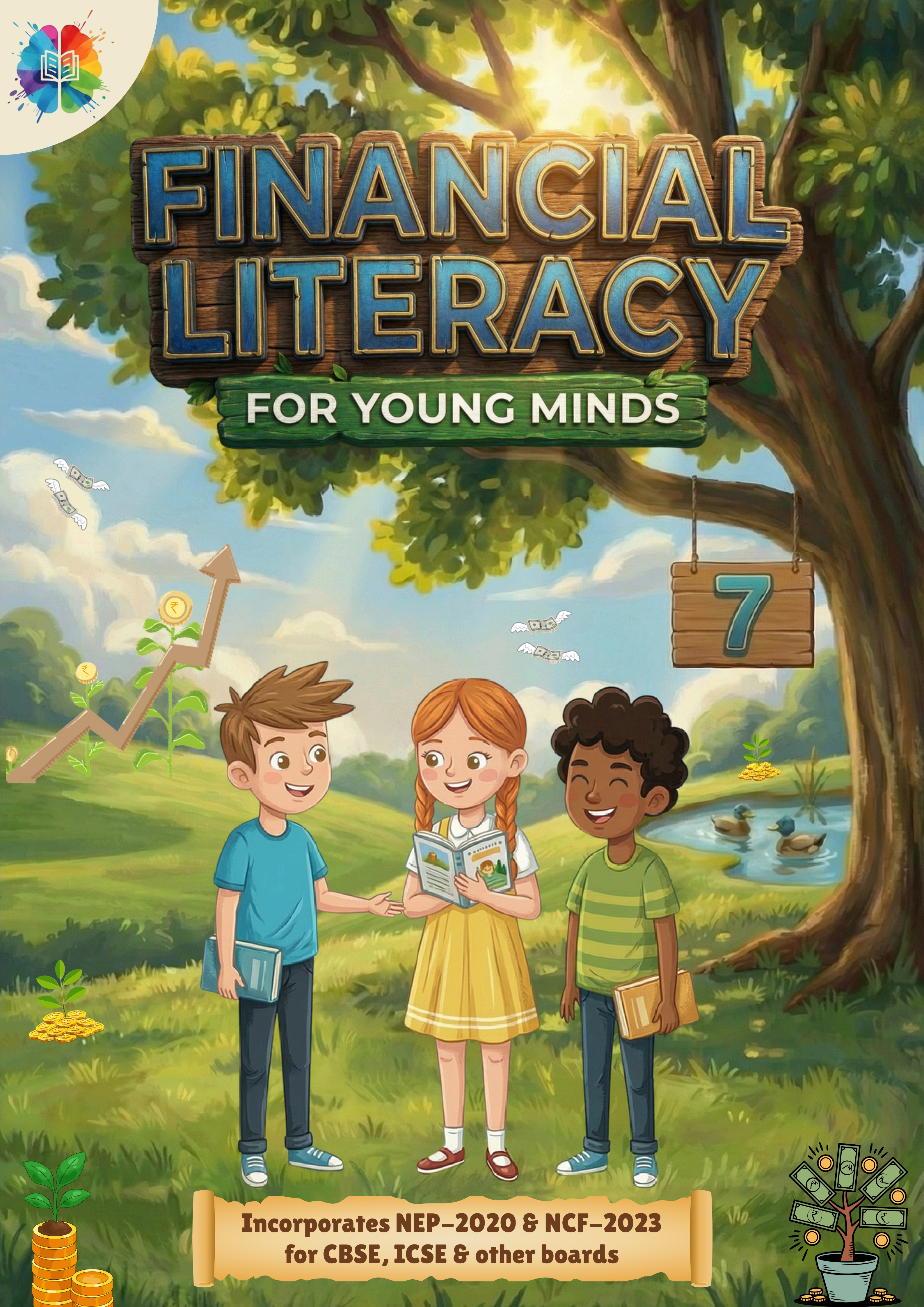

FINANCIAL LITERACY
FOR YOUNG MINDS
7
Incorporates NEP-2020 & NCF-2023
for CBSE, ICSE & other boards

FINANCIAL LITERACY

FOR YOUNG MINDS

7

Name ____________________

Class ______ Section ________

School ____________________

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 simple and fun.

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

CHAPTER 1 Borrowing and Lending

One Saturday, after a game of kho-kho, the three friends sat in a park.

"I want to join cricket camp," said Anand, "but I don't have the money."

"I need funds too," added Nivesh. "My cousin and I want to start a small vegetable stall."

Nidhi asked, "So… where will you borrow from?"

Anand's Way

The next day, Anand went to the local moneylender.
"You'll get ₹2,000 now," the man said, "but return ₹2,400 in two months."

"No forms, no waiting!" thought Anand as he grabbed the cash. But later he worried, *"How will I repay so much so soon?"*

Nivesh's Way

Nivesh, on the other hand, visited the bank with his father.
"For ₹2,000, the interest is 10% per year. You have one year to repay," explained the officer.
It took a week of paperwork, but Nivesh felt safe: *"The interest is fair, and I have enough time."*

The Confusion

When they met again, Anand said proudly, "The moneylender was so fast!"
Nivesh replied, "But the bank is safer and fairer."
Nidhi frowned, "So which is better - quick money with risk, or safe money with rules?"

The Learning

Just then, Nidhi's grandmother, who was listening nearby, smiled.
"Quick money can bring quick trouble. Banks and cooperatives may be slower, but they are fair and secure. Always borrow with care."

The three nodded. Anand admitted, "Next time, I'll think before choosing."
Nidhi added, " That is the real rule: borrow smart, not just fast!"

Introduction

Have you ever wondered how people manage when their needs are bigger than the money they have? A farmer who must buy seeds before harvest, a student who needs fees for school, or even a shopkeeper who wants to expand his shop - all may face situations where savings are not enough. In such times, people **borrow** money from others who are ready to **lend**.

Borrowing and lending are not limited to banks or big businesses. They happen around us every day. A classmate borrowing a pen, a neighbour borrowing groceries, or parents lending money to friends - all show how money and trust move together. To understand how our economy works, it is important to understand this simple but powerful idea of borrowing and lending.

What Borrowing and Lending Mean

- **Borrowing** means taking something (usually money) from another person or institution with the promise of **returning** it later. The person who takes is called the **borrower**.

- **Lending** means giving money or goods to another person with the expectation of getting it back. The person who gives is called the **lender**.

FUN FACT

- In ancient India, people borrowed and lent not with coins but with cowrie shells and grains - both were treated as money!
- The first Indian cooperative credit society was started in 1904 to help farmers borrow safely.

When borrowing involves money, the amount borrowed is called a **loan.**

Why Do People Borrow?

People borrow because they often need money for purposes that cannot be met with their savings alone. Borrowing allows them to meet important needs immediately, with a promise to repay later. However, borrowing always comes with a cost, because the borrower must return not only the original money called the principal but also an extra amount known as interest.

Common Reasons for Borrowing:

1. Immediate Needs:
Meena, who works in a shop, had to arrange money quickly for her mother's medical treatment. She borrowed a small loan from her employer and returned it in parts from her salary.

2. Large Purchases:
Some items, such as houses or vehicles, are too expensive to buy at once. Families take loans so that they can use these things immediately and pay for them gradually over time.

3. Emergencies:
Life is unpredictable. Accidents, illnesses, or sudden repairs often force people to borrow. In such cases, borrowing provides urgent help, though it must be repaid later. This is why many families try to keep some emergency savings - so they don't have to borrow too often.

Understanding Interest

When we borrow money, we do not return only the amount we took. We also pay something extra. This extra is called **interest.**

In simple words: Interest is the **price of borrowing** for the borrower, and the **reward of lending** for the lender.

Why is Interest Important?

Think about it. Would anyone give away their money if they got back exactly the same amount after many months or years? Probably not. Money has value because it can be used immediately. When someone lends money, they give up the chance to use it themselves. Charging interest makes lending a **logical and fair activity.**

- For the **lender**, interest is a reward and a protection. It is the reason they are willing to lend in the first place.
- For the **borrower**, interest is the price to pay for getting money when it is most needed.
- For **banks**, interest is the heart of their business. They pay interest to people who deposit money (savers), and they charge interest from people who borrow. The difference is what keeps banks running.

Components of a Loan

Whenever a person borrows money, every loan has three important parts:

1. Principal

- The **principal** is the original amount of money borrowed.
- Example: If someone borrows ₹5,000 from a bank, the principal is ₹5,000.

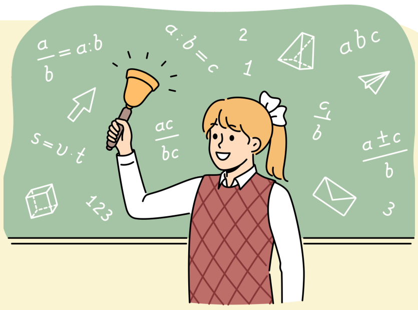
2. Time (Loan Period)

- The **time** is the period for which the loan is taken, i.e., how long the borrower has to repay the money.
- Example: If the bank says the ₹5,000 along with interest must be repaid in one year, then the loan period (time) is 1 year.

3. Interest

- **Interest** is the extra money the borrower pays to the lender for using the money. It is usually calculated as a percentage of the principal.
- Example: If the bank charges 10% interest on ₹5,000 for one year, then the borrower must pay ₹500 as interest.

Complete Example

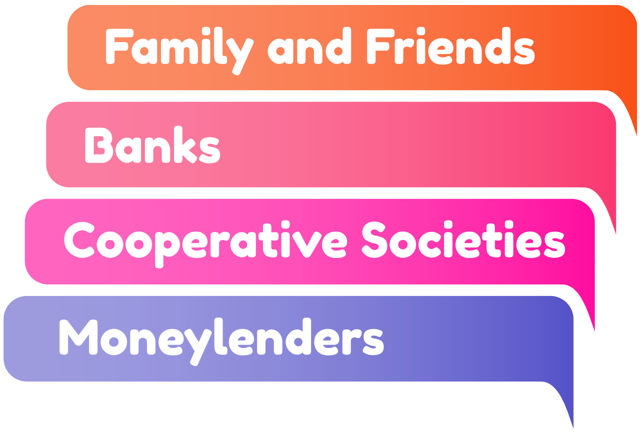


Suppose Neha borrows **₹25,000** from a bank for **1 year** at **8% interest.**

- **Principal** = ₹25,000
- **Time** = 1 year
- **Interest** = ₹2,000 (8% of 25,000)

At the end of the year, Neha will repay **₹27,000** (₹25,000 principal + ₹2000 interest).

Sources of Borrowing



People borrow money from different places depending on their needs, the amount they require, and how quickly they need it. These places or providers are called the sources of borrowing.

1. Family and Friends

- The easiest place to ask for help.
- Usually no interest or extra money is charged.

Example: If your bicycle gets a flat tire, you might borrow ₹100 from your father or friend.

2. Banks

- The most common and safe source.
- Banks give loans for studies, buying a house, car, or business.
- They always charge interest on the loan.

Example: A family might borrow money from a bank to buy their home.

3. Cooperative Societies

- Groups of people (like farmers, shopkeepers, or teachers) who pool money together and lend to each other.
- Safer than moneylenders, since the interest rate is low.

Example: A farmer's cooperative helps a member buy seeds.