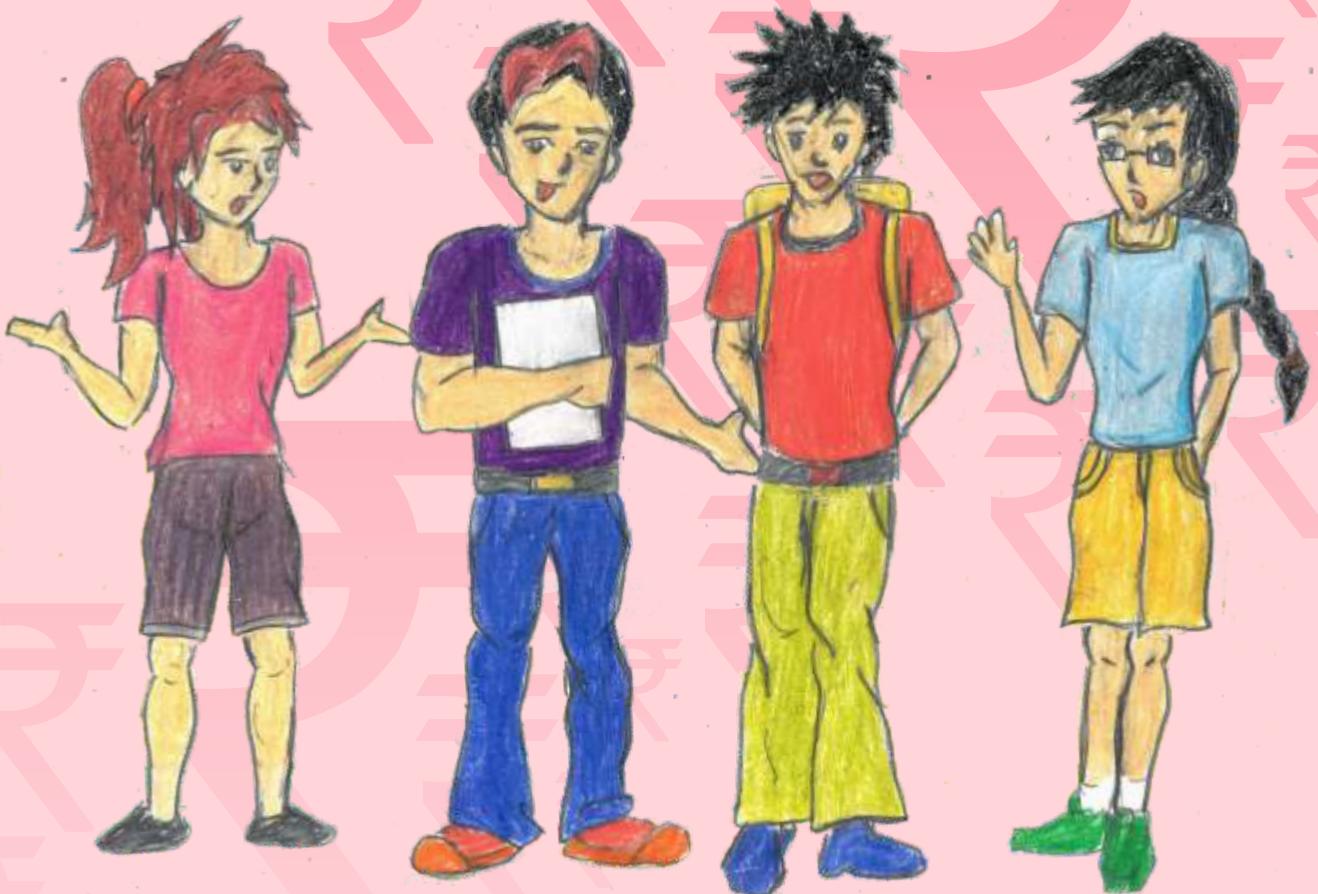


Financial Education

Workbook

Class:VIII



Financial Education Workbook for Class VIII

Disclaimer

This book is presented as a reading and teaching material with a sincere purpose of making the reader financially literate. It is not intended to influence the reader in making a decision in relation to any particular financial product/s or service/s.

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भारत का संविधान

उद्देशिका

हम, भारत के लोग, भारत को एक सम्पूर्ण 'प्रभुत्व-संपन्न समाजवादी पंथनिरपेक्ष लोकतंत्रात्मक गणराज्य बनाने के लिए, तथा उसके समस्त नागरिकों को:

सामाजिक, आर्थिक और राजनैतिक न्याय,
विचार, अभिव्यक्ति, विश्वास, धर्म
और उपासना की स्वतंत्रता,
प्रतिष्ठा और अवसर की समता

प्राप्त कराने के लिए
तथा उन सब में व्यक्ति की गरिमा

¹और राष्ट्र की एकता और अखंडता
सुनिश्चित करने वाली बंधुता बढ़ाने के लिए

दृढ़संकल्प होकर अपनी इस संविधान सभा में आज तारीख 26 नवम्बर, 1949 ई० को एतद्वारा इस संविधान को अंगीकृत, अधिनियमित और आत्मार्पित करते हैं।

-
1. संविधान (बयालीसवां संशोधन) अधिनियम, 1976 की धारा 2 द्वारा (3.1.1977) से "प्रभुत्व-संपन्न लोकतंत्रात्मक गणराज्य" के स्थान पर प्रतिस्थापित।
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-

भाग 4 क

मूल कर्तव्य

51 क. मूल कर्तव्य – भारत के प्रत्येक नागरिक का यह कर्तव्य होगा कि वह –

- (क) संविधान का पालन करे और उसके आदर्शों, संस्थाओं, राष्ट्रधर्वज और राष्ट्रगान का आदर करे;
- (ख) स्वतंत्रता के लिए हमारे राष्ट्रीय आदोलन को प्रेरित करने वाले उच्च आदर्शों को हृदय में संजोए रखे और उनका पालन करे;
- (ग) भारत की प्रभुता, एकता और अखंडता की रक्षा करे और उसे अक्षुण्ण रखे;
- (घ) देश की रक्षा करे और आहवान किए जाने पर राष्ट्र की सेवा करे;
- (ङ) भारत के सभी लोगों में समरसता और समान भ्रातृत्व की भावना का निर्माण करे जो धर्म, भाषा और प्रदेश या वर्ग पर आधारित सभी भेदभाव से परे हों, ऐसी प्रथाओं का त्याग करे जो स्त्रियों के सम्मान के विरुद्ध हैं;
- (च) हमारी सामाजिक संस्कृति की गौरवशाली परंपरा का महत्व समझे और उसका परिरक्षण करे;
- (छ) प्राकृतिक पर्यावरण की जिसके अंतर्गत बन, झील, नदी, और वन्य जीव हैं, रक्षा करे और उसका संवर्धन करे तथा प्राणी मात्र के प्रति दयाभाव रखे;
- (ज) वैज्ञानिक दृष्टिकोण, मानववाद और ज्ञानार्जन तथा सुधार की भावना का विकास करे;
- (झ) सार्वजनिक संपत्ति को सुरक्षित रखे और हिंसा से दूर रहे;
- (ञ) व्यक्तिगत और सामूहिक गतिविधियों के सभी क्षेत्रों में उत्कर्ष की ओर बढ़ने का सतत प्रयास करे जिससे राष्ट्र निरंतर बढ़ते हुए प्रयत्न और उपलब्धि की नई उंचाइयों को छू ले;
- (ट) यदि माता-पिता या संरक्षक हैं, छह वर्ष से चौदह वर्ष तक की आयु वाले अपने, यथास्थिति, बालक या प्रतिपाल्य के लिये शिक्षा के अवसर प्रदान करे।

-
1. संविधान (छायासीवां संशोधन) अधिनियम, 2002 की धारा 4 द्वारा प्रतिस्थापित।

THE CONSTITUTION OF INDIA

PREAMBLE

WE, THE PEOPLE OF INDIA, having solemnly resolved to constitute India into a ¹**SOVEREIGN SOCIALIST SECULAR DEMOCRATIC REPUBLIC** and to secure to all its citizens :

JUSTICE, social, economic and political;

LIBERTY of thought, expression, belief, faith and worship;

EQUALITY of status and of opportunity; and to promote among them all

FRATERNITY assuring the dignity of the individual and the² unity and integrity of the Nation;

IN OUR CONSTITUENT ASSEMBLY this twenty-sixth day of November, 1949, do **HEREBY ADOPT, ENACT AND GIVE TO OURSELVES THIS CONSTITUTION.**

-
1. Subs. by the Constitution (Forty-Second Amendment) Act. 1976, sec. 2, for "Sovereign Democratic Republic" (w.e.f. 3.1.1977)
 2. Subs. by the Constitution (Forty-Second Amendment) Act. 1976, sec. 2, for "unity of the Nation" (w.e.f. 3.1.1977)
-

THE CONSTITUTION OF INDIA

Chapter IV A

FUNDAMENTAL DUTIES

ARTICLE 51A

Fundamental Duties - It shall be the duty of every citizen of India-

- (a) to abide by the Constitution and respect its ideals and institutions, the National Flag and the National Anthem;
- (b) to cherish and follow the noble ideals which inspired our national struggle for freedom;
- (c) to uphold and protect the sovereignty, unity and integrity of India;
- (d) to defend the country and render national service when called upon to do so;
- (e) to promote harmony and the spirit of common brotherhood amongst all the people of India transcending religious, linguistic and regional or sectional diversities; to renounce practices derogatory to the dignity of women;
- (f) to value and preserve the rich heritage of our composite culture;
- (g) to protect and improve the natural environment including forests, lakes, rivers, wild life and to have compassion for living creatures;
- (h) to develop the scientific temper, humanism and the spirit of inquiry and reform;
- (i) to safeguard public property and to abjure violence;
- (j) to strive towards excellence in all spheres of individual and collective activity so that the nation constantly rises to higher levels of endeavour and achievement;
- ¹(k) who is a parent or guardian to provide opportunities for education to his/her child or, as the case may be, ward between age of 6 and 14 years.

-
1. Subs. by the Constitution (Eighty - Sixth Amendment) Act, 2002

PREFACE

The CBSE's Financial Education curriculum for classes VI-X, is marked for its strong dynamism, continuous evolution and development. The curriculum has been developed by adopting a functional approach. In the current climate of psychological, social and economic changes, society is influenced by explosive knowledge creation and exponential technology growth.

The need of financial education is to improve understanding of basic financial concepts and using them in our daily life. To know about various financial products and to become more aware of financial risks and opportunities to enable each one of us to make informed choices, and in return we can improve our financial well-being.

The vision of financial education is that it could enable students, at their level of need, to understand the role of money in their life, the need and use of savings, the advantages of using the formal financial sector and various options to convert their savings into investments, protection through insurance and a realistic recognition of the attributes of these options.

This financial doctrine will help us learn more about the importance and advantages of savings, necessity of staying out of unproductive loans that are beyond our capacity to repay, borrowing with formal financial sector, concept of interest and the power of compounding, time value of money, inflation, the need to insure, role of major financial sector institutions such as ministries, regulators, banks, stock exchanges and insurance companies and basic concept regarding relation between risks and rewards. Through this we can help ourselves and others in managing money more effectively by accessing appropriate financial products and services provided by various financial regulators.

Financial education will help especially those who are financially excluded at present.

The objective of this workbook is to create awareness and educate students on access to financial services, availability of various types of products and their features and to make students understand their rights and responsibilities as clients of financial services.

Teachers handling the course need to inform themselves regarding the effective use of course content, teaching methodology, management of group work and independent individual work, management of large classes, appropriate use of assessment tools, grading and record-keeping to benefit their students.

We would like to thank the stakeholders- Reserve Bank of India, Securities and Exchange Board of India, The Insurance Regulatory and Development Authority of India and Pension Fund Regulatory and Development Authority for taking the time and effort in development of these books.

The development of this book would never have been possible but for the sincere effort, devotion and leadership of Ms. Sugandh Sharma, Additional Director (Research & Innovation), CBSE and Mr Sandeep Sethi, Education Officer with his team. Any further suggestions are welcome and will be incorporated in the future editions.

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Friends, I am Saif let us do **Safe** business by getting it insured.
Let us get our life also insured.



I, **Munaf**, will explain you why we should pay our taxes honestly and concept of insurance with the help of story.



I, **Mudra**, will teach you the difference between VAT and tax and different types of banks.



I, **Rashi**, will tell you how to open a bank account, how we can withdraw and deposit money in our account, what is a demand draft, a cheque and a passbook and why we should not share our bank secrets.



Ebbs and Tides of Financial Management

Life is full of ebbs and tides

Let's learn what's insurance and what it provides

Into a number of types insurance generally divides

Quick! Go and ask Dad what helped him decide

Are there any specific rules by which we're supposed to abide?

Thousands of banks I cross everyday of various kinds

Let's learn what makes each different and ties them into confines

Cheques have IFSC and MICR codes and signs

Does not paying taxes come under a punishable crime?

Does following our financial duties make us benign?

We have to fill withdrawal and deposit slips

Maybe we can ask Dad to take us to the bank for a weekend trip

Please learn as taught or else you might feel like an abandoned ship

Be consistent or else of known knowledge you might feel stripped

For tomorrow let's join hands and prepare

Let's read carefully and take care

So that we can claim our rights fair and square

Make sure, with every word that's written, you're clear

Locating the important terms- each word and where

Insurance

Tax

Bank

Cheque

Sales Tax

Class VII Review



Functions:

- Monetary Authority
- Issuer of currency
- Banker and debt manager to Government
- Banker of banks
- Maintaining financial stability
- Developmental role

Controls:

- Public Sector Banks
- Private Sector Banks
- Foreign Banks
- Co-operative Banks
- Regional Rural Banks



Banking at our convenience

How?

Remember?
Real Time Gross Settlement (RTGS)
National Electronic Fund Transfer (NEFT)
Internet Banking
Mobile Banking

How can I calculate
Simple Interest?

Simple Interest = Principal Amount
x Rate of Interest x Time

This was
Class VII

Now we will take
you to Class VIII

We will learn
more...

Yeah,
we will have fun.



Introduction to Insurance

Glossary

- Insurance:** Insurance is a contract between the insurance company (insurer) and the policyholder (insured). In return for a consideration (the premium), the insurance company promises to pay a specified amount to the insured on the happening of a specific event.
- Insured:** Person or object covered under insurance.
- Insurer:** The insurance company which receives the premium as part of consideration from the insured to cover/compensate the financial losses is called insurer.
- Life Insurance:** Life Insurance is financial cover for contingency linked with human life like death, disability, accident, retirement etc.
- Nominee :** The person(s) nominated by the policy holder to receive the policy benefits in the event of his death.
- Policy term:** The period for which an insurance policy provided cover or duration of policy.
- Sum Assured:** The amount an insurer is obliged to pay in case of occurrence of a loss/damage to the insured due to the specified event.

History of Insurance in India:

In India, insurance has a deep-rooted history. It finds mention in the writings of Manu (Manusmrithi), Yagnavalkya (Dharmashastra) and Kautilya (Arthashastra). The writings talk in terms of pooling of resources that could be re-distributed in times of calamities such as fire, floods, epidemics and famine. This was probably a pre-cursor to modern day insurance. Ancient Indian history has preserved the earliest traces of insurance in the form of marine trade loans and carriers' contracts. Insurance in India has evolved over time heavily drawing from other countries, England in particular.

The year 1818 saw the advent of life insurance business in India with the establishment of the Oriental Life Insurance Company in Calcutta. This Company however failed in 1834. In 1829, the Madras Equitable had begun transacting life insurance business in the Madras Presidency. The year 1870 saw the enactment of the British Insurance Act and in the last three decades of the nineteenth century, the Bombay Mutual (1871), Oriental (1874) and Empire of India (1897) were started in the Bombay Residency. This era, however, was dominated by foreign insurance offices which did good business in India, namely Albert Life Assurance, Royal Insurance, Liverpool and London Globe Insurance and the Indian offices were up for hard competition from the foreign companies.

In 1914, the Government of India started publishing returns of Insurance Companies in India.

The Indian Life Assurance Companies Act, 1912 was the first statutory measure to regulate life business. In 1928, the Indian Insurance Companies Act was enacted to enable the Government to collect statistical information about both life and non-life business transacted in India by Indian and foreign insurers including provident insurance societies. In 1938, with a view to protecting the interest of the Insurance public, the earlier legislation was consolidated and amended by the Insurance Act, 1938 with comprehensive provisions for effective control over the activities of insurers.

The Insurance Amendment Act of 1950 abolished Principal Agencies. However, there were a large number of insurance companies and the level of competition was high. There were also allegations of unfair trade practices. The Government of India, therefore, decided to nationalize insurance business.

An Ordinance was issued on 19th January 1956 nationalising the Life Insurance sector and Life Insurance Corporation came into existence in the same year. The LIC absorbed 154 Indian, 16 non-Indian insurers as also 75 provident societies—245 Indian and foreign insurers in all. The LIC had monopoly till the late 90s when the Insurance sector was reopened to the private sector.

The history of general insurance dates back to the Industrial Revolution in the west and the consequent growth of sea-faring trade and commerce in the 17th century. It came to India as a legacy of British occupation. General Insurance in India has its roots in the establishment of Triton Insurance Company Ltd., in the year 1850 in Calcutta by the British. In 1907, the Indian Mercantile Insurance Ltd, was set up. This was the first company to transact all classes of general insurance business.

1957 saw the formation of the General Insurance Council, a wing of the Insurance Association of India. The General Insurance Council framed a code of conduct for ensuring fair conduct and sound business practices.

In 1968, the Insurance Act was amended to regulate investments and set minimum solvency margins. The Tariff Advisory Committee was also set up then.

In 1972 with the passing of the General Insurance Business (Nationalisation) Act, general insurance business was nationalized with effect from 1st January, 1973. 107 insurers were amalgamated and grouped into four companies, namely National Insurance Company Ltd., the New India Assurance Company Ltd., the Oriental Insurance Company Ltd and the United India Insurance Company Ltd. The General Insurance Corporation of India was incorporated as a company in 1971 and it commenced business on January 1st, 1973.

This millennium has seen insurance come a full circle in a journey extending nearly 200 years. The process of re-opening of the sector had begun in the early 1990s and the last decade and more has seen it being opened up substantially. In 1993, the Government set up a committee under the chairmanship of RN Malhotra, former Governor of RBI, to propose recommendations for reforms in the insurance sector. The objective was to complement the reforms initiated in the financial sector. The committee submitted its report in 1994 wherein, among other things, it recommended that the private sector be permitted to enter the insurance industry. They stated that foreign companies be allowed to enter by floating Indian companies, preferably a joint venture with Indian partners.

Following the recommendations of the Malhotra Committee report, in 1999, the Insurance Regulatory and Development Authority of India (IRDAI) was constituted as an autonomous

body to regulate and develop the insurance industry. The IRDAI was incorporated as a statutory body in April, 2000. The key objectives of the IRDAI include promotion of competition so as to enhance customer satisfaction through increased consumer choice and lower premiums, while ensuring the financial security of the insurance market.

The IRDAI opened up the market in August 2000 with the invitation for application for registrations. Foreign companies were allowed ownership of up to 26%. The Authority has the power to frame regulations under Section 114A of the Insurance Act, 1938 and has from 2000 onwards framed various regulations ranging from registration of companies for carrying on insurance business to protection of policyholders' interests.

In December, 2000, the subsidiaries of the General Insurance Corporation of India (GIC) were restructured as independent companies and at the same time GIC was converted into a national re-insurer. Parliament passed a bill de-linking the four subsidiaries from GIC in July, 2002.

By March 2014, there were 28 general insurance companies including the Export Credit Guarantee Corporation of India Ltd (ECGC) and Agriculture Insurance Corporation of India and 24 life insurance companies operating in the country.

Jumble Time



Jumbled Words	Clue	Solution
siRk	Chance that something harmful will occur and leave us facing a loss	
sulnder	Person or object covered under insurance	
suranlcen	Offers protection against unforeseen risks	
cilyPo merT	Duration for which an insurance policy is purchased	
fiLe suranlcen	Financial cover for contingency linked with human life	

- 1) General insurance business was nationalized with effect from _____.

a) 1 January 1970 b) 1 January 1971
c) 1 January 1972 d) 1 January 1973

- 2) IRDAI was incorporated as a statutory body in _____.

a) April 2000 b) July 2000
c) April 2001 d) July 1999

Fun Time



IRDAI regulates insurance industry in our country.





Types of Insurance

Background

Everyone is exposed to risks of uncertainty. Men, women, children and property are always exposed to different kinds of risks. These risks can be either natural or man-made, resulting in financial losses. Insurance is a mechanism of sharing losses of a few by many which reduces the cost of loss or effect of loss caused by variety of risks. It accumulates funds to meet individual losses which are in turn invested to boost economy of the nation. Though insurance cannot prevent unwanted event or cause of loss from happening, it protects the policyholder by compensating him the promised amount of loss.

The business of insurance is related to the protection of economic values of assets. The asset would have been created through the efforts of the owner. The asset is valuable in some other form i.e. residual value. In the case of a factory or a business or a crop, the product generated by it is sold and income is generated. In the case of a vehicle/home, it provides comfort and convenience. So both are assets and provide benefits. Every asset is expected to last for a certain period of time during which it will provide the benefits. After that, the benefit may not be available. However the asset may get lost earlier due to an accident or some unfortunate event may destroy it or make it incapable of giving benefits. The planned substitute would not have been ready by that time. Insurance is a mechanism that helps to reduce the effects of such adverse situations. It promises to pay to the owner or beneficiary of the asset a certain sum if the loss occurs.

Types of Insurance

Life Insurance

Life Insurance is a contract between an insured and an insurer, where the insurer promises to pay the nominee of the insured a sum in exchange for a premium, upon death of insured person.

Life Insurance Policies give your family the promise of protection; secure their future even when you are not around to take care of them. If you are the primary breadwinner in your family, the loss of income that your family would experience as a result of your premature death is considered as significant loss and you should protect them against hardship. The purchase of insurance policy ensures that if you die, your family will be compensated by the insured amount.

Health Insurance

Health Insurance covers the cost of an insured individual's medical and surgical expenses.

Travel Insurance

Travel insurance is intended to cover medical expenses, financial default and other losses incurred while travelling, within the country or internationally.

Home Insurance

Home insurance policy provides an all encompassing protection for our home. Our house and other households assets are costly assets and therefore, safeguarding our home from unforeseen events should be our priority. It must be given the most trusted protection. It covers building insurance, contents insurance or both. It generally covers you for damage to your home caused by fire, bad weather, natural disaster; damage caused by burglary or attempted burglary.

Motor Insurance

Motor Insurance (or Auto Insurance) provides protection for our vehicle against the financial loss and liability that could result as a part of accident or theft. The owner of a motor vehicle is legally liable for any injury or damage to third party life or property caused by or arising out of use of vehicle in a public place. Therefore, Third Party Liability insurance of every motor vehicle is compulsory under law and driving a motor vehicle without insurance is a punishable offence.

Case study - I

Satish and Ashish were very good friends. Both were married. Satish had a son who went to a play school and Ashish had a one year old daughter. One day, whilst driving home from the office, Satish's car collided with another and he was killed instantly. His wife was absolutely devastated. She had no idea how she was going to bring up her child. After seeing his friend's family in financial crisis, Ashish decided it was a good time to get an insurance policy to help protect his family financially in case something similar happened to him.

Can you suggest what type of insurance should Ashish go for?

Case study - II

Roshni was driving down the highway on one beautiful sunny day. She was going shopping after having lunch with her friends. She turned around the corner and had to slow down because of the cars in front of her. The car in front of her started moving and she accelerated. But for some unknown reason, she got distracted, and the next thing she knew was her car was forced to stop. The car in front of her bounced and she heard the sound of broken glass. She had just crashed her car. She called up her insurance company and it paid all the charges for the repair of her vehicle.

What type of insurance do you think Roshni had?

Exercise

Event	Impact on individual or family	What type of insurance is applicable?
A family member breaks a leg in a skiing accident while on holiday in New Zealand		
A family member's bag is stolen in Chennai		
Theft of the recently purchased new family car		
A family member drives into the back of someone else's car		
The family home suffers fire damage		
Theft of household items (television, jewellery and DVD collection)		
A family member is diagnosed with a life-threatening illness, such as cancer or a stroke		



Jumble Time

jumble words

Jumbled Words	Clue	Solution
eahtIH suranlcen	Insurance that covers medical expenses	
ooMtr suranlcen	Gives protection to vehicle owner against theft, damage to his or her vehicle	
puorG suranlcen	Protection offered to homogeneous group having a similarity	

Multiple choice questions:

- 1) _____ covers the cost of an insured individual's medical and surgical expenses.
a) Health Insurance b) Travel Insurance
c) Home Insurance d) Motor Insurance
- 2) _____ provides protection for our vehicle against the financial loss and liability due to accident or theft.
a) Health Insurance b) Travel Insurance
c) Home Insurance d) Motor Insurance
- 3) _____ policy provides protection for our home.
a) Health Insurance b) Travel Insurance
c) Home Insurance d) Motor Insurance



Fun Time



We have different insurance schemes for different risks

Time to learn about various types of bank



Part I: Types of Banks

What is a Bank?

As per Banking Regulation Act, 1949 , banking means accepting, for the purpose of lending or investment, deposits of money from the public, repayable on demand or otherwise, and withdrawable by cheque, draft, order or otherwise.

Scheduled and Non-Scheduled Banks

In India, banks have been broadly classified into scheduled and non-scheduled banks. A Scheduled Bank is that which has been included in the Second Schedule of the Reserve Bank of India Act, 1934 and fulfills the following conditions.

- It has paid-up capital and reserves of at least ₹ 5 lakh. It assures the Reserve Bank that its operations are not detrimental to the interest of the depositors;
 - It is a corporation or a co-operative society and not a partnership or a single owner firm.
- Banks that are not included in the Second Schedule of the Reserve Bank of India Act are non-scheduled banks.

We have many types of banks, let us understand them one by one

Types of Banks

Banks can be classified into various types based on their functions, ownership, domicile, etc. The following are the various types of banks:



1. Commercial Banks

Commercial banks refer to both Scheduled and Non-Scheduled Commercial banks that perform all kinds of banking business, such as financing trade and commerce. Scheduled commercial banks are grouped into Nationalised banks, SBI & Associates, Private sector banks, Foreign banks and Regional Rural Banks (RRBs).

2. Regional Rural Banks

Regional Rural Banks were set up to help develop the rural economy by providing credit and other facilities, particularly to small and marginal farmers, agricultural labourers, artisans and small entrepreneurs. Being local-level institutions, RRBs were assigned a critical role in the delivery of agriculture and rural credit.

3. Co-operative Banks

Co-operative banks are further classified into Rural and Urban Cooperative Banks based on the area of operation.

a) Rural Co-operative Banks

Agricultural credit needs are different from those of industry and trade. The agriculturists require:

- Short-term credit to buy seeds, fertilisers and other inputs
- Long-term credit to buy land, make permanent improvements on land, buy agricultural machinery and equipment, etc. In India, rural co-operative banks have a major role in providing agricultural finance.

The rural co-operative structure is bifurcated into short-term and long-term. The short-term co-operative structure is a three-tier structure with State Co-operative Banks (StCBs) at the apex (State) level, District Central Co-operative Banks (DCCBs) at the intermediate (district) level and Primary Agricultural Credit Societies (PACS) at the ground (village) level.

The short-term structure caters primarily to the various short- and medium-term production and marketing credit needs of agriculture.

The long-term co-operative structure has the State Co-operative Agriculture and Rural Development Banks (SCARDBs) at the apex level and the Primary Co-operative Agriculture and Rural Development Banks (PCARDBs) at the district or block level. These institutions have the objective of meeting long-term credit needs in agriculture.

b) Urban Co-operative Banks

UCBs play a significant role in providing banking services to the middle and lower income groups of society in urban and semi-urban areas.

4. Reserve Bank of India

The central bank is the apex institution, which controls, regulates and supervises the monetary and credit system of the country. Important functions of the central bank are the Management and issue of currency notes, Banker and Debt Manager to the Government of India, Banker to Banks, custodian of the nation's reserves of international currency, lender of last resort, bank of central clearance, settlement and transfer and controller of credit. India's central bank, i.e., the Reserve Bank of India, also performs many development functions to promote economic developments in the country.

Classification on the Basis of Ownership

On the basis of ownership, banks can be classified into three categories;

a) Public Sector Banks

These are owned and controlled by the government. In India, the nationalised banks and the regional rural banks come under this category.

b) Private Sector Banks

These banks are owned by the private individuals or corporations and not by the government or co-operative societies.

c) Co-operative Banks

Co-operative banks are operated along co-operative lines. In India, co-operative credit institutions are organised under the co-operative societies law and play an important role in meeting financial needs in the rural areas.

Classification on the Basis of Domicile

On the basis of domicile, banks are divided into two categories:

a) Domestic Banks

These are registered and incorporated within the country,

b) Foreign Banks

These are foreign in origin and have their head offices in the country of origin.

Multiple choice questions:

- 1) Banks that are included in the second schedule of the RBI of India Act, 1934 are known as _____.
a) Scheduled Banks b) Non-Scheduled Banks
c) Commercial Banks d) Development Banks

- 2) _____ handle all kinds of banking business, generally financing trade and commerce.
a) Scheduled Banks b) Non-Scheduled Banks
c) Commercial Banks d) Development Banks

- 3) _____ were assigned the critical role of delivering agriculture and rural credit.
a) Co-operative Banks b) Commercial Banks
c) Regional Rural Banks d) Development Banks

- 4) _____ banks are owned and controlled by the government.
a) Public Sector b) Private Sector
c) Central d) Exchange

- 5) _____ are foreign in origin and have their head offices in the country of origin.
a) American Banks b) Foreign Banks
c) Domestic Banks d) State Banks

Fun Time

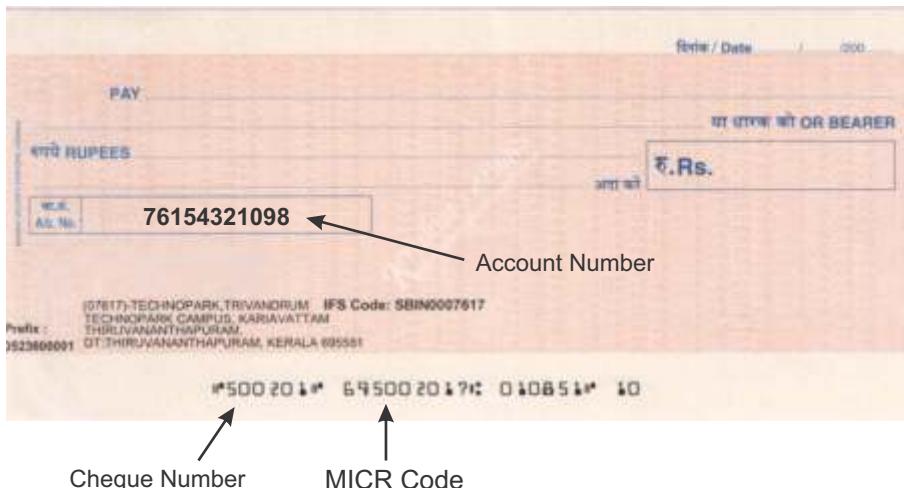


We have different types of banks for different purposes



Part II: Cheque

A cheque is a document that orders a payment of money from a bank account.



A cheque is a document that orders a payment of money from a bank account. The following information will be printed on your cheques.

1. Your personal information: Name
2. Your bank's information: Name, Address, City, State and Pin Code.
3. The "CHEQUE NUMBER". Every cheque in the book is in sequence order. This number should always be noted so that you can check the status.
4. The second number (pointed in Black) is the MICR Number. **MICR** stands for **Magnetic Ink Character Recognition**. This is a technology that helps route the cheque to where the funds exist. This is used to efficiently transfer your money.
5. The third number is your account number as maintained by the Reserve Bank of India.
6. The last number tells if your account is current or savings which help in faster processing in case of out-station cheque.

What is MICR Code?

- Magnetic Ink Character Recognition, or MICR, is a character recognition technology used primarily by the banking industry to facilitate the processing of cheques.
- MICR characters are printed in special typefaces with a magnetic ink or toner, usually containing iron oxide. A special machine is used to read these characters, which can be easily read by humans too. The characters are usually printed on the bottom strip of cheque leaf.
- This MICR code is used by RBI (Reserve Bank of India) clearing process to identify the branch and bank.

MICR is a unique system used by the Bank for cheque clearing and every bank has a unique MICR Code. MICR comprises nine digits, which are further sub-divided as city, bank and branch code.

1. City code: The first three digits specify the city in which you have a bank account.
2. Bank code: The next three digits of MICR specify your bank in that particular city.
3. Branch code: The last three digits of MICR help in figuring out the specific branch of the specific bank.

What is IFSC?

The Indian Financial System Code (also known as IFSC) is an 11 character code for identifying the bank and branch in which an account is held. The IFSC code is used for both the NEFT and RTGS funds transfer systems. Can you see the IFSC code on the cheque?



jumble words

Jumbled Words	Clue	Solution
Clipub cetorS nakB	Banks owned and controlled by Government of India	
udsriatlin aBnk	Also known as investment bank, meet financial needs of industries	
lilArgaucrut akBn	Provides agricultural finance	
Ehacnxeg ankB	Deals in foreign exchange and finance foreign trade	
arivPte eoSctr aBnk	Banks owned and controlled by Private individuals or corporations.	
Dscemtoi Bkan	Banks registered and incorporated within country	
cheldeduS nakB	Banks included in second schedule of RBI	

- 1) A _____ is a document that orders a payment of money from a bank account.
a) Demand Draft b) Fixed Deposit
c) Cheque d) Debit Card

- 2) _____ number helps route the cheque to where the funds exist.
a) MICR Code b) IFSC Code
c) Account d) Cheque

- 3) _____ is a 11 character code for identifying the bank and branch in which an account is held.
a) MICR Code b) IFSC Code
c) Account d) Cheque

Fun Time



Wow... We have so many types of banks. Which one is yours?





Why am I supposed to give a part of my income to the government?

Tax



Income Tax

An income tax is a government levy (tax) imposed on individuals or entities (taxpayers) that varies with the income or profits (taxable income) of the taxpayer.



Property Tax

Property tax or 'house tax' is a tax on buildings, along with land, and imposed on its owners. The tax is levied by the local government where the property is located.



What is GST?

Goods and Services Tax

The Goods and Services Tax has revolutionized the Indian taxation system. The GST Act was passed in the Lok Sabha on 29th March, 2017, and came into effect from 1st July, 2017.

State taxes that would be subsumed within the GST are:

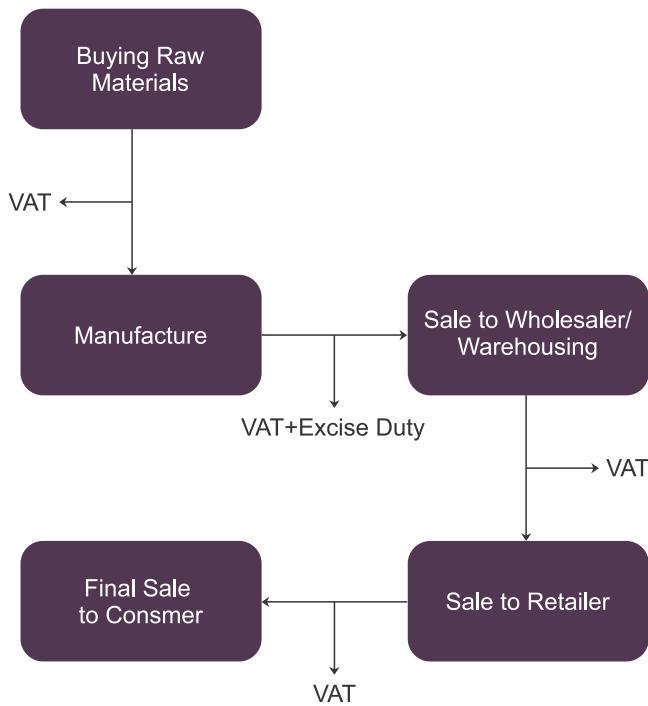
- State VAT;
- Central Sales Tax
- Purchase Tax;
- Luxury Tax;
- Entry Tax (All forms);
- Entertainment Tax (except those levied by the local bodies);
- Taxes on advertisements;
- Taxes on lotteries, betting and gambling;
- State cesses and surcharges insofar as they relate to supply of goods or services.

Meaning of GST and its working

GST is one indirect tax for the whole nation, which will make India one unified common market.

GST is a single tax on the supply of goods and services, right from the manufacturer to the consumer. The final consumer will bear only the GST charged by the last dealer in the supply chain, with set-off benefits at all the previous stages.

So, before GST, the pattern of tax levy was as follows:



Under the GST regime, tax will be levied at every point of sale.

Now let us try to understand “GST is a comprehensive, **multi-stage, destination-based tax** that will be levied on every **value addition**.”

Multi-stage

There are multiple change-of-hands an item goes through along its supply chain : from manufacture to final sale to consumer.

Let us consider the following case:

- Purchase of raw materials
- Production or manufacture
- Warehousing of finished goods
- Sale of the product to the retailer
- Sale to the end consumer



Goods and Services Tax will be levied on each of these stages, which makes it a multi-stage tax.



Value Addition

The manufacturer who makes shirts buys yarn. The value of yarn gets increased when the yarn is woven into a shirt.

The manufacturer then sells the shirt to the warehousing agent who attaches labels and tags to each shirt. That is another addition of value after which the warehouse sells it to the retailer.

The retailer packages each shirt separately and invests in the marketing of the shirt thus increasing its value.

GST will be levied on these value additions i.e. the monetary worth added at each stage to achieve the final sale to the end customer.

Destination-Based

Consider goods manufactured in Rajasthan and are sold to the final consumer in Karnataka. Since Goods & Service Tax (GST) is levied at the point of consumption, in this case Karnataka , the entire tax revenue will go to Karnataka.

Rate of GST:

Under GST, goods and services are taxed at the 0%, 5%, 12% ,18% and 28% rates. There is a special rate of 0.25% on rough precious and semi-precious stones and 3% on gold. In addition a cess of 15% or other rates on top of 28% GST applies on few items like aerated drinks, luxury cars and tobacco products.

The commodities proposed to be kept outside the purview of GST

Goods and Services tax (GST) is a tax on supply of goods or services or both, except supply of alcoholic liquor for human consumption. So alcohol for human consumption is kept out of GST by way of definition of GST in constitution. Five petroleum products viz. petroleum crude, motor spirit (petrol), high speed diesel, natural gas and aviation turbine fuel have temporarily been kept out and GST Council shall decide the date from which they shall be included in GST. Furthermore, electricity has been kept out of GST.

GST administration in India

Keeping in mind the federal structure of India, there are three components of GST – Central GST (CGST), State GST (SGST)/(UTGST) and Integrated GST (IGST). Tax will be levied on every supply of goods and services. Centre would levy and collect Central Goods and Services Tax (CGST) and States/Union Territory would levy and collect the State Goods and Services Tax (SGST)/(UTGST) on all transactions within a State/Union Territory . Similarly, Integrated GST (IGST) will be levied and administered by Centre on every inter-state supply of goods and services, which is the aggregate of CGST and the SGST of the destination state.

Why do we pay taxes?

Taxes are paid by all the responsible citizens of the country. Taxation is the source of revenue for the government, and the money is used for the development of the whole country, eg. developing roads, infrastructure, educational institutions and many more. Therefore, though we do not get any direct benefit from the taxes we pay, still the money is used for us.



What are Taxes used for?

Government use different kinds of taxes and vary the tax rates. This is done to distribute the tax burden among individuals or classes of the population involved in taxable activities, such as business, or to redistribute resources between individuals or classes in the population.

Taxes may reduce taxpayers' income. As a result, taxpayers have less for personal goods and services, savings, and investment. However, the more services the government provide, the more taxpayers have to pay for them.

Exercise

1) What is Income Tax?

2) _____ tax is levied by the local government.

Jumble Time



Jumbled Words	Clue	Solution
xTa	Compulsory contribution imposed on public by Government	
iDrcet Tax	Tax paid directly to State	
noumseCr	Individual who buys products or services for personal use	
uRnveee	Amount brought into business through business activities	

1) _____ is a tax on buildings or land.

- a) Income Tax
- b) House Tax
- c) Goods and Services Tax
- d) Services Tax

Fun Time

2) _____ is a tax levied on an individual's taxable income

- a) Income Tax
- b) House Tax
- c) Property Tax
- d) GST



I will ensure my parents pay their taxes.



Cheque? What is that?



Part I: Money in & Money out

A Word about Kinds of Cheques

Cheques may be defined as a written order of a depositor upon a bank to pay a designated party or to a bearer, a specified sum of money on demand. The person who draws the cheques is called drawer, the bank on which the cheques is drawn in called drawee and the person to whom payment is to be made is called payee. It is an order of the customer without condition. It is drawn upon a certain bank in writing. The banker always has to pay it on demand.

Types/ Kinds of cheque

Cheques may be of different types. Some of them are:

Bearer Cheque

When the words "or bearer" appearing on the face of the cheque is not cancelled, the cheque is called a bearer cheque. The bearer cheque is payable to the person specified therein or to any one else who presents it to the bank for payment. However, such cheques are risky, because if such cheques are lost, the finder of the cheque can collect payment from the bank by presenting the same in the bank.

Order cheque

Order Cheque is a cheque which is expressed to be payable to a particular person without containing words prohibiting transfer or indicating that it will not be transferable.

Open/Uncrossed Cheque

When a cheque is not crossed, it is known as an "Open Cheque" or an "Uncrossed Cheque". The payment of such a cheque can be obtained at the counter of the bank. An open cheque may be a bearer cheque or an order one

Crossed Cheque

Crossing of cheque means drawing two parallel lines on the face of the cheque with or without additional words like "& CO." or "Account Payee" or "Not Negotiable". A crossed cheque cannot be encashed at the cash counter of a bank but it can only be credited to the payee's account.

Ante-Dated Cheque

If a cheque bears a date earlier than the date on which it is presented to the bank, it is called as "ante-dated cheque". Such a cheque is valid upto three months from the date of issue of the cheque.

Post-Dated Cheque

If a cheque bears a date which is yet to come (future date) then it is known as post-dated cheque. A post-dated cheque cannot be honoured earlier than the date on the cheque.

Stale Cheque

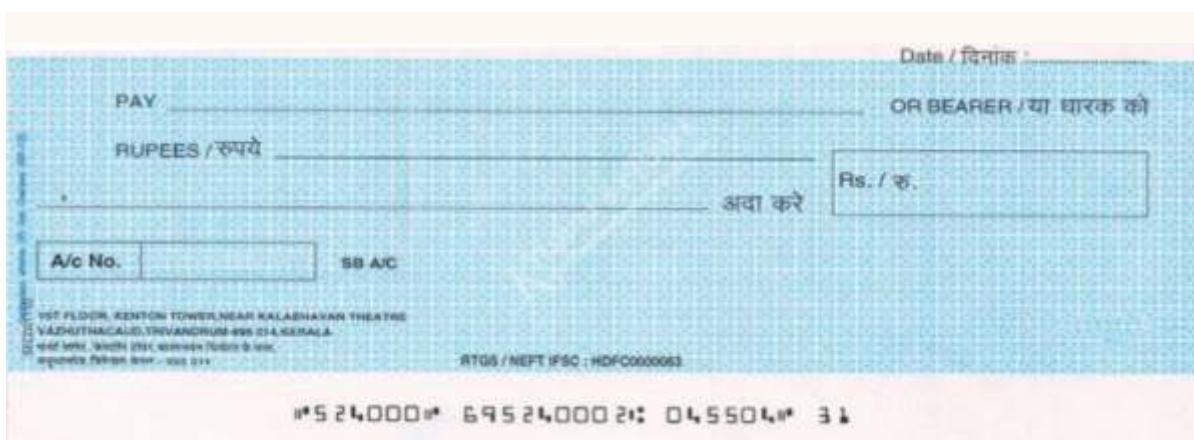
If a cheque is presented for payment after three months from the date of the cheque it is called stale cheque. A stale cheque is not honoured by the bank.

Activity: Cheque

1) Fill out one of the blank cheques below, using the following information:

- Today's date
- Name of the payee, or whom it is to be paid
- Fill in the numerical amount: ₹15000.
- Write the amount in words.
- Sign the cheque with your complete signature and identify the bank account number and cheque number by encircling it.

Choose your own information to complete the second cheque.



2) Can you think of a few benefits of using cheques?

3) Describe other ways people can pay for things besides paying in cash.

Part II: Demand Draft (DD)/ Payment Order

A **demand draft** is an instrument used by individuals to make payments or transfer money. It is issued by one branch of a bank on another branch of the same bank. A DD can be prepared with cash payment or by paying through your bank account. The person wanting to send money, deposits cash in a bank or issues a cheque in favour of the issuing bank, which issues him a demand draft. The demand draft is sent to the person who is to receive the money. The

receiver gives it to the branch/bank where he holds an account and receives the payment. DDs are valid for 6 months. Banks normally charge a commission for issuing demand drafts. The customer has to pay an amount equal to DD amount + Commission + Service Tax. DDs can also be issued against the payment of cash by the purchaser, but in this case, the total amount (inclusive of commission and taxes) should not exceed ₹49,999.

Two parties are involved in draft transaction viz., (a) Drawer i.e. the issuing bank, and (b) Payee who is the beneficiary. The main purpose of a draft is to transfer money from one place to another or to guarantee the certainty of payment to the payee. The bank charges a nominal fee or commission to issue a draft.

A Demand Draft is a much safer and certain method of payment than cheques, since in the case of cheques, an individual is the drawer and hence the cheque can be dishonoured by the drawee bank due to insufficiency of fund in the drawer's account. But since in the case of a DD, the drawer is a bank, payment is certain and it cannot be dishonoured.

An applicant for a Demand Draft is required to fill in a DD Request Slip, mentioning the amount, payee's name, issuing branch, location the draft should be payable at, his name, signature and account number etc.

Payment orders or Banker's Cheques are similar to demand drafts but are usually issued for payments within a city. These are usually valid for 3 months. Banks may charge a commission for issuing Payment Orders and Banker's Cheques.

The various merits of using DD:

- Extremely unlikely to be stolen and used.
- No chance of fake notes circulating in India.
- Can be encashed only by the person on whom it is issued.
- Can be safely sent by courier or post.
- Can be easily cancelled.
- Sender can be easily identified.

The details required to send a demand draft:

- The type of DD needed.
- The mode in which you will pay money to the bank i.e. by debiting to your account or by cash.
- The concerned place where the money is to be paid.
- Name of the recipient.
- The amount.

Exercise

1. What is a Demand Draft? What are the information required to fill it?

2. What are the details required to send a Demand Draft?

3. What do you mean by Demand Draft Number?

4. What is the difference between Cheque and Demand Draft?

5. What are the advantages of Demand Draft over Cheque?

6. What is the maximum amount one can send through a Demand Draft by paying cash (Inclusive of commission and taxes)?

Jumble Time



Jumbled Words	Clue	Solution
uCqeeh	Document that orders a payment of money from bank account	
dressoC eqceuh	Cheque which can be collected only by a bank from the drawer bank	
reraBe uqChee	Cheque which can be cashed by the bearer of the cheque.	

- 1) When the words "or bearer" appear on the face of the cheque it is known as a _____.
a) Bearer Cheque b) Holder's Cheque
c) Uncrossed Cheque d) Crossed Cheque
- 2) When a cheque is not crossed, it is known as _____.
a) Crossed Cheque b) Open Cheque
c) Not Crossed Cheque d) Holder's Cheque
- 3) Which of the following cheque is not honoured by the bank?
a) Ante-Dated Cheque b) Post Dated Cheque
c) State Cheque d) Expired Cheque

Fun Time



We can pay money to another party through a cheque.



Our bank account wow...



How to open a bank account

General Introduction to Banking

Have you been to any Bank? You must have observed many activities there. Some people may be depositing (putting in) money and others may be withdrawing (taking out) money. Also, you must have heard people speaking about words like interest, loan, Cheque, Demand Draft (DD) etc. Have you heard people saying that the interest they get is too low and it is difficult to meet household expenses? For them, interest on their savings is an income used for daily living.

You need money to start a business or to buy items. We can borrow money from people or organizations. Bank is one such institution which lends money to borrowers. The borrowers could be individuals or companies. Individuals need money to construct houses, to purchase houses, land, items such as TV, fridge, motor cycles, cars, etc. Farmers also need money for buying land, cattle, fertilizers, tractors and farm equipments. People need money to start a business. Companies also require money to expand their business. Students need loans for higher studies. Banks give money to all these type of borrowers. But, can banks give money for free? Banks also have expenses in the form of paying interest to the depositor, salary to their employees, rent for building, for electricity, for buying computers., etc.. Interest on loan is the extra charge that banks collect from borrowers to meet these expenses and make some profit.

How do banks get money to give to borrowers?

Banks collect money from depositors who have some savings they want to keep safe. Will these depositors give money to the Bank for free? Of course not! The depositors also need some incentive, so that they keep their money with Banks. To encourage depositors to keep their money with banks, 'interest' is paid on the money kept by the depositor with the Bank. Thus, Bank is an organization that collects money from depositors and gives money to borrowers. So we can say Banks act as 'middleman' between those who have extra money (depositors) and those who need money (borrowers).

Banks need a system with which they can record the transactions of their customers (depositing money and taking out money). For this reason, every individual or company needs to open an account in the Bank. At the time of opening account, Banks check the background of individuals by asking them to produce few documents (Address proof, Date of birth proof, etc.)

When an account is opened, Bank gives a unique number to each depositor called 'Account Number'. When an individual opens an account he is given a 'Savings Bank Account'. When a company or a businessman opens an account they are given a 'Current Account'. Depending on the needs of the account holder, accounts are mainly classified as:

Savings Bank (SB) Account

Current Account (CA)

Recurring Deposit Account (RD)

Fixed or Term Deposit (FD)

Cumulative Term Deposit (CTD)

Account Opening Form: Part-II

Date: _____

(For office use only) Account No. _____

Branch to which name of name
and code no.

Type of Account:

Savings Bank Account (with cheque book)

Savings Bank Account (without cheque book)

No-frills Account

Savings Plus Account

Premium Savings Account

Current Account

Recurring Deposit

Term Deposit

Special Term Deposit

Multi Option Deposit Scheme linked with

Savings Bank Current Account

Others (please specify) _____

Please tick the
type of account to
be opened. To
know more about
various schemes
please contact
these officials.

Details of Applicant(s):

First Holder Name:

CIF no. (to be filled in by branch/LCPC): _____

Second Holder Name:

CIF no. (to be filled in by branch/LCPC): _____

Third Holder Name:

CIF no. (to be filled in by branch/LCPC): _____

Account Name:

Account name as would appear on passbook/account statement:

Services Required:

1. **ATM-CUM-DEBIT CARD:** (for International card and its variants, separate application is to be submitted)

Applicant no.	Card Type	Name as would appear on the card
1st	<input type="checkbox"/> Domestic <input type="checkbox"/> Gold International	_____
2nd	<input type="checkbox"/> Domestic <input type="checkbox"/> Gold International	_____
3rd	<input type="checkbox"/> Domestic <input type="checkbox"/> Gold International	_____

Please mention any other account desired to be linked:

Resident Visa	_____
Non Resident Visa	_____

2. **INTERNET BANKING:** Viewing rights : 1st 2nd 3rd applicant Transaction rights : 1st 2nd 3rd applicant (please tick)

3. **MOBILE BANKING:** Mobile Banking Service to be enabled on this no. _____

4. **SMS ALERTS:** SMS Alerts on mobile number as mentioned in Part-I Required Not required

5. **CHEQUE BOOK:** Type of Cheque Book: Ordinary Multi-city Both * Charges applicable for Multi-city cheques

6. **STATEMENT FREQUENCY:** Monthly Quarterly Half-yearly
(for current account) e-Statement to be sent to e-mail id as mentioned in Part-I Required Not required

Mode of Operation:

Self only Either or Survivor Former or Survivor Any one or Survivor Jointly Other _____

Specimen Signature:

Place a passport size photograph inside this box.

1st Applicant

Place a passport size photograph inside this box.

3rd Applicant

Place a passport size photograph inside this box.

3rd Applicant

Signature / Seal impression/印鉴/Seal

Please Sign
in black ink
only.



What are the documents required to open our account?
Let us try to understand

Opening of Account

The procedure and the application form used for opening accounts are more or less the same in all banks.

For opening a bank account, you need the following:

- Address Proof: Either telephone bill, ration card, driving license, voter ID card, Passport, electricity bill or Aadhar Card.
- Identity proof: Either PAN card, passport, voter ID card or Aadhar Card.
- Photographs: 2
- Minimum Balance: Minimum balance varies from bank to bank depending upon the type of accounts. Banks also offer No-Frills or Zero balance accounts where there is no requirement for minimum balance.
- In the form, the photo of the individual who is opening the account needs to be affixed in the space provided. The photo helps in identifying the account holder.
- Bank maintains a Card which has two specimen signatures of the account holder. Normally banks scan the signature and store them in the computer.
- Introduction by an existing Account Holder is required when you are not complying to KYC (Know Your Customer) Norms.

General Features of children's bank account

- A guardian or a parent can open an account for a minor and this account can either be jointly held or can be an independent account. For an independent account the minor has to be more than 10 years of age.
- The parent/guardian can choose to get bank statements on a regular basis. This will be helpful for a parent/guardian to monitor the child's account.
- The parent/guardian also has the option to give instructions to the bank to transfer certain specified sum of money into the child's account on a regular basis.
- Banks that provide these accounts also provide all basic facilities that a savings account has. This includes debit card, pass book and some banks even provide cheque books for minors.
- Some of the banks also provide additional insurance covers to the life of parent/guardian. Here a certain sum is assured to the minor on the death (under specific conditions) of the parent/guardian. There are various types of deposit schemes for minors offered by banks.
- A minor above the age of 10 years may be allowed to open and operate savings bank account independently, if they so desire. On reaching the required age, the erstwhile minor should confirm the balance in his/her account and if the account is operated by the natural guardian/legal guardian, fresh operating instructions may be obtained and kept on record for all operational purposes.
- The guardian/parent should hold an account with the bank where he/she wants to open an account for the minor.
- Usage of the money from the account and minimum amount that has to be credited into the account will be as per the basic rules set by individual banks. Penalty will be charged if the guardian/parent is not able to maintain minimum balance in the minor's account.
- Once the account holder (child/minor) turns into major, the account will be treated as a regular account and the bank will obtain photographs and specimen signature of the major.

Documents required for Kids bank account

The basic KYC norms will be followed while opening an account for a minor in the bank.

- Document for proof of age and address of the minor
- Document for the proof of relationship between the parent/guardian and the applicant minor
- Proof of identify of the minor
- Photographs of minor

If the parent/guardian is able to engage the minor in operating the account in an active manner then it does teach the minor to manage money. Since there are conditions like minimum average monthly/quarterly balance and also respective penalty if the same is not maintained, it will improve a minor's money management skills gradually. On the other hand the account also paves way for a new era where children would be much equipped with knowledge of banking by the time they turn major.

Minimum Balance: banks expect you to deposit a minimum balance in the range of ₹1,000/- to ₹5,000/-.

Exercise

1) What are the requirements for opening a savings bank account?

2) What is the rate of interest paid on savings account by your bank?

3) Find out what other benefits are offered by the bank of your choice.

4) Fill up the dummy form to open your bank account.

5) Who can open an account in a bank?

6) What are the documents required to open an account?



Jumble Time

jumble words

Jumbled Words	Clue	Solution
uetrrCn ucAnotc	Account mainly used for large number of transactions on daily basis.	
ginRcrure etiosDp uotnccA	Account mainly opened for saving small amounts and earning higher rate of interest.	
Fdxei eotDspi	Amount deposited in this account cannot be withdrawn before specified period of time	

- 1) Name and address has to be filled in
a) running hand
b) small letters
c) block letters
d) any of the above

- 2) The amount of cash to be deposited has to be filled by
a) the receptionist
b) the applicant
c) the manager
d) the cashier

- 3) The account number in the form is filled by
a) the applicant
b) the bank authorities
c) the cashier
d) the receptionist

- 4) The kind of account a customer would open, is decided by
a) the cashier
b) the customer
c) the bank manager
d) the receptionist

- 5) You need to _____ to keep your money in bank.
a) ask someone to keep your money.
b) take admission in bank
c) have a friend/relative in a bank
d) open an account in a bank

Fun Time



I am going to open my bank account. What about you?





Insurance: A story

A village having insurance against vagaries of nature

All villagers assembled near the Chabutara. The Mukhia sat on a makeshift stage. The farmers of the village were facing serious problems year after year. One year it was loss of entire crop due to sudden pouring of rain at the time of harvest. The second year heavy rains caused the river flowing nearby to swell, resulting in submerging of many households, killing cattle, damaging tractors, agriculture pump sets etc. Then another year there was a severe drought in the area. There was a distraught look on everyone's face to find a solution for mitigating such losses at least in this year.

The only graduate of the village had come today from the city and all of them gathered to hear from him if he could provide any solution. "Certainly", said Mr Graduate. "As a group, we can protect ourselves through insurance. All you need is to have a group insurance covering all households of this village. You can insure your homes, pedal cycles, cattle, crops and all other assets under insurance". "Why is group insurance better than individual insurance"? asked one gentleman. "Group insurance is offered to a homogenous group having a similarity e.g. we are all part of this Gram Panchayat and the Gram Panchayat can take a group insurance policy covering all the villagers. Further, it saves lot of administrative work of issuing multiple insurance policies for the same risk, it is cheaper as compared to individual policies."

"It is a very good idea," said the Mukhia. Every one nodded in agreement. "Can we get health treatment under insurance for our families?" asked one lady sitting in one corner.

"Of course," said Mr. Graduate. "But you have to purchase a group health insurance for availing such facility. One more thing you may be interested to know is about cashless facility under health insurance. Now a days, most of the insurance companies have tie-ups with a network of hospitals and the claim amounts are directly paid to them in case of hospitalisation, so that hospitals do not charge you any money. It means, you just have to walk in with your ID proof of insurance to the network hospital and get free access to health care as per the Policy under cashless facility." The Mukhia then rose from his chair and said to the villagers, "Now we are going to insure the entire village under group insurance." Everyone applauded the decision.

Fun Time

- 1) For villagers, group insurance was better as compared to individual insurance as
 - a) it saves administrative work
 - b) it is cheaper
 - c) they all had similar kind of risk
 - d) all of the above

- 2) What is required at network hospital to have access to free health care as per the Policy under cashless facility?
 - a) insurance Policy
 - b) witness
 - c) ID Proof
 - d) Policy Card

We should select best insurance policy according to our needs



How can we withdraw and deposit money in a bank?



Part I: Filling of deposit and withdrawal slips

To deposit money in a bank account you will need to give some details to the bank by filling in a slip known as pay-in slip/deposit slip.

As a sample, slip used by a bank is given below:

<p>JAYANAGAR, 03/04/06</p> <p>Paid into the Credit of SB (Savings Bank) Account No. 14502 Name of A/C Holder RAMESH K.N. A/c credit (₹) the sum of Rupees (in words) Two Thousand Only Method of Deposit Cash ₹/Rs. 2000.00</p> <p>Signature/Cheque</p> <p>DEPOSITOR COPY</p>	<p>Bank/Cashier's Name/Signature</p> <table border="1"> <tr> <td>Amount</td> <td>Date</td> </tr> <tr> <td>1000 x 2 = 1000</td> <td>03/04/06</td> </tr> <tr> <td>100 x 10 = 1000</td> <td></td> </tr> <tr> <td>50 x</td> <td></td> </tr> <tr> <td>20 x</td> <td></td> </tr> <tr> <td>10 x</td> <td></td> </tr> <tr> <td>5 x</td> <td></td> </tr> <tr> <td>2 x</td> <td></td> </tr> <tr> <td>1 x</td> <td></td> </tr> <tr> <td>Total Amount</td> <td>2,000.00</td> </tr> </table> <p>Signature of the Depositor Date/Signature No.</p> <p>BANK COPY</p> <p>Bank/Cashier's Name/Signature</p> <p>Placed Received Date Checked Date Cashier Date Assistant Manager</p> <p>10</p>	Amount	Date	1000 x 2 = 1000	03/04/06	100 x 10 = 1000		50 x		20 x		10 x		5 x		2 x		1 x		Total Amount	2,000.00
Amount	Date																				
1000 x 2 = 1000	03/04/06																				
100 x 10 = 1000																					
50 x																					
20 x																					
10 x																					
5 x																					
2 x																					
1 x																					
Total Amount	2,000.00																				

Note that the slip has two parts. Right side is for Bank's use and left side is for Depositor's record.

Let us understand the details to be filled up on the Bank Copy. Most of the same information is filled up on the left side also.

Circled Number	Detail	Entry in the above slip
01	Name of the Bank's Branch	Jayanagar
02	Date (of deposit)	03-04-06
03	Paid in to the credit of (Nature of account)	SB (Savings Bank)
04	A/C Holder's Name	Ramesh K.N.
05	Amount of deposit in words	Two thousand only
06	A/C No. (Account Number)	14502
07	Amount of deposit in figures	2000
08	Signature of Depositor	Signature
09	Denomination (The break up of amount in different currency notes)	500x2 = 1000, 100x10 = 1000 Total = ₹ 2000
10	Cash/Cheque (The method of deposit)	Cash

Note: Since authorization is not required for depositing money, anyone can deposit money into any one's account.

Withdrawal of money

As an example let us see what needs to be filled to withdraw money from the bank using the form a bank.

The image shows a 'SAVINGS BANK WITHDRAWAL FORM' with several fields filled in. Circled numbers 1 through 7 point to specific fields: 1 points to the 'Name of the Account Holder(s)' field containing 'PADMAKSHI'; 2 points to the 'Date (of withdrawal)' field containing '14/10'; 3 points to the 'Account Number' field containing '14110'; 4 points to the 'Amount of withdrawal in words' field containing 'FIVE HUNDRED ONLY'; 5 points to the 'Amount of withdrawal in figures' field containing '500/-'; 6 points to the 'Debit the amount to my/our SB A/c No.' field; and 7 points to the 'Signature of Depositor' field containing 'Padmash'. Other visible text includes 'Branch / Office / Branch' with 'SAPTHAGIRI', 'Bank Code No. 4011065', and 'C.I.C. No. 161 007', and a note at the bottom right about the signature being the same as the passbook.

Circled Number	Detail
01	Name of the Account Holders
02	Date (of withdrawal)
03	Account Number in the Bank
04	Amount of withdrawal in words
05	Amount of withdrawal in figures
06	Debit the amount to my/our SB A/c No.
07	Signature of Depositor

There are some restrictions on the use of withdrawal slip. They are:

1. Only the account holder can use this slip to withdraw the amount for himself.
2. This form cannot be used to make payment to others.
3. Account holder has to produce the pass book.



Let us understand how we
can operate our account

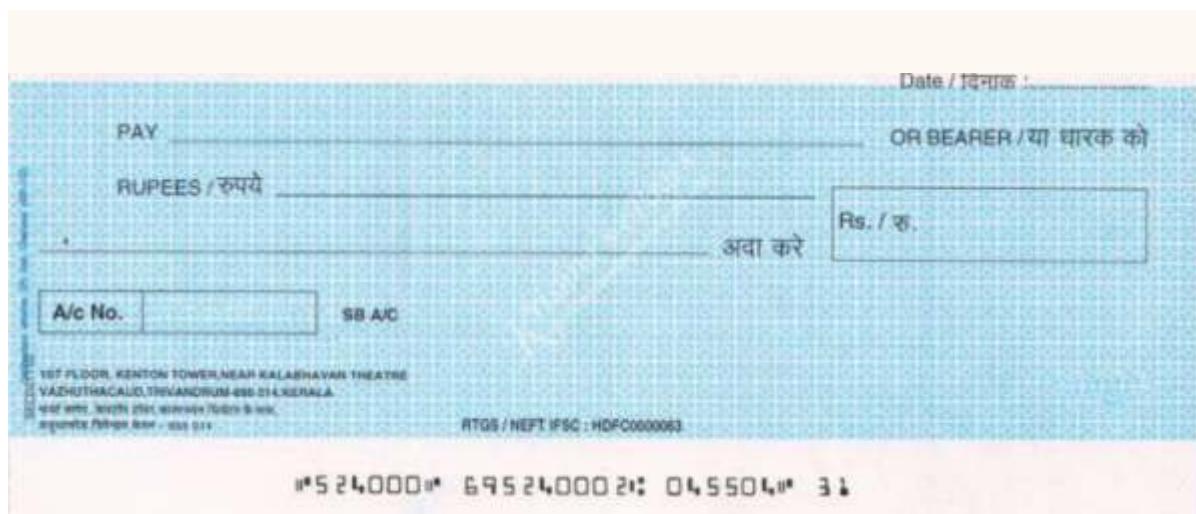
Part II: Operating Your Account

A bank account lets you set aside money for unexpected expenses. Banks offer various types of accounts such as savings and current account, allowing you to earn a small amount of interest on your deposit. This article will tell you how to deposit and withdraw money from a bank account.

Depositing and withdrawing money

When you have a current or savings account, you can deposit and withdraw money either in person at the bank or using an Automated Teller Machine (ATM).

- Making a deposit: If you want to deposit money into your account, there are a few options. If a cheque is received, the beneficiary will deposit it with his banker who will collect the money through clearing house system, where banks in a city exchange cheques with one another and settle the payments by arriving at a net amount of payables and receivables.
- Making a withdrawal: To withdraw money, you can write a cheque made out to 'Cash' and then put date and sign it like a cheque you would deposit. Endorse the cheque and give it to the bank teller, who will give you the cash. To withdraw money from an ATM, put your ATM card into the machine, enter your Personal Identification Number (PIN), and specify the amount of cash you would like to withdraw.



Key Messages

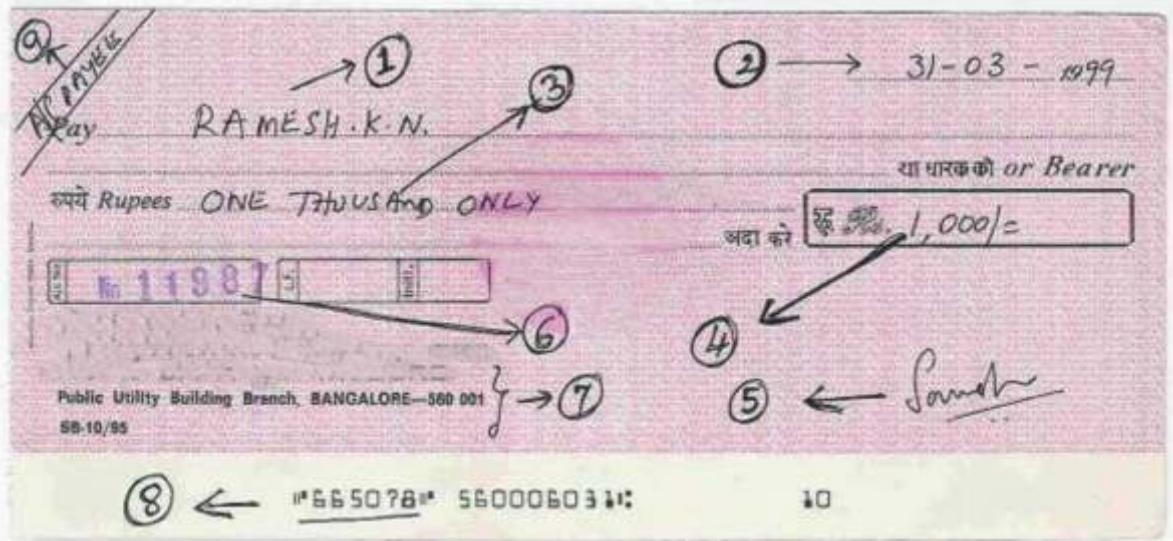
- Savings accounts let us set aside money for unexpected expenses.
- A cheque is a document that orders a payment of money from a bank account.

Exercise

1. What is a Pay-in-slip? What are the information you require to fill it?

2. What is a withdrawal slip? What are the information you require to fill it?

- Let us see what needs to be filled in a cheque so as to pay an amount of money to others. As an example let us study the cheque format used by a bank.



Circled Number	Detail	Entry in the above Cheque
01	Pay (Name of the person who needs to be paid)	Ramesh K.N.
02	Date (Date on which the money is to be paid)	31-03-1999
03	Rupees (The amount to be paid in words)	One Thousand Only
04	Rs. (The amount to be paid in Figures)	1000
05	Signature of the person issuing cheque	Signature (It should be as per specimen signature card given to the bank)
06	Account Number	11987
07	Bank branch Address	Public Utility Building, Branch, Bangalore-560001
08	Cheque Number	665078
09	Mode of Payment	A/c Payee

Key Notes:

- Overwriting is not permitted.
- One should not write at the bottom (MICR) strip of the cheque or damage it.

Time to study our passbook



Passbook

When an account is opened with a bank, the bank gives a pass book which lists the transactions carried out in that account.

As an example, let us look at the pass book entry of an account holder of a bank which is given below

<p>मुख्यालय 2 वडा क्रमांक संख्या 422, 8th Main, 4th बनशंकरी 2nd Cross बंगलोरु - 560 070</p> <p>पद्मक्षी वीना यात्रा खाता</p> <p>१ नाम Name(s) PADMAKSHI / VEEKA</p> <p>२ पता Address K.R. ROAD ३ उत्तमता Occupation Phone</p> <p>मुख्यालय दृष्टिकोण अधिकारी मुख्यालय अधिकारी / मुख्यालय अधिकारी</p>	<p>बनशंकरी ॥ स्टेज शाखा 422, 9 वडा नं. बनशंकरी ॥ स्टेज बंगलोरु - 560 070</p> <p>बंगलुरु खाता पास्बुक</p> <p>Savings Bank Pass Book</p> <p>संग्रहालय नं. ०११९००१४११० Pass Book No.</p> <p>खाता अमार्क Account No. 01190014110</p> <p>अधिकारी अधिकारी Assistant General Manager Chief Manager / Branch Manager</p>	<p>Banashankari II Stage Branch 422, 8th Main, Banashankari II Stage BANGALORE - 560 070.</p>  
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Circled Number	Details	Entry in the above Pass Book
01	Name of the Account holder	Padmakshi and Veena
02	The address of the account holder	2282, 2nd Cross, K.R. Road...
03	The Account number	01190014110

Note that since this account is in two names, the account is called a 'joint account'.

The next and subsequent pages give the details of the transactions carried out by account holder.

Let us see how transactions are recorded in a passbook.

१	२	३	४	५	६
प्रक्रिया दिनांक DATE	प्रक्रिया विवरण PARTICULARS	चेक नं. CHEQUE NO.	दृष्टिकोण आहारत राशि AMOUNT WITHDRAWN Rs. ₹ Rs.	जमा की गई राशि AMOUNT DEPOSITED Rs. ₹ Rs.	खाता शेष BALANCE Rs. ₹ Rs.
23-09-97	BY CASH	SD14039		500.00	500.00
03-10-97	BY CASH TELLER	SD14036		9000.00	10500.00
24-10-97	BY CASH TELLER			3750.00	14250.00
24-10-97	BY CASH	SD14014		10000.00	24250.00
04-11-97	AGRAHAR & CO	UBS181			9250.00
05-11-97	BY CASH	SD13014		30000.00	39250.00
06-11-97	OUTWARD CLEARIN			30000.00	69250.00

Date of Transaction	Details	Reference Number	Amount Taken out/ Amounts withdrawn	Amount put in +/- Amounts Deposited	Balance
01	02	03	04	05	06
23/09/97	A/c Opening Balance	Sd14039		500.00	500.00
03/10/97	By Cash	SD14086		10000.00	10500.00
24/10/97	By Cash			3750.00	14250.00
24/10/97	By Cash	Sd14014		10000.00	24250.00
04/11/97	To Agrahar & Co	Vb5181	15000.00		9250.00
05/11/97	By Cash	SD013014		30000.00	39250.00
06/11/97	By Clearing			30000.00	69250.00

Circled Number	Details	Explanation
01	Date of Transaction	The date on which money was deposited or withdrawn.
02	Details	How the money has come in to the account or to whom money has been given, and how it was taken out.
03	Reference Number	The internal number used by the bank or the cheque number of the cheque.
04	Amount withdrawn	Amount withdrawn from the account. This reduces the money available in the account.
05	Deposit	Amount deposited into the account. This increases the money available in the account
06	Balance	The balance amount in the account on a particular day.



Jumble
Time

jumble words

Jumbled Words	Clue	Solution
nayPi ipsI	Slip used to deposit amount into an account	
rldahwtawI pilS	Slip used to withdraw amount from an account	

Fun Time

- 1) When an account is opened in two names, the account is known as _____.
a) Two Account b) Separate Account
c) Joint Account d) Dual Account

- 2) We need to fill a _____ slip for withdrawing cash.
a) Deposit b) Withdrawal
c) Passbook d) Cheque

- 3) We need to fill a _____ slip for depositing cash.
a) Deposit b) Withdrawal
c) Passbook d) Cheque

- 4) _____ lists the transactions carried out in the account.
a) Deposit b) Withdrawal
c) Passbook d) Cheque



With the help of withdrawal slip & pay in slip we can withdraw & deposit cash in our account.

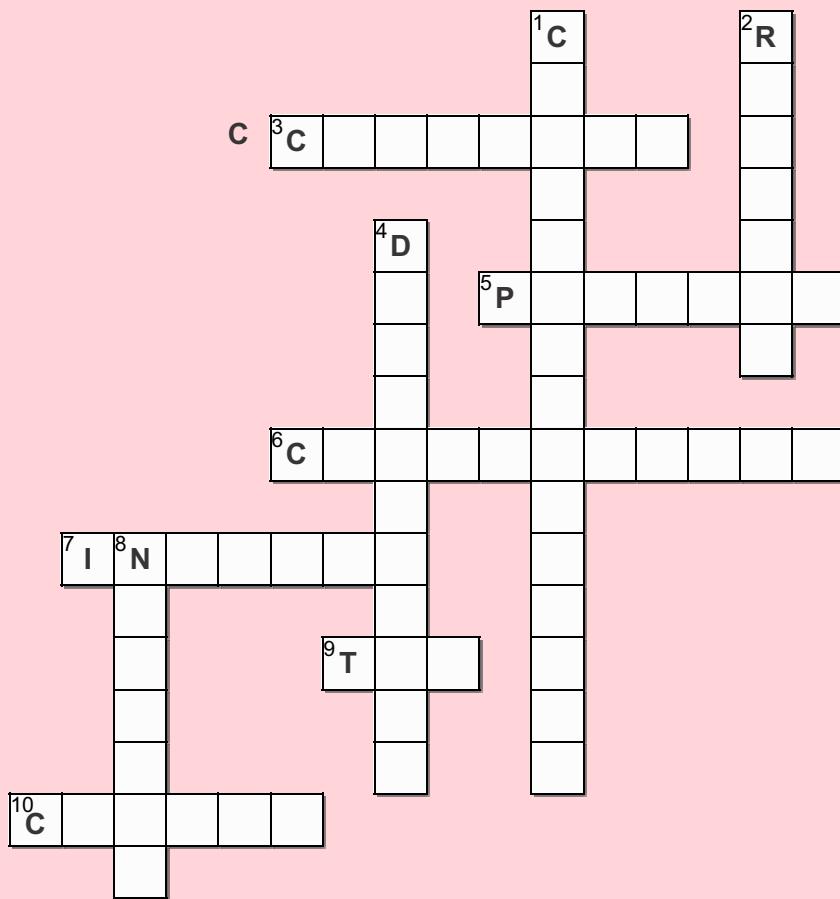


Time to solve
crosswords Rashi



Yeah, we will have fun
Saif.

CROSSWORD



Across

3. An individual who buys products or services for personal use and not for manufacturing or resale
5. The amount of money charged by the insurer to the insured for a certain amount of insurance coverage
6. It is the apex institution which controls, regulates and supervises the monetary credit system of the country
7. The person or object covered under the insurance
9. A charge imposed by the government, which acts as a payment for common services provided by the state.
10. It is a document that orders a payment of money from a bank account to the person specified

Down

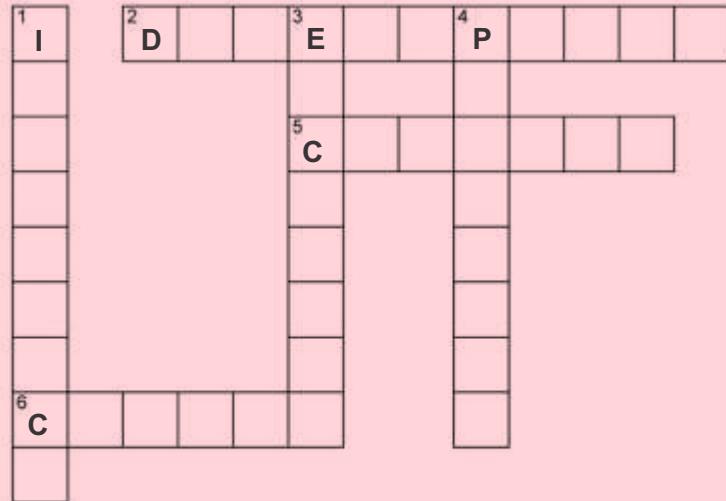
1. These banks finance, trade and commerce
2. It is the amount of money brought in by a company through its activities
4. It is also called a 'remotely created cheque', a 'tele-cheque' or a 'cheque by phone'
8. The person nominated by the policy holder to receive the policy benefits in the event of his/her death



Time for more crosswords Munaf.



Gaming and learning together, isn't it great?



ACROSS

- 2 _____ Banks have been set up to meet the growing demands of particular segments such as, export, rural, housing and small industries.
- 5 . A _____ cheque cannot be encashed at the cash counter of a bank but it can only be credited to the payee's account.
- 6 _____ is a document that orders a payment of money from a bank account.

DOWN

- 1 _____ is a contract between the insurance company (insurer) and the policyholder.
- 3 _____ banks deal in foreign exchange and specialize in financing foreign trade.
- 4 _____ lists the transactions carried out in a bank account.

ABBREVIATIONS

Time for abbreviations

1. KYC
2. MICR
3. ATM
4. IFSC
5. DD
6. FD



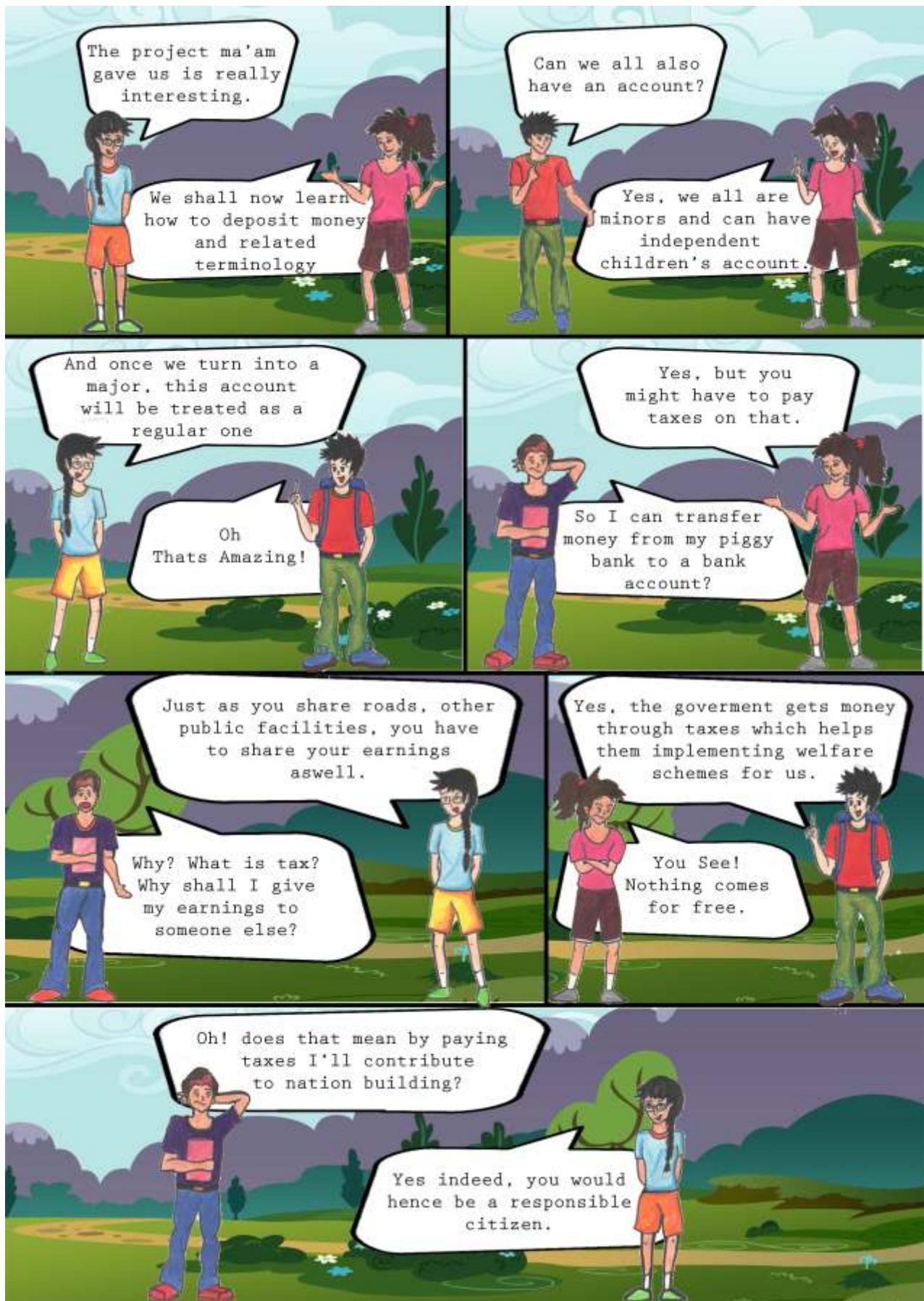
Bank Account

Scripted by:
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Man Singh
Vidyalaya,
Jaipur

Illustrations:
Madhav Gupta,
Bal Bharti School,
Rohini, Delhi

Taxes

**Tanessa
Puri**





Activities

1. Visit a bank nearest to your residence. Make a note of number and types of counters in the bank branch. Describe the activities performed in each counter?
2. Survey at least five male and five female in your neighborhood and ask them the following questions and also find out the no. of neighbors who have more than 1 type of insurance:

Name :		
Age :		
Gender: Male <input type="checkbox"/> Female <input type="checkbox"/>		Occupation/Designation:
Whether availing any insurance product		
Please tick (✓) on the appropriate boxes		
Life Insurance		
Health Insurance		
Home Insurance		
Motor Insurance		
Others: Please Mention		
<hr/> <hr/> <hr/> <hr/>		

3. Visit 3 banks nearest to your residence. Make a note of the following details mentioned in the table below:

Name of Bank	Types of loans offered

4. Visit a nearest bank and get a withdrawal slip and fill it in the class in front of your teacher. (Mention any imaginary account number, amount and other details).
5. Visit a nearest bank and get a deposit slip and fill it in the class in front of your teacher. (Mention any imaginary account number, amount and other details).
6. Study your latest Electricity/GAS Bill and note down the tax particulars mentioned in it.
7. Visit your nearest Post Office and make note of the banking services provided by it.
8. Visit at least 3 Kirana/ration shop/super stores nearest to you and note down the following details:
 - a) Different brands/manufacturers of Ghee, their price and Expiry dates.
 - b) If unpacked/open ghee is available in the shop.
 - c) Other details mentioned on the packing.
 - d) Is the Company address and phone number of the producer mentioned on the product cover/packet?
9. Draw a poster on any one of the following topics:
 - a) Importance of Insurance
 - b) Uses of Bank accounts
10. Perform a play (in group of 3 as Customer, Bank Official and other staff) on any one of the following topics:
 - a) Opening of a Bank Account
 - b) Operating a Bank Account

[Textbooks should not be held in hand while performing the plays. Dialogues should be well rehearsed.]



Notes:



Prepared by:

