



FINANCIAL LITERACY

FOR YOUNG MINDS

6



**Incorporates NEP-2020 & NCF-2023
for CBSE, ICSE & other boards**





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PREFACE

Financial literacy has become an essential life skill in today's fast-changing world. Young learners regularly experience money, choices, technology, and markets, yet often without guided understanding. This series for Classes 6 to 8 has been designed to build that understanding gradually and meaningfully, in line with the objectives of the National Strategy for Financial Education (NSFE 2020–2025).

The books follow a progressive structure:

- **Class 6** introduces the basics of money, budgeting, saving, and values.
- **Class 7** expands into banking, borrowing, digital payments, and consumer awareness.
- **Class 8** prepares students for real-world financial situations through topics like insurance, taxes, inflation, investments, and responsible decision-making.

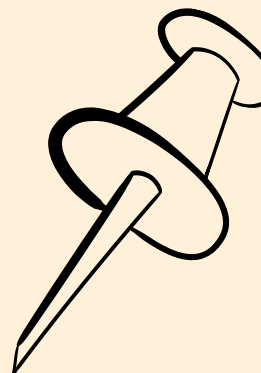
Each chapter begins with an interaction or story to spark curiosity, followed by simple explanations, relatable examples, illustrations, and short questions to strengthen understanding. The content is simple, engaging, and easy to follow. In-text questions, summaries, key terms, and exercises reinforce learning, while values like honesty, responsibility, and smart decision-making are woven throughout.

A special feature of this series is the “Money Talk” section at the end of every chapter, designed to encourage conversations at home. These small discussions act as gentle financial ice-breakers, helping students and families talk about money more openly and confidently - a habit that can transform financial awareness in the long run.

Hands-on activities at the end of each book encourage students to observe, apply, and document their learning beyond the classroom.

It is hoped that this series will help learners develop informed financial habits and spark meaningful money conversations at home and in their communities. We welcome suggestions for improving future editions.

— Author



Meet the Three Money Buddies

Every great adventure has its heroes.

On our journey to understand money, meet three friends who see the world very differently - and together, they make learning about money fun, smart, and full of surprises!

1



Nivesh – The Planner

"I'm the one who thinks before every spend.

I plan carefully for the future, and I'm always looking for smart ways to save and grow money. I love organizing my coins, keeping track of every rupee, and making sure nothing goes to waste."

2



Nidhi – The Thinker

"I'm the one who asks a hundred questions about everything -

How? Why? What if?

I like to understand the rules, compare choices, and make careful decisions. Sometimes I overthink, but it helps me (and my friends) discover the real meaning of money."

3



Anand – The Spender

"I'm the one who jumps straight into fun! I love spending money on treats, toys, and adventures. I often learn lessons the hard way, but I also find creative, new ways to use money. For me, life is about enjoying every coin!"

Together, Nivesh, Nidhi, and Anand are the Three Money Buddies

They'll guide you through the exciting world of money - where saving, spending, earning, and sharing all become an adventure.

Table of Content

1	The Barter System and The Story of Money	01
2	Needs, Wants & Budgeting	11
3	Selling & Buying: Bills & Memos	21
4	Trade and Its Benefits	30
5	Saving, Expenditure and Importance of Saving	39
6	Tax Around Us	48
7	Honesty & Sharing	60
Activity Time: Kid-preneur		68



The Barter System & The Story of Money

It was a lazy Sunday afternoon. The three friends - Nivesh, Nidhi, and Anand - were sitting under the big neem tree outside their colony. They had one important mission for the day: decide whether to spend their pocket money on ice-cream or save it for the upcoming school fete.



NIDHI: (looking at her shiny coin) "I don't get it. This tiny circle of metal... why is it so important? Can't we just trade things like in old times? I give you my cricket bat, you give me your video game."

NIVESH: (smiling) "That's called the barter system. It worked long ago, but think about it—what if you wanted my video game but I didn't want your bat? You'd be stuck with the bat forever."

ANAND: (laughing) "And knowing you, Nidhi, you'd keep asking questions until the bat itself ran away."

NIDHI: "Hey! I'm just curious. But okay... then why do we need coins and notes?"

NIVESH: "Money is like a universal agreement. Everyone accepts it, so you don't need to hunt for the perfect trade."

ANAND: "And some of us agree to spend it the moment we get it. Like... ice cream!"

NIDHI: "But wait, money's just paper and metal. Why is it worth anything?"

NIVESH: "Because the government promises it has value, and everyone trusts that. Without trust, it's just fancy paper and shiny circles."

ANAND: "Fancy enough for me. If I can buy chocolate with it, I'm happy."

NIDHI: (thoughtfully) "So money isn't magic... it's a tool."

NIVESH: "Exactly. A tool for buying, saving, and sometimes... investing."

ANAND: "Or for making the fastest ice cream choice before it melts!"

They all laughed. But Nidhi looked at her coin differently now — not just as metal, but as a tiny ticket to choices.



Introduction

A long time ago, there were no coins, notes, or online payments. But people still needed many things in their daily lives. How did they manage? They used the **barter system**.

The **barter system** is a method of exchange where goods or services are directly exchanged for other goods or services without using a medium of exchange like money. For Example, A farmer gives vegetables to a potter and receives clay pots in return. Both get what they need - but no money is used in the process.

The barter system is the oldest method of trade where goods and services are exchanged directly without using money. Instead of paying with coins or currency, people would give something they had in exchange for something they needed.

Advantages of the Barter System

Even though barter had many problems, it also had a few simple advantages:

- **Easy to understand:** People did not need coins or notes.
- **Direct exchange:** Goods were obtained without involving money.
- **Encouraged interaction:** It helped people exchange and share within their communities.

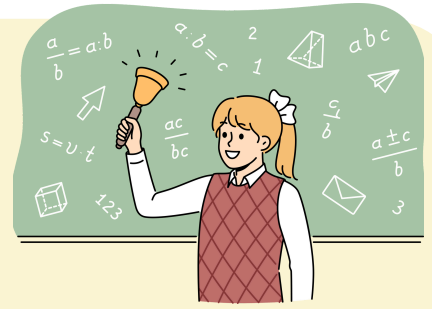


- Long ago in India, people didn't use coins or notes! They used cowrie shells (called "kaudi" in Hindi) to buy things. Just imagine—buying sweets or toys with sea shells instead of money!
- Even today, you might see cowrie shells used in board games like Pachisi or in jewellery — a reminder of how something simple once held great value.

The barter system was the first method people used to trade, but because it had many problems, people later invented money to make trading easier for everyone.

Let's Discuss with an Example

A farmer who grew extra rice could give a sack of rice to a shoemaker and get a pair of shoes in return. In the same way, a potter could exchange pots for grains, or a shepherd could trade milk for clothes.



Now, imagine you are that farmer. You have plenty of rice, but you need new shoes, a woollen sweater, and some medicine for your grandmother. How will you manage?

- First, you must find a shoemaker who is willing to accept rice in return for shoes.
- Then, you must find someone else who wants rice and can give you a sweater.
- Finally, you will have to search for a person who has medicines and is ready to take rice in exchange.

Now, think and discuss:

- Would it be easy to find all these people?
- How much rice would you give for one pair of shoes, or for a sweater?
- Could you carry the rice everywhere you go?



Disadvantages of the Barter System

The disadvantages of barter were far more serious, and they made trade difficult:

- People had to find someone who wanted the exact item they were ready to give, and in return, also had to offer exactly what the other person needed. This scenario is called the **double coincidence of wants**. Imagine you have rice but want a sweater. You must find someone who not only has a sweater but also wants rice. If that person wants milk instead, the exchange cannot happen. This made trade slow and uncertain.
- There was also no fixed way to decide the value of goods. This is called the **lack of a common standard measure of value**. For example, how many kilos of rice should equal one goat? Or how many pots should equal one blanket? Since there was no common measure, people often argued about what was fair.
- Some items could not be divided into smaller parts. This is called the indivisibility of goods. If you had a cow but only needed salt, how would you trade? You could

not cut the cow into smaller portions. This made barter impractical for large goods.

- Carrying bulky goods everywhere was also a problem. This is known as the **problem of portability**. Imagine dragging sacks of wheat or leading a cow through the market just to make an exchange. Barter was not convenient for travel or long-distance trade.



- Many goods spoiled or decayed over time. This is called the **problem of durability**. Grains could rot, fruits could spoil, and animals could fall sick or die. People could not store wealth for the future.

Because of these difficulties, barter could not support growing societies. It became clear that people needed a new system of exchange that was simpler, fairer, and more reliable.



What is Money?

Money is anything that everyone accepts when buying or selling. It could be coins, notes, or even digital payments on a phone. What makes money special is not just what it looks like, but what it can do.

Money does three important jobs:



- **Medium of Exchange**

Money helps people exchange things quickly and fairly. Instead of finding someone who wants your goods, like in the barter system, you can simply use money to buy what you need. It acts as a **common tool** that everyone accepts and trusts.

Example: Amit goes to the shop to buy a pencil. He gives ₹5 to the shopkeeper and takes the pencil home. The shopkeeper can later use that ₹5 to buy something else. This is how money keeps trade moving smoothly.

- **Store of Value**

Money can be **saved** today and used later. It doesn't spoil or lose its usefulness like food or animals. Because of this, people can store it safely and plan for the future.

Example: Rina saves ₹100 in her piggy bank every month. After six months, she has ₹600, which she uses to buy a new school bag. Her saved money stayed useful over time, showing that money is a good store of value.

- **Unit of Account**

Money works like a **measuring scale** for prices. It helps us know how much things cost and compare one item with another. This makes it easy for people to decide what to buy.

Example: If a notebook costs ₹40 and a storybook costs ₹200, we can easily tell that the storybook is more expensive. Money gives every product a clear and common value that everyone understands.

Evolution of Money

Money has not always looked like the coins, notes, or digital payments we use today. It has changed over time as people searched for easier and fair ways to trade.

- **Commodity Money**

In the earliest times, people used everyday items as money. Salt, rice, tea, cattle, and shiny metals like gold and silver were exchanged. These items had value in themselves — salt could be eaten, gold could be worn, cattle could give milk, but they were not always practical. Carrying heavy sacks of rice or moving animals to the market was difficult, and some items could spoil.



- **Metal Money**

As trade grew, rulers started making coins out of copper, silver, and gold. Each coin had a fixed weight and value stamped on it. Coins were strong, durable, and trusted by everyone. People could carry them easily in small pouches, and they made trade fast and fair.

