Collegedunia NCERT Notes

NCERT Revision Notes

Chapter 8: Banks and the Magic of Finance

These notes explain Class 7 Social Science Chapter 8 for the 2026-27 NCERT textbook. The focus is financial infrastructure, banks, deposits, loans, interest, RBI, payment systems, UPI, stock markets and safe digital habits.

Also see for this chapter: NCERT Solutions

Contents

1 Chapter at a Glance

Chapter 8 explains financial infrastructure through banks, accounts, loans, digital payments, RBI, development institutions, stock markets and the wider flow of credit. The chapter shows how money becomes useful when trusted institutions move it safely.

Deposits → Loans → Payments → Progress

1.1 Big questions

- What is financial infrastructure?
- How do banks collect deposits and give loans?
- How do payment systems, RBI and stock markets help development?

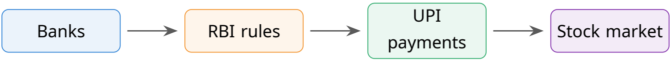
1.2 Fast revision frame

- Banks connect savers and borrowers.
- Interest rewards saving and charges borrowing.
- Digital systems make payments faster and safer.

> ***Exam Tip***
>
> *Use D-L-P: deposits, loans and payments. This covers the chapter's core banking flow.*

2 Financial Infrastructure

Financial infrastructure means the organised network that helps people, firms and the government manage money. It includes banks, payment systems, stock markets, post office savings and development institutions.



2.1 What it includes

- Banks and accounts for deposits.
- Payment systems for transfers.
- Stock markets, RBI supervision and development finance institutions.

2.2 Why it matters

- It keeps money safer than cash at home.
- It moves funds from savers to productive borrowers.
- It supports roads, businesses, schools and services.

Memory Hook

Financial infrastructure is the money road *system of an economy.*

3 Navdeep and Rima Example

The chapter begins with Navdeep saving part of his salary and Rima needing funds for a bamboo-products business. The bank connects both needs without requiring them to know each other.

3.1 Deposit side

- Navdeep puts surplus money into a bank account.
- The bank keeps the deposit recorded and accessible.
- He may earn interest on the saved amount.

3.2 Loan side

- Rima borrows money for business operations.
- The bank expects repayment with interest.
- Credit helps her turn an idea into work and income.

> ***Why It Matters***
>
> *A bank can turn one person's saving into another person's business opportunity.*

4 What Banks Do

Banks make money transactions easier through saving, withdrawing, lending, payments and record keeping. People, farmers, shopkeepers, nurses, companies and institutions use bank accounts.

Account → Deposit → Withdraw → Borrow

4.1 Main services

- Open and maintain accounts.
- Accept deposits and allow withdrawals.
- Give loans after checking repayment ability.

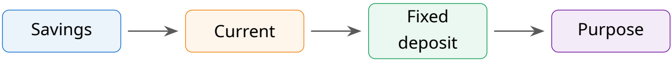
4.2 Everyday users

- Students receive scholarships.
- Workers receive salaries.
- Families save for school, health and emergencies.

> ***Answer Cue***
>
> *Write account, deposit, withdrawal, loan and payment when defining bank services.*

5 Types of Bank Accounts

The NCERT chapter names savings accounts, current accounts and fixed deposit accounts. Each account type serves a different money need.



5.1 Savings account

- For individuals who save regularly.
- Usually earns interest.
- Allows deposits and withdrawals with conditions.

5.2 Current and fixed deposit accounts

- Current accounts are useful for businesses with frequent payments.
- Fixed deposits keep one amount for a fixed period.
- Fixed deposits often earn higher interest than savings accounts.

Avoid This

Do not write that every bank account earns the same interest. Current accounts generally do not earn interest.

6 Interest and Compounding

Interest is the amount gained on savings or charged on loans. Compounding means interest begins earning interest when money stays deposited for more than one period.

Principal → Interest → New total → Compounding

6.1 Simple classroom example

- Rs. 1000 at 6 percent becomes Rs. 1060 after one year.
- Next year interest is calculated on Rs. 1060.
- The second year's interest is Rs. 63.60, not Rs. 60.

6.2 Revision meaning

- Longer saving can grow money faster.
- The growth depends on rate, time and withdrawal choices.
- Students should understand the idea, not memorise only numbers.

> ***Calculation Cue***
>
> *For one-year interest, multiply principal by rate and divide by 100.*

7 How Banks Lend Money

Banks do not keep all deposits idle. They lend part of the deposit pool to people and firms that need money for homes, education, shops, agriculture or business.

7.1 Loan process

- The borrower applies for a loan.
- The bank checks purpose and repayment capacity.
- The borrower repays the amount with interest over time.

7.2 Why checking matters

- It protects depositors' money.
- It reduces bad loans.
- It helps credit reach people who can use it responsibly.

> ***Why It Matters***
>
> *Responsible lending helps a bank support growth without risking everyone's savings.*

8 Credit and Entrepreneurship

Credit means borrowed money that must be repaid. When used well, credit helps entrepreneurs buy raw material, machines, tools, shop space or transport.

Idea → Credit → Production → Income

8.1 Business uses

- Buy bamboo, cloth, seeds or machines.
- Pay workers before sales income arrives.
- Expand production after demand grows.

8.2 Risks

- Borrowing without a plan can create stress.
- Interest must be paid even when business is slow.
- A debt trap begins when new loans only repay old loans.

> ***Avoid This***
>
> *Do not call every loan bad. A useful loan has a clear purpose and repayment plan.*

9 Payment Modes and Systems

Payment modes and systems help money move from one person or account to another. NCERT covers cash, cheques, debit cards, ATMs, POS machines, netbanking, mobile payments and UPI.

9.1 Older and newer methods

- Cheques transfer money from one bank account to another but take time.
- Debit cards work at ATMs and POS machines.
- Internet banking and mobile banking allow electronic transfers.

9.2 Why systems need trust

- The sender, receiver and bank records must match.
- Passwords, PINs and OTPs must remain private.
- Failed or mistaken payments need complaint systems.

> ***Exam Tip***
>
> *Payment answers should mention speed, records, safety and access.*

10 UPI and NPCI

The Unified Payments Interface, or UPI, is a fast digital payment system launched by the National Payments Corporation of India in 2016. It helps users transfer funds using mobile apps, QR codes or phone numbers.

10.1 UPI in daily life

- A buyer scans a vendor's QR code and enters the amount.
- The app sends a request through the payer's bank.
- NPCI verifies the UPI PIN and processes the transfer to the payee's bank.

10.2 Why NCERT calls it important

- UPI reduced dependence on cash.
- It became useful during the COVID-19 period for contactless payment.
- Countries such as Nepal, UAE, France, Sri Lanka, Bhutan and Mauritius have adopted or shown interest in UPI.

Safety Code

PIN: private, inspect receiver, never share OTP.

11 ATM and Debit Card Use

An ATM lets account holders withdraw cash and use basic banking services without entering the bank branch. A debit card spends money from the user's own account.

11.1 ATM benefits

- Cash can be withdrawn at many locations.
- Mini-statements and balance checks are possible.
- Queues inside branches reduce.

11.2 Debit card care

- Keep the card safe.
- Use strong PIN habits.
- Report a lost card quickly.

> ***Avoid This***
>
> *A debit card is not the same as a loan. It usually uses money already in the account.*

12 Financial Inclusion

Financial inclusion means more people can access formal financial services. Bank accounts, direct benefit transfers, mobile payments and nearby service points help families enter the formal system.

Account → Benefit → Saving → Credit

12.1 Why inclusion matters

- Savings become safer.
- Government benefits can reach accounts directly.
- Small borrowers can avoid very costly informal loans.

12.2 Who benefits

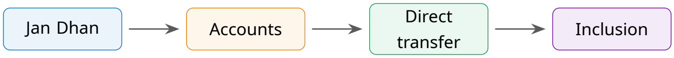
- Rural households, women, workers and small businesses.
- Students receiving scholarships.
- Farmers receiving support payments.

> ***Why It Matters***
>
> *An account can connect a family to savings, direct benefits and credit.*

Financial service	**Main purpose**	**Student example**
Savings account	Keep money safe and earn interest	Saving pocket money
Loan	Borrow for a useful purpose	Education or small business
UPI	Send money digitally	Paying a shopkeeper
RBI	Supervise the banking system	Banker to banks
Stock market	Help companies raise funds through shares	BSE and share prices

13 Jan Dhan and Direct Transfers

The Pradhan Mantri Jan Dhan Yojana widened access to bank accounts after 2014. The chapter says more than 50 crore accounts were opened, mainly by women, and direct transfers reduced middlemen.



13.1 Why Jan Dhan matters

- Accounts could be opened without minimum balance or fees.
- Workers, farmers and students could receive money directly.
- Banking services reached people from many walks of life.

13.2 Direct transfer examples

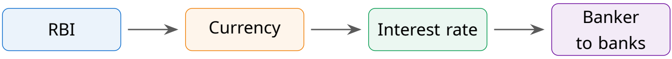
- Workers receive wages into bank accounts.
- Students receive scholarships into accounts.
- Farmers and small businesses can access formal credit.

Answer Cue

For Jan Dhan, write access, no minimum balance, direct transfers and fewer middlemen.

14 Reserve Bank of India

The Reserve Bank of India is India’s central bank and banker to banks. NCERT explains that it supervises the banking system, manages rules and supports fund exchange between banks.



14.1 RBI functions in the chapter

- Prints and distributes Indian currency.
- Fixes benchmark interest rates.
- Maintains accounts of banks and supports loans to banks and government.

14.2 Why regulation is needed

- Many banks and institutions need common rules.
- Rules protect trust in deposits and payments.
- A central bank helps the banking system work smoothly.

> ***Why It Matters***
>
> *RBI is not an ordinary bank for households. It supervises banks and supports the banking system.*

15 Post Offices NABARD and IFCI

NCERT also names financial institutions outside ordinary banks. Post offices run savings schemes, while IFCI and NABARD support industry, agriculture and rural development.

Post office → IFCI → NABARD → Rural credit

15.1 Post office savings

- National Savings Certificates are a savings option.
- Kisan Vikas Patra accounts support saving.
- Sukanya Samriddhi accounts support girl-child savings.

15.2 Development institutions

- IFCI funds businesses in areas such as power and textiles.
- NABARD funds banks that lend for farming and village industries.
- NABARD also supports rural infrastructure such as roads and irrigation.

> ***Memory Hook***
>
> *Remember P-I-N: Post office, IFCI and NABARD.*

16 Stock Markets and Investment

The stock market is part of financial infrastructure because it helps companies raise funds and gives investors a way to buy shares. NCERT uses BSE, shares, boom and crash as the core ideas.

Share → BSE → Boom → Crash

16.1 Basic idea

- A share is part-ownership in a company.
- Companies issue shares to raise funds for operations.
- Investors may gain or lose because share prices change.

16.2 BSE boom and crash

- The Bombay Stock Exchange was established in 1875.
- A stock market boom means many share prices rise.
- A stock market crash means many share prices fall together.

> ***Avoid This***
>
> *Do not say stock markets are banks. They are*

different financial institutions.

17 Financial Literacy

Financial literacy means understanding basic money decisions. Students should know saving, borrowing, interest, safety and responsible payment habits.

Save → Spend wisely → Borrow carefully → Stay safe

17.1 Good habits

- Save small amounts regularly.
- Compare needs and wants before spending.
- Keep passwords and PINs private.

17.2 Classroom activity

- Ask adults about bank visits.
- Track one week's small expenses.
- Discuss why receipts and records matter.

> ***Revision Tip***
>
> *Money habits are part of citizenship, not only business studies.*

18 Fraud Safety and Consumer Care

Digital payments have made life easier, but fraudsters can use fake calls, links, messages or harmful apps to steal information and money. NCERT asks users to stay alert and report fraud.

Fake call → OTP risk → Report → Block

18.1 Safety checks

- Never share OTP, PIN, password, account number or home address with strangers.
- Do not click unknown links or videos received through messages.
- Do not store sensitive banking information on devices.

18.2 If something goes wrong

- Report fraud through helpline 1930.
- Use the National Cybercrime Reporting Portal.
- Keep complaint numbers and evidence.

> ***Avoid This***
>
> *A real bank never asks for your password or OTP in a phone call.*

Do	Do not	Reason
Check receiver name	Rush a digital payment	Prevents wrong transfer
Keep OTP private	Share PIN on calls	Protects the account
Read loan terms	Borrow without a plan	Avoids repayment stress
Keep records	Ignore bank messages	Helps track money

19 Comparison Tables

Many questions from this chapter become easy when students compare similar terms. The table below separates accounts, cards, deposits, loans and risk products.

Define → Use → Benefit → Caution

19.1 High-value pairs

- Savings account and current account.
- Debit card and cheque.
- Stock market boom and stock market crash.

19.2 How to answer

- Define both terms.
- Give one use for each.
- Add one safety or benefit point.

> ***Revision Code***
>
> *D-L-P-S: deposits, loans, payments and stock market.*

20 Practice Questions with Model Points

Use these answer frames after reading the PDF once. Each model point is short so students can expand it in their own words.

Read → Recall → Write → Check

20.1 Short questions

- What is a bank?
- Why do banks pay interest?
- How can digital payments help small shops?

20.2 Longer questions

- Explain how deposits become loans.
- Describe financial infrastructure with examples.
- Why should people be careful while using digital payments?

> ***Local Link***
>
> *Interview one adult about a banking service they use most often.*

21 Quick Reference Summary

The final page brings together definitions, examples and caution points from the whole chapter. Read it before practising textbook questions.

Money → Trust → Credit → Development

21.1 Must-know terms

- Bank, deposit, interest and loan.
- Savings account, current account and fixed deposit.
- RBI, UPI, NPCI, BSE, share and stock exchange.

21.2 Final recall

- Banks protect money and lend it.
- Payment systems move money.
- Financial infrastructure supports national progress.

Last-Minute Cue

If stuck, explain the money flow: saver to bank to borrower to production.

Related Collegedunia Resources

Same chapter, other resources:

- NCERT Solutions
- NCERT Book PDF
- Handwritten Notes

Continue learning:

- Ch 7: Infrastructure: Engine of India’s Development
- Class 7 Social Science Part 2 - All Chapters