

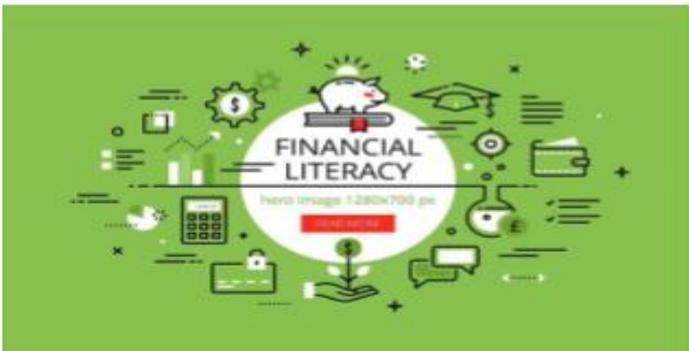


**Financial Literacy 360 Degree
endeavour for Learners**

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What is financial literacy?

According to the Cambridge dictionary, financial literacy is the ability to understand basic principles of business and finance. OECD INFE defines financial literacy as a combination of awareness, knowledge, skill, attitude and behavior required to make sound financial decisions to achieve individual / business financial wellbeing. However, in layman's language, financial literacy is an understanding and a process to take decisions related to financial outcome. These decisions may be related to individuals as well for businesses.

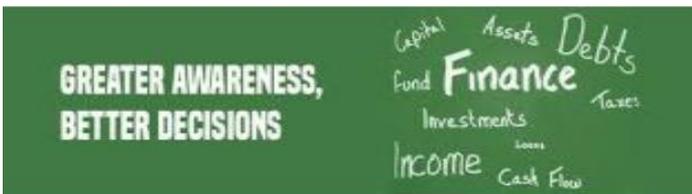


Why financial literacy?

Knowledge and understanding of finance plays a vital role in an individual's life whether he/she is managing a home or business. Financially literate person can take timely decisions about the finances i.e. budget, risk, return et.al.

Financial literacy helps to make person disciplined in personal and professional life. It also helps to develop an understanding of ethical and social responsibility.

Whether you are working or non working, basic knowledge of finance is necessary for all. A financially literate individual can discuss his/her own perspective and contribute in the crucial financial decisions.



MODULE : 1

Module Description

Financial decision making is a part of everyone's life. An understanding of financial fundamentals helps to take right decision at various stages of life.

This module is structured in such a way that learners of all ages can understand and gain knowledge. Learners can get insight into financial aspects like value of money, risks, fund management etc. They can take action based on their circumstances.

Module will also help businesses to understand the ways of financial planning and management.

Practical scenarios have been included to increase the potential learning. Module will also assist in identifying right technology tools for appropriate solutions.

Learner can assess knowledge by solving the printable worksheets.

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- What is Money?
- Functions of Money
- Characteristics of Money
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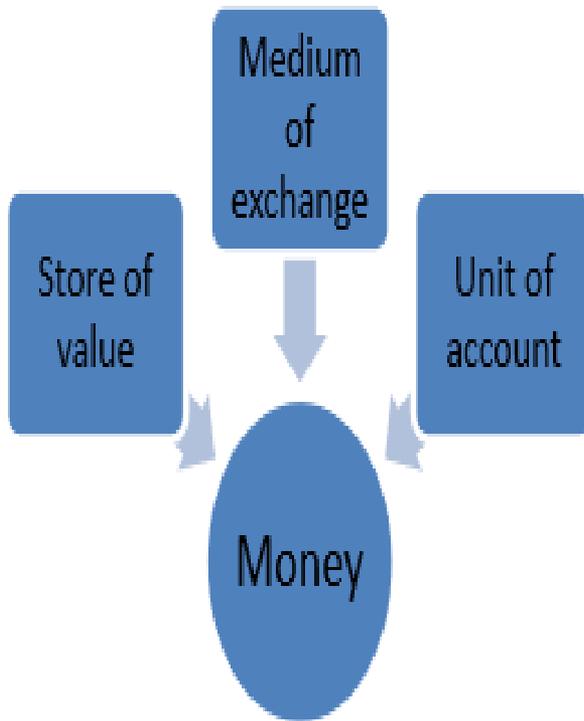
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What is Money?



A unit or an item which is used to buy/sell goods and services. It's a medium of financial exchange wherein one can fulfill his/her desire and needs. As per Wikipedia version- Money is any item or verifiable record that is generally accepted as payment for goods and services and repayment of debts in a particular country or socio-economic context. Milton Friedman stated- Money is whatever is generally accepted in exchange for goods and services- accepted not as an object to be consumed but as an object that represents a temporary abode of purchasing power to be used for buying still other goods and services.

Functions of Money



Store of value:

Money to be relevant must hold certain value over time. It is also defined as an asset that allows people to transfer power from one period to another in form of wealth.

Medium of exchange:

Exchange of goods and services is done through transfer of money, eliminating the complications of barter system.

Unit of account:

It is defined as a unit of measurement for a specific item. Money is common measure to calculate the value of a product or service.

Characteristics of Money

D

DURABILITY :

The physical form of money should withstand the rigors of everyday usage and should be easily replaceable, if worn out or damaged.

P

PORTABILITY:

The unit of money must be carried and transferred conveniently.

Div

DIVISIBILITY:

The money can be easily divided into smaller units of value.

U

UNIFORMITY:

Similar denomination must have uniformity of colour, design and look in the country of use.

LS

LIMITED SUPPLY:

Limited amount of money as regulated by RBI (in case of India) should be in circulation for maintaining the value of currency.

A

ACCEPTABILITY:

Everyone must have confidence to use money for transactions.

Types of Money

Essentially money is divided into two forms based on its intrinsic value.

Fiat Money:

We use this type of money in our daily life. It has no intrinsic value. For example currency notes.



Commodity Money:

This type of money has intrinsic value. Gold and silver are example of commodity money. It can be used as jewellery, and for industrial purposes et.al. therefore it has value apart from its use as money.

What is currency?



As per the business dictionary, a token used as money in a country refers to currency. Currency includes metal coins, paper notes, cheque drawn on bank, money orders, travelers' cheque etc.

Today in digital World electronic money or digital cash is also considered as currency. Virtual currency is also on the way. It is a form of digital currency but is recognized as unregulated currency. Bitcoin and Ether are most commonly known virtual currencies trading in the digital market.

Indian Currency

The Indian currency is called the Indian Rupee (INR) and the coins are called paise. One rupee consists of 100 paise.

The symbol of the Indian rupee is ₹. Reserve Bank of India attends to the core statutory function of notes and coins issue and currency management in the country. (Source: Vikaspedia)

Below is a list of top 10 currencies in the World used in Forex market trading (Source - rediff.com/money) -

Currency	Value against the one Indian Rupee
US Dollar	0.015
Euro	0.012
Japanese Yen	1.63
British Pound	0.011

Swiss Franc	0.015
Australian Dollar	0.020
Canadian Dollar	0.020
Swedish Krona	0.13
Hongkong Dollar	0.12
Norwegian Krone	0.12

(Currency prices change constantly based on supply and demand in the foreign exchange markets. www.dailyfx.com/forex-rates can be used for having a latest glimpse of currency rate.)

Key Terms

OECD	Organisation for Economic Co-operation and Development
INFE	International National on Financial Education
RBI	Reserve Bank of India
Barter System	A system that allows exchange of goods and services between two parties for payment instead of currency.



Evaluate your learning

1. Money is accepted in exchange (complete)
2. Money does not have a risk free store value. (true/false)
3. has no intrinsic value. (complete)
4. Match the given keywords-
 - a. Portable -currency
 - b. INR - function of money
 - c. Ether - money must be easy to carry
 - d. Travelers cheque - Indian rupee
 - e. Unit of account -virtual currency
5. What is a purpose of commodity money?
6. Define virtual currency?
7. Why virtual currency is unregulated?

Activity

1. Find out the currency value of the given countries against the Indian rupee as on date-

British Pound, US Dollar, Yen, Renminbi, Euro, Dirham, Ringgit, Rouble, Rial

2. Identify any five virtual currencies.
3. Who designed the Indian rupee symbol?
4. Reserve Bank of India is a regulatory body which issues and manages currency in India. Similarly find out the regulatory bodies of the following countries-

United States of America, Switzerland, Germany, UAE, China, Singapore, Russia, Japan

