

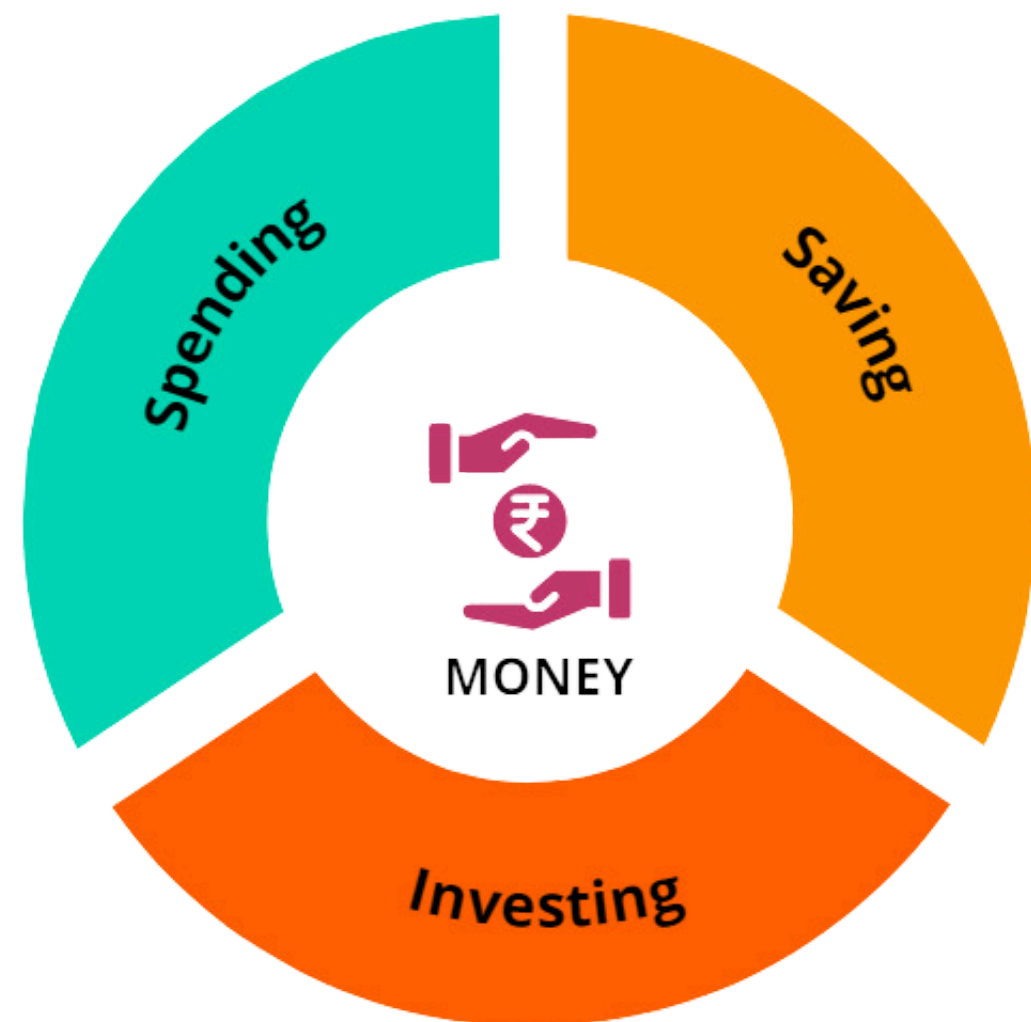
# TRAINING SESSION I

The basics of financing



# WHAT IS FINANCIAL LITERACY

1. Financial Literacy is a "combination of financial awareness, knowledge, skills, attitude and behaviour necessary to make sound financial decisions and ultimately achieve individual financial well-being. "



# WHAT IS THE IMPORTANCE OF FINLIT

Process of  
Financial  
Education

Achievement  
of Financial  
Literacy

Financial  
Well-being

Financial literacy  
ensures long-  
term financial  
stability.

Financial Literacy, in turn, can help achieve Financial Well-being.



# NEEDS VS WANTS



## NEEDS

A need is something necessary to live and function.



## WANTS

A want is something that can improve your quality of life.

# WHAT IS BUDGETING

Budgeting is a financial plan that estimates how much money you'll make and spend over a set period, such as a month or year. It involves calculating your income and expenses, and then figuring out how much you can spend on other things.



Step 1: Calculate your net income. The foundation of an effective budget is your net income.

Step 2: Track your spending.

Step 3: Set realistic goals.

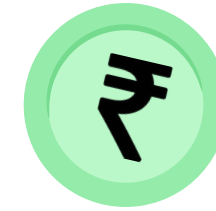
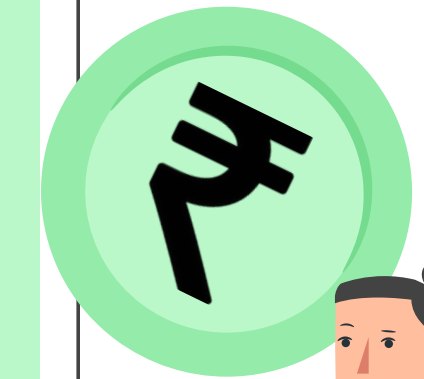
Step 4: Make a plan.

Step 5: Adjust your spending to stay on budget.

Step 6: Review your budget regularly.

# OPPORTUNITY COST

Opportunity cost refers to the benefit you give up when you choose one option over another. It's a concept in economics that highlights the idea that choices involve trade-offs.





# SAVING

To acquire any goods or services we have to spend money. Financial Literacy helps us understand how to spend money wisely:

- Is this item important for me to buy right now?
- Is the cost of the item worth the value of the item?
- Should I go to another shop and check for the price difference?

We can answer all these questions once we become financially literate.



## NEED FOR SAVING

- **Emergency Cushion:** Savings provide a safety net for unexpected expenses.
- **Future Planning:** Savings help achieve long-term goals like buying a home or retirement.
- **Peace of Mind:** Savings reduce financial stress and offer security.



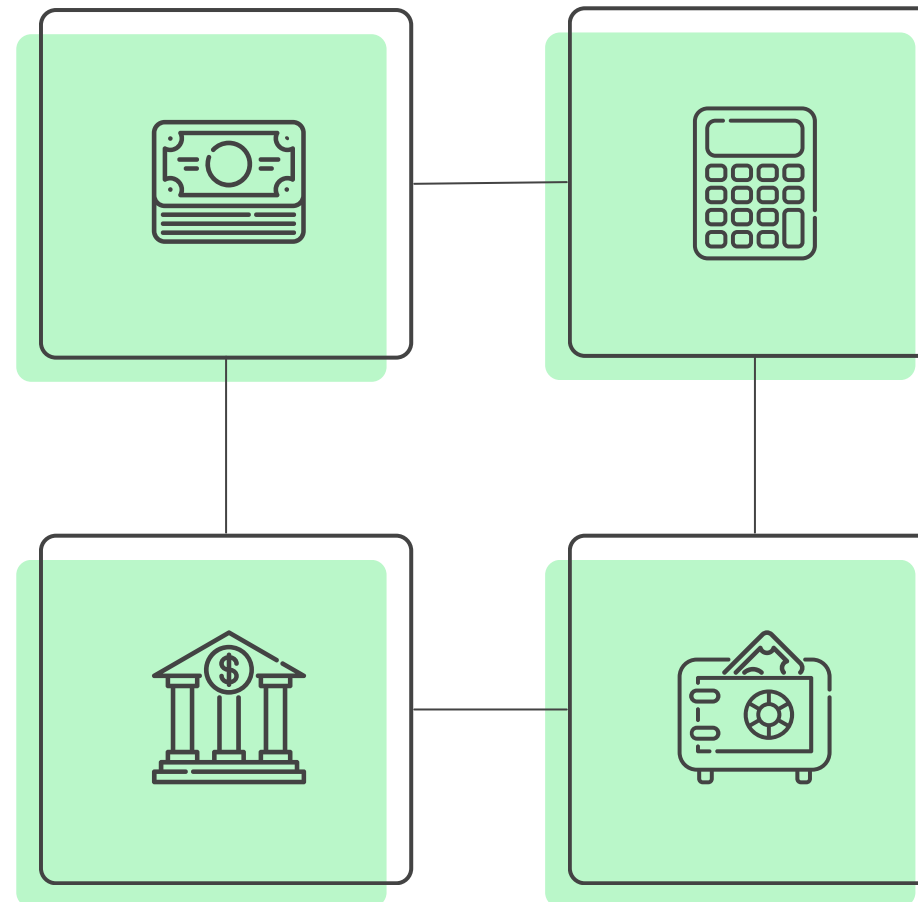
# OPTIONS FOR SAVING

## STEP 01

Investment since saving is a prerequisite to investin. Thus investing in commodities.

## STEP 04

Open a savings account



## STEP 02

Long term investments.

## STEP 03

Short term investments.



Borrowing means taking money from someone else (could be a bank or a friend) with the promise to pay it back later. People and businesses often borrow money to buy things they can't afford immediately, like a house, car, or to start a business.



# WHAT IS BORROWING?

# KEY TERMS

## Principal Amount and Interest

A loan is the money you borrow and agree to pay back, usually with interest.

### Principal Amount:

This is the original amount of money you borrow.

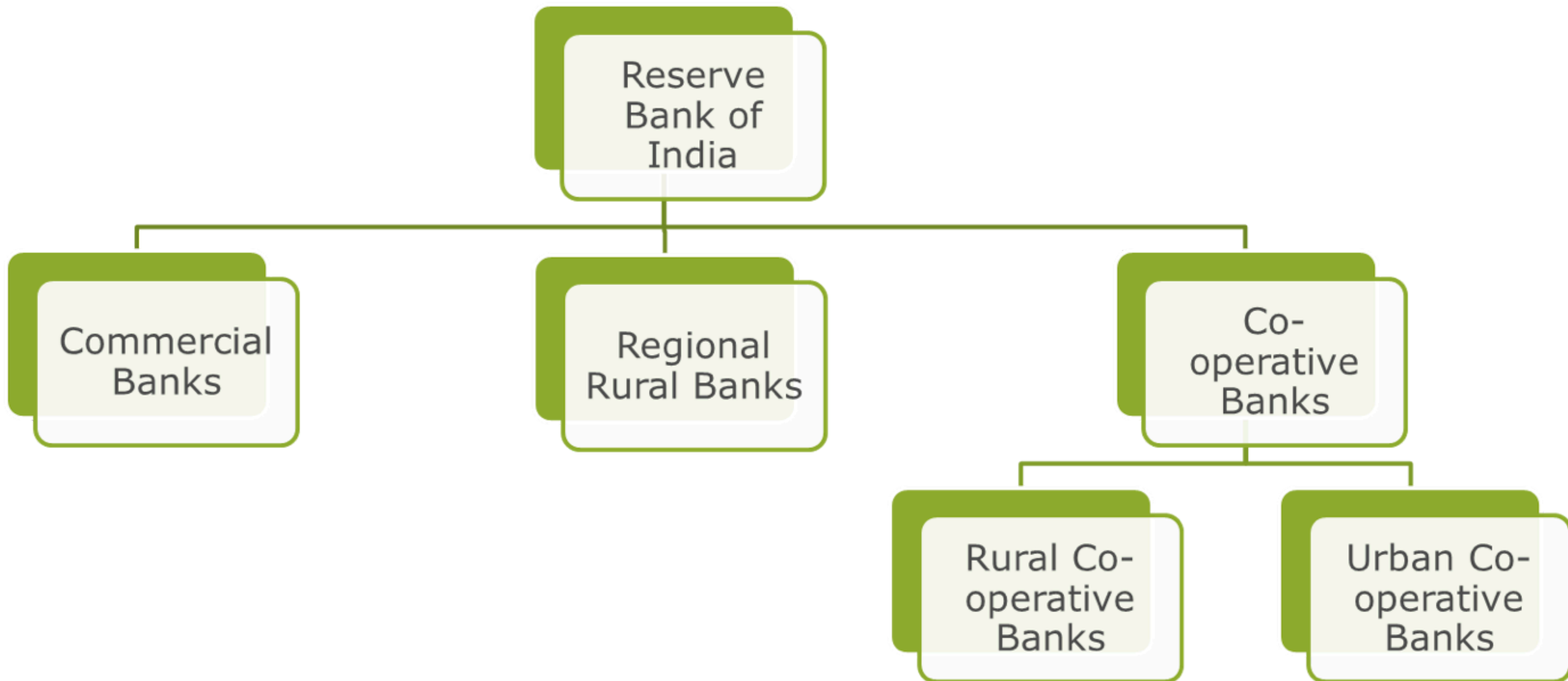
For example, if you borrow ₹10,000, the principal amount is ₹10,000.

### Interest:

Interest is the cost of borrowing money, usually a percentage of the principal amount.

For example, if you borrow ₹10,000 with an interest rate of 10% per year, you will pay ₹1,000 in interest over a year.

# TYPES OF BANKS



# ROLE OF THE RBI



- **Issuing Money:** issue our currency
- **Banker's Bank:** helps banks in India have accounts with the RBI
- **Government's Bank:** manages the money of the government

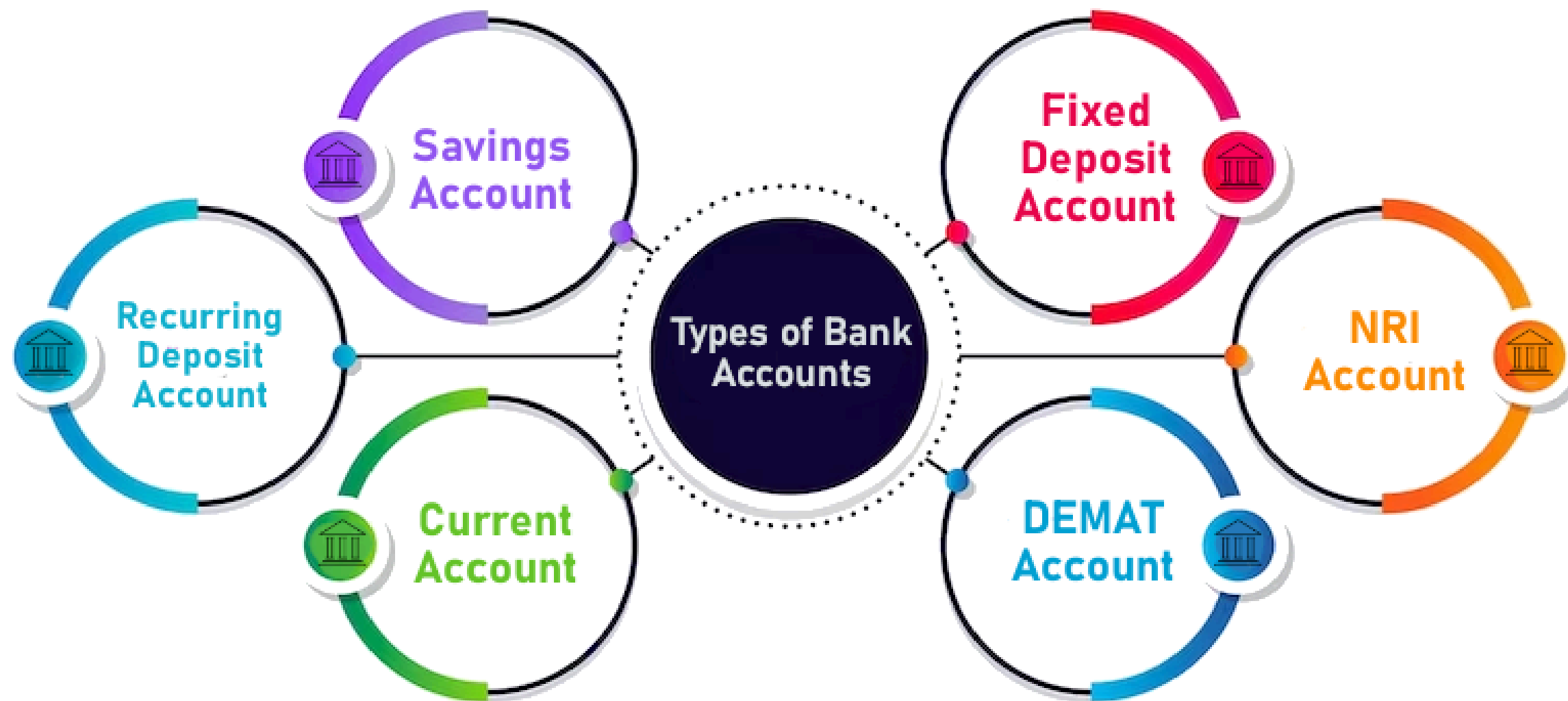


# WHAT IS THE IMPORTANCE OF A BANK ACCOUNT



- **Security:** Protects money from theft and loss.
- **Convenience:** Simplifies transactions and bill payments.
- **Interest Earnings:** Generates additional income through interest.

# DIFFERENT TYPES OF BANK ACCOUNTS



## 4 Types of Bank Accounts (And When to Use Them)



### Checking Account

Best for everyday spending and easy access to money



### Savings Account

Best for storing extra cash or saving for a specific goal



### Money Market Account

Best for earning interest on your savings



### Certificates Of Deposit (CDs)

Best for saving for an upcoming purchase for a set period



# OPENING A BANK ACCOUNT

The procedure and application form used for opening accounts are more or less the same in all banks which are as follows:

Documents required: Proof of identity, proof of address, PAN Card

1. **Visit the Bank:** Go to the bank branch or website to start the application process.
2. **Fill Application:** Complete the account opening form with personal and contact details.
3. **Submit Documents:** Provide the collected documents along with the filled application.
4. **Initial Deposit:** Make the required initial deposit, if any.
5. **Account Activation:** Wait for the bank to verify your information and activate your account.



# CHILDREN'S BANK ACCOUNT

A children's account is a savings account designed specifically for minors, managed by parents or guardians. It's important because:

- **Financial Literacy:** Teaches children the basics of saving and managing money.
- **Savings Habit:** Encourages regular saving from a young age.
- **Future Security:** Provides financial security and funds for future educational or other expenses.



# LOANS

A sum of money borrowed from a financial institution is called loan.

Types of loans-

- Home Loan
- Student Loan
- Personal Loan
- Vehicle Loan



# EDUCATION LOANS



These loans often cover tuition fees, living expenses, and other related costs. Education loans are offered by banks, financial institutions, and government agencies, and they play a crucial role in making education accessible to a wider range of students.

# TYPES OF LOANS

- Subsidized Loans: These loans don't accrue interest while the student is in school or during deferment periods.
- Unsubsidized Loans: Interest accrues when the loan is disbursed, even while the student is in school.
- Parent PLUS Loans: Loans taken out by parents on behalf of their dependent undergraduate children.
- Private Loans: Offered by banks and private lenders, these loans may have higher interest rates but can bridge funding gaps.

# BEFORE TAKING A LOAN...

The following should be taken into consideration:

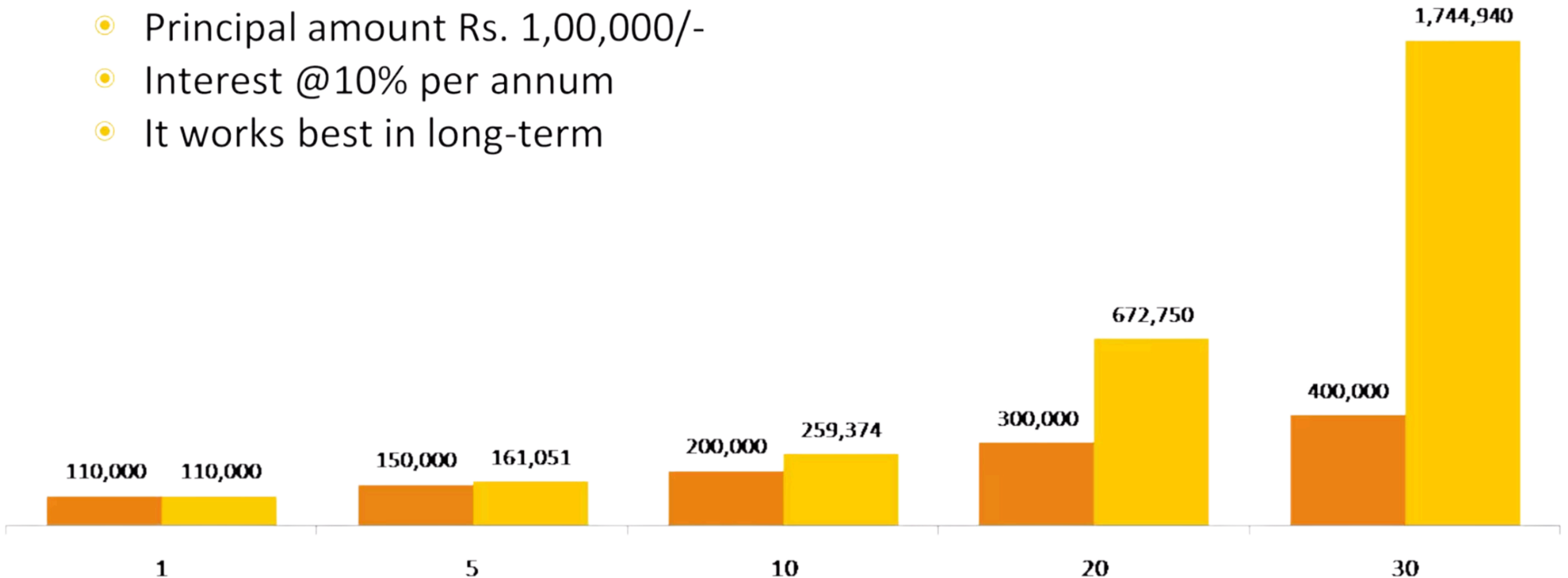
- Interest rate
- Credit score
- Loan amount
- Easy repayment
- Eligibility criteria
- Alternative rates
- EMI





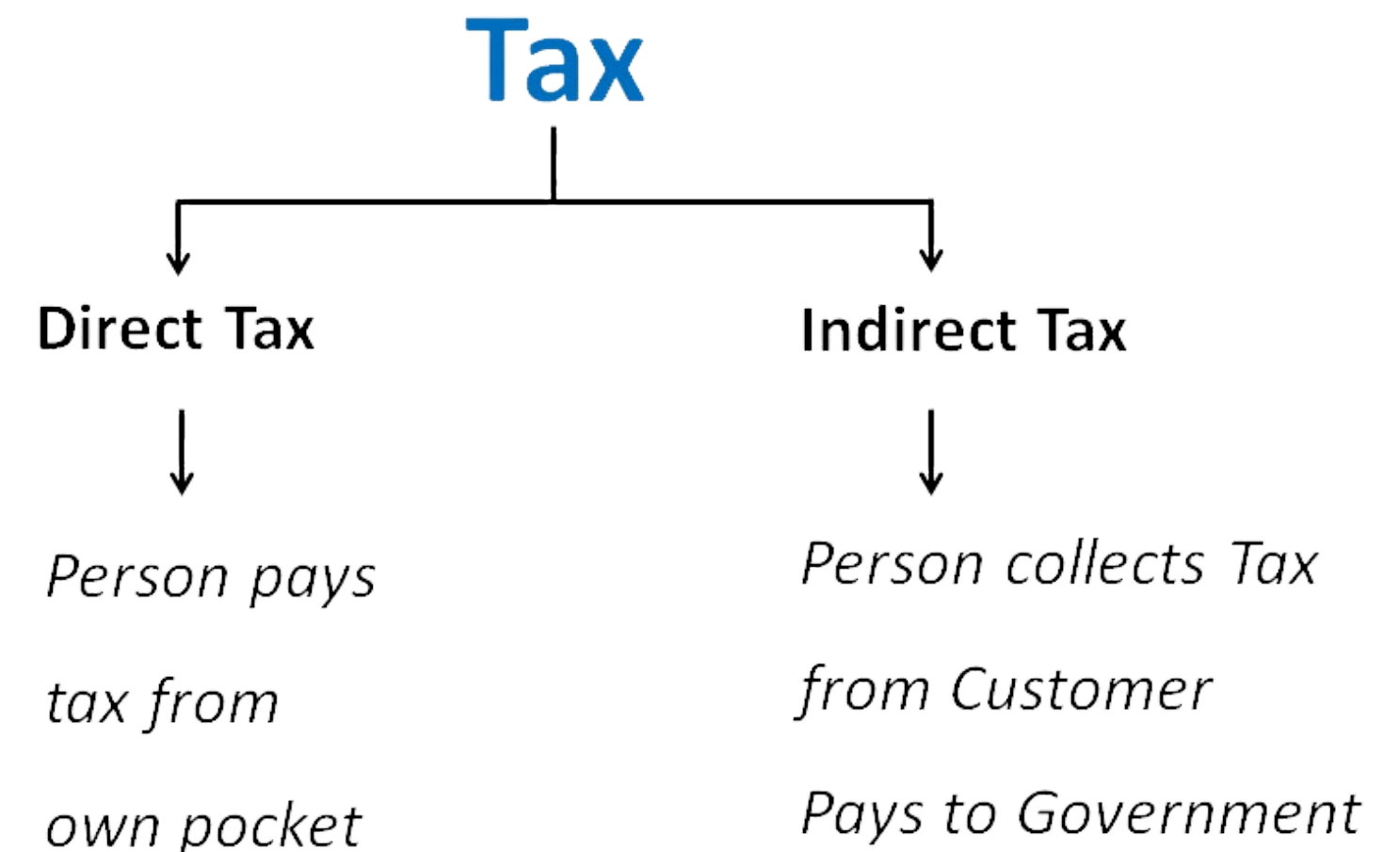
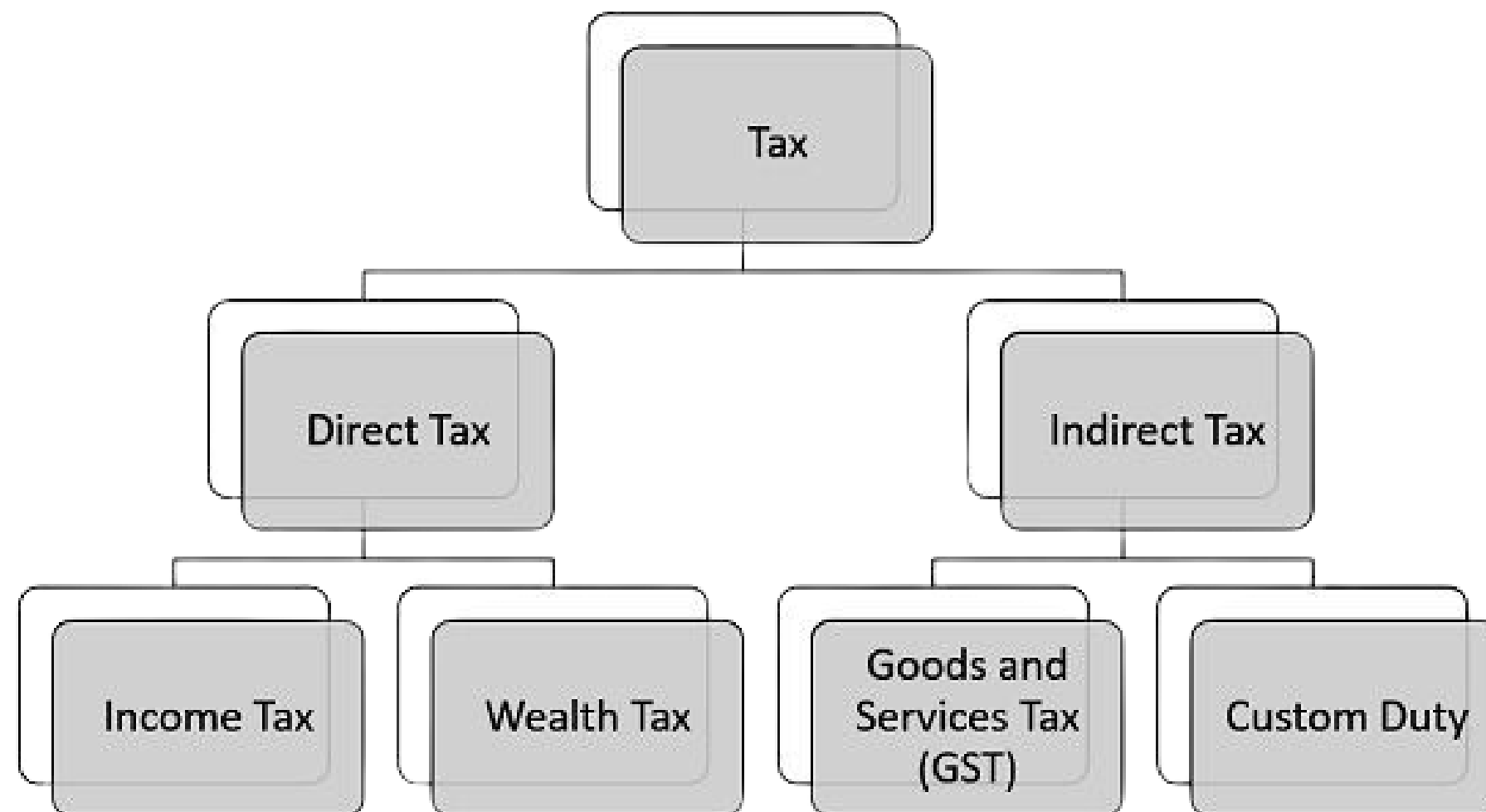
# POWER OF COMPOUNDING

- Principal amount Rs. 1,00,000/-
- Interest @10% per annum
- It works best in long-term



# WHAT IS TAX

Tax is an amount of money that a government requires people to pay according to their income, the value of their property, etc., and that is used to pay for the things done by the government. There are two types of taxes: Direct and Indirect.





The background of the image is a dark green surface covered with numerous coins of various denominations and currencies, including US dollars, Euros, and British Pounds. A large Bitcoin logo is visible in the top left corner. The text is centered in the middle of the image.

**CONTROL YOUR  
FINANCES, OR THEY  
WILL CONTROL YOU.**



# ANY QUESTIONS?

