertainment expenses is not a good practice. |
| 10 | 4 | If we earn money in our free time, it increases our income. |

## Reflection Journal

| | |
|---|---|
| **Reflection Journal** | These questions have been designed to allow the participant to think for herself/himself. They prompt the participants to apply the concepts that they have learnt to their daily lives. Important pointers have been included to guide them through the reflection process.<br>You can allow the participants 5 minutes per question, if time permits. Discuss a sample response. Encourage them to go home and reflect on the question with their family members and use the learnings. |

### Question 1

In this session, you learnt that one of the basic tenets of managing money is to increase your income and decrease your expenses. Please make a list of possible ways in which you can increase your family's income.

#### Important Pointers to Guide You

- *You can make money on money. Do you have some surplus money which can be deposited in a bank account to earn interest?*
- *Can you or a family member engage in some activity in their free time to earn additional money? Examples can include making handicrafts, tailoring, giving tuitions, etc.*

### Question 2

You have learnt the basics of maintaining a financial diary. Do you think the diary will help you in managing your money? List down some of the important ways in which you think you can use your financial diary.

#### Important Pointers to Guide You

- *Record your income and expenses daily.*
- *Make a note of all important payments like insurance premiums, school fees, etc.*
- *List down all your loan details.*
- *Use your diary to analyse your financial transactions.*

| Session 1 – Summary |
| --- |
| • Strive to increase your income through hard work and honest means.<br>• Be careful while spending.<br>• Try and save more. Savings can be invested to make money from money.<br>• Try to spend less to avoid taking on a debt.<br>• Track income and expenses using a basic financial diary.<br>• Fill in the financial diary daily as far as possible.<br>• Write down all items in the financial diary even if they are small. |

## Session 2: Understanding Expenses and Savings

| | |
|---|---|
| **Duration** | 1 hour |
| **Learning Objectives** | • Analyse and classify expenses to understand spending habits.<br>• Distinguish between needs and wants.<br>• Understand the basics of savings: Need to Save, How to Save and Where to Save.<br>• Understand the concept of Interest. |
| **Resources** | • 2 Videos – 1 for each topic<br>– Analysing Expenses<br>– Basics of Saving<br>• Pack of Playing Cards with 36 cards<br>• Sample Diary Pages (if available)<br>• Blank Sheets of Paper (A4 Size)<br>• Learning Pages<br>• Question Pages with 10 MCQs and explanations |
| **Suggested Session Flow** | • Analysing Expenses – 25 minutes<br>• The Basics of Savings – 20 minutes<br>• Q&A (Questions and Answers) – 15 minutes |

In this session, you will:

**1)** Analyse and classify expenses to understand your spending habits.

**2)** Distinguish between needs and wants.

**3)** Understand the basics of savings: Need to Save, How to Save and Where to Save.

**4)** Understand the concept of Interest.

## Topic I: Analysing Expenses

| | |
|---|---|
| **Analysing Expenses** | • This session is based on learning through the discussion method.<br>• Ask the participants if they have recorded their income and expenses in the diary and tell them to keep the pages handy. If needed, spend a few minutes on clarifying their doubts.<br>• Tell them the key learning objectives of today's session.<br>• Play the video on analysing expenses.<br>• Activity - Classify Expenses<br>Distribute the playing cards. Tell the participants that they will learn how to analyse and classify expenses through the discussion method.<br>Explain and discuss each classification one by one. The expense classifications have been explained in the Learning Pages. You can either ask the participants to segregate the expense cards into various heads or use someone's financial diary to classify expenses. It is important to thoroughly debate reasons for their choices.<br>• Understanding the difference between needs and wants is critical to this course. Spend maximum time on that.<br>• Remember that classification of needs and wants may differ from individual to individual. For e.g. if someone is in the fashion industry, expensive clothes may be considered a professional need. However, for another individual who does not need them professionally and/or these are not within his or her means, expensive clothes may be considered a want.<br>While conducting the session, please steer the conversation away from making value judgments on participants' choices. |

## Objective: Learn how to analyse and classify expenses so that you can understand your spending habits.

Let us recapitulate what we learnt about expenses earlier.

**Expenses** are incurred when we spend money on buying goods or services. Common examples of expenses include:

- Educating children
- Buying food and clothes
- Payment of bills like electricity, mobile and gas
- Making occasional big purchases like a bike or a television
- Buying a monthly train or bus pass
- Spending money during festivals, marriages and illness

We even end up spending money by indulging in bad habits such as gambling or by buying goods and services to enhance our social stature.

**We should always be careful while spending.**

In order to spend carefully, we have to first analyse our spending patterns and classify our expenses into various heads. Some broad expense classifications are as follows:

## Needs vs. Wants

**Needs** are expenses that are essential for living and/or help in accruing long term benefits.

Examples of Needs






Wants are expenses that are not essential and are aimed at providing entertainment or enhancing social stature or are indulgences.

Examples of Wants


***Note:*** *Warn the participants that alcohol, cigarettes and paan masala are potentially harmful for health. Gambling is considered a bad habit. These wants are avoidable.*

**We should always try and spend less on our wants.**

## Recurring Expenses vs. Occasional Expenses

**Recurring Expenses** are expenses that occur on an ongoing basis and follow a fixed pattern/cycle. They include expenses like rent, rations, school fees and electricity bills.

**Occasional Expenses** are expenses that are not regular and may include unforeseen expenses like emergencies and expenses due to life stages like marriage.

**We need to plan for occasional expenses.**

## Fixed Expenses vs. Variable Expenses

**Fixed Expenses** are expenses where the amount spent on an item is fixed in the short run. They include expenses like rent, school fees and cable television bills.

**Variable Expenses** are expenses that vary from month to month or may not occur regularly. They may include unforeseen expenses like emergencies and expenses due to life stages like marriage, death, etc. Expenses like electricity bills, rations, etc. are also variable since the amounts spent on them are not fixed.

**We need to keep both fixed and variable expenses under control such that they don't exceed our income.**

## The Effect of Inflation on Expenses

As time passes, the prices of most products and services that we buy and spend on keep increasing. This is generally referred to as **inflation**. For example, the price of milk was Rs. 20 per litre a few years back while the price of milk is Rs. 50 per litre now.

It is important to remember that **inflation affects all our expenses**. Even our fixed expenses are impacted by inflation in the long run i.e. over a period greater than a year or so.

## Topic II: The Basics of Savings

| | |
|---|---|
| **The Basics of Savings** | • Recapitulate the concept of savings.<br>• Use the chart 'Why Should You Save' to discuss the importance of savings.<br>• Play the video on the Basics of Savings.<br>• Ask participants how and where they save and introduce them to banks and post office deposits.<br>• Activity - Money on My Mind<br>Emphasise that money kept in a bank earns interest. Explain the concept of interest with a simple example. Limit calculations to time periods of one year. Encourage participants to try and calculate interest. Use the illustrations provided in the Learning Pages to give them an opportunity to practice their calculations.<br>• Assignment - My Savings<br>Encourage participants to make a list of strategies for saving more money when they go home. Encourage them to share their strategies in the next session as this will benefit the rest of the group. |

### Objective: Understand the Basics of Savings: Need to Save, How to Save and Where to Save.

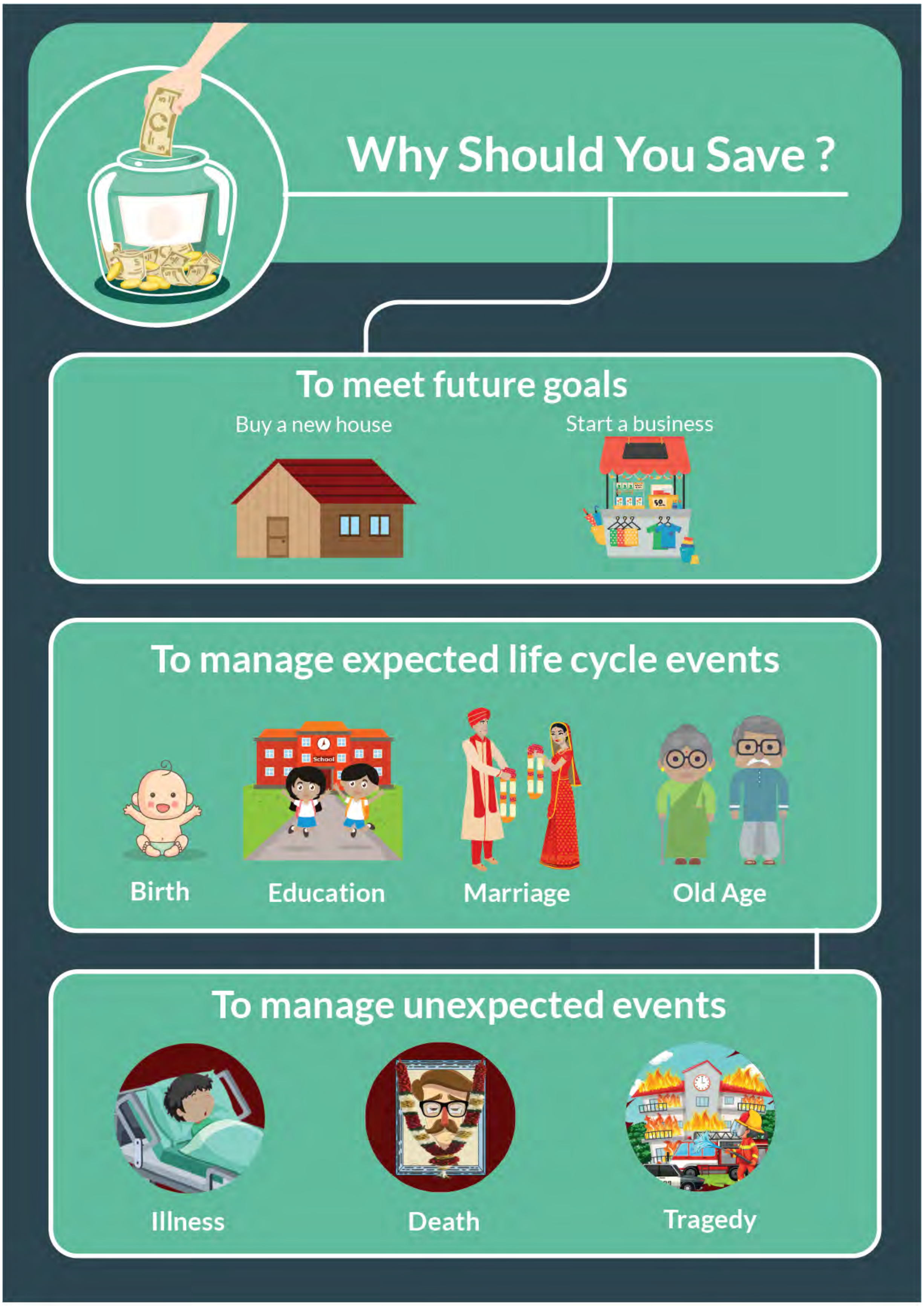
Let us recapitulate what we learnt about savings earlier.

**Savings** is the money that we are left with from our income after we meet our day to day expenses and after paying our loans, if any.

Savings = Income – Expenses – Loan Repayments

**We should always try and save more**. Some of the most important reasons for saving money are detailed in the following chart.

Remember that our savings can also be invested to make money from money.


Why Should You Save ?
To meet future goals
Buy a new house
Start a business
To manage expected life cycle events
Birth
Education
Marriage
Old Age
To manage unexpected events
Illness
Death
Tragedy

## How Can You Save?

Most of us find it very difficult to save. But **saving is a necessity and not an option**. Some saving strategies are mentioned for your consideration. Remember to involve your family in figuring out how to save more.

- Record and analyse your expenses regularly. Use this analysis to reduce money spent on fulfilling your wants.
- Reduce money spent on any non-essential items.
- Try and increase your income in your free time.
- Try and begin by saving small amounts.
- Resist the temptation to dip into your savings except if it is unavoidable.

> **No amount is too small to save. All savings add up.**
>
> **Illustration:**
>
> Saving per day: Rs.10
>
> Saving period: 1 year = 365 days
>
> Savings at the end of 1 year: Rs. 3,650

## Where Should You Save?

It is common to hide our savings at home in locked boxes or piggy banks, under the bed, in bags of rice/wheat, in pots, etc. This is not advisable.

- Our money can be stolen.
- Currency notes may be damaged by natural factors like water or by pests like rats.
- We may be tempted to use our savings.
- A friend or a relative may borrow the money.
- Our money does not grow.

We should **deposit our savings in Banks or Post Offices**. We will discuss Banks in more detail subsequently but some important points are mentioned below:

- Our money is safe in banks.
- We can save even small amounts in a bank.
- We can access our money kept in a bank at all times.

- If we keep money in a bank, **we can make money on money and grow our money**. This is because banks pay interest on money which is also money.
- Banks pay interest on all deposits irrespective of size.

We can also **invest our savings**. We will deal with investments in a later session.

## Earning Interest: Making money on money

Interest is the additional sum of money that a bank pays if you keep your money in a bank. It is also the additional sum of money that you need to pay when you borrow money from someone. You can calculate interest by using the interest rate. Interest rate is the rate charged for the use of money or paid for keeping money in a bank and is often expressed as an annual percentage.

$$\text{Interest Earned for 1 year} = \frac{\text{Sum of money deposited in the bank} \times \text{Interest Rate per annum}}{100}$$

**Calculation of Interest for 1 year**

**Illustration:**

Sum of money deposited in the bank: Rs. 10,000

Interest Rate per annum: = 10%

$$\text{Interest earned for 1 year} = \frac{10{,}000 \times 10}{100}$$

$$= \text{Rs.}1000$$

Do spend some time with your family in analysing your expenses and making a list of strategies to help you save. Open a bank account if you do not have one and put your savings in the bank.

## Q&A (Questions and Answers)

| Questions and Answers | There are 10 questions in this session. Please follow general instructions given for this section at the beginning of your handbook. |
|---|---|

### Questions

**Please select the correct answer for each question:**

**1)** Uma has Rs. 5,000 in savings. Where should she keep the money to ensure that it is safe?

1. Hidden in a bag of rice
2. Clay pot
3. Bank
4. In her cupboard, under her clothes

**2)** Banks do not pay interest on small deposits.

1. True
2. False

**3)** Arun spends Rs. 10 on buying cigarettes every day. How much will he save every week if he gives up smoking?

1. Rs. 90
2. Rs. 10
3. Rs. 50
4. Rs. 70

**4)** We should save so that we can meet our expenses when we are old.

1. True
2. False

**5)** Noor earns Rs. 4,000 every month and spends Rs. 2,000 every month. In addition, he pays back Rs. 1,000 against a loan he had taken. Which of the following statements is true?

1. Noor saves Rs. 2,000 per month.
2. Noor saves Rs. 1,000 per month.
3. Noor saves nothing every month.
4. Noor will have to take an additional loan to survive.

**6)** Which of the following is a need?

1. Cigarettes
2. Education
3. Paan Masala
4. Alcohol

**7)** Fixed expenses are not affected by inflation in the long run.

1. True
2. False

**8)** If we have to save more, we should spend more money on our wants.

1. True
2. False

**9)** Mala kept Rs. 3,000 in a bank for 1 year. Her bank pays interest at the rate of 6% per annum on money deposited for one year. Calculate the amount of interest that Mala will earn in one year.

1. Rs. 110
2. Rs. 300
3. Rs. 180
4. Rs. 200

**10)** Jyoti saves money in her savings bank account every month. Can she access this money whenever she needs it?

1. Yes
2. No

## Answers and Explanations

| Question No | Correct Option | Explanation |
|---|---|---|
| 1 | 3 | All our savings should be deposited in a bank or post office to ensure safety. |
| 2 | 2 | Banks pay interest on deposits irrespective of size. Different bank deposits have different features and you should clarify all your doubts with the bank staff without hesitating. |
| 3 | 4 | A week has seven days. Arun spends Rs. 10 every day. So he spends Rs. $10 \times 7$ = Rs. 70 every week. If he cuts down on smoking, he will save Rs. 70 every week. Also remember, smoking is injurious to health. |
| 4 | 1 | We should save regularly for meeting our expenses when we are old. |
| 5 | 2 | Savings is the surplus money left from your income after all expenses are met and all loan repayments due that month are made. Rs. 4,000 (Income) — Rs. 2,000 (Expenses) — Rs. 1,000 (Loan repayment) = Rs. 1,000 (Savings). Hence, Noor saves Rs. 1,000 per month. |
| 6 | 2 | Education is a need. Cigarettes, paan masala and alcohol are wants as they are not essential and are potentially harmful for health. |
| 7 | 2 | Inflation affects all expenses. Fixed expenses are more prone to be affected by inflation in the long run rather than the short run. |
| 8 | 2 | If we have to save more, we need to spend less especially on our wants. |
| 9 | 3 | Interest earned for 1 year = $\frac{\text{Sum of money deposited} \times \text{Interest Rate per annum}}{100}$. Hence, Mala will earn $\frac{\text{Rs. } 3{,}000 \times 6}{100}$ which is equal to Rs. 180. |
| 10 | 1 | Money kept in a savings bank account can be accessed at all times in many ways. |

## Reflection Journal

| Reflection Journal | These questions have been designed to allow the participant to think for herself/himself. They prompt the participants to apply the concepts that they have learnt to their daily lives. Important pointers have been included to guide them through the reflection process.<br>You can allow the participants 5 minutes per question, if time permits. Discuss a sample response. Encourage them to go home and reflect on the question with their family members and use the learnings. |
|---|---|

### Question 1

In this session, you have learnt about the difference between needs and wants. Please sit with your family and keep your financial diary handy. Analyse all your expenses for the past 6 months to one year. Classify them as needs and wants.

#### Important Pointers to Guide You

- *Needs are expenses that are essential for living and/or help in accruing long term benefits. Examples include money spent on children's education and food.*
- *Wants are expenses that are not essential for living and are aimed at providing entertainment or enhancing social stature or are indulgences. Examples include money spent on bad habits like gambling or buying expensive clothes.*

### Question 2

You now understand the importance of saving money. Make a list of all your needs that you should save for. Please also mention the amount you think you should save for each item. Discuss the list with your family.

#### Important Pointers to Guide You

- *Save for meeting your future goals like buying a refrigerator, purchasing a house or land for farming, planting the next year's crop or even starting a business.*
- *Save for important stages of your and your family members' lives like higher education of your children and your and your spouse's old age.*
- *Save for unforeseen circumstances like sudden illness, crop failure or losing one's job.*

## Session 2 – Summary

- Expenses are incurred when you spend money on buying goods or services. Be careful while spending.
- Try and spend less on wants.
- Plan for occasional expenses.
- Keep both fixed and variable expenses under control.
- Inflation affects all expenses.
- Savings = Income – Expenses – Loan Repayments
- Saving is a necessity and not an option. Try and save more. Savings can be invested to make money from money.
- No amount is too small to save. All savings add up.
- Do not keep your savings at home. All your savings should be deposited in a bank or post office to ensure safety.
- Banks pay interest on money deposited with them. You can grow your money by depositing it in a bank.

## Session 3: Borrowings

| | |
|---|---|
| **Duration** | 1 hour |
| **Learning Objectives** | • Understand the fundamental concepts of simple interest.<br>• Learn the tenets of wise borrowing. |
| **Resources** | • 1 Video<br>• Blank Sheets of Paper (A4 Size)<br>• Learning Pages<br>• Simple Interest Calculator and EMI Calculator on the SamVaad app (if available)<br>• Question Pages with 10 MCQs and explanations |
| **Suggested Session Flow** | • Simple Interest – 20 minutes<br>• Basics of Wise Borrowing – 25 minutes<br>• Q&A (Questions and Answers) – 15 minutes |

In this session, you will:

**1)** Understand the fundamental concepts of simple interest.

**2)** Learn the tenets of wise borrowing.

## Topic I: Simple Interest

| | |
|---|---|
| **Simple Interest** | • Recapitulate the key concepts related to Simple Interest.<br>• Discuss and solve the sample illustrations provided in the Learning Pages. Please add more sample problems, if necessary.<br>• Activity - Using the Calculator<br>Demonstrate the use of the Simple Interest and EMI calculators on the SamVaad app, if available. You may use these calculators to solve the sample illustrations. Encourage the participants to try using the calculator for calculating interest and EMI. |

### Objective: Understand the fundamental concepts of simple interest.

In the last session, you were introduced to the concept of interest. We will discuss this in further detail today.

#### Key Terms

**Interest** is the additional sum of money that you earn if you keep your money with a bank or lend it to someone. It is also the additional sum of money that you need to pay when you borrow money from someone.

**Principal** is the original sum of money that you borrow from someone or the original sum of money that you deposit in a bank.

**Amount** is the total sum of money that you will have to pay back if you have borrowed money or it is the total sum of money that you will receive if you have deposited money. It is equal to the sum of Principal and Interest.

**Time** is the time period in years for which the Principal is deposited or borrowed. For all calculations, you will have to convert months into years by dividing the number of months by 12.

**Interest Rate** is the per cent rate paid on deposits or charged on borrowed money. It is normally expressed as a rate per year (rate per annum).

### Illustration to understand key terms

Mala borrows Rs. 9,000 from ABC Bank for 2 years. ABC Bank charges 5% simple interest per annum. The manager explains to her that she will have to pay Rs. 900 as interest and hence she will have to return Rs. 9,900 to the bank after 2 years.

In the above illustration:

| | |
|---|---|
| Principal: | Rs. 9,000 |
| Interest Rate per annum: | 5% |
| Time: | 2 years |
| Amount: | Rs. 9,900 |
| Interest: | Rs. 900 |

### What is Simple Interest?

You must have noticed that we introduced a new term called 'Simple Interest' in the illustration above.

**Simple Interest** is the interest that is calculated on the principal alone and not on the principal plus interest earned in the previous time period(s). You should always try and take a loan that carries simple interest as opposed to compound interest.

Compound Interest is the interest that is calculated on the principal plus interest earned in the previous time period(s). We will revisit the concept of compounding in a subsequent session.

$$\textbf{Simple Interest} = \frac{\textbf{Principal} \times \textbf{Annual Interest Rate} \times \textbf{Time in Years}}{\textbf{100}}$$

**Amount = Principal + Simple Interest**

### Illustration 1:

Principal: Rs. 10,000

Interest Rate per annum: 10%

Time: 5 years

$$\text{Simple Interest} = \frac{10{,}000 \times 10 \times 5}{100}$$

$$= \text{Rs. } 5{,}000$$

$$\text{Amount} = 10{,}000 + 5{,}000$$

$$= \text{Rs. } 15{,}000$$

**Illustration 2:**

Principal: Rs. 9,000

Interest Rate per annum: 5%

Time: 3 years

$$\text{Simple Interest} = \frac{9{,}000 \times 5 \times 3}{100}$$

$$= \text{Rs. } 1{,}350$$

$$\text{Amount} = 9{,}000 + 1{,}350$$

$$= \text{Rs. } 10{,}350$$

You can calculate the Interest Rate per annum that you are being charged if you know Principal, Simple Interest and Time by using the following formula:

$$\textbf{Interest Rate per annum} = \frac{\textbf{Simple Interest} \times \textbf{100}}{\textbf{Principal} \times \textbf{Time}}$$

**Illustration 3:**

Principal: Rs. 10,000

Simple Interest : Rs. 2,000

Time: 5 years

$$\text{Rate of Interest per annum} = \frac{2{,}000 \times 100}{10{,}000 \times 5}$$

$$= 4\%$$

$$\text{Amount} = 10{,}000 + 2{,}000$$

$$= \text{Rs. } 12{,}000$$

You can calculate the Time needed to pay back your loan if you know Principal, Simple Interest and Interest Rate per annum by using the following formula:

$$\textbf{Time} = \frac{\textbf{Simple Interest} \times \textbf{100}}{\textbf{Principal} \times \textbf{Interest Rate p.a.}}$$

### Illustration 4:

Principal: Rs. 10,000

Simple Interest: Rs. 1,000

Interest Rate per annum: 5%

$$\text{Time} = \frac{1{,}000 \times 100}{10{,}000 \times 5}$$

$$= 2 \text{ Years}$$

$$\text{Amount} = 10{,}000 + 1{,}000$$

$$= \text{Rs. } 11{,}000$$

You can calculate Principal if you know Simple Interest, Time and Interest Rate per annum by using the following formula:

$$\textbf{Principal} = \frac{\textbf{Simple Interest} \times \textbf{100}}{\textbf{Time} \times \textbf{Interest Rate p.a.}}$$

### Illustration 5:

Interest Rate per annum: 20%

Time: 5 years

Simple Interest: Rs. 2,000

$$\text{Principal} = \frac{2{,}000 \times 100}{20 \times 5}$$

$$= \text{Rs. } 2000$$

$$\text{Amount} = 2{,}000 + 2{,}000$$

$$= \text{Rs. } 4{,}000$$

## Topic II: Basics of Wise Borrowing

| | |
|---|---|
| **Basics of Wise Borrowing** | • Play the video for this session.<br>• Ask the participants how they decide to borrow and who they borrow from.<br>• Activity - Group Discussion<br>Discuss the tenets of Wise Borrowing with the help of the questions in the Learning Pages. Encourage the participants to share the points they keep in mind when they are borrowing money. Leave the participants with a simple message. Borrowing is avoidable. If you borrow, borrow wisely. |

## Objective: Learn the tenets of wise borrowing.

### What is Borrowing?

Let us begin by recapitulating what we learnt about borrowing in Session 1.

Income is generally limited but our expenses are unlimited. When our income is less than our expenses, we need to borrow money to meet our expenses. Debt is money that we borrow from an institution like a bank or another person like a moneylender or a friend to meet our expenses. We need to repay debt and the interest charged on it at a future date from our future income.

At this stage of our learning process, it is also important to understand the concept of assets and liabilities.

### Assets and Liabilities

An **asset** is something that we own and that has long term value. Assets can be sold for money or used to earn money.

Examples include physical assets like your own house, jewellery, savings in a deposit. Education or personal skills are also assets as they help us in increasing our income.

A **liability** is something that we owe someone. Liabilities have to be paid off from future income or by selling assets.

Examples include a loan taken to purchase a house or to buy a vehicle, conduct your son or daughter's marriage and so on. When you take a loan, you promise to pay it back at a future date.

### Wise Borrowing

We will now address some of the important questions that you may have about Wise Borrowing.

### When should you borrow?

In general, we should try to spend less so that we can avoid borrowing. Borrowing to meet your consumption expenses is referred to as **consumption borrowing**. Borrowing for marriages, festivals, other ceremonies and celebrations falls in this avoidable category of consumption borrowing.

We may, however, take loans for income generating activities or for purchasing assets which will potentially appreciate in the future. This is referred to as **investment borrowing** and is considered wise provided we can **afford** to pay back the loan. Borrowing for higher education of your children or for setting up a small shop or business falls in this category.

### Can you afford to borrow?

Before taking on a loan, it is important to consider if we can afford to borrow. We can 'afford' a loan only if we can pay it back from our income after:

- Providing for our needs;
- Fulfilling our other debt obligations and;
- Continuing to save.

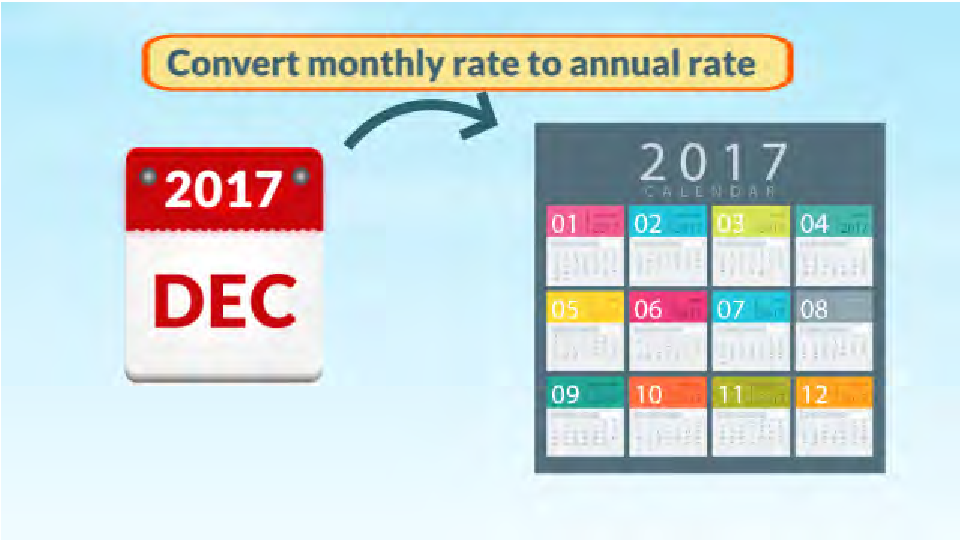
If we take on debt that we cannot afford, it is 'unwise borrowing'.

### Who should you borrow from?

Traditional informal channels of borrowing include friends and family and local moneylenders. However, one can also borrow from formal channels like banks and Micro Finance Institutions (MFIs). In general, it is more advisable to borrow from formal channels because they give all necessary documents, charge lower interest rates and are regulated by the government.

### Some Important points to check before Borrowing:

- **Loan Agreement –** Do not borrow money without a proper written agreement or documentation.
- **Interest Rate per annum** at which the loan is being offered. Remember to convert monthly interest rates to an annual interest rate so that you can compare wisely. Traditional moneylenders typically quote monthly interest which can be misleading.




- **Installment or EMI (Equated Monthly Installment) Amount and Repayment Schedule –** Installment is the agreed upon amount that you have to pay back as per a repayment schedule which is part of the loan agreement. If the loan is to be paid back monthly in equal installments, each installment is referred to as an EMI.


**Illustration 6:**

***Calculation of EMI using EMI Calculator (Fixed Rate Basis)***

Principal: Rs. 10,000

Interest Rate per annum: 12%

Time: 10 years

**EMI** = Rs. 143.47

- **Financial Costs of the Loan –** In addition to the Principal, you will also have to pay the following:
  - Interest.
  - Other Costs which can include loan processing charges, late fees if an installment is not paid on time and pre-payment charges if the loan is paid ahead of schedule.
- **Security or Collateral Requirements –** Some loans may require you to keep an asset like your house, jewellery or an insurance policy as security or may ask for a third party guarantee. It is important to check what happens to the collateral, if you do not pay installments on time.

Remember to check all available borrowing options and compare them on the key parameters given above before you decide which loan to take. This is essential for wise borrowing.

## Other Key Pointers for Wise Borrowing

- **Record all your borrowings in your financial diary.**
- **Pay your installments on time:** If you do not pay your installments on time, your credit record and reputation will be impacted. Banks and MFIs submit periodic information about all borrowers to credit bureaus like CIBIL. It is important to maintain a good credit record so that you can continue to get loans when you need them.

  Transunion CIBIL Limited or CIBIL is India's first Credit Rating Company. They collect and maintain a monthly report (Credit Information Report or CIR) from banks and financial institutions, detailing individuals' loans and credit cards payment history. Basis the CIR, a credit score is generated for each individual which is used by lenders during the loan evaluation process.
- **Do not borrow money to pay another loan:** If you take a loan to pay another loan, you will have to pay interest on that loan too. Your financial costs will keep increasing and loan repayments will become unaffordable. You will fall into a **debt trap**. Speak to a loan counsellor or your bank or MFI if you are facing problems in repayments so that they can help you.


- Do not borrow money to help others.

Borrowing is avoidable. If you borrow, borrow wisely.

## Q&A (Questions and Answers)

| | |
|---|---|
| **Questions and Answers** | There are 10 questions in this session. Please follow general instructions given for this section at the beginning of your handbook. |

### Questions

**Please select the correct answer for each question:**

**1)** Asha's daughter has secured admission in a medical college. The family is thinking of taking an education loan from a bank to help them fund the medical education. Is it advisable to take education loans for higher studies?

**1.** Yes

**2.** No

**2)** Which of the following cannot be used as collateral while taking loans?

**1.** Own House

**2.** Gold Jewellery

**3.** Lottery Ticket

**4.** LIC Policy

**3)** Kabir borrows Rs. 5,000 from the bank at 5% per annum interest for 1 year. What is the Principal?

**1.** Rs. 500

**2.** Rs.100

**3.** Rs. 1,000

**4.** Rs. 5,000

**4)** Arun's son wants him to throw a big party for his birthday. Arun has no money for the party so he is planning to take a loan. Is Arun right in taking the loan?

**1.** Yes

**2.** No

**5)** It is not necessary to pay EMIs on time.

**1.** True

**2.** False

**6)** Noor wants to borrow Rs. 5,000 for repairing her house. She can borrow Rs. 5,000 from the moneylender at 1% per month for 1 year or she can borrow Rs. 5,000 from a bank at 10% per annum Simple Interest. Who is giving a cheaper loan?

1. Moneylender
2. Bank

**7)** Usha earns Rs. 10,000 per month. She has expenses of Rs. 5,000 per month and loan payments of Rs. 8,000 per month. She has no savings. Has Usha fallen into a debt trap?

1. Yes
2. No

**8)** MFIs or Micro Finance Institutions give loans to their members.

1. True
2. False

**9)** Mike's neighbourhood moneylender is ready to lend him money but does not want to sign a loan agreement. Should Mike take this loan?

1. Yes
2. No

**10)** Mala took loan from a bank but did not pay her EMIs on time. Will Mala's credit history be impacted?

1. Yes
2. No

## Answers and Explanations

| Question No | Correct Option | Explanation |
|---|---|---|
| 1 | 1 | It is advisable to take education loans for higher studies. |
| 2 | 3 | One cannot borrow money against a lottery ticket. |
| 3 | 4 | Principal is the sum of money that is borrowed and hence principal is Rs. 5,000 in Kabir's case. |
| 4 | 2 | It is not advisable to take loans for consumption expenses and hence Arun should not borrow to throw a birthday party. |
| 5 | 2 | It is very important to pay all EMIs in a timely manner. |
| 6 | 2 | If we convert 1% per month into an annualised rate, it will be 12%. Hence, the moneylender is charging 12% per annum Simple Interest while the Bank is charging 10% per annum Simple Interest. 10% is less than 12% and hence the bank loan is cheaper. |
| 7 | 1 | Usha's loan repayments and expenses are more than her income. This situation can be referred to as a debt trap. It is important for Usha to see a loan counsellor at the earliest and take measures to come out of this situation. |
| 8 | 1 | MFIs or Micro Finance Institutions give loans to their members. |
| 9 | 2 | One should take loans only after signing a loan agreement to avoid disputes later on. |
| 10 | 1 | Banks and MFIs give periodic reports on their customers to Credit Bureaus. If Mala does not pay her EMIs on time, her credit history will be impacted. |

## Reflection Journal

| | |
|---|---|
| **Reflection Journal** | These questions have been designed to allow the participant to think for herself/himself. They prompt the participants to apply the concepts that they have learnt to their daily lives. Important pointers have been included to guide them through the reflection process.<br>You can allow the participants 5 minutes per question, if time permits. Discuss a sample response. Encourage them to go home and reflect on the question with their family members and use the learnings. |

### Question 1

In this session, you have learnt the basic tenets of wise borrowing. Please make a list of the most important points that you will keep in mind before taking a loan next time. This list will help you in your decision making process.

#### Important Pointers to Guide You

- *Is the loan for consumption expenditure?*
- *Are you taking the loan from a formal channel as opposed to a moneylender?*
- *Have you considered all the costs like interest, processing charges?*
- *Can you afford the installments?*

### Question 2

It is generally advised that you should not borrow from moneylenders. Have you ever borrowed money from a moneylender? What are the cons of borrowing from moneylenders?

#### Important Pointers to Guide You

- *Moneylenders typically charge higher rates of interest.*
- *They may ask for disproportionate collateral.*
- *The loan is normally not accompanied by a legal agreement.*
- *They are not registered.*

## Session 3 – Summary

- Interest is the additional sum of money that you earn if you keep your money with a bank or lend it to someone. It is also the additional sum of money that you need to pay when you borrow money from someone.
- Simple interest is the interest that is calculated on the principal alone and not on principal plus interest earned in the previous time period(s).
- In general, you should avoid consumption borrowing.
- Check all available borrowing options and compare them before you decide which loan to take.
- Pay your installments on time.
- Borrowing should be avoided, if possible. If you borrow, borrow wisely.

## Session 4: Basics of Banking

| | |
|---|---|
| **Duration** | 1 hour |
| **Learning Objectives** | • Understand the need and benefits of having a bank account.<br>• Learn how to open and operate a bank account. |
| **Resources** | • 1 Video<br>• Blank Sheets of Paper (A4 Size)<br>• Learning Pages<br>• Question Pages with 10 MCQs and explanations |
| **Suggested Session Flow** | • Introduction to Banks – 15 minutes<br>• Basics of Banking – 30 minutes<br>• Q&A (Questions and Answers) – 15 minutes |

In this session, you will:

**1)** Understand the need and benefits of having a bank account.

**2)** Learn how to open and operate a bank account.

## Topic I: Introduction to Banks

| | |
|---|---|
| **Introduction to Banks** | • Ask each participant if she/he has a bank account or someone in his/her family has a bank account. If they do not have one, request them to tell you why they have not opened one. If they have a bank account, discuss how they use the bank account. You can use this information to help you with pointers on what you should emphasise on during the session.<br>• Introduce the participants to banking with the help of the Learning Pages.<br>• Reiterate that every participant should have a bank account. |

### Objective: Understand the need and benefits of having a bank account.

In the previous sessions, we have discussed that you should not keep your savings at home but deposit them in a bank. We will discuss banks and banking in greater detail in this session.

A **Bank** is an establishment authorised by the government to accept deposits, pay interest, sanction loans, act as an intermediary in financial transactions and provide other financial services to its customers.

There are many banks in our country. They are primarily regulated by the **Reserve Bank of India (RBI)**.

## Why should we open a Bank Account?

There are many benefits of opening a bank account. Some of them are listed below:

- Money deposited in a bank account is safe and secure and can be accessed whenever we need it through multiple banking channels.
- Banks pay interest on our money which helps us in growing our money.
- Banks help us track our money through our account statements.
- A bank account can help in building a habit of saving our money.
- A bank account gives us an identity which is recognised by many government agencies and is key to obtaining several benefits administered by the government.
- Banking transactions are completely transparent and we can know all the details of all our transactions.
- Banks do not discriminate among customers and apply the same rules for similar type of customers.
- Banks provide many products and services to their customers.

## Banking Products and Services

Banks provide a host of products and services. Some of them are listed below:

- Different types of accounts can be opened in a bank according to our needs.
- Our wages/salary can be directly credited to the bank account.
- Social benefits in cash like NREGA (National Rural Employment Guarantee Act) wages, pensions, LPG subsidy, etc. are directly credited into our bank accounts through Electronic Benefits Transfer (EBT). EBT ensures that we do not have to wait in queues for timely receipt of benefits and removes intermediaries.
- Banks give loans for many purposes at reasonable interest rates.
- We can send money (remittances) or receive money through the bank by using electronic payment systems like NEFT (National Electronic Funds Transfer) and RTGS (Real Time Gross Settlement). You can also remit money using IMPS (Immediate Payment Service) if you want the beneficiary to receive the funds instantly.
- Some banks may provide lockers for keeping our valuables safely.
- Banks also distribute insurance and investment products.

- ATM/Debit Cards are issued by banks. Kisan Credit Cards (KCC) for farming activities and General Credit Card for non-farm based activities are also issued/provided by banks.


## Types of Bank Accounts

Banks offer the following main types of accounts:

- **Savings Account**
  - Can be opened by individuals and HUFs (Hindu Undivided Family).
  - Primarily used by individuals for day to day savings and transaction needs.
  - The bank pays interest on money kept in savings accounts.
- **Current Account**
  - Available to businesses like sole proprietorship, partnerships, public/private limited companies among others for business transactions.
  - The bank does not pay interest on money kept in current accounts.

- **Term Deposit or Fixed Deposit Account (FD)**
  - Used for depositing a fixed sum of money for a fixed period.
  - May earn higher interest than a Savings Account.
  - Money can be withdrawn earlier but in that case lesser interest may be paid by the bank.
- **Recurring Deposit Account (RD)**
  - Used for depositing a certain sum of money at regular intervals (say monthly) for a certain period.
  - May earn higher interest than a Savings Account.
  - Useful for regular and disciplined savings.

## Topic II: Basics of Banking

| | |
|---|---|
| **Basics of Banking** | • Play the video for this session.<br>• Activity - Group Discussion<br>Invite the participants who have a bank account to share how and where they opened one. Explain the opening and operating of bank accounts with the help of the questions in the Learning Pages. Reiterate that they should not hesitate in clarifying their doubts with the bank staff or Business Correspondent as the case may be.<br>• Stress on the Dos and Don'ts of Safe Banking. Ask participants to share what they know about safe banking. |

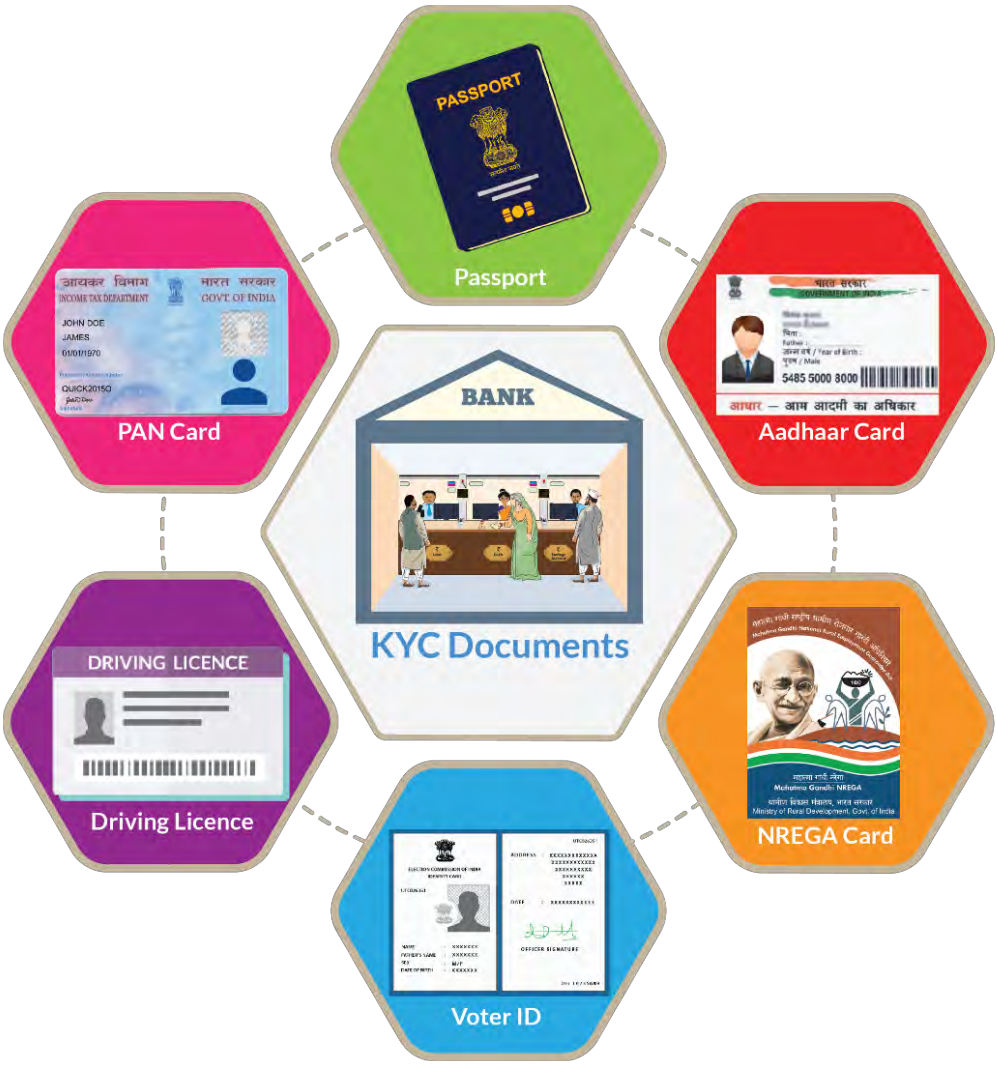
### Objective: Learn how to open and operate a bank account.

#### Opening a Savings Bank Account

It is simple to open a bank account at your nearest bank branch. Some of the main points are detailed below:

- In order to open an account you will have to fill an account opening form. Bank officials will help you with the form if you need clarifications.
- As per "Know Your Customer" (KYC) regulations, banks are required to know the particulars of their customers while opening their bank accounts. In other words, KYC is a process by which banks obtain information about the identity and address of the customers. This process helps to ensure that the services of banks are not misused. You will need a latest photograph and documents to comply with the "Know Your Customer" (KYC) norms of the bank. There are many valid KYC (proof of identity and address) documents and the bank will provide you with a complete list. Some common examples of KYC documents include Aadhaar Card, PAN Card, Voter ID Card, etc.
- In case, you do not have any valid KYC documents, you can open the account under relaxed KYC procedures based on your NREGA job card or self-certification. Such accounts will be treated as small accounts and will be subject to certain limitations.
- There is no money needed to open a bank account. All banks open saving accounts with nil balance and no minimum balance requirements. Such accounts are called Basic Savings Bank Deposit Account (BSBDA).
- You can also open a joint account with your parent, spouse or child, if you wish.
- An account can be opened by a minor of any age jointly with the parent/ guardian. Minors above the age of 10 are allowed to open and operate savings bank accounts independently.
- You can nominate a person on your account who can claim the money after your death. You should always avail of the nomination facility.

- Remember that different kinds of accounts have different charges and different features. Do not hesitate to ask the bank staff for information.




### Can I open a Bank Account even if there is no bank branch in my village?

Banks appoint local individual persons and others as Business Correspondents (BCs) /Bank Mitra to work as agents of the banks. BCs or Bank Mitra provide most banking services in a village/nearby villages. At the time of appointment of a BC, the bank officials introduce the BC to the villagers. You can also get more information about BCs from your Gram Panchayat.

A Bank Mitra uses devices such as handheld machines, smart card based devices, mobile phones, etc. to carry out banking transactions and provide instantaneous receipts to the account holder. It is safe to transact through your local BC.

### What is a Jan Dhan account?

Jan Dhan account is a Basic Savings Bank Account opened under the Pradhan Mantri Jan Dhan Yojana (PMJDY) by banks authorised for the purpose. PMJDY is a 'National Mission for Financial Inclusion' launched by The Department of Financial Services (DFS), Ministry of Finance, Government of India. This mission aims at ensuring access to financial services and timely and adequate credit to the excluded sections i.e. the low income groups. Accounts opened under PMJDY generally have the following features:

- Free Passbook
- Free Personalised Rupay Debit Card
- Free cheque leaves
- Access to all PMJDY benefits

Please check with your bank for all details and restrictions, if any, on such accounts.

### My friend is illiterate. Can he open a bank account?

Yes. It is not necessary to be literate to open a bank account.

### What will I receive after I open a bank account?

Your bank will give you a unique account number. In addition, it may give you all or some of the following:

- Pass Book or Smart Card for keeping a track of your transactions.
- ATM/Debit Card which can be used to withdraw cash and buy goods and services.
- Cheque Book - You can issue a cheque to someone if you wish to make a payment. It can also be used for withdrawing cash.

### Operating a Bank Account

Once you have opened your bank account it can be operated through multiple banking channels. Some of the most common ones are listed below:

- Your bank's branch
- ATM or Automated Teller Machine of any bank (you are not limited to your bank). You must carry your ATM card and PIN with you.
- Internet by using your Internet Banking Id and Password.
- Mobile by using your Mobile Banking Id and Password or your bank's app. You can also register for receiving mobile alerts with your bank in most cases. We will discuss mobile banking later in detail in another session.

- Bank Mitra or BC outlet.
- POS (Point Of Sale) Machines at shops and outlets.

### Some Important Dos and Don'ts to Ensure the Safety of your Bank Account

- Keep your Cheque Book and Pass Book safely under lock and key.
- Do not issue a blank cheque to anyone. Also do not keep blank signed cheques. A blank cheque is one which has no amount and/or payee filled in but bears the signature of the account holder.
- Do not share your ATM/Debit Card PIN with anyone. Do not write and keep it with your ATM Card also.
- Do not share your Internet Banking Id/Mobile Banking Id and passwords with anyone including bank employees.


- Do not trust people who call you and ask you for sensitive information like card number, CVV number (3 digit number at the back of the card), ID and password or any personal information. Banks do not ask for such information from customers.
- Always keep a track of your bank account transactions and immediately report all suspicious transactions to the bank.

In addition to the above, your bank may also issue a set of guidelines for you to follow. Please follow them diligently and do not hesitate to ask for help, if needed.

Please note that the above is a general introduction to banking. For more information on the specific banking products and services (and charges, if any) that are provided by your bank, please refer to your bank or Business Correspondent (Bank Mitra).

Your bank may also organise camps and/or have tutorials on their website/branch to help you understand how to use various banking services. Do not hesitate to use them.

If you do not have a Bank Account, open one today!

## Q&A (Questions and Answers)

| **Questions and Answers** | There are 10 questions in this session. Please follow general instructions given for this section at the beginning of your handbook. |
|---|---|

### Questions

**Please select the correct answer for each question:**

**1)** Which of these products/services are not provided by banks?

1. Loans
2. Fixed Deposits
3. Lottery Tickets
4. Remittances

**2)** Which of the following is not a valid KYC Document?

1. PAN Card
2. Aadhaar Card
3. Wedding Invitation Card
4. Voter Id Card

**3)** Is it possible to open a zero balance account?

1. Yes
2. No

**4)** Current accounts are opened by individuals to meet their daily transactional needs.

1. True
2. False

**5)** I am illiterate. Can I open a bank account?

1. Yes
2. No

**6)** I do not have a bank account. I want to receive my LPG Subsidy and NREGA wages in my friend's account. Is this possible?

1. Yes
2. No

**7)** Mala gets a call from someone who claims that he is calling on behalf of her bank. He tells her that he wants to know her Mobile Banking Id and password to authenticate her. Should Mala share this information with the caller?

1. Yes
2. No

**8)** Banks do not pay interest on fixed deposits and recurring deposits.

1. True
2. False

**9)** Which body primarily regulates the banking industry in India?

1. RBI
2. IRDAI
3. TRAI
4. CCI

**10)** Which of the following is not a commonly used banking channel?

1. Bank Branch
2. ATM
3. Railway Ticketing Counters
4. Internet Banking

## Answers and Explanations

| Question No | Correct Option | Explanation |
|---|---|---|
| 1 | 3 | Banks provide products and services like deposits, loans and remittances. They can also distribute investment and insurance products. |
| 2 | 3 | PAN Card, Aadhaar Card and Voter Id Cards are all valid KYC Documents. |
| 3 | 1 | All banks permit opening of zero balance accounts. |
| 4 | 2 | Current Accounts are opened by businesses to meet their daily transactional needs. |
| 5 | 1 | It is not necessary to be literate to open a bank account. |
| 6 | 2 | It is not possible to receive your LPG subsidy or NREGA benefits in your friend's bank account. You should not hesitate in opening your own bank account. It is a simple process and an account can be opened even in a day. |
| 7 | 2 | Banks never ask customers to share sensitive information like PIN and passwords. |
| 8 | 2 | Banks pay interest on fixed deposits and recurring deposits. |
| 9 | 1 | RBI or the Reserve Bank of India regulates the banking industry in India. |
| 10 | 3 | ATMs, branches, internet banking and mobile banking are commonly used banking channels. |

## Reflection Journal

| Reflection Journal | These questions have been designed to allow the participant to think for herself/himself. They prompt the participants to apply the concepts that they have learnt to their daily lives. Important pointers have been included to guide them through the reflection process.<br>You can allow the participants 5 minutes per question, if time permits. Discuss a sample response. Encourage them to go home and reflect on the question with their family members and use the learnings. |
|---|---|

### Question 1

In this session, you have spent time on understanding the various products and services that banks offer to their customers. Make a list of the products and services that you think will benefit you. You can then speak to your bank's staff or Bank Mitra for seeking guidance on their usage.

#### Important Pointers to Guide You

- *Open a Recurring Deposit to help in regular savings.*
- *Use electronic payments systems like NEFT and IMPS to transfer money to your family members living in another city/village.*
- *Use your Debit Card to pay for your transactions so that you do not have to carry cash all the time.*

### Question 2

It is important to follow guidelines for safe banking to protect your money and your confidential information. Enumerate the important points that you learnt in this session to ensure the safety of your bank account.

#### Important Pointers to Guide You

- *Do not share confidential information like passwords and PINs with anyone including bank employees.*
- *Do not issue blank cheques to anyone to avoid misuse.*
- *Monitor your bank account regularly to spot suspicious transactions.*

| Session 4 – Summary |
|---|
| • Everyone should have a bank account. Bank accounts provide many benefits and they keep our money safe.<br>• It is possible to open a bank account with minimum balance.<br>• Banks offer many products and services to help us manage our money.<br>• It is important to follow some guidelines to ensure the safety of our money. |

## Session 5: Managing Risks

| | |
|---|---|
| **Duration** | 1 hour |
| **Learning Objectives** | • Understand the concept of insurance and need for insurance.<br>• Identify broad types of insurance – life and general.<br>• Know about important insurance schemes administered by the Government. |
| **Resources** | • 1 Video<br>• Blank Sheets of Paper (A4 Size)<br>• Learning Pages<br>• Question Pages with 10 MCQs and explanations |
| **Suggested Session Flow** | • Insurance and its Importance – 15 minutes<br>• Types of Insurance – 20 minutes<br>• Important Central Government Schemes – 10 minutes<br>• Questions and Answers (Q&A) – 15 minutes |

In this session, you will:

**1)** Understand the concept of insurance and need for insurance.

**2)** Identify the broad types of insurance – life and general.

**3)** Know about important insurance schemes administered by the Government.

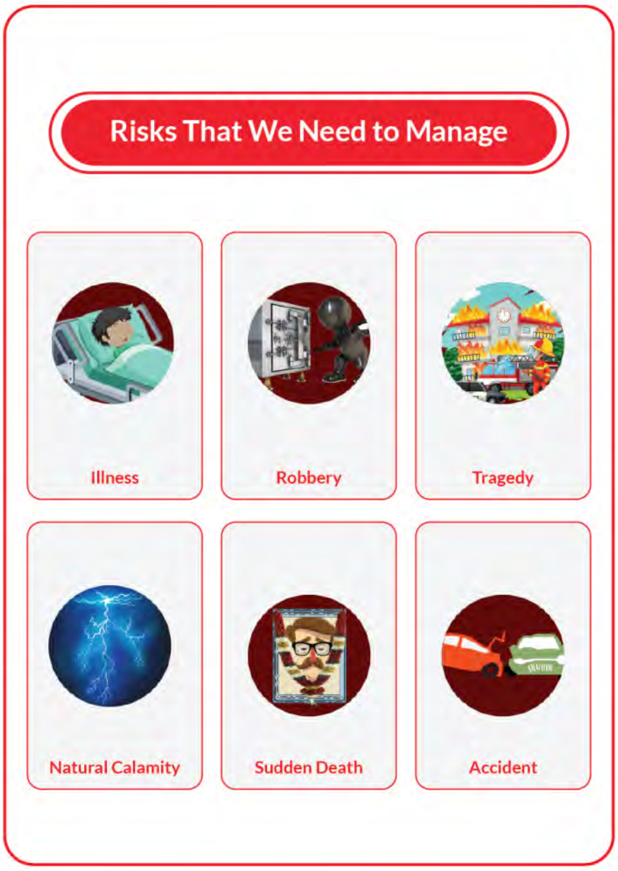
## Topic I: Insurance and its Importance

| | |
|---|---|
| **Insurance and its Importance** | • Play the video for this session.<br>• Conduct a brief discussion:<br>Go around the room and ask the participants about the risks that frighten them the most and what steps they have taken to protect themselves against those risks.<br>• Explain the concept of insurance, need for insurance and key terms. You can use the Learning Pages or SamVaad app, if needed. |

### Objective: Understand the concept of insurance and its importance.

**Why do we need Insurance?**

Our lives are fraught with risks and uncertainties. Sudden death, illness, a natural calamity, an accident, a fire and a burglary among others are risks that we live with. Such risks can put all our plans in jeopardy and lead to a loss of money or property. We need to insure ourselves against these risks as far as possible so that we can live securely with peace of mind.



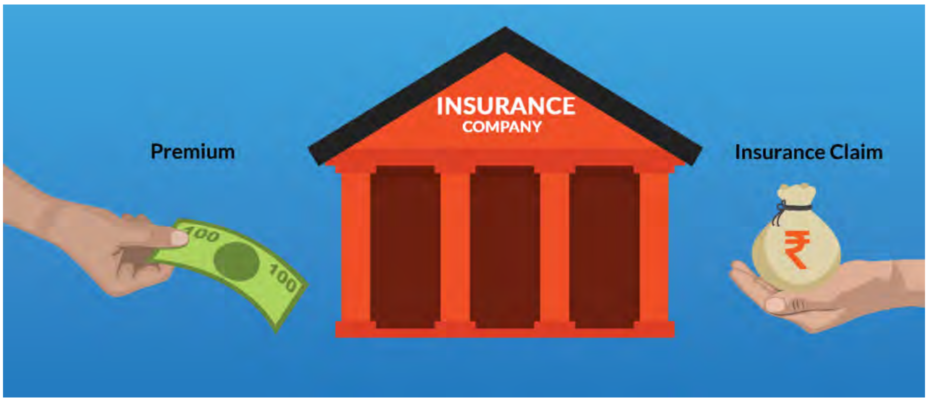
## What is Insurance?

Insurance is a risk management tool specially designed to reduce the financial impact of unforeseen events and create financial security. Individuals and groups can buy insurance by entering into a contract of insurance with a duly registered insurance company.

The insurance company enters into a contract (an insurance policy) whereby it (insurer) undertakes, in exchange for a small amount of money (premium), to provide financial protection by agreeing to pay the insuring person or persons (insured) a fixed amount of money (sum assured) on the happening of a certain event (insured peril).

*In simple terms*, an insurance cover is an arrangement with an insurance company whereby it pays you a fixed sum of money or makes good a loss or an expense when an emergency or an unexpected loss or event occurs. In order to buy this cover, you have to pay a certain sum of money called premium. The premium can be paid one-time or at regular intervals depending on the policy.

There are many types of insurance covers available.




## How does Insurance work?

Insurance works because of the law of large numbers. In simple terms, contributions made by many people in the form of premiums paid, generally take care of the losses of a few people.

IRDAI or Insurance Regulatory and Development Authority of India has been set up primarily:

- To protect the interests of the insured
- To regulate, promote and ensure orderly growth of the insurance business and reinsurance business

In case of any clarifications or complaints or for more information, you can contact a designated IRDAI officer.

Website: https://www.irdai.gov.in

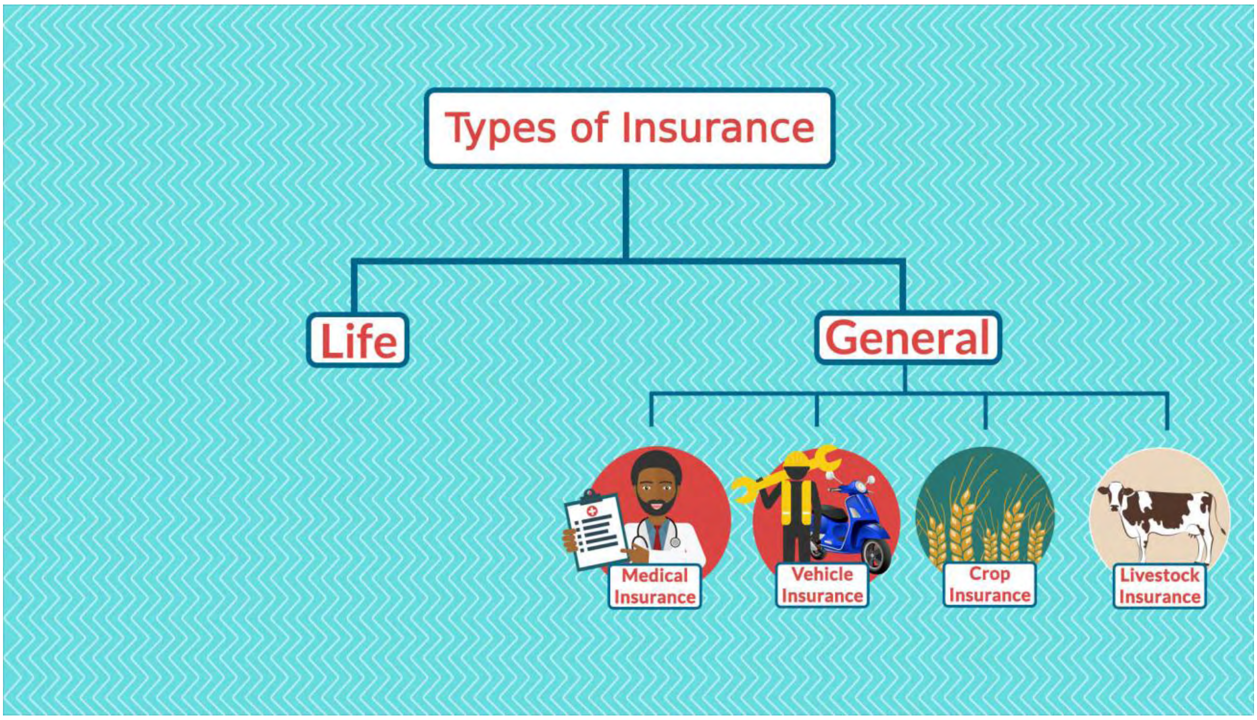
Note: Insurance is the subject matter of solicitation.

## Topic II: Types of Insurance

| | |
|---|---|
| **Types of Insurance** | • Explain to the participants that there are two broad types of insurance – life and general. Discuss each with the help of the Learning Pages/SamVaad app. You can use the two examples in the video to illustrate the types and stress on the need for life and general insurance.<br>– Example 1: Vijay dreams that he passes away and his family is left to fend for itself since he had not bought life insurance.<br>– Example 2: Vijay had to borrow money when his mother was hospitalised since he had not purchased health insurance for his family.<br>• Discuss the Important Dos and Don'ts so that the participants are careful while purchasing insurance.<br>• While addressing queries on any insurance policy or type of insurance, please take care not to endorse any insurance company or the products/services they offer. Tell the participants that they should seek the advice of a financial advisor or such competent people before they purchase a policy.<br>• Activity - Dealing with Risks<br>Conduct a simple activity. Ask all participants to list down their insurance needs and discuss a few lists.<br>Encourage them to relate anecdotes where insurance could have helped someone they know. Guide them on steps they can take to get some important risks insured. |

## Objective: Identify the broad types of insurance.

There are many types of Insurance policies – life and general available from registered insurance companies operating in India. In this section, you will be introduced to some important types of policies.




### 1) Life Insurance

Life insurance is a financial cover for a contingency linked with human life, like death, disability, accident and retirement. Life insurance products provide a definite amount of money in case the insured dies during the term of the policy or becomes disabled on account of an accident.

There are many recognised life insurance companies that operate in India. LIC or Life Insurance Corporation of India is the largest life insurance company in India.

#### Who needs life insurance?

- Anyone who supports a family and/or earns income
- Homemakers given their economic contribution to the family
- Children can be considered in view of their future income potential

### Basic Types of Life Insurance Policies

1) Term Insurance: Only sum assured is paid on the death of the insured during the period specified.
2) Endowment Assurance: Sum assured is paid at the end of the term i.e. on maturity of the policy or on the death of the insured during the term of the policy.
3) Unit Linked Insurance Plans: Premiums are invested in the capital markets through funds. The returns are linked to the performance of the fund and the overall market. This is a complicated product and one needs to understand the risks and charges thoroughly.

### Pension Policies

A pension or an annuity is a fixed sum paid regularly to a person or spouse, typically post his/her retirement from working life. Life insurance companies allow people to create funds from their savings so that they can draw pensions thereby giving them financial security for their old age.

### 2) General or Non-life Insurance

There are many types of general or non-life insurance covers available including health insurance, vehicle insurance, crop and livestock insurance, travel insurance and householder insurance. Some of them are mentioned below.

1) **Health Insurance** provides you and your family financial security in times of medical need both in cases of an emergency or a planned hospitalisation. It ensures umbrella coverage by helping you pay for the covered medical expenses in case of hospitalisation due to illness or injury. Personal Accident covers are also available.
2) **Property Insurance** includes householder insurance and motor vehicle insurance. Motor insurance covers your vehicles like motorcycles, cars or a lorry, in cases of accidents or theft. It also covers specified third party liabilities i.e. compensation for any injury or damage to any person's life or property caused by the use of your vehicle in a public place.
3) **Crop Insurance** covers yield losses and post-harvest losses among others.

### Some Important Dos and Don'ts

- Purchase an insurance policy suitable to your needs (protection that you desire).
- Consider your present financial position and projected financial requirements before buying an insurance policy. Do not hesitate to seek advice.

- Purchase an insurance policy only from the following:
  - Registered Insurance Companies
  - Licensed Insurance Agents
  - Licensed Insurance Brokers
  - Licensed Web Aggregators
- Understand the policy and coverage details and all exclusions before purchasing a policy.
- Do not sign a blank insurance proposal form.
- Do not fall prey to lucrative offers.
- Fill the proposal form correctly and truthfully.
- Avoid paying premium in cash. Collect receipt as proof of payment of premium.
- Pay your premiums on time or else the policy cover will be discontinued.

For more information, you can refer to the websites of registered insurance companies in India.

https://www.licindia.in/

http://www.newindia.co.in/

https://uiic.co.in/

We do not endorse any insurance company or the products/services they offer. Nothing contained herein should be construed as financial advice or an endorsement of a specific organisation or a specific product.

## Topic III: Important Insurance Schemes (Central Government)

| **Important Insurance Schemes (Central Government)** | • Introduce the participants to important insurance schemes run by the Central Government, with the help of the Learning Pages/SamVaad app. Some of these schemes will be revisited again in Session IX.<br>• Please stress that this is not an exhaustive list and that all schemes are liable to be revised from time to time. |
|---|---|

### Objective: Know about important insurance schemes administered by the Central Government.

The Government announces low-cost insurance schemes from time to time for the benefit of citizens at large. Some of these schemes with their salient features are mentioned below. Please note that these schemes and their details are liable to change from time to time.

**1) Pradhan Mantri Jeevan Jyoti Bima Yojana** (PMJJBY – Scheme 2 – for Life Insurance)

Pradhan Mantri Jeevan Jyoti Bima Yojana

- **Eligibility:** Savings Bank Account holders between 18 years (completed) and 50 years (age nearer birthday).
- **Policy period:** One year.
- **Premium:** Rs. 330 per annum.
- **Payment Mode of premium:** Direct auto-debit by the bank from the subscribers' savings bank account.
- **Risk Coverage:** Sum Assured of Rs. 2 Lakhs on death of the Insured member for any reason is payable to the nominee.
- **Termination of assurance:**
  - Account holder attains age of 55 years
  - Closure of account with the bank or insufficiency of balance for debiting premium.
  - Multiple coverage is not permitted.

2) **Pradhan Mantri Suraksha Bima Yojana** (PMSBY – Scheme 1 – for Accidental Death Insurance)

- **Eligibility:** Savings Bank Account holders between 18 years (completed) and 70 years (age nearer birthday).
- **Policy period:** One year.
- **Premium:** Rs. 12 per annum.
- **Payment Mode of premium:** Direct auto-debit by the bank from the subscribers' savings bank account.
- **Risk Coverage:** Up to Rs. 2 Lakhs as per details specified subject to exclusions including intentional self-injury, suicide or attempted suicide whilst under the influence of intoxication, liquor or drugs.
- **Termination of assurance:**
  - Closure of account with the bank or insufficiency of balance for debiting premium.
  - Multiple coverage is not permitted.

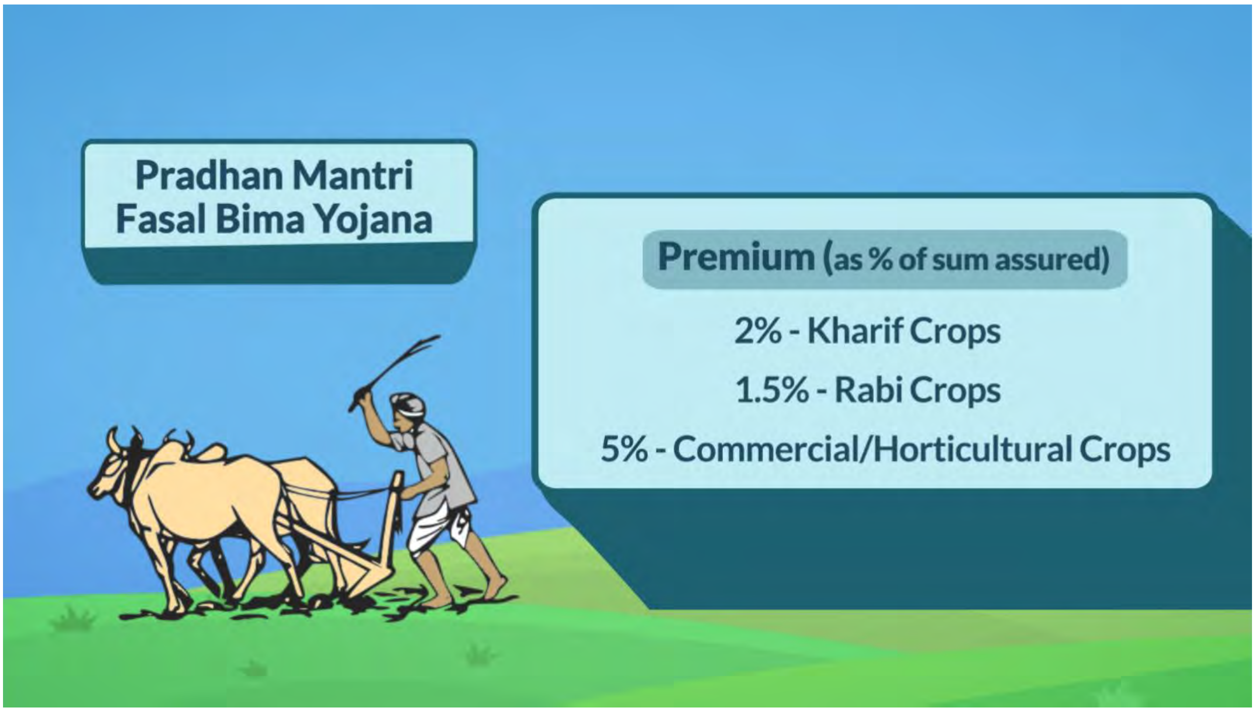
3) **Atal Pension Yojana**

- **Overview:** Guaranteed monthly pension scheme for subscribers, ranging from Rs. 1,000 to Rs. 5,000 per month. Administered by the Pension Fund Regulatory and Development Authority (PFRDA).
- **Eligibility for entry:** Savings Bank Account holders between 18 years and 40 years.
- **Contribution:** ~Rs. 42 to Rs. 1,454 depending on age at entry and guaranteed monthly pension needed by subscriber. Minimum period of contribution is 20 years or more.

- **Payment of Pension:** Monthly pension would be paid to the subscriber on completion of 60 years of age, and to the spouse on subscriber's death. After their death, the pension corpus would be returned to the nominee of the subscriber.
- **Payment Mode of premium:** Direct monthly auto-debit by the bank from the subscribers' savings bank account.

**4) Pradhan Mantri Fasal Bima Yojana (PMFBY)**

- **Overview:** Comprehensive crop insurance scheme with the following objectives:
  - To provide insurance coverage and financial support to farmers in the event of failure of any of the notified crops as a result of natural calamities, pests and diseases.
  - To stabilise the income of farmers.
  - To encourage farmers to adopt innovative and modern agricultural practices.
  - To ensure flow of credit to the agriculture sector.
- **Eligibility:** All farmers including share-croppers and tenant farmers growing the notified crops in the notified areas. Compulsory for 'loanee farmers'.
- **Premium** (Part to be paid by Farmer – balance borne by the Central and State Government):
  - Kharif crops - 2% of sum assured or actuarial rate (whichever is lesser).
  - Rabi crops -1.5% of the sum assured or actuarial rate (whichever is lesser).
  - Annual commercial and horticultural crops – 5% of sum assured or actuarial rate (whichever is lesser).
- **Risk Coverage:** The following stages of the crop and risks leading to crop loss are covered subject to exclusions.
  - Insured area is prevented from sowing/planting due to deficit rainfall or adverse seasonal conditions.
  - Yield losses due to non-preventable risks like drought, dry spells, floods, pests and diseases, storms, etc.
  - Post-Harvest losses up to a maximum period of two weeks from harvesting for those crops which are allowed to dry in cut and spread condition in the field.
  - Loss/ damage resulting from occurrence of identified localised risks of hailstorms, landslides, and inundation affecting isolated farms in the notified area.




For more information, you can speak to a registered insurance advisor or your bank or the local officers designated for the purpose.

## Q&A (Questions and Answers)

| **Questions and Answers** | There are 10 questions in this session. Please follow general instructions given for this section at the beginning of your handbook. |
|---|---|

### Questions

**Please select the correct answer for each question:**

**1)** What type of insurance is Crop Insurance?

1. General Insurance
2. Life Insurance

**2)** Insurance companies collect a fixed amount from their customers at fixed intervals of time to provide insurance cover. What is the fixed amount called?

1. Installment
2. EMI
3. Contribution
4. Premium

**3)** Uma wants to buy insurance for her cattle. Is it possible to do so?

1. Yes
2. No

**4)** Kabir wants to make sure that his family has enough money to live comfortably in case something happens to him and he is not around to take care of his family. What should he do?

1. Take a loan
2. Hide money in a pot
3. Buy life insurance for himself
4. Do nothing

**5)** One of the main reasons to purchase insurance is to:

1. Increase your income by filing false claims
2. Decrease the chances of accidents
3. Grow your money
4. Protect yourself against future risks

6) Insurance can be bought from any company or individual.

1. True
2. False

7) Pradhan Mantri Jeevan Jyoti Bima Yojana (PMJJBY) is a crop insurance plan.

1. True
2. False

8) Pradhan Mantri Suraksha Bima Yojana is an Accident Insurance Scheme offering accidental death and disability cover for death or disability on account of an accident.

1. True
2. False

9) Which body primarily regulates the insurance industry in India?

1. RBI
2. IRDAI
3. TRAI
4. CCI

10) LIC or Life Insurance Corporation of India provides life insurance.

1. True
2. False

## Answers and Explanations

| Question No | Correct Option | Explanation |
|---|---|---|
| 1 | 1 | Crop Insurance falls under the category of general insurance. |
| 2 | 4 | The fixed amount that the insurance company collects from the customer to provide insurance is called premium. |
| 3 | 1 | Cattle Insurance is provided by some general insurance companies. |
| 4 | 3 | It is important to buy life insurance so that one's family has enough money if the earning member dies suddenly. |
| 5 | 4 | The main reason to purchase insurance is to protect oneself and one's family against future risks. |
| 6 | 2 | We should buy insurance only from government recognised insurance companies and their agents or through institutions like banks which are authorised by the government. |
| 7 | 2 | Pradhan Mantri Jeevan Jyoti Bima Yojana (PMJJBY) is a life insurance scheme. |
| 8 | 1 | Pradhan Mantri Suraksha Bima Yojana is an Accident Insurance Scheme offering accidental death and disability cover for death or disability on account of an accident. |
| 9 | 2 | Insurance Regulatory and Development Authority of India or IRDAI is India's Insurance Regulator. |
| 10 | 1 | LIC or Life Insurance Corporation of India provides a variety of comprehensive life insurance policies. |

## Reflection Journal

| | |
|---|---|
| **Reflection Journal** | These questions have been designed to allow the participant to think for herself/himself. They prompt the participants to apply the concepts that they have learnt to their daily lives. Important pointers have been included to guide them through the reflection process.<br>You can allow the participants 5 minutes per question, if time permits. Discuss a sample response. Encourage them to go home and reflect on the questions with their family members and use the learnings. |

### Question 1

In this session, you have spent time on learning about some common types of insurance policies. List down all your specific insurance needs so that you can discuss these with an insurance advisor.

#### Important Pointers to Guide You

- *Life insurance for self to protect your family's financial future in case of a contingency linked to life.*
- *Medical insurance for your family to take care of hospitalisation expenses.*
- *Crop insurance to protect your crop against drought/floods.*

### Question 2

What are some of the important Dos and Don'ts that you have learnt which will help when you purchase an insurance policy and even after purchase?

#### Important Pointers to Guide You

- *Understand the policy and coverage details and all exclusions before purchasing a policy.*
- *Do not fall prey to lucrative offers.*
- *Fill the proposal form correctly and truthfully.*
- *Pay your premiums on time or else the policy cover will be discontinued.*

## Session 5 – Summary

- Insurance is a risk management tool specially designed to reduce the financial impact of unforeseen events and create financial security.
- Insurance can be bought by paying small sums of money called premiums at regular intervals.
- It is important to pay your premiums on time.
- There are two broad categories of insurance– Life and General (Non-Life).
- Understand the terms and conditions of the insurance policy thoroughly before purchasing it from a registered insurance company.

## Session 6: Investments

| | |
|---|---|
| **Duration** | 1 hour |
| **Learning Objectives** | • Understand the concept of investing.<br>• Know about the power of compounding.<br>• Learn about some investment options. |
| **Resources** | • 1 Video<br>• Blank Sheets of Paper (A4 Size)<br>• Learning Pages<br>• Question Pages with 10 MCQs and explanations<br>• Compound Interest Calculator on the SamVaad app (if available) |
| **Suggested Session Flow** | • Basics of Investing –15 minutes<br>• Power of Compounding – 20 minutes<br>• Investment Options – 10 minutes<br>• Questions and Answers (Q&A) – 15 minutes |

In this session, you will:

**1)** Understand the concept of investing.

**2)** Know about the power of compounding.

**3)** Learn about some investment options.

## Topic I: Basics of Investing

| | |
|---|---|
| **Basics of Investing** | • Play the video for this session.<br>• Explain the concept of investing and the golden rules of investing. Stress on the need for sensible investing. You can use the Learning Pages or SamVaad app, if needed. |

### Objective: Understand the concept of investing.

We wish that money could grow on trees but we know that money cannot grow on trees! However, this does not imply that our money and savings cannot grow. Our money and savings can grow if we invest money.

### What is investing?

**Investing** is putting money sensibly into something hoping that we will get something greater than what we put in. In other words, we invest money sensibly because there is a potential of getting higher returns at a future date.

The 'something greater than' that we hope to earn over and above the original amount that we invest, is referred to as **returns**. It is important to remember that **returns can either be positive or they can be negative**. This happens because all investments have inherent **risks**.

An investment risk means that when we invest in a product, the outcome may not be certain because of many external factors. **In general, when we invest in a product; the greater the expected or potential returns; the greater the risk**.

## Investing has to be Sensible

It is important to remember that **investing is not gambling**. Investing is a sensible process where we decide to take certain risks to earn returns. When one is gambling or buying a lottery ticket, one just risks money without any understanding of the certainty of the returns.

We should remember that **investments take time to produce returns**. In normal circumstances, it is not possible to produce extraordinary returns in a short period of time.

Since investments involve money, we should ensure there is **proper documentation that accompanies our investment** and that we **invest only in recognised schemes through formal channels like banks or post offices among others**.

## Golden Rules of Savings and Investing

It is important to remember the three golden rules of savings and investing to help us grow our money.

- **Start Investing Early:** The earlier we start investing, the more our money will grow.
- **Invest Regularly:** The more regularly we invest, the more our money will grow.
- **Invest More:** The more we save and invest, the more our money will grow.

**Remember: It is never too late to start saving and investing!**

You should make sure you invest only in the right products.

## Topic II: Power of Compounding

| | |
|---|---|
| **Power of Compounding** | • Recapitulate the concept of simple interest and key concepts related to it.<br>• Introduce the participants to the concept of compound interest.<br>• Explain how compounding works with the help of the table provided in the Learning Pages. Stress on the fact that because interest is added to the principal in the subsequent period i.e. interest is reinvested, money grows. The longer the tenure of compounding, the more the invested money grows.<br>• Activity - Using the Simulator to explain Compounding<br>Demonstrate the use of the compound interest calculator provided in the SamVaad app. Encourage participants to try out simple calculations with the help of the illustrations in the Learning Pages. |

### Objective: Know about the power of compounding.

Let us recapitulate what we have learnt about Simple Interest earlier.

#### Key Terms

**Interest** is the additional sum of money that you earn if you keep your money with a bank or lend it to someone. It is also the additional sum of money that you need to pay when you borrow money from someone.

**Principal** is the original sum of money that you borrow from someone or the original sum of money that you deposit in a bank.

**Amount** is the total sum of money that you will have to pay back if you have borrowed money or it is the total sum of money that you will receive if you have deposited money. It is equal to the sum of Principal and Interest.

**Time** is the time period in years for which the Principal is deposited or borrowed. For all calculations, you will have to convert months into years by dividing the number of months by 12.

**Interest Rate** is the per cent rate paid on deposits or charged on borrowed money. It is normally expressed as a rate per year (rate per annum).

$$\text{Simple Interest} = \frac{\text{Principal} \times \text{Annual Interest Rate} \times \text{Time in Years}}{100}$$

$$\text{Amount} = \text{Principal} + \text{Simple Interest}$$

## Compound Interest and the Power of Compounding

While calculating simple interest, no interest is charged or earned on the interest and the calculation of interest is limited to the principal.

While calculating compound interest, interest is charged or earned (as the case may be) on the interest earned in the previous period also.

**Compound Interest** is the interest that is calculated on the principal plus interest earned in the previous time period(s).

**This phenomenon where the interest also earns interest which helps our money to grow faster over a period of time is generally referred to as the power of compounding. This is one of the basic principles of investing.**


At this stage, we will introduce another term called the compounding frequency. **Compounding Frequency** is the number of times that interest is paid out in a year and is added to the principal amount for calculation of interest in subsequent periods.

Let us assume that you put money in a fixed deposit in a bank, and the bank pays interest every quarter (every three months) and this interest also earns interest for the subsequent periods. In this example, the compounding frequency is 4 (per year).

In another instance, let us assume that you put money in a fixed deposit in a bank, and the bank pays interest every year and this interest also earns interest for the subsequent periods. In this example, the compounding frequency is 1 (per year).

Such bank deposits where the interest earns interest for the subsequent periods are called Cumulative Bank Deposits and **in general, the higher the compounding frequency, the faster your money will grow**.

### Illustration

The table given below will help you understand the principle of compounding.

Principal: Rs. 1,000

Interest Rate per annum: 10%

Time: 10 years

Compounding Frequency: 1

| Year | Principal | Interest | Amount |
|---|---|---|---|
| 1 | 1000.00 | 100.00 | 1100.00 |
| 2 | 1100.00 | 110.00 | 1210.00 |
| 3 | 1210.00 | 121.00 | 1331.00 |
| 4 | 1331.00 | 133.10 | 1464.10 |
| 5 | 1464.10 | 146.41 | 1610.51 |
| 6 | 1610.51 | 161.05 | 1771.56 |
| 7 | 1771.56 | 177.16 | 1948.72 |
| 8 | 1948.72 | 194.87 | 2143.59 |
| 9 | 2143.59 | 214.36 | 2357.95 |
| 10 | 2357.95 | 235.79 | 2593.74 |

Amount at the end of 10 years when compounding is at work: Rs. 2,593.74

Amount at the end of 10 years if you are paid only simple interest: Rs. 2,000

Hence, you earn Rs. 2593.74 – Rs. 2000 = Rs. 593.74 extra, if your money is compounded.

You can use the calculator provided in the SamVaad app to help you calculate compound interest.

## Topic III: Investment Options

| | |
|---|---|
| **Investment Options** | • Conduct a brief discussion:<br>• Ask the participants if they invest and if yes, where they invest.<br>• Explain to the participants that there are many investment options available and discuss some of them. Stress that they should seek proper advice from a certified investment advisor before investing in relatively riskier options.<br>• Please refrain from sharing any personal financial advice or from expressing opinions that may be construed as financial advice. Stress on the facts that higher returns generally imply higher risks and it is important to understand all risks before investing in any option. |

### Objective: Learn about some investment options.

There are many investment options available.

Traditional investment options include a house and gold/silver. Education is also a form of investment.

Savings Bank Deposits, Recurring Deposits, Fixed and Cumulative Fixed Deposits are relatively less risky options of investing where the interest rate is known in advance.

Public Provident Fund is a popular long term and relatively safe investment option backed by the Government of India which offers safety with attractive interest rates that are revised from time to time. You can open a PPF account in a bank or a post office. One can invest between Rs. 500 and Rs. 1,50,000 in one financial year and can also avail facilities such as loan, withdrawal and extension of one's PPF account. Your bank or post office will give more details before you open a PPF account.

National Savings Certificates or NSCs are post office savings schemes backed by the Government of India. They are a relatively safe option and generally carry a tenure of five years. Your nearest post office can give you more details.

Mutual Funds and Shares (also called stocks or equity) are also popular investment options.

A mutual fund is a professionally managed investment fund that is usually run by a recognised asset management company. It pools money from many investors and invests this money on their behalf. Mutual Funds may charge a fees for the services they provide.

Shares in their simplest form are financial instruments that represent ownership in a company.

Mutual funds and shares are, risky in nature and you should invest in them only after seeking advice from a certified investment advisor.


### Important Points to Consider while choosing an Investment Option

- Timeline for investing.
- Amount of savings and investments.
- Your ability to take risks.
- Your investment goal and returns expected from investments.


Nothing contained herein should be construed as financial advice or an endorsement of a specific investment option. Please consult a certified investment advisor before making any investment decisions.

## Q&A (Questions and Answers)

| Questions and Answers | There are 10 questions in this session. Please follow general instructions given for this section at the beginning of your handbook. |
|---|---|

### Questions

**Please select the correct answer for each question:**

**1)** Which of the following cannot be considered investments?

1. Lottery Tickets
2. Higher Education of our children
3. Fixed and Recurring Deposits
4. Mutual Funds

**2)** Asha invests Rs. 5,000 at 5% simple interest p.a. for 5 years. Usha invests Rs. 5,000 at 5% compound interest p.a. for 5 years. Who will have more money at the end of 5 years?

1. Asha
2. Usha

**3)** Mike is 50 years old. He has not invested any money so far. His friends tell him that he is too old to start investing now. Are Mike's friends giving him the correct advice?

1. Yes
2. No

**4)** Public Provident Fund or PPF is backed by the Government of India.

1. True
2. False

**5)** Which of the following is not one of the three golden principles of investing?

1. Invest regularly
2. Invest more
3. Start investing as early as possible
4. Start investing as late as possible

**6)** Gambling is a form of investing.

1. True
2. False

**7)** The principle of compounding works because we earn interest on interest.

1. True
2. False

**8)** Kabir deposits Rs. 1,000 for 5 years at 10% per annum in a cumulative bank deposit that pays interest every quarter. John deposits Rs. 1,000 for 5 years at 10% per annum in a cumulative bank deposit that pays interest every year. Who will get more money at the end of 5 years?

1. Kabir
2. John

**9)** Maya is approached by a person who tells her that he will double her money in 2 years. He also tells her that he cannot tell her where he will invest the money and give her proof of investment because of secrecy. What should Maya do?

1. Maya should give her money to the person to invest. It is great to double your money in two years.
2. Maya should not give her money to the person to invest.

**10)** Mala invested Rs. 10,000 in a specific stock in 2010. In 2015, her investment was worth only Rs. 6,000. Is this possible?

1. Yes
2. No

## Answers and Explanations

| Question No | Correct Option | Explanation |
|---|---|---|
| 1 | 1 | Deposits (both fixed and recurring); mutual funds and educating our children are all forms of investments because there is a potential of getting higher returns at a future date. Please remember that education is also an expense since we spend money on it and we need to save for it. Lottery tickets are not investments. |
| 2 | 2 | While calculating compound interest, you earn interest on the interest earned in the previous period also. Hence, the amount at the end of a specified period will be higher if you earned compound interest as opposed to simple interest. |
| 3 | 2 | It is never too late to start saving and investing. Age is not a barrier to start investing in the right kind of investment products. |
| 4 | 1 | Public Provident Fund or PPF is backed by the Government of India. |
| 5 | 4 | The three golden principles of investing are: start investing as early as possible, invest regularly and invest more. |
| 6 | 2 | Gambling is not a form of investing. It is considered a vice. |
| 7 | 1 | The principle of compounding works because interest also earns interest. |
| 8 | 1 | Money will grow faster in a cumulative bank deposit that pays interest every quarter as opposed to a cumulative bank deposit that pays interest every year. The compounding frequency is higher when interest is paid quarterly. |
| 9 | 2 | Maya should not give her money to the person. His claims sound fraudulent because he is refusing to tell her where the money will be invested and will not give her proof of investment. Before investing, we need to understand the investment, have sufficient proof of investment and make sure that the investment is duly recognised by the government or the relevant regulator. |
| 10 | 1 | It is possible that the value of Mala's investment in a specific stock could have reduced. Shares or stocks carry inherent risks which need to be considered before investing. |

## Reflection Journal

| | |
|---|---|
| **Reflection Journal** | These questions have been designed to allow the participant to think for herself/himself. They prompt the participants to apply the concepts that they have learnt to their daily lives. Important pointers have been included to guide them through the reflection process.<br>You can allow the participants 5 minutes per question, if time permits. Discuss a sample response. Encourage them to go home and reflect on the questions with their family members and use the learnings. |

### Question 1

You know that while money does not grow on trees, you can grow your money by investing it wisely. What are some of the basic tenets of investing wisely?

### Important Pointers to Guide You

- *Remember that all investments have inherent risks. You should understand those risks before investing.*
- *Follow the golden rules of investing: Invest regularly, invest more and start investing early.*
- *It is important to seek professional advice before choosing an investment option.*

### Question 2

Reflect on the risks and returns of various investment options that you are aware of. Learn more about them. Discuss them with a financial advisor to assess their suitability.

### Important Pointers to Guide You

- *Public Provident Fund (PPF) – Low returns but low risk.*
- *Bank Deposits - Low returns but low risk.*
- *Shares – High returns but subject to market risks.*

## Session 6 – Summary

- Investing is putting money sensibly into something because there is a potential of getting higher returns at a future date.
- Returns can be positive or negative.
- All investments have inherent risks. We should understand these risks before investing.
- Gambling is not a form of investing. It is considered a vice.
- Golden rules of investing: Invest regularly, invest more and start investing early.
- The phenomenon where the interest also earns interest which helps our money to grow faster over a period of time is generally referred to as the power of compounding.

## Session 7: Financial Planning

| | |
|---|---|
| **Duration** | 2 hours |
| **Learning Objectives** | • Understand the concept of financial planning and its importance.<br>• Understand the importance of setting financial goals.<br>• Set and prioritise financial goals.<br>• Understand the concept of a budget.<br>• Create a monthly household budget.<br>• Learn the process of financial planning. |
| **Resources** | • 1 Video<br>• Blank Sheets of Paper (A4 Size)<br>• Sample Diary Pages (if available)<br>• Learning Pages<br>• Question Pages with 10 MCQs and explanations |
| **Suggested Session Flow** | • Basics of Financial Planning – 20 minutes<br>• Financial Goals – 20 minutes<br>• Budgeting – 30 minutes<br>• Financial Planning Process – 35 minutes<br>• Questions and Answers (Q&A) – 15 minutes |

In this session, you will:

**1)** Understand the concept of financial planning and its importance.

**2)** Understand the importance of setting financial goals.

**3)** Set and prioritise financial goals.

**4)** Understand the concept of a budget.

**5)** Create a monthly household budget.

**6)** Learn the process of financial planning.

## Topic I: Basics of Financial Planning

| | |
|---|---|
| **Basics of Financial Planning** | • Play the video for this session.<br>• Introduce the concept of financial planning and its importance. Briefly explain the steps of financial planning with the help of the illustration given in the Learning Pages.<br>• Ask the participants if they already do financial planning or if they have ever attempted it.<br>• Emphasise that everyone should do financial planning. |

### Objective: Understand the concept of financial planning and its importance.

Over the last few sessions, you have learnt about basic financial concepts and have been introduced to banking, insurance and investment. It is now time to bring together those learnings to begin the process of financial planning so that you can start managing your money wisely.

In simple terms, Financial Planning is a process by which we set our financial goals and work on ways and means to achieve our goals. Financial planning enables us to make advance preparations to meet our expected expenses keeping in mind our expected income so that we can manage our money effectively.

A financial plan covers our goals for our entire life cycle, e.g. birth of a child, education, purchasing a house, marriage, old age, etc. It also covers our financial preparedness to meet emergency situations like illness, accident, sudden death and natural calamities like flood, drought, etc.

The basic steps of financial planning are detailed for your reference. Please go through each step and spend some time planning your finances. We hope that you enjoy the journey.

## Topic II: Financial Goals

| | |
|---|---|
| **Financial Goals** | • Explain the basic concept of financial goals and how they help in managing money.<br>• Activity - Goal Setting and Prioritisation<br>Engage the participants in the following activity:<br>• Tell the participants that they will now set their financial goals. Explain the basic guidelines of setting financial goals with the help of the Learning Pages/SamVaad app.<br>• Tell them to list down their financial goals and calculate how much they need to save to achieve each goal. The participants should then attempt to prioritise their goals. Encourage them to discuss the difficulties they faced while prioritising. |

### Objective: Understand the importance of setting financial goals; set and prioritise your financial goals.

In simple terms, a Financial Goal is a statement of:

- What do you need - e.g. buying a house, saving for old age, buying a refrigerator?
- When do you need it – the timeframe?
- How much do you need to achieve the goal – the amount?

Financial Goals can be short term or long term in nature. They should cover all our big purchases like a house or a television and all our lifecycle needs like retirement and children's education.

It is important to set financial goals because they help us in planning and saving effectively.

### Steps and Guidelines for Setting and Prioritising Your Financial Goals

- Download and print the sample financial goals format from the SamVaad app or use the sample pages in the financial diary or create a similar format on a sheet of paper.
- List all your financial goals.
- Estimate how much money you need for each goal and by when you need to achieve it. While estimating the amount needed, remember that you will always need to save more for the future because of the effect of inflation.
- Keep your goals realistic and in line with your income.
- Calculate how much you need to save per day or per month to achieve your goals.

- Prioritise your goals using simple strategies. Strategies that you could use include:
  - Putting needs before wants. E.g. – It is more important to save for your children's education than to buy jewellery.
  - Re-evaluate the potential spend on a particular goal. E.g. – Can you reduce the spends on a celebration like a marriage?
  - Check if you can increase the time period for achieving a goal. E.g. – Can you delay your retirement so that you have more time to save?
- Your financial goals sheet is ready.

## My Financial Goals

| FOR WHAT | WHEN | HOW MUCH | SAVINGS/ MONTH |
|---|---|---|---|
|  | 25 Years | ₹10,00,000 | ₹3333.33 |
|  | 10 Years | ₹2,00,000 | ₹1666.67 |
|  | 30 Years | ₹5,00,000 | ₹1388.89 |
|  | 15 Years | ₹2,00,000 | ₹1111.11 |
|  | 5 Years | ₹3,00,000 | ₹5000.00 |
|  | 1 Year | ₹1,00,000 | ₹8333.33 |

### Illustration to help you calculate savings needed per day

Money needed for daughter's education after 10 years is Rs. 2,00,000.

Days per year: 365 (ignore leap years for simplicity)

Time: 5 years

$$\text{Savings per day} = \frac{\text{Amount Needed}}{\text{No. of years} \times 365}$$

$$= \frac{2,00,000}{10 \times 365}$$

$$= \text{Rs.}54.70$$

### Illustration to help you calculate savings needed per month

Money needed for buying a house after 25 years is Rs. 10,00,000.

Months per year: 12

$$\text{Savings per month} = \frac{\text{Amount Needed}}{\text{No. of years} \times 12}$$

$$= \frac{10,00,000}{25 \times 12}$$

$$= \text{Rs.}3.333.33$$

Keep revisiting your financial goals from time to time.

## Topic III: Budgeting

| | |
|---|---|
| **Budgeting** | • Introduce the concept of a budget and its importance.<br>• Activity - Create a Budget<br>Engage the participants in the following activity:<br>• Tell the participants that they will now create their Monthly Household Budget. Explain the basic guidelines of creating a budget with the help of the Learning Pages/SamVaad app.<br>• Tell them to try and create a monthly budget for themselves using the information entered in their financial diary, if available.<br>• Go around the room and clarify the participants' doubts as they attempt to create a budget. |

### Objective: Understand the concept of a budget and create a monthly household budget.

A Budget is a simple plan which takes into account expected income and expected expenses for a specific time period to help us understand our finances.

Budgets can be made for any time period but households generally need a monthly and/or an annual budget.

A budget can be used as a tool to help us manage and track our money. When we compare our actual and budgeted income/expenses, we can make choices about how we earn/spend/save and change how we manage our money.

### Steps and Guidelines for Creating a Simple Monthly Household Budget.

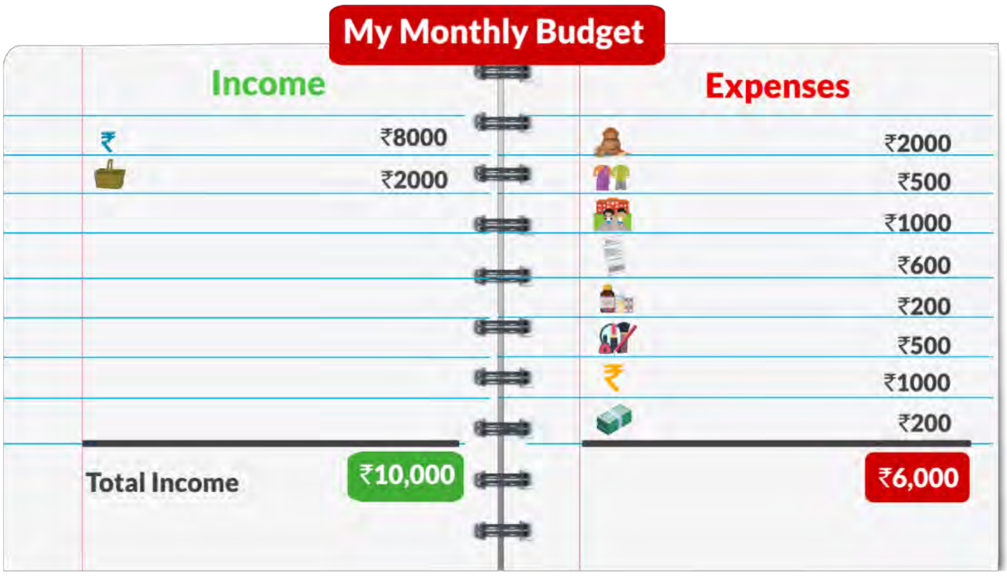
- Take a simple notebook or a sheet of paper. Divide the page into two halves to create the budget format. (You can also download and print the sample budget format from the SamVaad app or use the format in your diary).
- Keep your financial diary handy to help you with creating the budget.
- On the left-hand side, record the expected income of all your family members and any other money that you will receive like income from interest.
- On the right-hand side, record all the expected expenses. Remember to record EMIs (loan repayments), insurance premiums and any other non-recurring expenses.
- Add all income and expense items separately so that you have two total amounts.

- Calculate your expected savings at the end of the month:

Savings = Income – Expenses

- Analyse your expenses using the principles that you learnt in earlier sessions to see how you can reduce your expenses especially on wants and make any changes, if necessary.
- Your monthly budget is ready.

Don't forget to compare your actual income and expenses against your budget!




**In the above illustration**

Savings = Income – Expenses

= Rs. 10,000 – Rs. 6,000

= Rs. 4,000

## Topic IV: Financial Planning Process

| | |
|---|---|
| **Financial Planning Process** | • Recapitulate the steps of the financial planning process.<br>• Activity – Financial Planning<br>Tell the participants that they are now ready to go through the financial planning process for managing their money.<br>• While conducting the activity, ensure that the participants have their Financial Goals and Monthly Budget sheets ready. Help them in understanding that both goals and budgets are linked to each other. The goals sheet will help them in determining how much they need to save (required savings) and the budget will help them in determining how much they expect to save (expected savings). If their expected savings are less than their required savings, they will need to re-look at their financial goals and monthly budget so that both can be aligned.<br>• Take them through each step of the process and clarify the participants' doubts as they attempt to understand financial planning. This is an interactive activity where both doing and discussing are important.<br>• Emphasise that planning is an iterative process and that they can even seek external help, if necessary.<br>Tell the participants that they should discuss their financial planning with their family. |

### Objective: Learn the financial planning process.

You are now ready to go through the financial planning process. Please remember financial planning is an iterative exercise and that you should also involve your family as far as possible. Do note that the steps recommended in the financial planning process are not necessarily linear in nature and you can experiment with the order.

#### Step 1 – Set Your Financial Goals

You have finished this exercise. Please keep Your Financial Goals sheet handy.

#### Step 2 – Create Your Monthly Budget

You have finished this exercise. Please keep Your Monthly Budget sheet handy.

### Step 3 – Purchase Insurance

- Estimate your insurance needs for both life and general insurance including health, property and crop insurance.
- Check if you have bought adequate insurance cover. If not, please purchase insurance to meet your insurance estimates and adjust your budget to account for the premium.

### Step 4 – Reduce Your Loans

Take a careful look at your assets and liabilities. Assess if you have high interest loans that can be paid off faster or swapped for lower interest loans. If yes, you should speak to the loan provider and adjust your monthly budget to reflect that payment.

Avoid taking debt as far as possible and follow the basic principles of wise borrowing in the future before taking on a fresh loan. Following these principles may prevent you from falling into a debt trap.

### Step 5 – Invest Your Savings

Compare how much you need to save as per your goals (required savings) and how much you expect to save as per your budget (expected savings). If your expected savings are less than your required savings, you will need to re-look at your financial goals and monthly budget so that both can be aligned.

**Illustration to help you compare Required Savings and Expected Savings**

If Required Savings per Day: Rs. 150

Then, Required Savings per month = Rs. 150 × 30 (no. of days in a month)

= Rs. 4,500

If Expected Savings per month as per Monthly Budget = Rs. 3,500

Then, Required Savings (Rs. 4,500) are not equal to Expected Savings (Rs. 3,500).

They are Rs. 1,000 less.

*Hence, you will need to align Expected Savings and Required Savings.*

To recapitulate, some strategies that you can use for alignment are:

- Reduce your expenses especially on your wants. Increase your income, if possible. Try and increase your expected savings.
- Re-look at your goals. Are all of them important? Can you remove some? Can you increase the time period needed to achieve a goal without a severe impact? Try and see if you can reduce your required savings without putting any essential plans in jeopardy.

Make necessary changes to both your financial goals and monthly budget, if needed.

You should also check if you have some savings to meet short term emergencies. Such savings are also referred to as an emergency fund.

You need to deposit your savings in a bank or invest them in any other investment option that is suitable as per your goals. You should also plan how you will invest your expected savings.

Please don't hesitate to seek help from trusted financial advisors, if necessary.


### Step 6 – Revisit Your Financial Plan Regularly

Your income, your expenses, your financial goals and your expected returns from your savings may change from time to time. Hence, it is important for you to review your financial plan regularly and align it to your current and expected circumstances.

Financial Planning is an iterative process. You have to make choices carefully and wisely so that you can manage your money better.

Everyone Needs a Unique Financial Plan!

## Q&A (Questions and Answers)

| | |
|---|---|
| **Questions and Answers** | There are 10 questions in this session. Please follow general instructions given for this section at the beginning of your handbook. |

### Questions

**Please select the correct answer for each question:**

**1)** Financial planning is an activity that is only beneficial to very rich people.

1. True
2. False

**2)** A monthly budget of your family is a simple statement of your family's expected income and your family's expected expenses for a given month.

1. Yes
2. No

**3)** Is it important to review your financial plan regularly?

1. Yes
2. No

**4)** Usha has created a financial plan for her family. Asha also wants to create a financial plan for her family. Can she borrow Usha's plan instead of creating one herself?

1. Yes
2. No

**5)** Planning for old age is an important part of the financial planning process.

1. Yes
2. No

**6)** We should include all expenses like premium payments and loan repayments while making our household budget.

1. Yes
2. No

**7)** All our financial needs and goals are equally important and hence we do not need to prioritise them.

1. Yes
2. No

**8)** Estimating and providing for both life and non-life insurance is a critical part of the financial planning process.

**1.** Yes

**2.** No

**9)** Analysing your expenses so that unnecessary expenses can be reduced is an important step in the financial planning process.

**1.** Yes

**2.** No

**10)** Identifying how to save money and deciding how to invest money wisely are not important for creating a sound financial plan.

**1.** Yes

**2.** No

## Answers and Explanations

| Question No | Correct Option | Explanation |
|---|---|---|
| 1 | 2 | Financial planning is beneficial for everyone irrespective of their current wealth. |
| 2 | 1 | A monthly budget of your family is a simple statement of your family's expected income and your family's expected expenses for a given month. |
| 3 | 1 | It is very important to review your financial plan regularly. |
| 4 | 2 | Each person has a unique financial plan and hence the plan cannot be borrowed from someone else. We need to create our own financial plans by following the general process of financial planning. |
| 5 | 1 | It is important to plan for our old age as part of the financial planning process. |
| 6 | 1 | It is important to include all expected expenses including premium and EMIs while making a budget. |
| 7 | 2 | We need to prioritise our financial goals and needs because all our financial goals and needs are not equally important and the means for achieving them are limited. |
| 8 | 1 | Estimating and providing for both life and non-life insurance to protect our family and our assets is a critical part of the financial planning process. |
| 9 | 1 | It is important to analyse your expenses as a part of the financial planning process. |
| 10 | 2 | Identifying how to save money and deciding how to invest money wisely are critical to creating a sound financial plan. |

## Reflection Journal

| | |
|---|---|
| **Reflection Journal** | These questions have been designed to allow the participant to think for herself/himself. They prompt the participants to apply the concepts that they have learnt to their daily lives. Important pointers have been included to guide them through the reflection process.<br>You can allow the participants 5 minutes per question, if time permits. Discuss a sample response. Encourage them to go home and reflect on the questions with their family members and use the learnings. |

### Question 1

In this session, you spent time on listing your financial goals and creating your monthly budget. Reflect on them and spend some time on discussing them with your family. Revise the goals and/or budget, if needed and align them again post revision.

#### Important Pointers to Guide You

- *Is each goal important? Which goal is more important for most family members?*
- *Is each goal realistic? If not, it can be dropped.*
- *Can all family members agree on reducing expenses on certain items so that it becomes easier to achieve their financial goals?*

### Question 2

It is important for each individual to have a unique financial plan. Describe the financial planning process to a friend so that she/he can benefit from it. Enumerate the steps of the process for him/her.

#### Important Pointers to Guide You

- *Set Your Financial Goals*
- *Create Your Monthly Budget*
- *Purchase Insurance*
- *Reduce Your Loans*
- *Invest Your Savings*
- *Revisit Your Financial Plan Regularly*

## Session 7 – Summary

- Everyone needs to create a financial plan to manage their money.
- Financial planning is an iterative process.
- Financial goals and budgets should be realistic and exhaustive.
- Borrowing wisely is important.
- Buying insurance and creating an emergency fund are important steps in the planning process.
- Choosing the right savings and investment options are critical to help meet your financial goals.
- Review your financial plan regularly

## Session 8: The Power of the Mobile

| Duration | 1 hour |
|---|---|
| Learning Objectives | • Learn about the basics of mobile banking.<br>• Understand the uses of mobile wallets |
| Resources | • 1 Video<br>• Blank Sheets of Paper (A4 Size)<br>• Learning Pages<br>• Question Pages with 10 MCQs and explanations<br>• Smartphone with at least one wallet loaded (for demonstration) |
| Suggested Session Flow | • Mobile Banking – 20 minutes<br>• Mobile Wallets – 25 minutes<br>• Q&A (Questions and Answers) – 15 minutes |

In this session, you will:

**1)** Learn about the basics of mobile banking.

**2)** Understand the uses of mobile wallets.

## Topic I: Mobile Banking

| | |
|---|---|
| **Mobile Banking** | • Play the video for this session.<br>• State the objectives of the session.<br>• Explain the basics of mobile banking to the participants with the help of the Learning Pages or SamVaad app, if needed.<br>• Reiterate to the participants that mobile banking can be used as a powerful tool for meeting their day-to-day banking and transactional needs. |

### Objective: Know about the basics of mobile banking.

Over the last few sessions, you have learnt a lot about managing your money. As we move towards the end of our journey, it is important to understand the power of the mobile phone and the role that it can play in helping us manage our money.

#### What is Mobile Banking?

Mobile banking implies undertaking banking transactions by using your mobile phone. This covers both monetary transactions like transfer of money, etc. and non-monetary transactions like balance enquiry, etc.

#### How do you use Mobile Banking?

There are many ways of undertaking these transactions by using your mobile phone. You can access the bank's website through your mobile phone or download your bank's app on your mobile phone. You can also interact with your bank by using the short messaging service (SMS).

Your bank may issue you a Mobile Banking Id and password or PIN. Remember not to share these with anyone. You should also remember to log out of your app or the banking website after finishing your transactions.

## Uses of mobile banking

Mobile banking allows you to conduct your day-to-day banking transactions from the comfort of your home or on the go without having to visit a bank branch or a Bank Mitra/Business Correspondent outlet.

SMS alerts about transactions in your account is the simplest form of mobile banking. In addition, mobile banking may allow you to do the following:

- Check your balance
- View your account statement
- Request for a cheque book
- Transfer funds
- Pay bills
- Pay EMIs
- Pay insurance premiums

You may have also heard about UPI and USSD. You will now learn about these.

## UPI (Unified Payments Interface)

### What is UPI?

Unified Payments Interface (UPI) is a payments system that enables all bank account holders to send and receive money using their smartphones without the need to enter their bank account information or Internet Banking Ids and passwords.

The transfer of money is available 24*7 and happens immediately.

### What are the uses of UPI?

UPI can be used to:

- Send and receive money from individuals
- Pay directly for goods and services
- Pay bills

### How can you use UPI?

It is easy to use UPI. You can instantly download a UPI app such as your bank's app or the BHIM (Bharat Interface for Money) app or any other app that supports UPI. You can then create your Virtual Payment Address (VPA), link it to your bank account and start using UPI. The VPA acts as a financial address for receiving or transferring funds.


### USSD (Unstructured Supplementary Service Data)

USSD is a mobile banking platform that brings the power of mobile banking to users with feature phones and without access to the internet by dialling the USSD Code (*99#). This platform was conceived under the PMJDY (Pradhan Mantri Jan Dhan Yojana) Mission.

The USSD platform is available around the clock and once you have registered for the service, you can start using it to do both financial and non-financial transactions like:

- Transferring and receiving money.
- Checking your bank balance.
- Obtaining a mini-statement of your account.
- Recharging your mobile.


Please note that the above is a general introduction to mobile banking. For more information on the specific mobile banking services (and charges, if any) that are provided by your bank, please check with your bank.

## Topic II: Mobile Wallets

| | |
|---|---|
| **Mobile Wallets** | • Explain the basics of mobile wallets and their uses to the participants.<br>• Activity - Mobile Wallet Demo<br>Conduct the following demonstration:<br>– Ensure you have a smartphone with a mobile wallet downloaded on it. Sit with the participants in a group and show them how to use the wallet. Answer their queries, if any.<br>• In case a phone with a mobile wallet is not available, you can use the sample flows in the learning material to explain some basic functions of a mobile wallet to the participants. |

## Objective: Understand the basics of mobile wallets.

### What is a Mobile Wallet?

In simple terms, **a mobile wallet is a virtual mobile-based wallet**. It is a digital version of the physical wallet that we keep in our pockets or purses.

There are many mobile wallets available on the app stores like Vodafone's M-Pesa, PayTM, ICICI Pockets and SBI Buddy among others.

The specific features and applications of your mobile wallet will depend on which wallet and which smartphone you use.


### How do we load money in a Mobile Wallet?

Some of the ways of loading money in your mobile wallet are:

- By using your Internet Banking Id and password
- By receiving an incoming transfer from a friend

- By using your ATM/Debit card
- By using your Credit Card
- At offline stores or at authorised agents

In fact, you can also load money and withdraw money in your mobile wallets like M-Pesa through physical outlets or agents that are located even in the remotest of places. Currently there are around 1.4 lakh outlets for doing such transactions.

### Is it safe to use a Mobile Wallet?

Mobile wallets are protected by a PIN or Password. You should never share this PIN or Password with anyone to keep your wallet safe.

You should always log out of the wallet after your transaction is over.

It is also advisable not to load too much money in advance in your mobile wallet.

### Are there any charges that are levied for using a Mobile Wallet?

Most mobile wallet providers do not charge for basic services. It is however, advisable to check the terms and conditions of use that are applicable for the specific wallet available/installed on your mobile phone.

### Are there any limits while transacting with a Mobile Wallet?

Most mobile wallets prescribe limits for different types of transactions which may change from time to time. It is advisable to check the limits that are applicable for the specific wallet available/installed on your mobile phone.

A table summarising some important limits in Vodafone's M-Pesa is given below as an example. These limits are subject to change from time to time.

| Type of Transaction | Limit (Min / Max) | Mobile Wallet Only (Rs.) |
|---|---|---|
| Fund Transfers (per transaction) | Max | 5000 |
| Daily Fund Transfer | Max | Minimum KYC* – 20000<br>Full KYC** – 25000 |
| Monthly Fund Transfer | Max | Minimum KYC – 20000<br>Full KYC – 25000 |
| Send Money to Unregistered M-Pesa Customers | Max | Minimum KYC – Not Allowed<br>Full KYC – 20000 per month<br>(5000 per transaction) |
| M-Pesa Withdrawal | Max | Minimum KYC – Not Allowed<br>Full KYC – 25000 per month |
| Deposit in M-Pesa account (per transaction) | Max | Minimum KYC – 20000<br>Full KYC – 50000 per month |
| Daily Deposit in M-Pesa account | Max | Same as above |

**Minimum KYC: Only Name, address, phone number, etc.*

***Full KYC: Aadhaar Linked with Biometric*

*Please note that from March 2018, the new Pre-Paid Instruments (PPI) guidelines will be implemented as per government rules in which the limit with minimum KYC will be Rs. 10,000 and with full KYC it will be Rs. 100,000. There will be no fund transfer allowed without full KYC.*

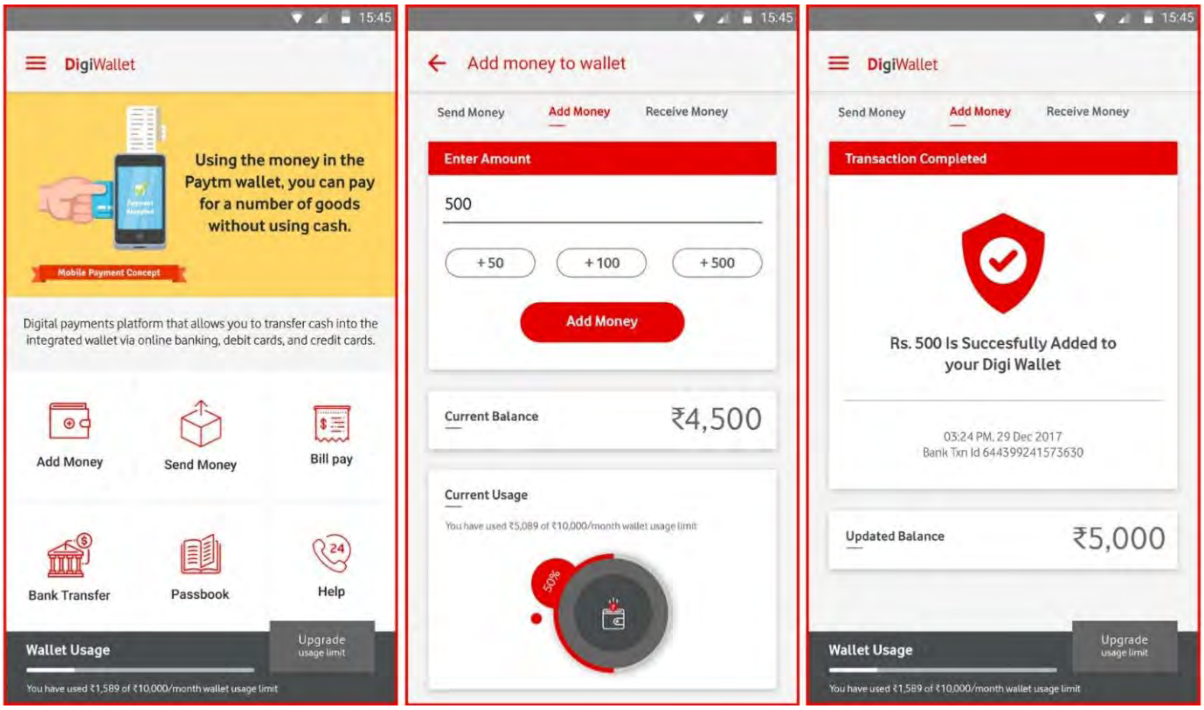
### What are some of the uses of Mobile Wallets?

Mobile Wallets can be used like we use real cash and real credit/debit cards in our daily lives. They can be used to pay bills; buy goods or services at online or offline merchants; purchase railway tickets and also to earn cashbacks and other discounts. They can be used to transfer money to another wallet and also as money saving devices.

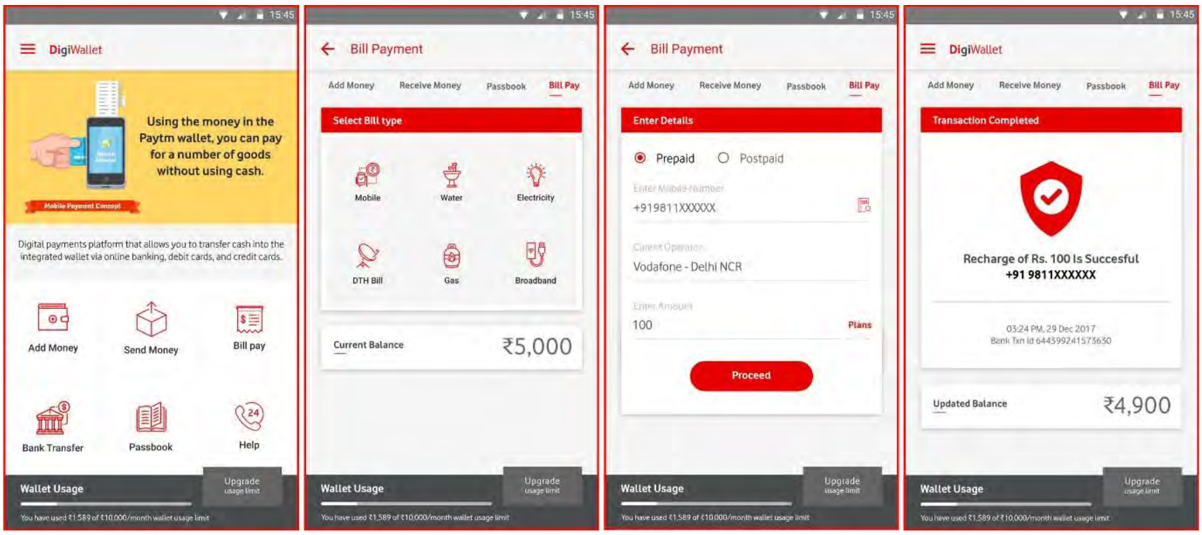
## Mobile Wallet – Examples of Flows of Basic Functions

In order to help you understand the basic functions of a mobile wallet, we have created some sample transaction flows. These flows can be used as a handy reference. However, please note that the actual flows of each wallet may be different and can be learnt by using the mobile wallet's help section.

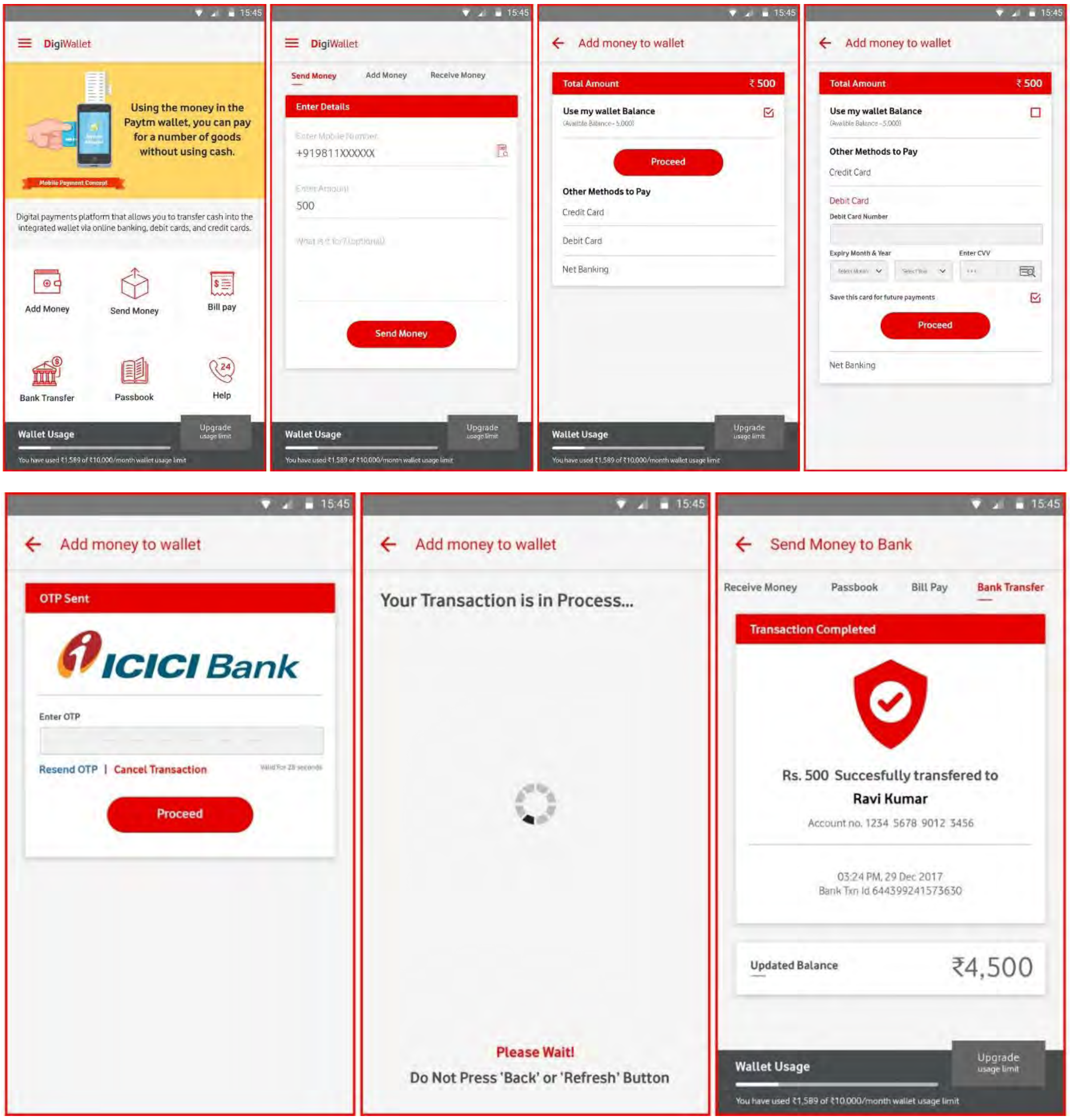
### 1) Add Money to Wallet



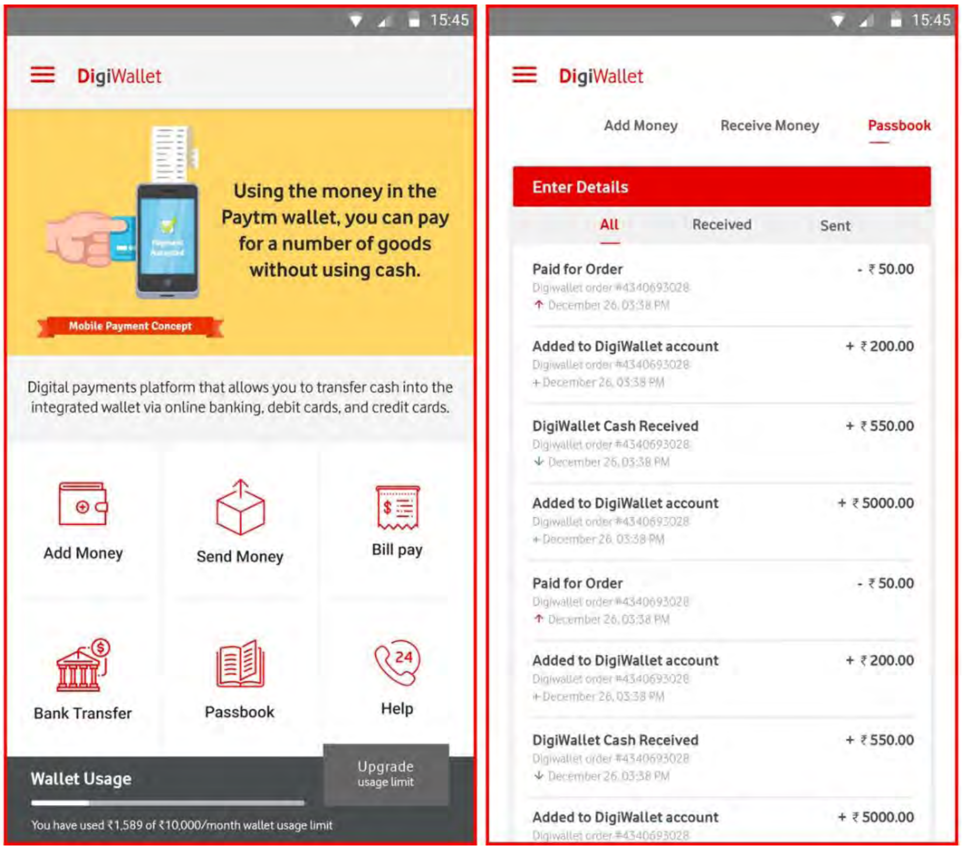

### 2) Bill Payment



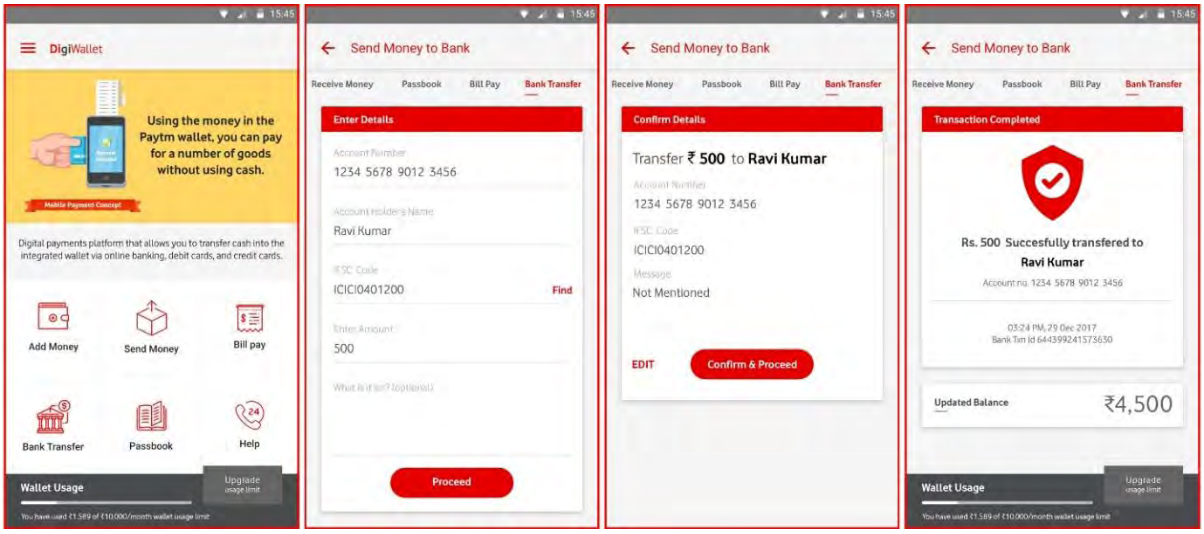
## 3) Transfer Money



## 4) Passbook




## 5) Send Money to Bank




Please note that the above is a general introduction to mobile wallets. For more information on the specific services that mobile wallets provide (and charges, if any), please refer to the website of the service provider whose wallet you intend to use.

## Q&A (Questions and Answers)

| **Questions and Answers** | There are 10 questions in this session. Please follow general instructions given for this section at the beginning of your handbook. |
|---|---|

### Questions

**Please select the correct answer for each question:**

**1)** Which of the following is not an example of a mobile wallet?

1. M-Pesa
2. LIC
3. PayTM
4. MobiKwik

**2)** Can SMS alerts from our bank help us in keeping a track of our bank account?

1. Yes
2. No

**3)** You can transfer funds to your friend using UPI and USSD.

1. True
2. False

**4)** Which of the following transactions are generally allowed using mobile banking?

1. Balance Enquiry
2. Bill Payment
3. Payment of EMIs
4. All of the above

**5)** Mobile banking PIN or Passwords can be shared with friends we trust.

1. True
2. False

**6)** Mike has a feature phone and no access to the internet. Can he still check his bank balance on his mobile using USSD?

1. Yes
2. No

**7)** In which of the following cases can you use a mobile wallet to pay for goods and services?

1. Pay bills
2. Pay at a shop to buy goods
3. Pay online to buy goods
4. All of the above

**8)** It is not important to log out of the mobile banking app or mobile wallet after completing your transaction.

1. True
2. False

**9)** Arun wants to load money in his M-Pesa wallet. Which of the following methods can he use?

1. ATM/Debit Card
2. Credit Card
3. Ask a friend to transfer money to him
4. All of the above

**10)** Some mobile wallets can be loaded with money at physical outlets.

1. True
2. False

## Answers and Explanations

| Question No | Correct Option | Explanation |
|---|---|---|
| 1 | 2 | LIC or Life Insurance Corporation of India does not provide a mobile wallet. M-Pesa, PayTM and MobiKwik are examples of mobile wallets. |
| 2 | 1 | SMS Alerts from our bank can help us in keeping a track of our bank accounts. |
| 3 | 1 | You can transfer funds to your friend using Unified Payments Interface (UPI) and USSD, provided both of you have a bank account. |
| 4 | 4 | Mobile banking allows us to undertake many financial and non-monetary transactions which include balance enquiry and payment of bills and EMIs. |
| 5 | 2 | Mobile banking PINs or Passwords should not be shared with anyone to ensure the safety of your money. |
| 6 | 1 | You can check your bank balance using a feature phone with no internet access by using USSD Code (*99#). |
| 7 | 4 | Mobile Wallets can be used to pay bills and buy goods at shops and online. You should however check if the other party accepts payments from the specific mobile wallet you are using. |
| 8 | 2 | It is important to always log out of all sessions of your internet banking, mobile banking app and mobile wallet after you have completed your transactions. |
| 9 | 4 | Mobile Wallets can be loaded with money using Debit/ATM Cards, Credit Cards and through net banking. Incoming transfers and cashbacks are also ways of loading money into a mobile wallet. |
| 10 | 1 | Some mobile wallets like M-Pesa have tied up with physical outlets which can be used to load money in them. |

## Reflection Journal

| | |
|---|---|
| **Reflection Journal** | These questions have been designed to allow the participant to think for herself/himself. They prompt the participants to apply the concepts that they have learnt to their daily lives. Important pointers have been included to guide them through the reflection process.<br>You can allow the participants 5 minutes per question, if time permits. Discuss a sample response. Encourage them to go home and reflect on the question with their family members and use the learnings. |

### Question 1

In this session, you were introduced to mobile wallets. Do you feel more confident about using mobile wallets now? Make a list of the ways in which you intend to use mobile wallets.

#### Important Pointers to Guide You

- *Transfer money to your friends and family instantaneously.*
- *Pay your bills.*
- *Pay for your purchases at shops.*
- *Recharge your mobile.*

### Question 2

Write down some of the important guidelines that you should follow while using mobile banking and/or mobile wallets so that both your money and your confidential information are safe.

#### Important Pointers to Guide You

- *Do not share confidential information like passwords and PINs with anyone including your friends.*
- *Always log out of your mobile wallet/ mobile banking site or app after you have completed your transactions.*
- *Change your Password/PIN at regular intervals.*

| Session 8 – Summary |
|---|
| • Mobile banking implies undertaking banking transactions by using your mobile phone.<br>• You can undertake both financial and non-financial transactions using mobile banking.<br>• A mobile wallet is a virtual mobile-based wallet. Mobile wallets make it easy to undertake financial transactions.<br>• It is important to keep your PINs/Passwords safe. |

## Session 9: Government Schemes

| | |
|---|---|
| **Duration** | 1 hour |
| **Learning Objectives** | • Know about important government schemes.<br>• Review your learnings on financial literacy. |
| **Resources** | • 1 Video<br>• Blank Sheets of Paper (A4 Size)<br>• Learning Pages<br>• Question Pages with 20 MCQs and explanations<br>• Questionnaire – 'My Learnings' |
| **Suggested Session Flow** | • Introduction to Important Government Schemes – 15 minutes<br>• Questions and Answers (Q&A) – 25 minutes<br>• Wrapping Up – 20 minutes |

In this session, you will:

**1)** Know about important government schemes.

**2)** Review your learnings on financial literacy.

## Topic I: Introduction to Important Government Schemes

| **Introduction to Important Government Schemes** | • Play the video for this topic.<br>• Introduce the participants briefly to some of the important schemes run by the Central Government, with the help of the Learning Pages/SamVaad app.<br>• Please stress that the schemes discussed are not exhaustive and that all schemes are liable to be revised from time to time. |
|---|---|

### Objective: Know about important government schemes.

The Government announces and administers various schemes from time to time for the benefit of citizens at large. Some of these schemes have been introduced to you in earlier sessions while some of them may be new to you. This is not an exhaustive list. Please note that these schemes and their details are liable to change from time to time.

#### 1) Aadhaar

Aadhaar is a unique 12 digit random number, issued to an Indian resident by the Unique Identification Authority of India (UIDAI). Every resident is entitled to voluntarily obtain an Aadhaar number by submitting his/her demographic and biometric information while undergoing the process of enrolment.

Aadhaar number empowers the residents of India with a unique identity and a digital platform to authenticate anytime, anywhere. Aadhaar number, in physical or electronic form subject to authentication and other conditions, is accepted as proof of identity of the Aadhaar number holder for any purpose.

For more information, you can refer to https://uidai.gov.in

#### 2) Pradhan Mantri Jan Dhan Yojana (PMJDY)

PMJDY is a 'National Mission for Financial Inclusion' launched by The Department of Financial Services (DFS), Ministry of Finance, Government of India. This mission aims at ensuring access to financial services and timely and adequate credit to the excluded sections i.e. the low income groups.

It is possible to open a zero balance Jan Dhan account under the scheme. Accounts opened under PMJDY generally have the following features:

- Free Passbook
- Free Personalised Rupay Debit Card

- Free cheque leaves
- Access to all PMJDY benefits

Please check with your bank for all details and restrictions, if any, on such accounts.


For more information, you can refer to https://www.pmjdy.gov.in/

### 3) Sukanya Samriddhi Yojana (SSY)

बेटी बचाओ
बेटी पढ़ाओ

Sukanya Samriddhi Yojana is a small deposit scheme of the Government of India exclusively targeted at the girl child and aims at helping in meeting her education and marriage expenses.

The account can be opened by the natural or legal guardian in the name of the girl child from her birth till she attains the age of 10 years. The account can be opened with an initial deposit of Rs. 1,000. A minimum of Rs. 1,000 has to be deposited every financial year, but the total money deposited in an account should not exceed Rs. 1, 50,000 in a financial year.

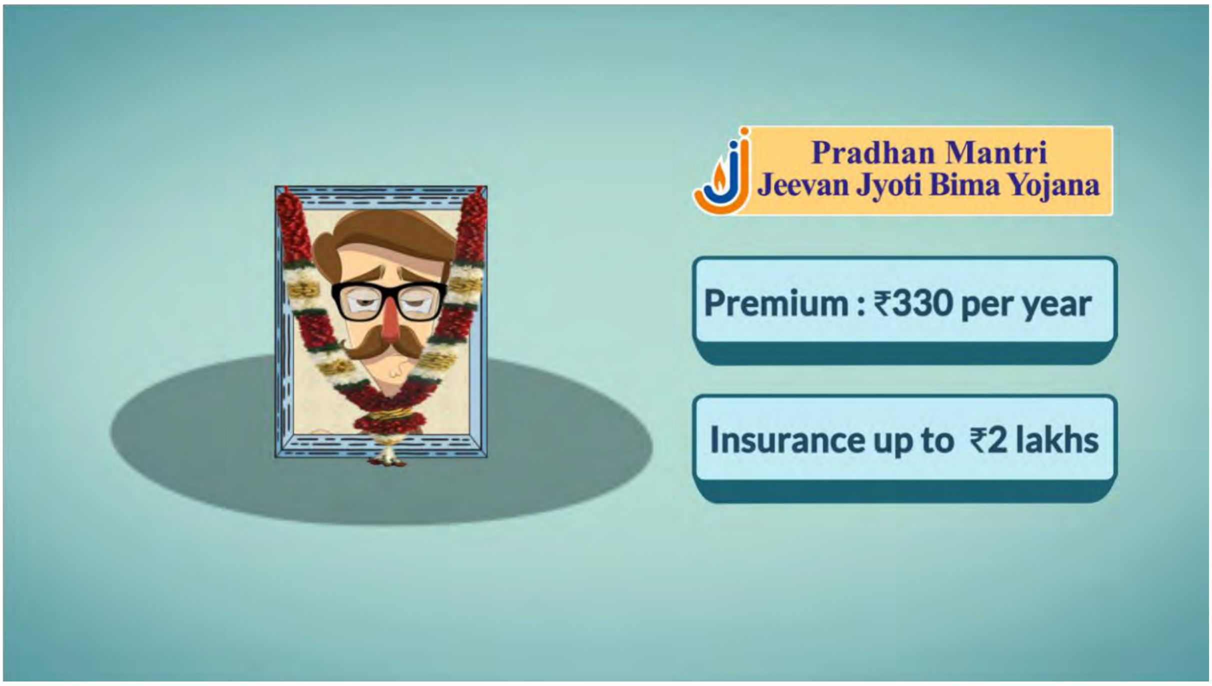

For more details, you can contact a post office or an authorised branch of the bank where you wish to open the account.

### 4) Pradhan Mantri Jeevan Jyoti Bima Yojana (PMJJBY – Scheme 2 – for Life Insurance)

Pradhan Mantri Jeevan Jyoti Bima Yojana

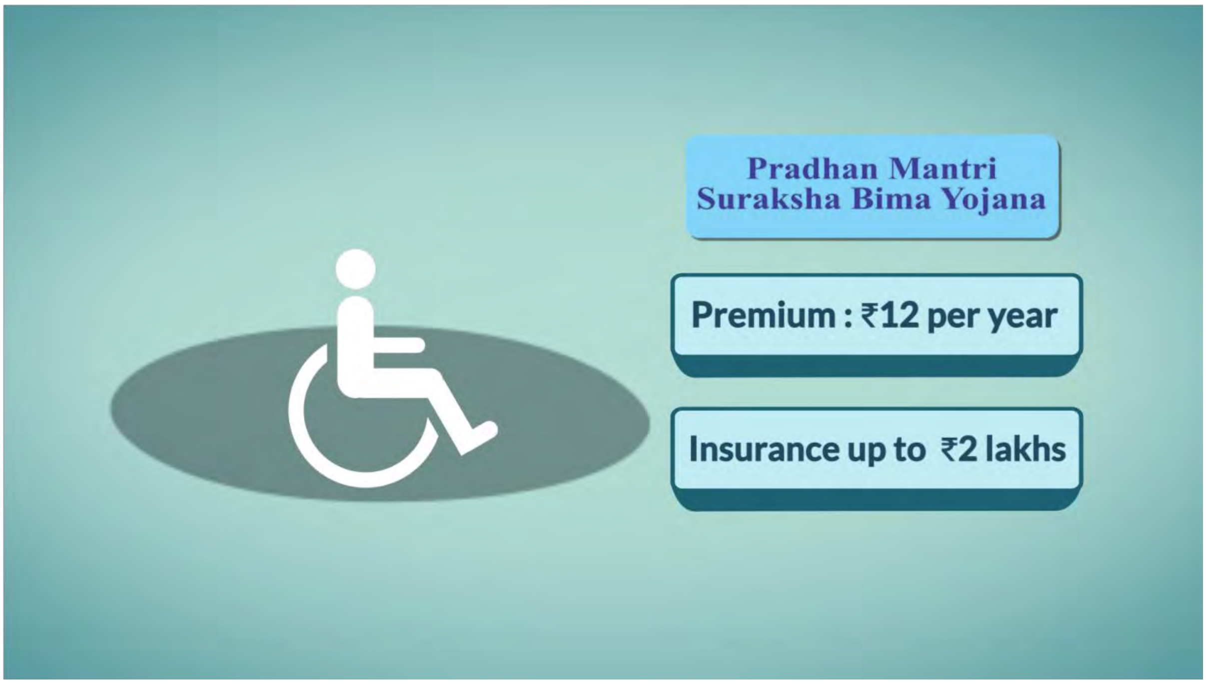
- **Eligibility**: Savings Bank Account holders between 18 years (completed) and 50 years (age nearer birthday).
- **Policy period**: One year.
- **Premium**: Rs. 330 per annum.
- **Payment Mode of premium**: Direct auto-debit by the bank from the subscribers' savings bank account.
- **Risk Coverage**: Sum Assured of Rs. 2 Lakhs on death of the Insured member for any reason is payable to the Nominee.

- **Termination of assurance**:
  - Account holder attains age of 55 years.
  - Closure of account with the bank or insufficiency of balance for debiting premium.
  - Multiple coverage is not permitted.

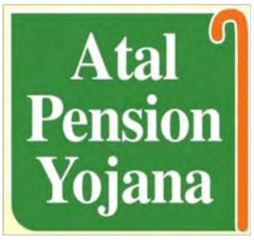



5) **Pradhan Mantri Suraksha Bima Yojana (PMSBY – Scheme 1 – for Accidental Death Insurance)**

- **Eligibility**: Savings Bank Account holders between 18 years (completed) and 70 years (age nearer birthday).
- **Policy period**: One year.
- **Premium**: Rs. 12 per annum.
- **Payment Mode of premium**: Direct auto-debit by the bank from the subscribers' savings bank account.
- **Risk Coverage**: Up to Rs. 2 Lakhs as per details specified, subject to exclusions including intentional self-injury, suicide or attempted suicide whilst under the influence of intoxication, liquor or drugs.
- **Termination of assurance**:
  - Closure of account with the bank or insufficiency of balance for debiting premium.
  - Multiple coverage is not permitted.




### 6) Atal Pension Yojana

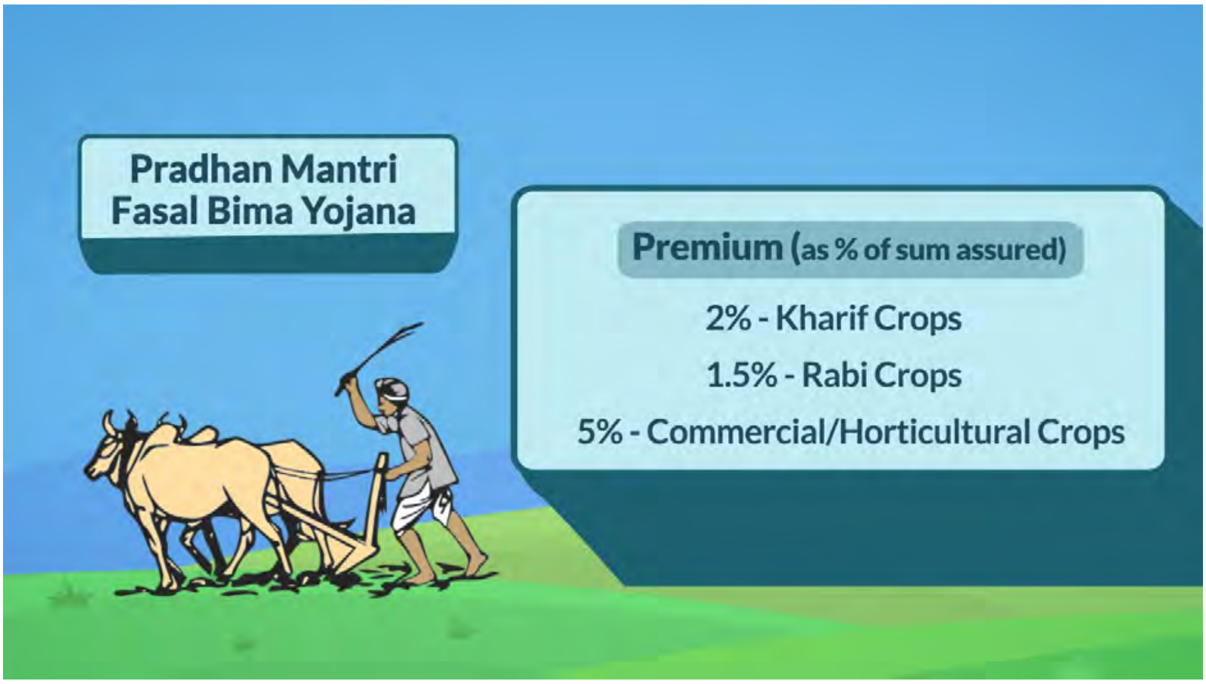



- **Overview**: Guaranteed monthly pension scheme for subscribers, ranging from Rs. 1,000 to Rs. 5,000 per month. Administered by the Pension Fund Regulatory and Development Authority (PFRDA).
- **Eligibility for entry**: Savings Bank Account holders between 18 years and 40 years.
- **Contribution**: ~Rs. 42 to Rs. 1,454 depending on age at entry and guaranteed monthly pension needed by subscriber. Minimum period of contribution is 20 years or more.
- **Payment of Pension**: Monthly pension would be paid to the subscriber on completion of 60 years of age, and to the spouse on subscriber's death. After the death of both subscriber and spouse, the pension corpus, would be returned to the nominee of the subscriber.
- **Payment Mode of premium**: Direct monthly auto-debit by the bank from the subscribers' savings bank account.


### 7) Pradhan Mantri Fasal Bima Yojana (PMFBY)

- **Overview:** Comprehensive crop insurance scheme with the following objectives:
  - To provide insurance coverage and financial support to farmers in the event of failure of any of the notified crops as a result of natural calamities, pests and diseases.
  - To stabilise the income of farmers.
  - To encourage farmers to adopt innovative and modern agricultural practices.
  - To ensure flow of credit to the agriculture sector.
- **Eligibility:** All farmers including share-croppers and tenant farmers growing the notified crops in the notified areas. Compulsory for 'loanee farmers'.
- **Premium (Part to be paid by Farmer – balance borne by the Central and State Government):**
  - Kharif crops - 2% of sum assured or actuarial rate (whichever is lesser).
  - Rabi crops -1.5% of sum assured or actuarial rate (whichever is lesser).
  - Annual commercial and horticultural crops - 5% of sum assured or actuarial rate (whichever is lesser).
- **Risk Coverage:** The following stages of the crop and risks leading to crop loss are covered subject to exclusions.
  - Insured area is prevented from sowing/planting due to deficit rainfall or adverse seasonal conditions.

- Yield losses due to non-preventable risks like drought, dry spells, floods, pests and diseases, storms, etc.
- Post-Harvest losses up to a maximum period of two weeks from harvesting for those crops which are allowed to dry in cut and spread condition in the field.
- Loss/ damage resulting from occurrence of identified localised risks of hailstorms, landslides, and inundation affecting isolated farms in the notified area.




## 8) Public Provident Fund (PPF)

PPF is a popular long term investment option backed by the Government of India which offers safety with attractive interest rates that are revised from time to time. You can open a PPF account in a bank or a post office. One can invest between Rs. 500 and Rs. 1,50,000 in one financial year and can also avail facilities such as loan, withdrawal and extension of one's PPF account. Your bank or post office will give more details before you open a PPF account.

## 9) Pradhan Mantri Mudra Yojana (PMMY)

Pradhan Mantri Mudra Yojana is a scheme to provide collateral-free funding to non-corporate, non-farm sector income generating activities of micro and small enterprises up to Rs. 10 lakhs. The assistance is available to all non-corporate small businesses including manufacturing units, shopkeepers, fruits and vegetable vendors, truck operators, repair shops and machine operators among others.

Under the aegis of Pradhan Mantri Mudra Yojana (PMMY), there are three products as per the stage of growth and funding needs of the beneficiary micro unit.

- Shishu: Loans up to Rs.50,000
- Kishore: Loans above Rs.50,000 and up to Rs.5,00,000
- Tarun: Loans above Rs.5,00,000 and up to Rs.10,00,000


For more information, you can refer to www.mudra.org.in

## 10) Pradhan Mantri Awas Yojana (PMAY)

The government is focused on providing affordable housing to all citizens of India. Pradhan Mantri Awas Yojana has been launched with a view to supporting this mission.

Pradhan Mantri Awas Yojana (Urban) provides central assistance to Urban Local Bodies (ULBs) and other implementing agencies through State and Union Territories for:

- In-situ rehabilitation of existing slum dwellers using land as a resource through private participation
- Credit linked subsidy
- Affordable housing in partnership
- Subsidy for beneficiary-led individual house construction/enhancement

For more information, you can refer to www.pmaymis.gov.in

## 11) Direct Benefit Transfer (DBT)

The Government has introduced a revamped delivery system for welfare schemes for simpler and faster flow of information and funds. This ensures accurate targeting of the beneficiaries, de-duplication and reduction of fraud. Multiple schemes administered by various ministries including NREGA, scholarship and pension schemes are now covered under this system. DBT Cells established in all States and Union Territories can provide detailed information. You can refer to the site https://dbtbharat.gov.in/ for more details.

## 12) Non – Government Scholarship Schemes

Apart from the government schemes discussed above, several scholarships are also available that provide financial support for students in education. One of the ways to explore these scholarships is through www.learningwithvodafone.in where scholarships worth more than Rs. 15,000 crores are listed. The website not just matches the students' profile to the eligible scholarships, but also offers free application support on phone in eight different languages.

## Wrapping Up

| | |
|---|---|
| **Wrapping Up** | This is the final section of this module on financial literacy.<br>• Ask the participants to fill in the brief questionnaire that helps them review their learnings. Tell them to reflect on each learning carefully. Encourage them to go back and re-look at the sessions or topics that they are not comfortable with.<br>• Discuss with them if the module met their objectives. You can refer to your notes from the introductory part of Session I.<br>• Stress upon the participants that they should continue using the tools learnt in the module and build on their learnings.<br>• Wrap up by thanking them and wishing them the very best for their future. |

You have now reached the last section of this module. We hope you have enjoyed this journey. Before the wrap up, we encourage you to go through this brief questionnaire which will allow you to review what you have learnt. Do revisit the sessions at your convenience.

Use the tools that you were introduced to in this module to manage your money better. We hope that this is a new beginning for you and would like to wish you and your family the very best for your future.

| My Learnings | | | |
|---|---|---|---|
| Date:<br><br>Name: | | | |
| | | **Yes** | **No** |
| 1 | I understand the concept of interest. | | |
| 2 | I can differentiate between needs and wants. | | |
| 3 | I have opened/am planning to open a bank account. | | |
| 4 | I have started maintaining a financial diary for my household expenses. | | |
| 5 | I understand that one can make money from money. | | |
| 6 | I know the importance of saving more and spending less. | | |
| 7 | I have bought/am planning to buy life insurance. | | |
| 8 | I have bought/am planning to buy health insurance for my family. | | |
| 9 | I understand that savings can be invested to grow our money. | | |
| 10 | I remember the golden rules of investing. | | |
| 11 | I know that consumption borrowing should be avoided. | | |
| 12 | I will compare all my borrowing options and borrow wisely. | | |
| 13 | I will take on debt only if I can afford to pay it back. | | |
| 14 | I have made a monthly budget for myself. | | |
| 15 | I have set financial goals for myself. | | |
| 16 | I know that everyone should have a financial plan. | | |
| 17 | I can use my mobile as a tool for managing my money. | | |
| 18 | I involve my family in managing our money. | | |
| 19 | I know about some schemes run by the Central Government that help people in managing their money. | | |
| 20 | I feel more confident about managing my money now. | | |

## Q&A (Questions and Answers)

| | |
|---|---|
| **Questions and Answers** | There are 20 questions in this session. Please follow general instructions given for this section at the beginning of your handbook.<br>These questions are based on the key concepts covered in all previous sessions. You may need to refer the participants to the relevant session in case they cannot recollect a certain concept. |

### Questions

**Please select the correct answer for each question:**

**1)** Who is a Business Correspondent (BC) or Bank Mitra?

1. Your best friend
2. A friendly money lender
3. An agent appointed by a bank to provide banking services
4. An agent appointed by a business house to give loans to people

**2)** Mansur is 25 years old. He earns Rs. 7000 per month and spends all his money. He believes that he is too young to start saving and investing. Is Mansur's thinking correct?

1. Yes
2. No

**3)** Pradhan Mantri Fasal Bima Yojana is not available for Rabi crops.

1. True
2. False

**4)** Usha borrows Rs. 7,000 at 10% p.a. Simple Interest for 5 years. What is the total amount that she will have to pay back after 5 years?

1. Rs. 5,000
2. Rs. 10,500
3. Rs. 9,000
4. Rs. 15,000

**5)** It is possible to check your bank balance by using mobile banking.

1. True
2. False

6) Loans under Pradhan Mantri Mudra Yojana are available for consumption related expenditure like going for a holiday.

   1. Yes
   2. No

7) Which of the following are commonly available investment options?

   1. Mutual Funds
   2. PPF (Public Provident Fund)
   3. Recurring Deposits
   4. All of the above

8) Loans under Pradhan Mantri Mudra Yojana are not available for farm related activities.

   1. True
   2. False

9) Raja wants to buy a fridge after 1 year. The fridge is expected to cost Rs. 7,300 after 1 year. How much should Raja save per day?

   1. Rs. 20
   2. Rs. 30
   3. Rs. 10
   4. Rs. 50

10) Mike wants to deposit Rs. 1,000 in a bank account for 5 years. He has two choices. He can deposit the money at 10% Simple Interest or he can deposit the money at 10% Compound Interest. What should Mike do?

   1. Deposit the money at 10% Simple Interest
   2. Deposit the money at 10% Compound Interest

11) Noor's children want her to take a loan to buy a bigger colour television because their neighbours have a larger television. Should Noor take the loan?

   1. Yes
   2. No

12) Atal Pension Yojana aims at providing social security to the unorganised sector.

   1. True
   2. False

**13)** It is possible to take loans up to Rs. 50 lakhs under the Pradhan Mantri Mudra Yojana.

1. True
2. False

**14)** Which of the following is true about Aadhaar?

1. Aadhaar is a unique 12 digit number issued by the Unique Identification Authority of India (UIDAI).
2. Two people can have the same Aadhaar Number.
3. Aadhaar is a proof of citizenship.
4. Aadhaar can be used as a substitute to your passport.

**15)** Pradhan Mantri Suraksha Bima Yojana (PMSBY) provides accidental insurance up to Rs. 5 lakhs.

1. True
2. False

**16)** It is possible to open a zero balance account in any bank branch across the country.

1. True
2. False

**17)** Ratna earns Rs. 5,000 per month to support her family. Does Ratna need life insurance?

1. Yes
2. No

**18)** Asha is illiterate. Can her bank issue her a debit card?

1. Yes
2. No

**19)** Pradhan Mantri Jan Dhan Yojana (PMJDY) is a National Mission for Financial Inclusion to ensure access to financial services.

1. Yes
2. No

**20)** It is not important to manage your finances because money manages itself.

1. True
2. False

## Answers and Explanations

| Question No | Correct Option | Explanation |
|---|---|---|
| 1 | 3 | A Business Correspondent (BC) or Bank Mitra is an agent appointed by a bank to provide banking services. |
| 2 | 2 | It is important to start saving and investing as early as possible. No one is too young to start saving and investing. |
| 3 | 2 | Pradhan Mantri Fasal Bima Yojana is available for both Rabi and Kharif crops. It is also available for annual commercial and horticultural crops. |
| 4 | 2 | In this example, Principal = Rs. 7,000; Time = 5 years and Rate of Interest = 10% p.a. simple interest. Simple Interest for 5 years = $\frac{7{,}000 \times 5 \times 10}{100}$ which is Rs. 3,500. Amount is the sum of Principal and Simple Interest. Hence Amount = Rs. 7,000 + Rs. 3,500 which is equal to Rs. 10,500. |
| 5 | 1 | It is possible to check your bank balance and access your bank statement by using mobile banking. |
| 6 | 2 | Loans under Pradhan Mantri Mudra Yojana are available only for income generating activities. |
| 7 | 4 | Mutual funds, PPF and Recurring Deposits are all investment options. |
| 8 | 1 | Loans under Pradhan Mantri Mudra Yojana are only available for non-farm related activities |
| 9 | 1 | There are 365 days in a year. Rs. 7,300 is needed after one year. $\frac{7{,}300}{365}$ = 20. Hence, saving required per day = Rs. 20. |
| 10 | 2 | It is better to deposit money in an account which pays compound interest because you also earn interest on interest. |
| 11 | 2 | It is not advisable to take a loan for consumption expenditure and to fulfill your wants. |
| 12 | 1 | Atal Pension Yojana aims at providing social security to the unorganised sector. |
| 13 | 2 | It is possible to take loans up to Rs. 10 lakhs only under the Pradhan Mantri Mudra Yojana. |
| 14 | 1 | Aadhaar is a unique 12 digit number issued by the **Unique Identification Authority of India (UIDAI)**. |

| Question No | Correct Option | Explanation |
|---|---|---|
| 15 | 2 | Pradhan Mantri Suraksha Bima Yojana (PMSBY) provides accidental insurance up to Rs. 2 lakhs. |
| 16 | 1 | You can open a zero balance account in any bank branch across the country. |
| 17 | 1 | Every member who supports his/her family should purchase life insurance so that their family's future is protected. |
| 18 | 1 | It is not important to be literate to get a debit card. |
| 19 | 1 | Pradhan Mantri Jan Dhan Yojana (PMJDY) is a National Mission for Financial Inclusion to ensure access to financial services. |
| 20 | 2 | It is extremely important to manage your finances. |

## Reflection Journal

| | |
|---|---|
| **Reflection Journal** | These questions have been designed to allow the participant to think for herself/himself. They prompt the participants to apply the concepts that they have learnt to their daily lives. Important pointers have been included to guide them through the reflection process.<br>You can allow the participants 5 minutes per question, if time permits. Discuss a sample response. Encourage them to go home and reflect on the questions with their family members and use the learnings. |

### Question 1

In this session, you have learnt about some important schemes that the government administers to help citizens in managing their money. Which of these schemes do you think will be beneficial to you and why? Make a note of them so that you can take necessary steps to avail the benefits of those schemes.

#### Important Pointers to Guide You

- *Pradhan Mantri Jan Dhan Yojana: Open a PMJDY account to deposit your savings.*
- *Sukanya Samriddhi Yojana: Open an account under the scheme to plan for your daughter's higher education.*
- *Pradhan Mantri Mudra Yojana: Take a collateral-free loan under the scheme to start a micro-business in your town/village.*

### Question 2

You have learnt the basics of managing your money in this course. Reflect upon your learnings and make a checklist of some of the most important habits that you will try and inculcate to ensure that you plan your finances better and manage your money well.

#### Important Pointers to Guide You

- *I will maintain a financial diary for tracking my household expenses.*
- *I will try saving more and spending less.*
- *I will compare all my borrowing options before I take on a debt.*
- *I will invest my savings regularly.*
- *I will make a financial plan for my family and keep reviewing it regularly.*

| Session 9 – Summary |
|---|
| • The Government administers many schemes to help the citizens in managing their money and meeting their financial goals.<br>• The details of these schemes may change from time to time and it is important to check the current details of all schemes. |

Notes: