



FINANCIAL LITERACY

FOR YOUNG MINDS



**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.

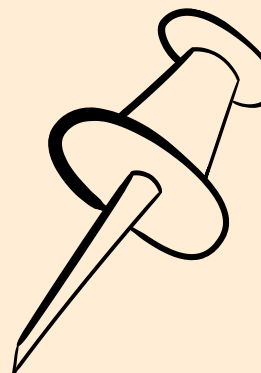
Each chapter begins with an interaction or story to spark curiosity, followed by simple explanations, relatable examples, illustrations, and short questions to strengthen understanding. The content is simple, engaging, and easy to follow. In-text questions, summaries, key terms, and exercises reinforce 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.

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One Sunday afternoon, Nivesh, Nidhi and Anand were sitting under their favorite neem tree, enjoying mango juice after a game.

Anand

"Ugh! My cousin's new phone broke last week. He had to spend ₹8,000 on repairs. What a waste! I hope nothing happens to my new cycle."



Nivesh

"That's why people buy insurance, Anand. It's something that helps you recover money when accidents or losses happen."

Anand

"Wait, what? Some company gives you money if you break your stuff? Sounds too good to be true!"

Nidhi

"But how does that even work, Nivesh? Why would anyone pay for someone else's loss?"

Nivesh

"It's not magic. People pay small amounts called premiums to an insurance company. The company collects these from many people. When one of them faces a loss, money from that pool is used to help them. It's like everyone sharing each other's risks."

Nidhi

"So, insurance is a way to stay ready for uncertain events - like an accident, illness, or theft."

Anand

"That sounds smart! But do we have something like that at home?"

Nidhi didn't answer right away - but the question stayed in her mind.



Introduction

Life is full of surprises - some pleasant and some unpleasant.

Think about these situations:

- A farmer works hard all year, but unexpected floods destroy his crops.
- A family buys a new scooter, and within a month it gets damaged in an accident.
- A person falls seriously ill and needs costly treatment in a hospital.
- A small shop is robbed at night, and the owner loses most of his earnings.

In each case, the people involved face a loss. Some losses are small and can be managed easily. But others are so large that they disturb the family's financial stability and future plans.

Here arises a very important question:

How can people prepare for such unexpected events?

This is where **insurance** comes into the picture.



Insurance acts like a **safety net**. Just as a helmet protects our head during a fall, or an umbrella shields us from heavy rain, insurance protects us financially when an unfortunate event occurs. It cannot stop accidents, thefts, or illnesses from happening, but it can reduce the **financial burden** that follows.

In simple words, **insurance gives us the confidence to face uncertainties in life without fear of complete financial ruin**. It is a way of sharing risks — many people contribute small amounts, and when someone faces a loss, money is given to them from this shared pool.

Thus, insurance is not only about money; it is about **security, peace of mind, ability to recover and move forward.**

Meaning of Insurance

Insurance is a financial arrangement that provides protection against risks and unexpected losses.

When a person or a company buys insurance, they sign a **written contract** called an **insurance policy** with an **insurance company** (the insurer). The person or business buying the policy is known as the **policyholder** or the **insured**.

Under this contract, the insured pays a fixed amount of money regularly, called a **premium**. In return, the insurance company promises to provide financial help if a specified loss occurs.

Imagine you buy a new scooter worth ₹80,000. A few weeks later, an accident damages it badly. Repairing it could cost ₹20,000 - a big amount to pay suddenly. But if your scooter is insured, the insurance company will pay most of this cost. Instead of losing all your savings at once, you stay financially protected.

Need for Insurance

Insurance is needed because it helps us stay financially prepared for unexpected events and losses in life.

1. Protection from Financial Losses: Accidents, theft, fire, or illness can cause big losses. Insurance ensures that such events do not wipe out a family's entire savings.

Example: A hospital bill of ₹50,000 may be paid by health insurance instead of the family having to use all their money.



2. Peace of Mind: Insurance provides a sense of security. People can live and work with confidence, knowing they are financially protected.

Example: Parents feel less worried when they know their children are covered by health insurance.

3. Financial Stability for Families: If the earning member of a family dies or loses their income, insurance provides support. This ensures the family can continue education, daily expenses, and future plans.

4. Encourages Savings and Planning: Paying premiums regularly builds discipline and financial responsibility. Certain types of insurance (like life insurance) also give returns after a fixed time, which helps in long-term goals.

5. Support for Society and Business: Farmers, shopkeepers, transporters, and companies all depend on insurance. It reduces their risks, which keeps trade and the economy stable.

Types of Insurance

Not all risks are the same. A farmer worries about his crops, a shopkeeper about fire in his store, a family about hospital expenses, and a student about losing luggage while traveling.

To handle these different risks, insurance comes in many forms. Let's look at the most common types:

1. Life Insurance

Life insurance provides financial security to the family of the insured person if they die during the policy period. The insurance company pays a fixed amount, called the sum assured, to the nominee i.e. usually a family member.

It is especially important for families that depend on a single earning member. Life insurance can also help in long-term savings and planning, as some policies give money back after a certain time.

Example: Nidhi's father has life insurance. If something happens to him, the family will receive financial support to continue education and daily needs.



- Famous footballers like Cristiano Ronaldo and Lionel Messi have insured their legs because their careers depend on them. This shows that insurance protects what is most valuable to a person.
- Thanks to technology, a motor insurance claim can now start with just a smartphone! Uploading photos and documents online helps insurers process claims much faster.

2. Health Insurance

Health insurance protects people from high medical expenses. It covers hospital bills, medicines, surgeries, and sometimes even routine check-ups.

This type of insurance is very useful because sudden illnesses or accidents can be very costly. With health insurance, families do not have to spend all their savings on treatment.

Example: Nidhi's mother had to be admitted to a hospital. Her family's health insurance paid most of the expenses, reducing financial stress.

3. Motor Vehicle Insurance

Vehicle insurance protects owners from loss due to accidents, theft, or damage to their vehicles. It also covers third-party liability, which means if the insured vehicle causes harm to another person or their property, the insurance company will pay for that damage. In India, it is compulsory for all vehicles to have insurance.

Example: Nidhi's father's scooter met with an accident. The repairs cost ₹10,000, but since he had vehicle insurance, the insurance company covered most of the expense.

4. Property or Home Insurance

Property insurance protects buildings like houses, shops, or offices against risks such as fire, theft, floods, and earthquakes. Losing a home or shop can be financially devastating, and property insurance helps owners rebuild without starting from zero.

Example: Nidhi's uncle's shop caught fire. Because he had property insurance, he received enough money to repair his shop and restart his business.

5. Crop Insurance

Farmers are the backbone of our country, but their work depends heavily on nature. Drought, floods, pests, or storms can destroy months of hard work. Crop insurance gives farmers financial relief when such disasters strike, so they do not fall into debt.

Example: Heavy rains destroyed a farmer's paddy crop in Nidhi's village. Thanks to crop insurance, he received compensation and was able to plant again the next season.