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Financial Quest strives to be completely authentic and accurate. The research for a volume such as this, takes several months and we have tried to ensure the facts are accurate and updated. However, it is possible, at times, that something researched and compiled by us may have changed after the particular section of the book has been closed or printed. In such cases the updates and corrections would appear only in the next volume. Readers are requested to verify the updated facts before using any information from this book.

# Preface

Financial education plays a pivotal role, yet many remain completely devoid of it. Finance plays a role in everybody's life, yet it is not a mandatory subject in most schools or colleges. Many adults shy away from finance, considering it to be a complex subject. Simply put it is the lack of awareness and knowledge, which is the crux of the issue. Further, we live in an increasingly dynamic world environment that will be prone to financial and economic turbulences once a while, so it is all the more pertinent.

For our nation to emerge as a financially stronger and stable nation, we will need a large number of Indians to exhibit the right financial behaviour. NSE is India's leading stock exchange and has a primary role to play in improving financial well-being of people, and in turn contributing to the nation as a whole. We must reach out to our young population in their early formative years, when most of us crystallize our attitudes and beliefs. The learning at this age will be of immense value to them in their future years.

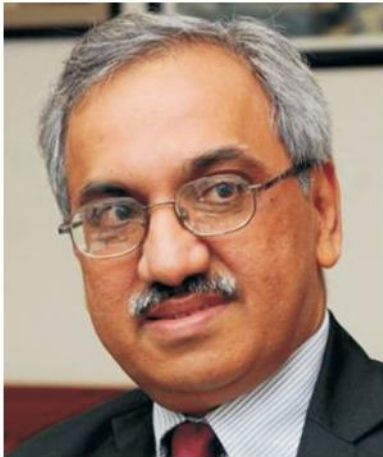
Various pioneering initiatives of NSE include:

1. Organizing student groups to visit NSE for a finance-program
2. Inclusion of finance as a subject within the education curriculum across school boards
3. India's first finance quiz on TV, in association with CNBC TV18
4. Conceptualizing an innovative annual school program across more than 100 schools.
5. Making financial education available online
6. Engaging on the social platform
7. A stream of specialized courses for developing finance professionals.

The learning from these will be of immense value to them in their future years. Infact, it is the student population that will graduate the nation to a better financial standpoint by investing appropriately to not just secure but improve their financial quotient, and in turn, make India a more financially stable and robust nation.

We recognise that to make a sizeable impact, we must continue to maintain and scale up our reach and scope. Print, TV, School Visits and the Digital Medium are all being used to achieve the defined objective and enhance reach. We believe this program will soon cross a million students and beyond, given the excellent response and support we have received, wherever we have taken our initiatives.

## From the MD's Desk



"Our interactions with various stake-holders increasingly brought out a message that for many, finance is at the periphery, in spite of the fact that we deal with it everyday. The challenge for many is the "lack of awareness of financial products" and "lack of clarity on how one should manage their personal finance".

Being India's leading stock exchange, NSE took upon itself the larger responsibility of reaching out to educating people on finance. We realized that to bring about a distinctive change, we must definitely reach out to our young population; i.e. those who are studying in class 8th and above. These youngsters being in their early formative years, it would be the best time when we can crystallize their attitudes and beliefs and make them conscious of finance being an essential life-skill. To make a sizeable impact, we have undertaken several initiatives under our program "Financial Quest".

Also, to make finance interesting for youngsters, we have consciously innovated our approach. The learning from these will be of immense value to students in their future years, since money management plays a role in everybody's life, irrespective of the career path one selects eventually".

**Ravi Narain, Managing Director, NSE**



# About this book

The creation of every book is a story in itself. This one is no different. For starters, the book itself is part of a pioneering initiative for young India by NSE. When the NSE team shared their first thoughts about this book with Rasika (the project head for this book) and me, we knew it would be a challenge we would relish. Researching and creating a book on finance is not difficult. Making it 'funance', was the challenging part. The initial meetings were long and intense. It was all about the architecture of the book and what would (or should) go into it. Once we had the framework, the next challenge was to put a team of researchers in place who would bring in varied thoughts, ideas and domain expertise.


Atul Rathi, is a passionate corporate executive and finance professional whom we have admired (as a research company) for his depth of knowledge, especially on finance. He brought immense depth and clarity to the formation of this book. We were then looking for someone who would relate to youngsters and found our man in Tarique Laskar, a masters in finance himself and a sought after teacher at many B-schools. His ability to restructure content in the simplest possible manner gave an important dimension to the outcome of this book. While Atul, Tarique, Rasika and I started the basic research and compilation, we brought in Aarti Tibrewala, a brilliant young Chartered Accountant and entrepreneur, with an uncanny ability to transcribe words into verses. This team on an aggregate has contributed close to 2000 hours of work on this book to set a benchmark and to provide you our reader, a wonderful collection. My heartfelt gratitude to each one of them.

Once the research process reached an advanced stage we started looking at the design elements. In our many interactions with children we find that they often 'scan' a book before they actually 'read' it. This makes the design of a book critical to get the scanner to read. To add to that requirement we wanted this book to be different. It took us more than a month as we were just not happy with the many designers we met and the designs we saw, till we ran into the team from Blackboard Animations. They were working on a quiz animation software for us when we first discussed this book with them. It did seem a trifle 'out of the box' to work with an animation company to design a book. To me it was like trying to teach physics using Angry Birds! In retrospect it was the best decision we took. Team Blackboard, headed by the insightful Padmajha, literally brought the content to life with amazing illustrations and vibrant colours.

We would also like to document our appreciation to the NSE team for the freedom and flexibility they gave us, at every stage, in the creation of this book.

The theme of the book is designed to assist readers to experience the 'World' of Finance. After much deliberation, we came out with a set of major financial cities of the world to elaborate on different concepts of Finance. Each section has its own unique design and template which it makes it easy for you to navigate through and identify. A special feature are the poems between sections to introduce us to the wealth creators of the world. Throughout the book, you will notice interesting information wrapped in 'Fin Facts' and 'Seal this'.

Enjoy reading.



Quizmaster  
NSE Financial Quest

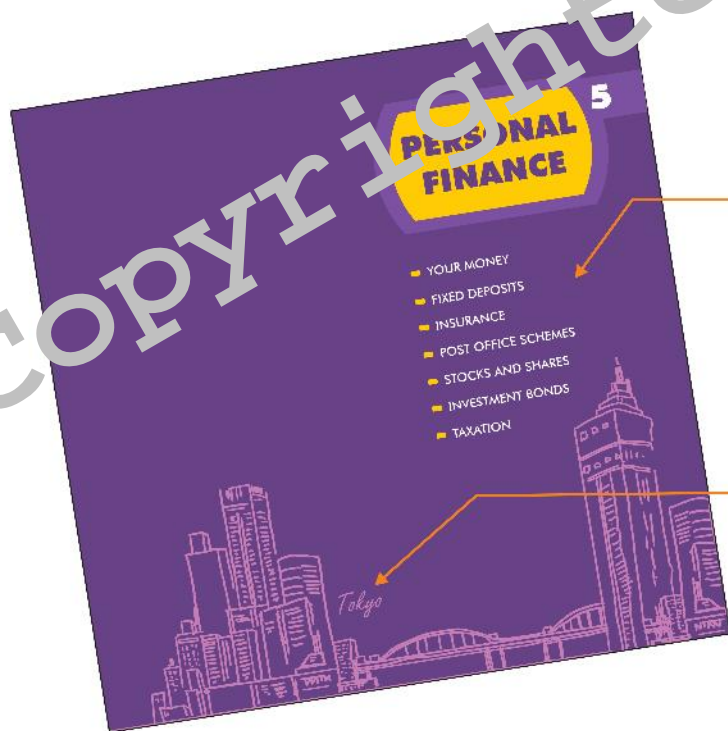
# How to use this book

The book design has been created in such a way that makes it easy for you to navigate through and explore information in a fun way.

Each page in this book has special features that will show you how to grab on to as much information as possible! Look out for these.



Each city has been colour coded with the name of the city. This makes it easy to spot the section within the book.



## Section page

Each section page is colour coded and contains a list of topics that belong to the section.

Each section contains an illustration of a famous city



## Wealth Creators

Well-versed poems of the world's wealth creators

Steve Jobs



Born to Schiele and Jonda,  
He was raised by Clara and Paul,  
Not able to afford classes or fees,  
Out of college he had a full

He dropped out of creativity,  
Even the writing calligraphy,  
He ate apples and Coke bottles for food money,  
At Loma Vista, he ate for free!

Timon got his break at Atari,  
In a garage he formed his domain,  
To create Newton's muse he joined hands  
With Wozniak and Wayne!

From such humble beginnings,  
To being most powerful among men,  
Steve Jobs, standing tall among peers,  
Was FT's number one of 2010!

He may have passed on in 2011,  
But his legacy will always live on.  
He took the path less taken  
Where only the brave hearted have gone!

Every page is colour coded to identify which section it belongs to

Our illustrations that bring the topic to life.

SEAL THIS

These are interesting trivia based facts related to the topic.

FIN FACTS

These are a list of Financial facts relevant to the topic.

FAMOUS QUOTES

Quotes by famous people from the world of finance.



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# FINANCIAL BASICS

● ORIGINS OF MONEY

● BARTER SYSTEM

● TYPES OF INTEREST

*Hongkong*

# NEEDS, WANTS AND GOALS



Human beings have had needs and wants from the moment we set foot on this earth and the only difference between the two is that while things that we **need** are the things we cannot do without, things that maybe we can do without (or, in other words nothing really bad will happen if we don't have them) are called **wants**.

*There are things in life you have to spend money on –*

- Things that you need right away, like food everyday, or a house to stay in or clothes to wear to school.
- Things that you would want to spend money on – a new bike, a new pair of very fashionable jeans or a fancy comic book.

But the truth is, that if you don't get the stuff you **need**, you'll find it difficult living your life, whereas if you don't get what you **want**, you might still be able to make it through. Imagine if you had that fancy comic book to read, but no house in the cold winter to read the book in! There will, of course, be times when wants may become needs, or to put it differently, someone's wants maybe someone else's needs. That's where the importance of **goals** come in.

We set ourselves financial goals as to what we want or need and when we need them. For example, you may want a car right now but you realize maybe you don't need it right now – you have the school bus to take you to school and drop you back and your parents to drive you around elsewhere. But maybe a few years later when you're going to work yourself, you'll need transportation and hence a car. This is an example of goal setting – you deciding today that you'll need a car in the future. Similarly, your parents might set a goal about the money they need to pay for your higher education or to buy a new house. Goal setting is necessary to distinguish between needs and wants and also, using budgeting, to plan for how to save and spend money so that you have enough money left to meet those goals.



# BARTER SYSTEM



In ancient times, when money in the current form didn't exist, people traded with each other in the form of barter. In ancient Egypt, grain and oil were popular barter items used to buy other goods. The advantage of the barter system is that it is very direct and pure without the need for a currency and any other supporting mechanism (like banks) for the currency. But the disadvantage is also just as big – how exactly do two people find each other and have exactly the thing the other person wants so that a transaction may happen.



- In the Greek port city of Volos, they introduced a bartering system last year so that the community did not need to use money as Greece faced an economic crisis. In the local market an exchange system exists where if you have goods or services to offer (like say a yoga class), you gain credit which you can then use to buy whatever else is being offered through the network in the market (say, a set of decorative candles). BBC remarked that "it's all reminiscent of an ancient bartering system returning to today's Greece".
- If you go to the Jaipur district in Odisha (Orissa), you might be surprised to see that when the local washerman washes, irons and delivers the clothes to the villagers, they don't pay him money. Instead, they give him rice paddy or green gram or black gram or perhaps a combination of the three. The same story goes for the barber and even the boatman.

**SEAL THIS**



When a government makes one type of money the official currency of that country, it is called a Legal tender.

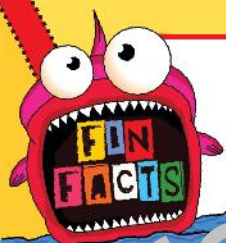


# ORIGINS OF MONEY

**Money** is an instrument used in exchange for buying goods or services. Money usually consists of currency notes and coins in many denominations. It is the most commonly used medium of economic exchange, across the world, facilitating trade.

Money, or the currency that we use to make and receive payments every day, originated essentially because the barter system became too complex for transactions. Imagine keeping a track of different combinations of things that can be bartered! Just 10 different items in a market would create 45 possible exchanges - a mathematical nightmare! Money eliminated that difficulty by being a standardized unit of value.

In the history of this world, many items have been used as money to facilitate exchanges - from cowry shells to gold coins, from tobacco leaves to silver coins before the Chinese developed the concept of paper currency that finds wide use today. Money makes borrowing, saving, investing, and computing the value of goods and services simple.



- According to legend, JUNO REGINA was the wife of Jupiter and she was responsible for protecting the funds of Rome. She was also known as Juno Moneta. It is believed that the first ever coins were minted in her temple. The word 'money' is derived from her name 'moneta'.
- The world's oldest coin was discovered in Ephesus, Turkey. It is said to be around 2700 years old.
- In Iraq after the fall of Saddam Hussein, mobile phone currency cards became a popular medium of exchange - even kidnappers asked for ransoms in the form of high-value phone cards!
- Over the entire human history, the total amount of gold mined is only enough to fill up about two standard Olympic swimming pools.
- Each dollar bill is so designed that it can be folded 4000 times before it can tear.

## FAMOUS QUOTES

"Never spend your money before you have earned it."

*Thomas Jefferson*



# MONEY MANAGEMENT

❑ SHORT TERM VS.  
LONG TERM  
PLANNING

❑ BUDGETING  
FOR YOURSELF

❑ BUDGETING  
FOR A NATION



# SHORT TERM VS. LONG TERM PLANNING

Whenever people spend money, they are either spending to meet a short term financial goal or a long term goal. Think about when you go out to buy eggs and bread for tomorrow's breakfast. That's a short term goal spending – basically, you need the food to survive the next day! But when someone is saving up money in the bank to accumulate enough money to buy a house 10 years later, that's a typical long term financial goal.



As you may have gathered, short term goals and long term goals differ in the time it is necessary to fulfill them. Short term planning and spending involves mostly basic needs and day to day necessities needed by people and families, whereas long term goals generally means, purchase of more durable goods like, say, a car or a television set, or of course, a house.

We need a balance of the two at any given time, where we will be spending to meet our short term goals but at the same time we have to decide how much do we need to save and invest to meet our long term goals. For that, the most important aspect is to write down the long term goals you want to achieve (say, the fancy car) and how much money you might need in the future to achieve them (the car sure isn't going to sell for the same price as today, five years hence). To meet savings goals, it is important, then to look at short term spending and cut out unnecessary spending if required. Suppose you realize you need to save Rs. 1000 more per month to be able to afford the car later, then maybe rather than ordering pizza once every week, you decide to have pizza only once in two weeks.



- The word budget originates from the 15th Century French term 'bougette' meaning a 'leather bag'. Incidentally, you'll often see pictures of the finance minister carrying a briefcase when he goes inside the parliament house to present the budget for the year.
- On November 26, 1947 R.K. Shanmukham Chetty had presented the first budget of Independent India.
- Indira Gandhi has been the only woman finance minister of India so far.
- Pt. Jawaharlal Nehru, Indira Gandhi and Rajiv Gandhi are the only 3 individuals to have presented the Union Budget in India while holding the office of Prime Minister.



# BUDGETING FOR YOURSELF



We all spend money everyday – whether it is to pay the bus fare to get to work, or to buy a shiny new television set or to pay for lunch at the school cafeteria. The process of keeping track of where we spend our money and where it comes from is called budgeting.

## **Typically, creating a budget has three steps**

Identifying how you're spending money right now.

Evaluating your current spending patterns taking into account your financial goals (that is to say, your spending needs in the future).

Tracking the spending to make sure it stays within guidelines you have set.

Budgeting helps you get a grip on your spending and making sure that your money is being used the way you want it to be used.

We earn money from various sources – you may be a businessman who makes profits, a professional who receives a salary or a kid who receives pocket money. The important thing is to make sure that we have enough money to spend for the things that we want. We may want some things now (the school lunch, for example) and some things in the future (say, a new car) and budgeting helps us keep count of whether we can meet these short term and long term goals.

### **FAMOUS QUOTES**

"You can't always get what you want, but if you try sometimes, you might find, you get what you need" – *The Rolling Stones*, 'You Can't Always Get What You Want'