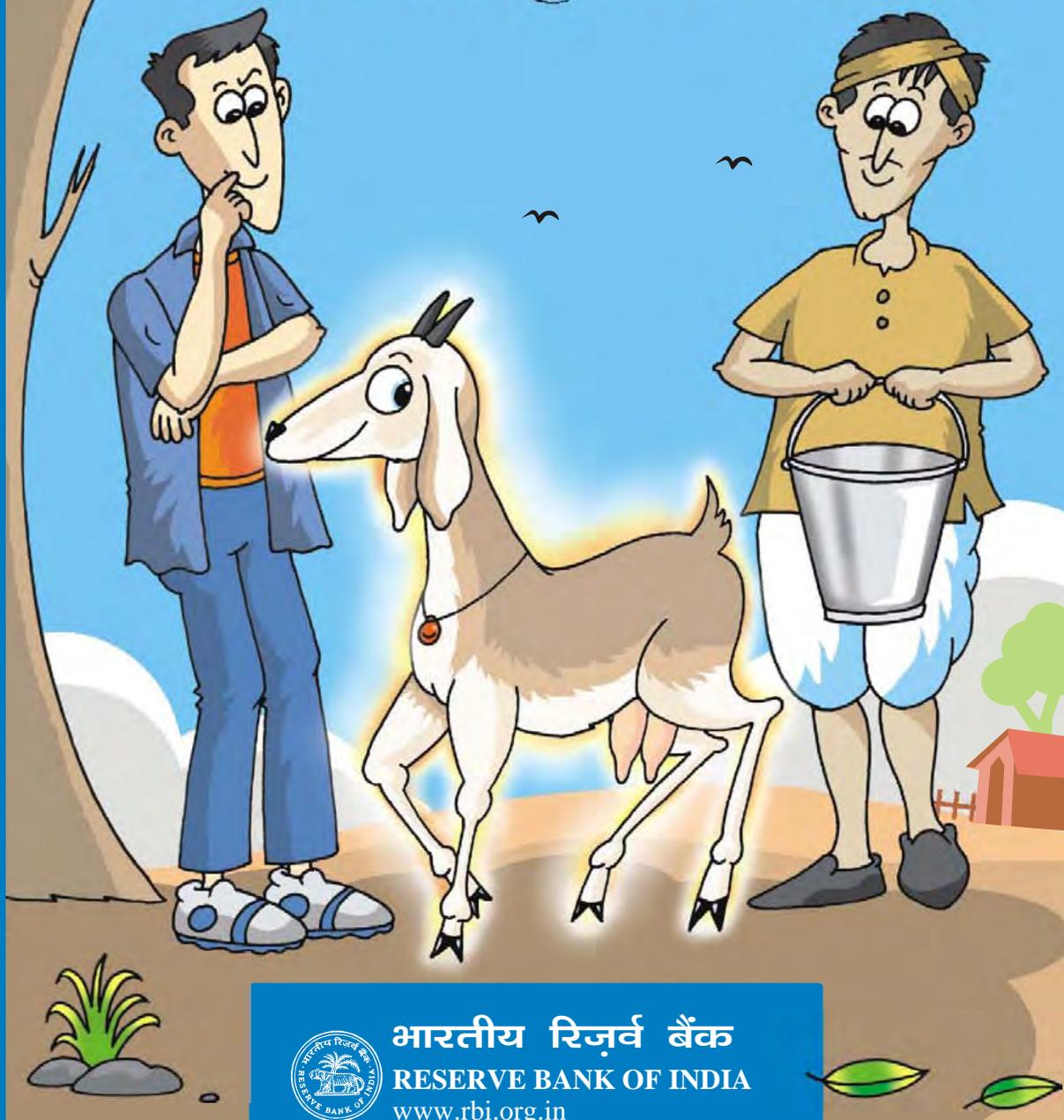


December 2008

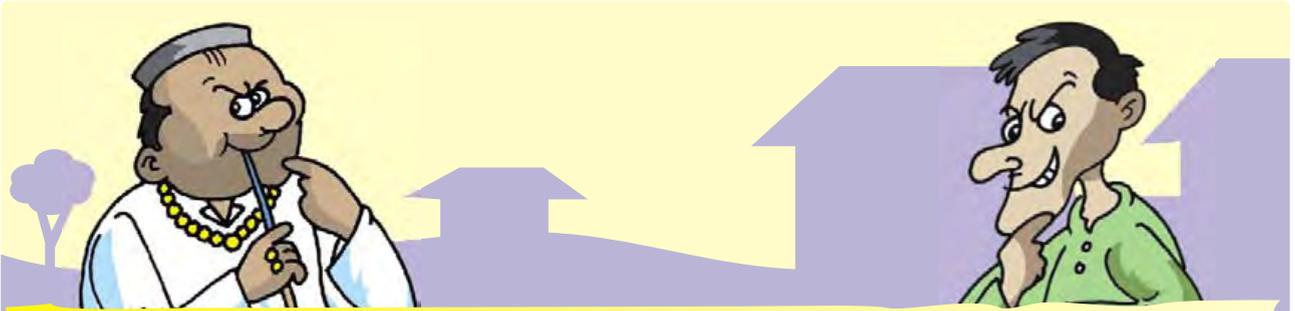
Financial Education Series
Basic Banking

Issue-3

Raju and The Magical Goat



भारतीय रिज़र्व बैंक
RESERVE BANK OF INDIA
www.rbi.org.in



In this booklet, Raju talks about the loan facilities offered by the banks. The saga of Raju's adventures is also available at www.rbi.org.in/financialeducation

Story by Manoj & Shailaja
Art by Anupam Sharma



For more information or to get this comic book, you may please write or call:

Reserve Bank of India

Financial Literacy Cell

6, Sansad Marg

New Delhi-110001

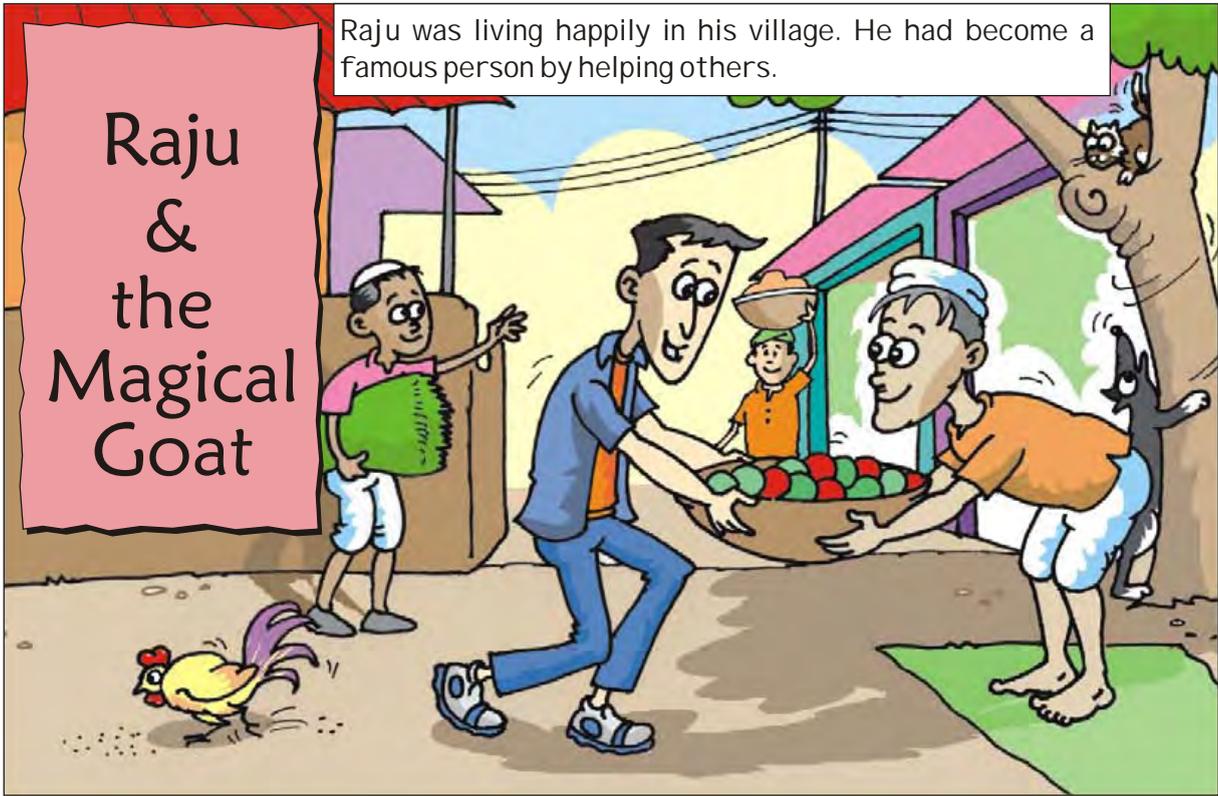
011-23710538-2272/2079(Extn)

011-23765234

Email id: flcnewdelhi@rbi.org.in

Raju & the Magical Goat

Raju was living happily in his village. He had become a famous person by helping others.



Murli was a poor farmer in the same village who was barely able to make both ends meet even after a day's hard work.



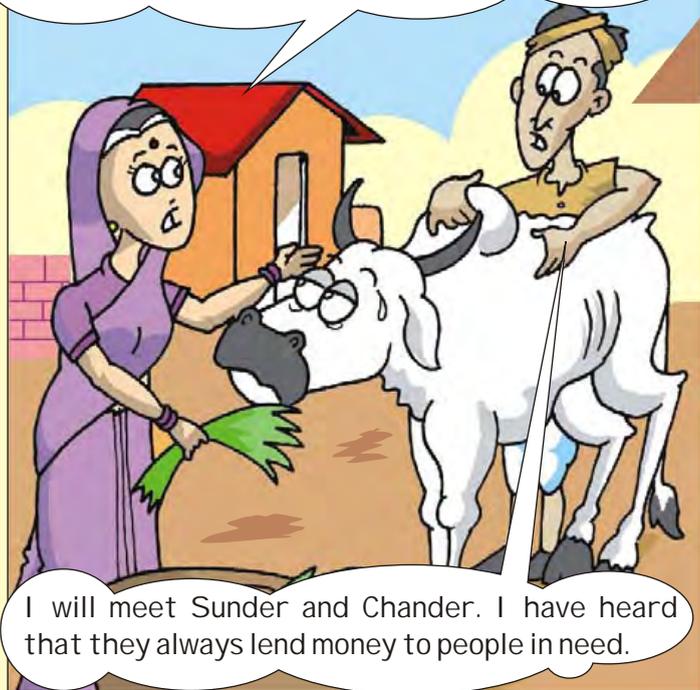
One day when the air was burning with scorching heat and there was no trace of water, one of his bullocks died of exhaustion.



He went home and told his wife Champa about this misfortune. She was also shocked to hear this.



We can't plough our fields with one bullock. Even this one is looking pale and may die anytime. Will we have to starve to death this year?



The two brothers Sunder and ...

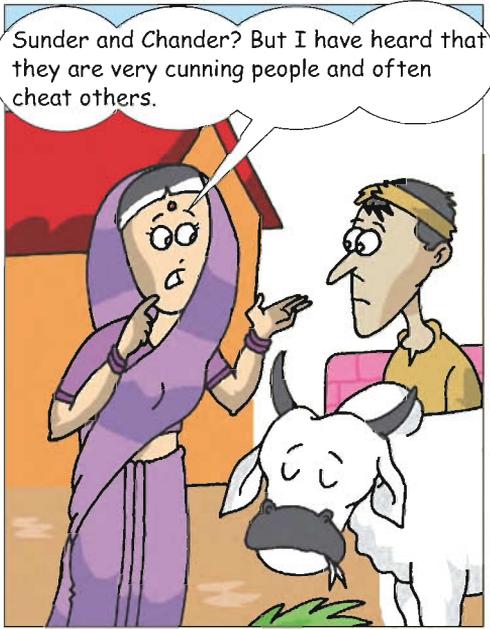


... Chander also lived in the same village.

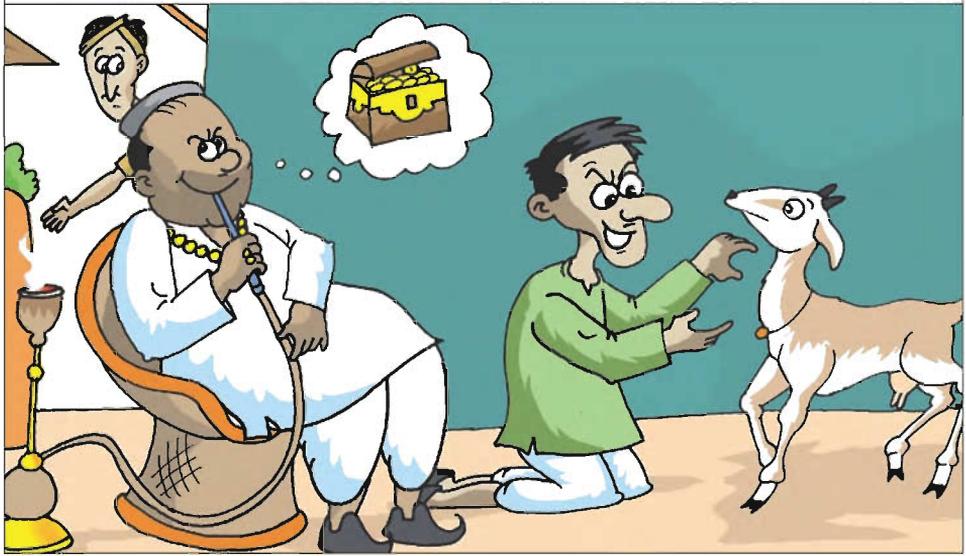


They were notorious for cheating the poor.

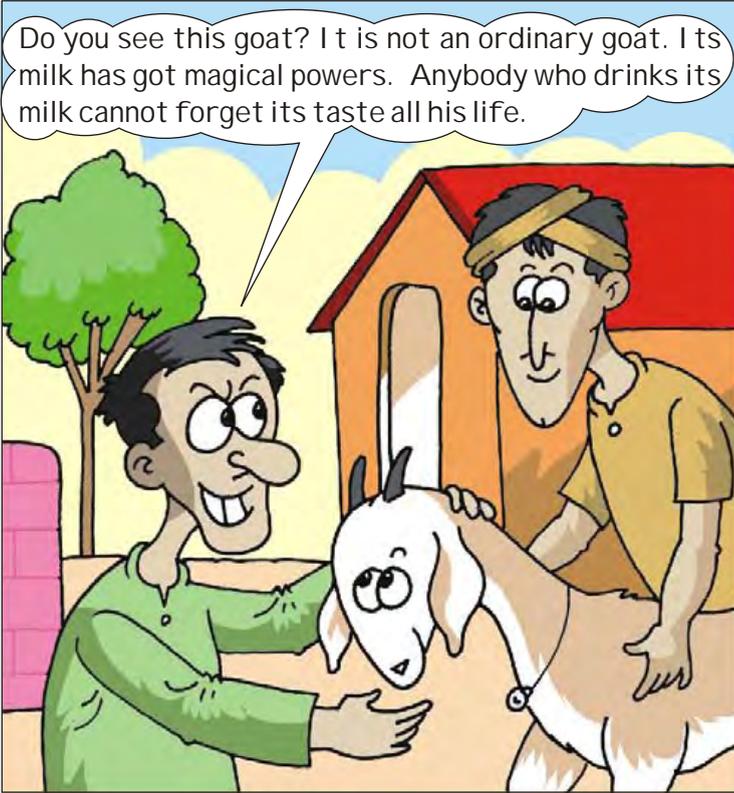




Murli left in search of Sunder and Chander. He found them in their courtyard. Sunder was sitting smoking a hookah and thinking about some new scheme to get rich. Chander was playing with the dog.







Do you see this goat? It is not an ordinary goat. Its milk has got magical powers. Anybody who drinks its milk cannot forget its taste all his life.



It gives ten buckets of milk everyday and it is so sweet that you do not need to add any sugar.

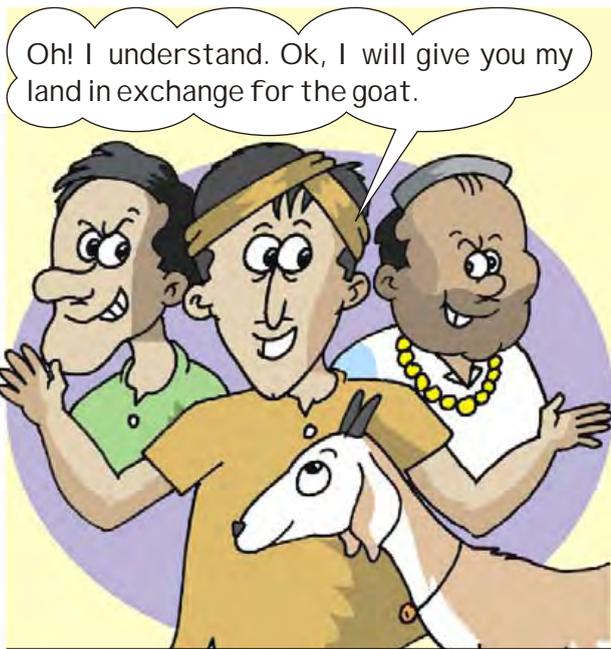


You can make plenty of sweets out of the goat's milk everyday and sell that in the nearby market.

Soon you will have enough money to start your own shop.

With one shop that does good business, you can soon put up ten more shops and very soon you will become a very rich businessman.

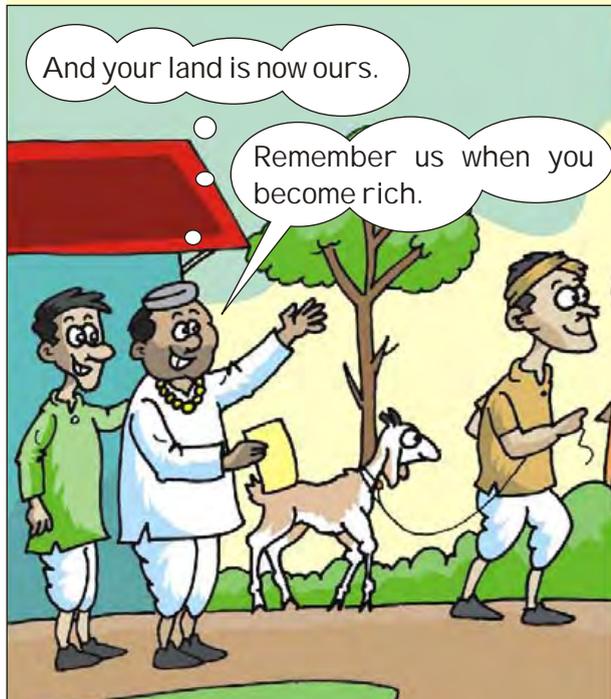




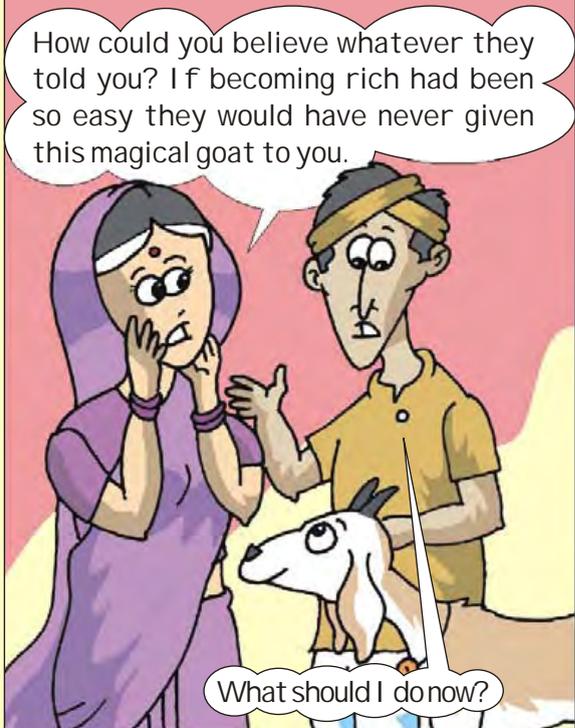
Chander brings out a paper on which he writes that Murli has given them his piece of land in exchange for the goat. Murli puts his thumb impression on the paper.



Champa is shocked to hear that he exchanged their land for the goat.



Murli happily goes home with the goat.



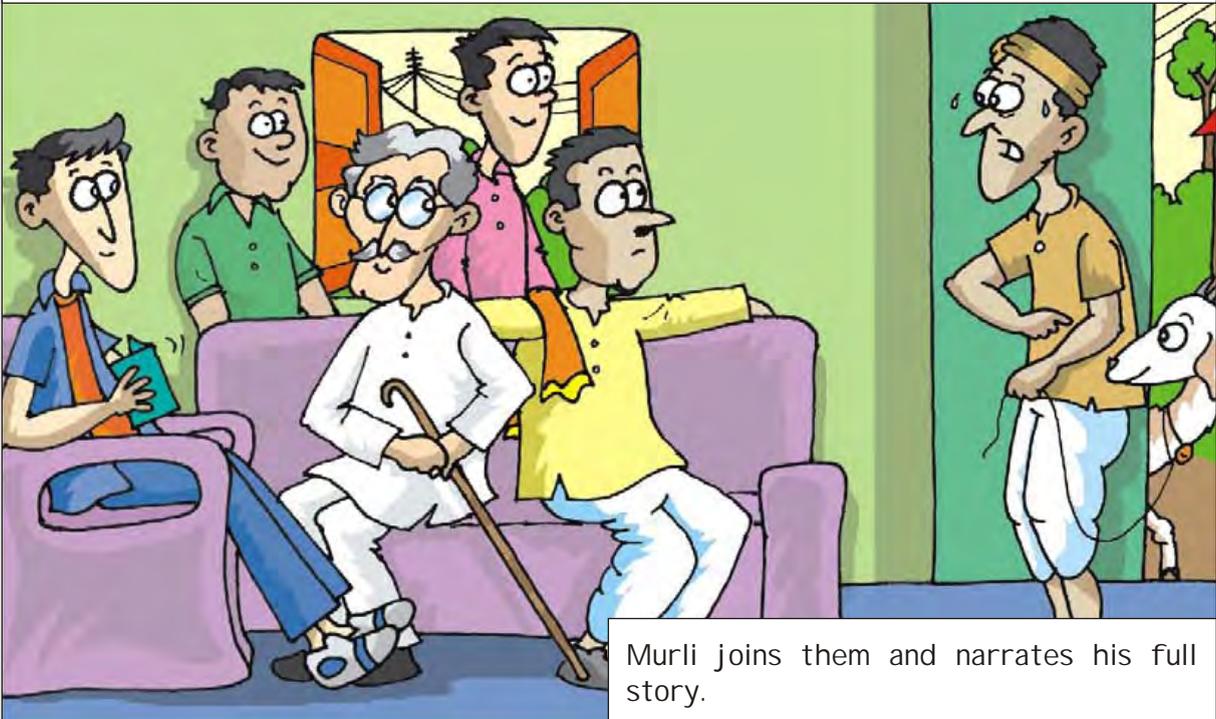
I think you should go and meet Raju and Gopi Chacha. Raju is knowledgeable and Gopi Chacha is very wise. They always help people in need.



Murli left in search of Raju.



Raju was sitting along with Gopi Chacha, Shamu, Bhola and Gopal.



Murli joins them and narrates his full story.



For purchasing a tractor, seeds, fertilisers and farming equipment.



Banks also give loans for constructing a house or a shop or starting a business, for buying vehicles for taxi service, rickshaws, for education, etc. Banks also give loan to purchase a bullock.

For all these purposes, even our moneylender Dhaniram will give a loan. Then why should we go to the bank?

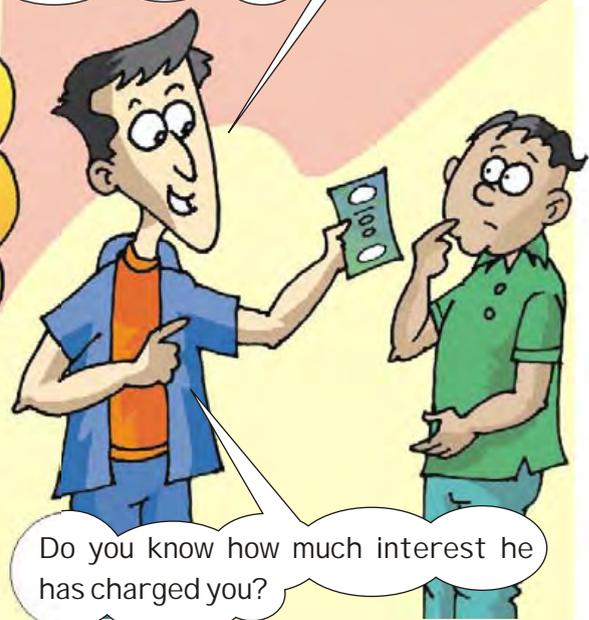


Okay. I will tell you the reasons. Suppose you take a loan of Rs 1000 from Dhaniram.



He asks you to repay Rs 260 as interest on the loan.

So you have to pay him Rs 105 every month. This will take you one year to repay the entire amount of Rs. 1260.



Do you know how much interest he has charged you?

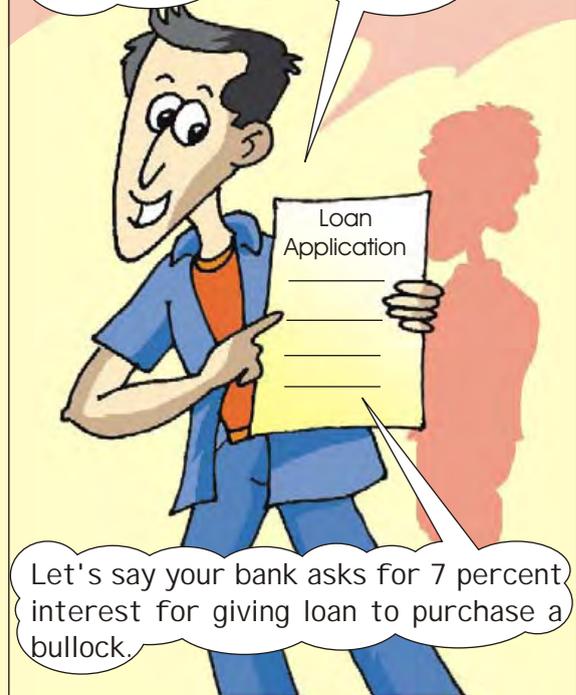
All look puzzled.



26 percent!

In fact, moneylenders like Dhaniram may charge interest as high as 100 percent.

Now let us see how much interest the bank will charge. Banks charge normally upto 7 percent interest per annum on loans.

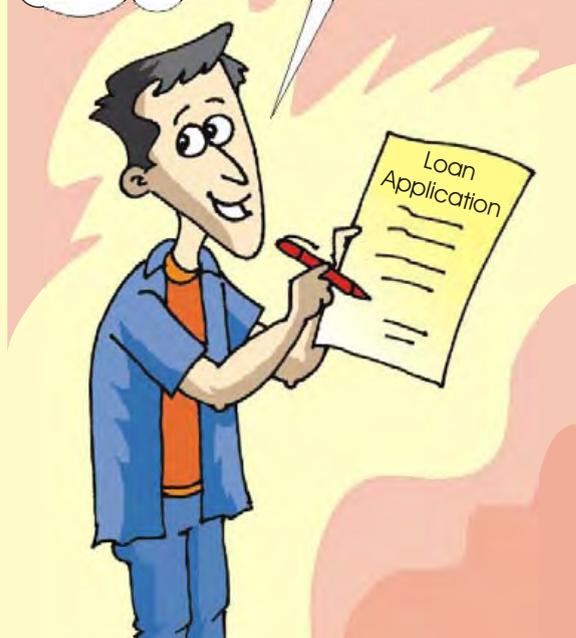


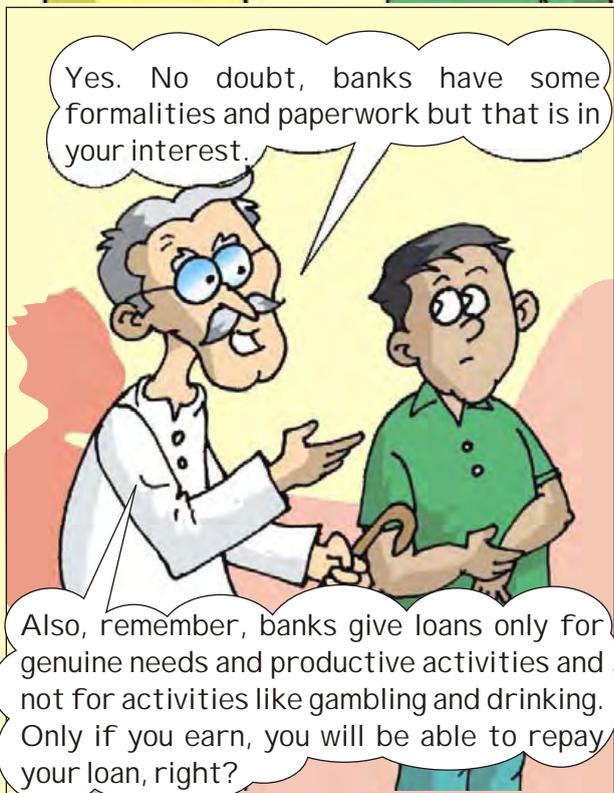
Let's say your bank asks for 7 percent interest for giving loan to purchase a bullock.

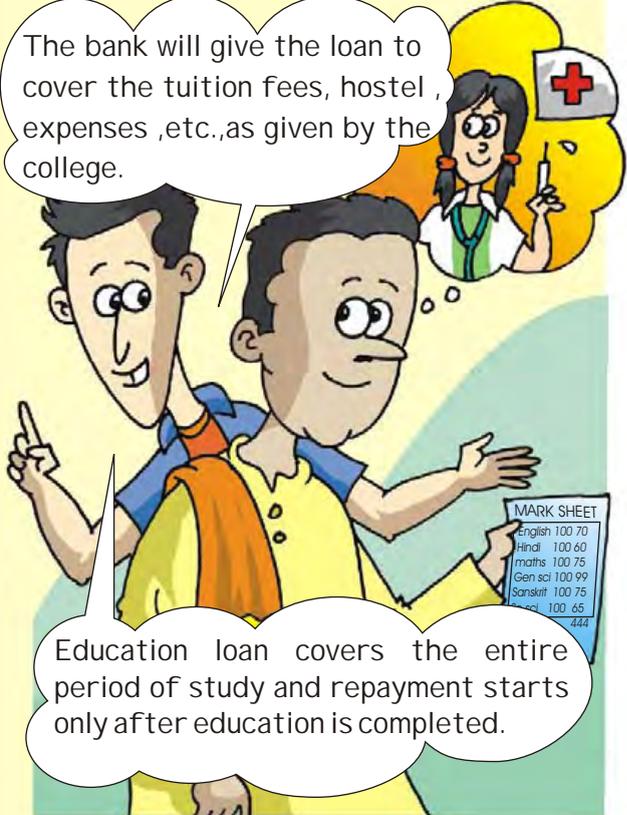
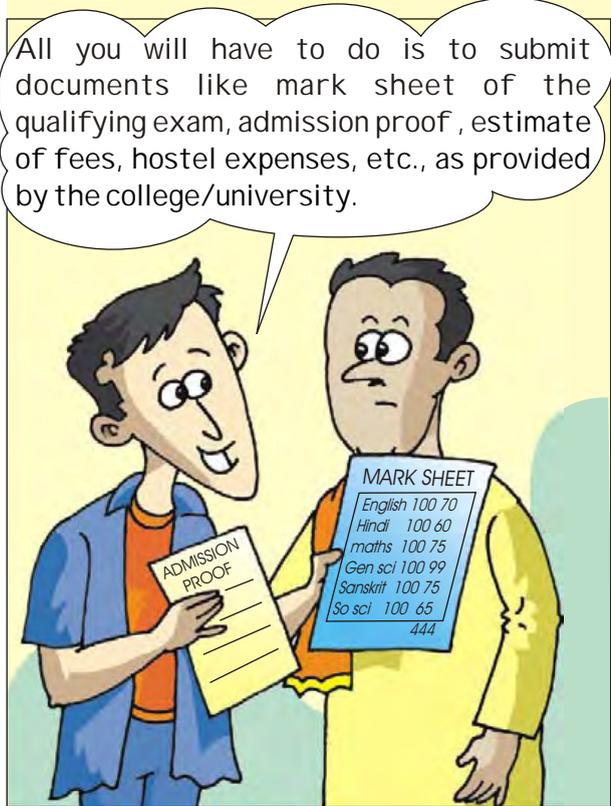
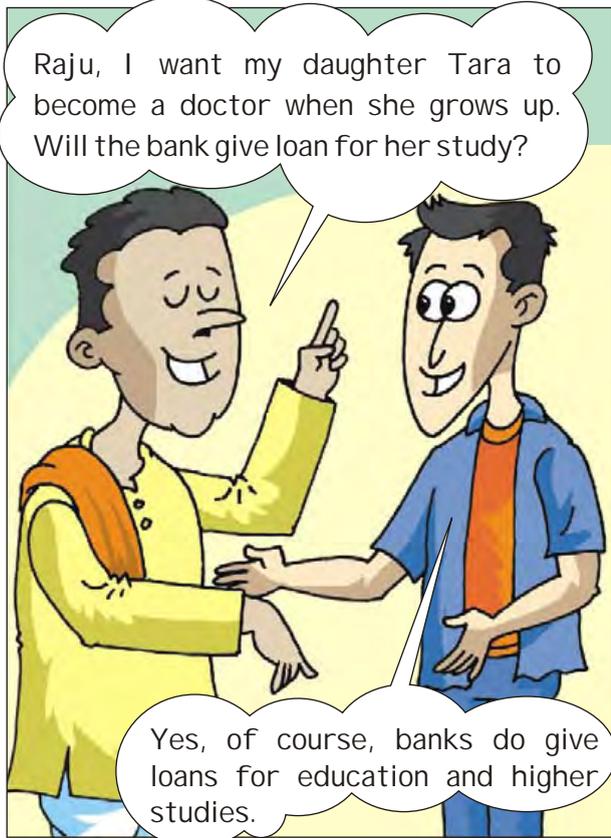
It means that you pay only RS 70 as interest on a loan of Rs 1000 from the bank. Is it not better?

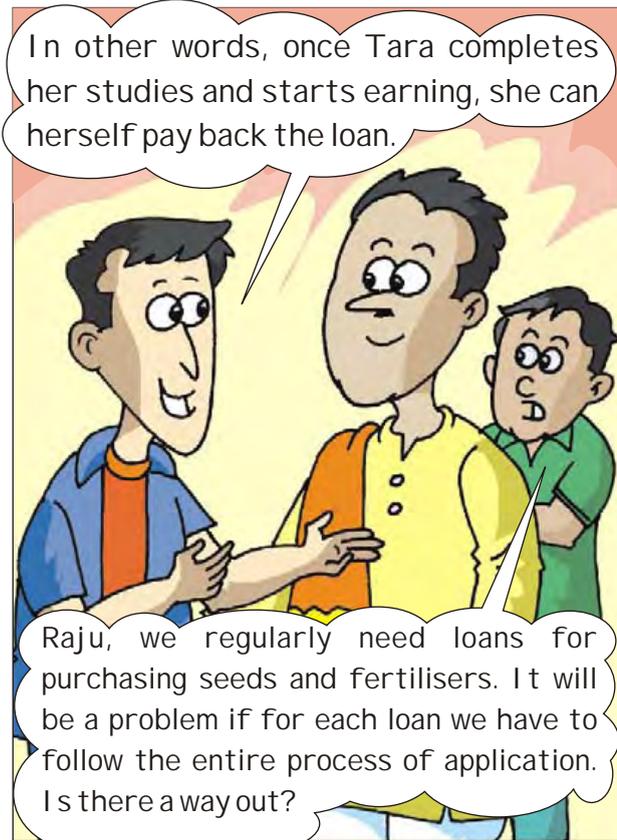


Then there is one more benefit. You will not have to sign any blank paper in the bank!









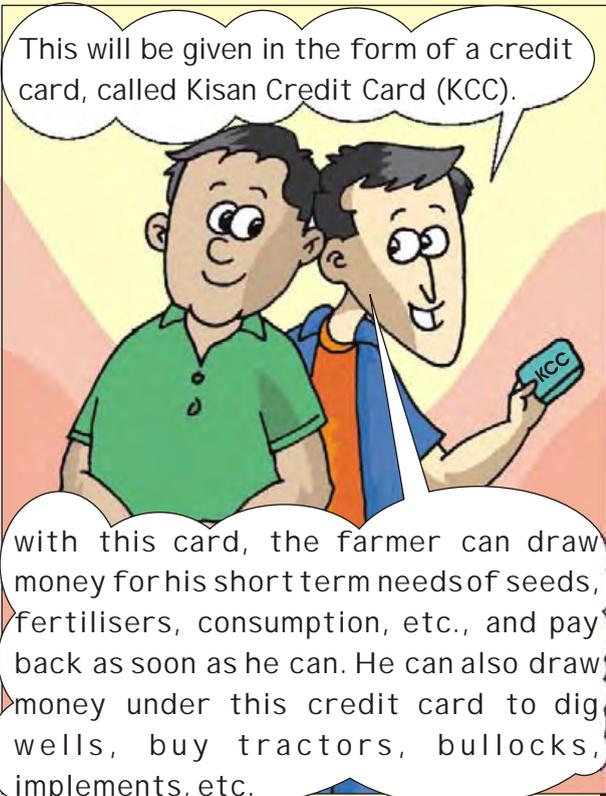
In other words, once Tara completes her studies and starts earning, she can herself pay back the loan.

Raju, we regularly need loans for purchasing seeds and fertilisers. It will be a problem if for each loan we have to follow the entire process of application. Is there a way out?



Oh yes! Banks have a scheme called the Kisan Credit Card (KCC) for the farming community.

It is very convenient. First the bank will assess all your farming and consumption requirements and sanction an overall loan limit.



This will be given in the form of a credit card, called Kisan Credit Card (KCC).

with this card, the farmer can draw money for his short term needs of seeds, fertilisers, consumption, etc., and pay back as soon as he can. He can also draw money under this credit card to dig wells, buy tractors, bullocks, implements, etc.



Then how do I keep track of my repayments?

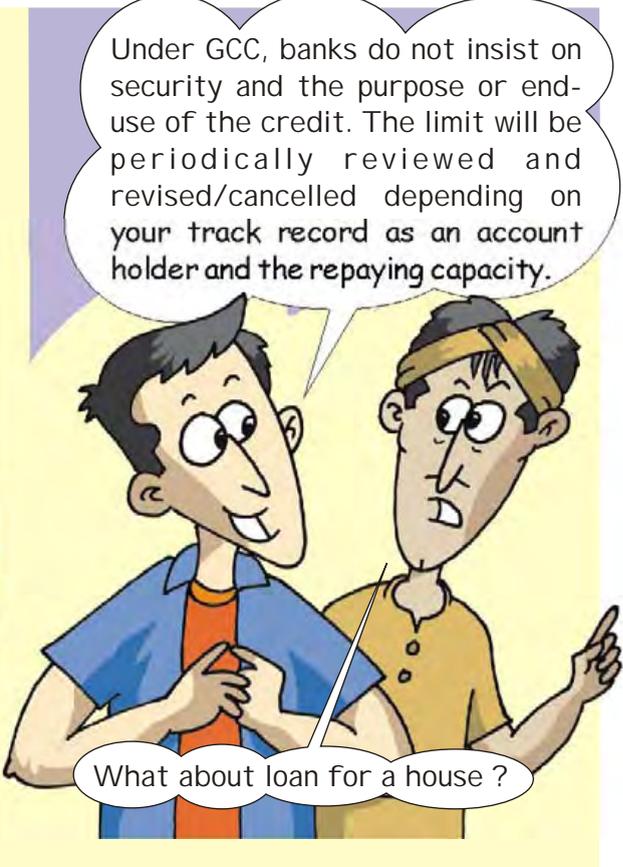
You need to repay the amount withdrawn within a year. KCC is available for any productive activity.



Banks also issue General Credit Card (GCC) for saving account holders.

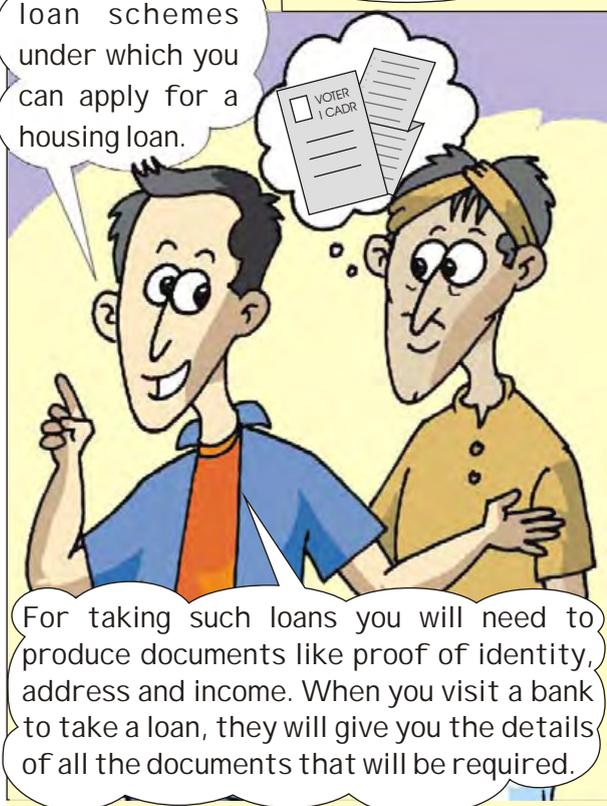
Banks have many housing loan schemes under which you can apply for a housing loan.

What is that?

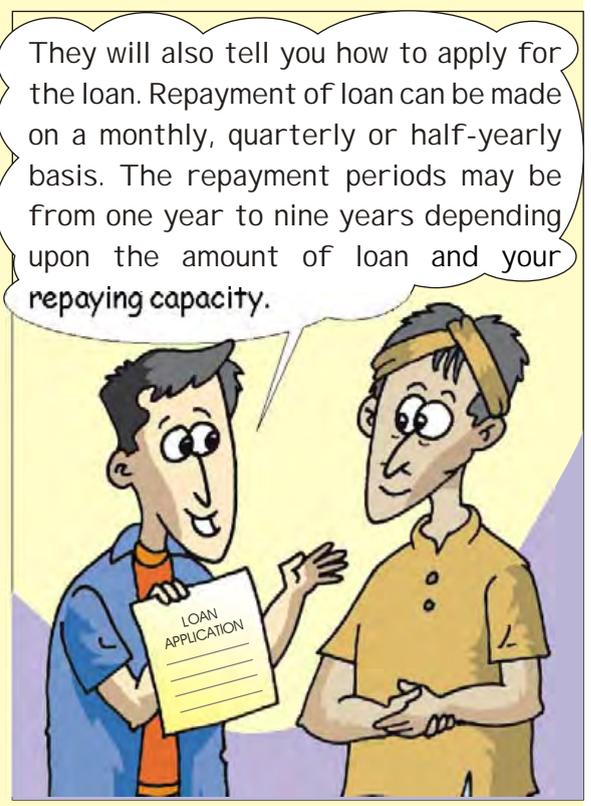


Under GCC, banks do not insist on security and the purpose or end-use of the credit. The limit will be periodically reviewed and revised/cancelled depending on your track record as an account holder and the repaying capacity.

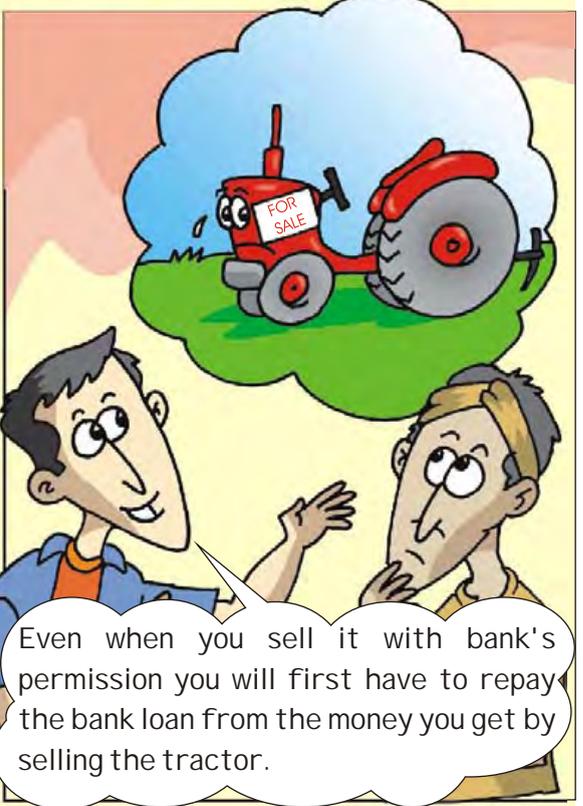
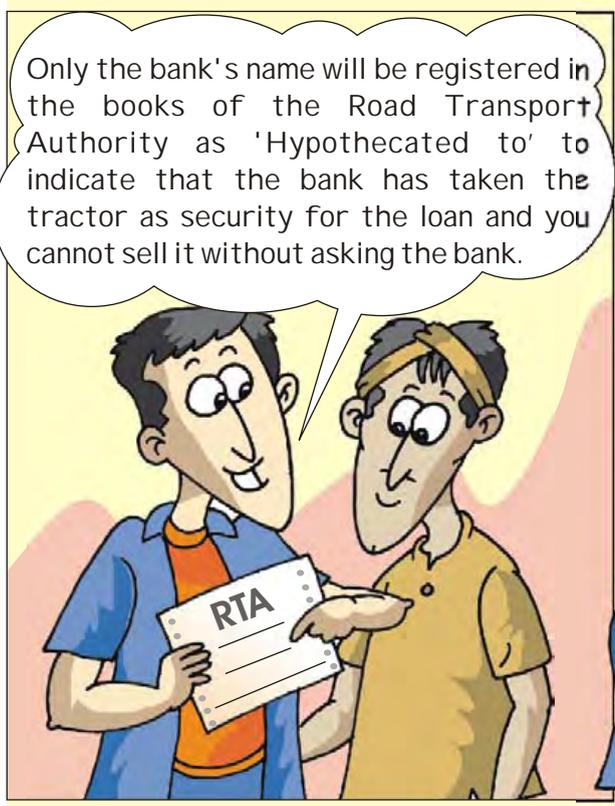
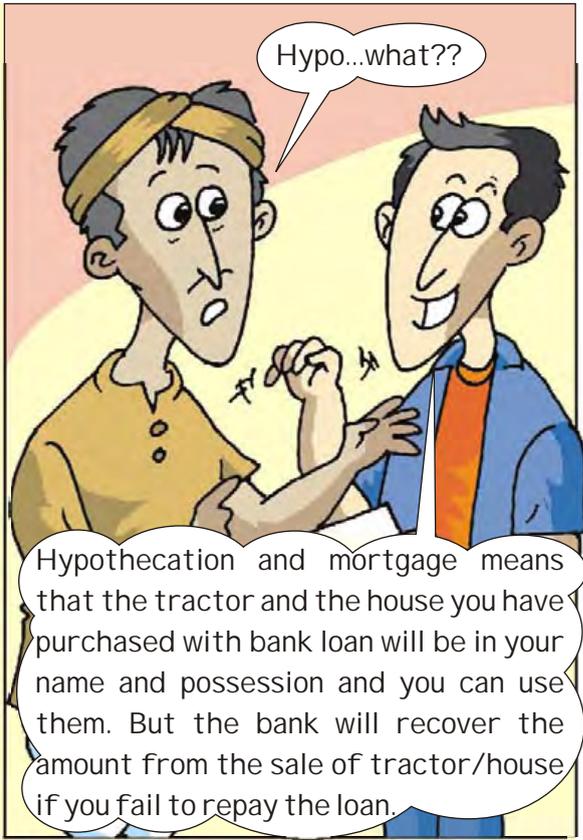
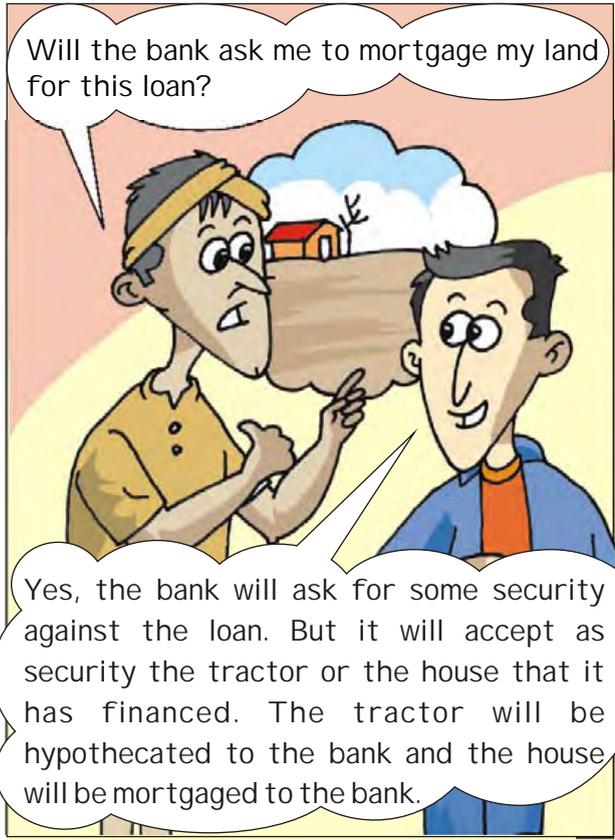
What about loan for a house ?



For taking such loans you will need to produce documents like proof of identity, address and income. When you visit a bank to take a loan, they will give you the details of all the documents that will be required.

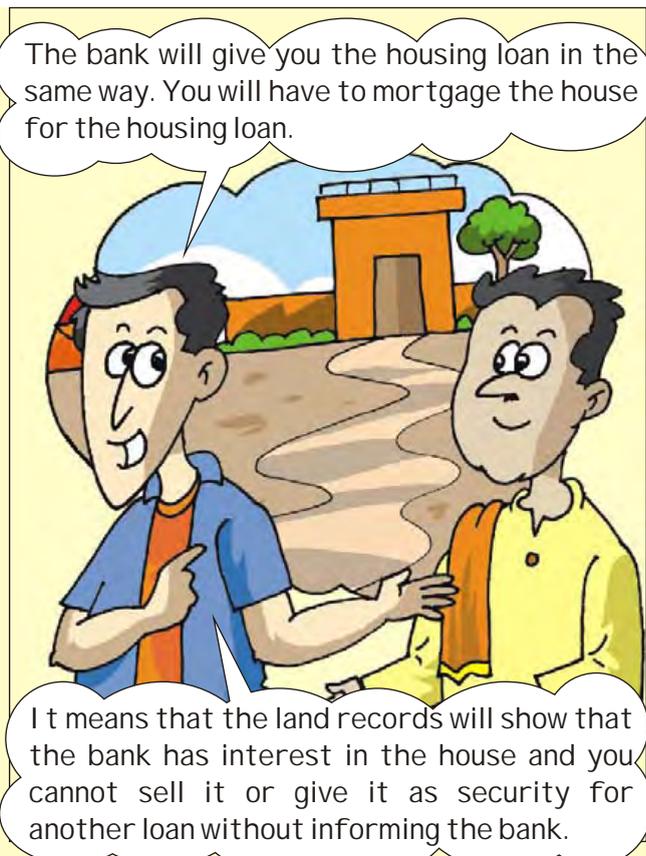


They will also tell you how to apply for the loan. Repayment of loan can be made on a monthly, quarterly or half-yearly basis. The repayment periods may be from one year to nine years depending upon the amount of loan and your repaying capacity.





But why would I sell the tractor when I need it to plough my land? In fact, I would also want some more money for my house.



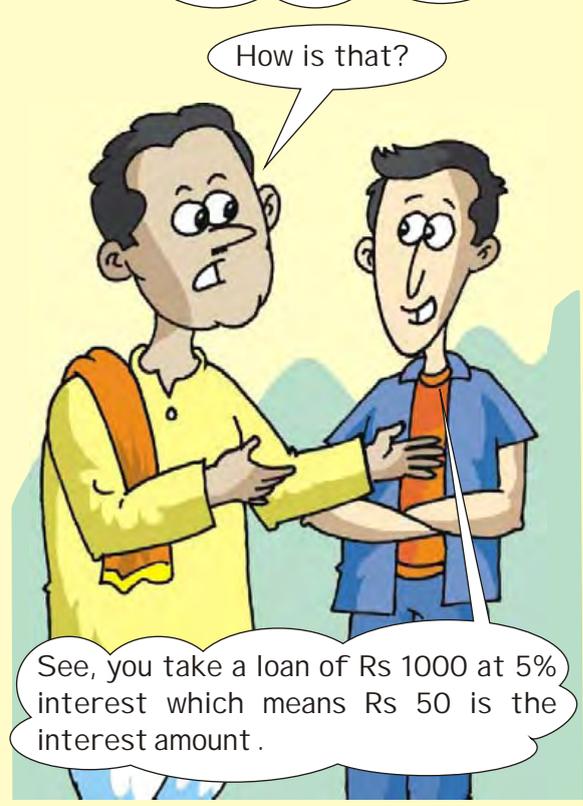
The bank will give you the housing loan in the same way. You will have to mortgage the house for the housing loan.

It means that the land records will show that the bank has interest in the house and you cannot sell it or give it as security for another loan without informing the bank.



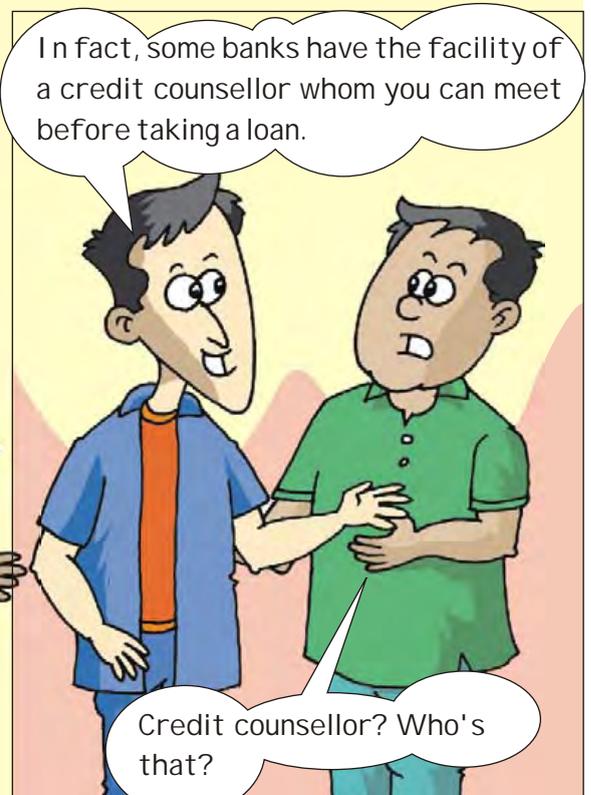
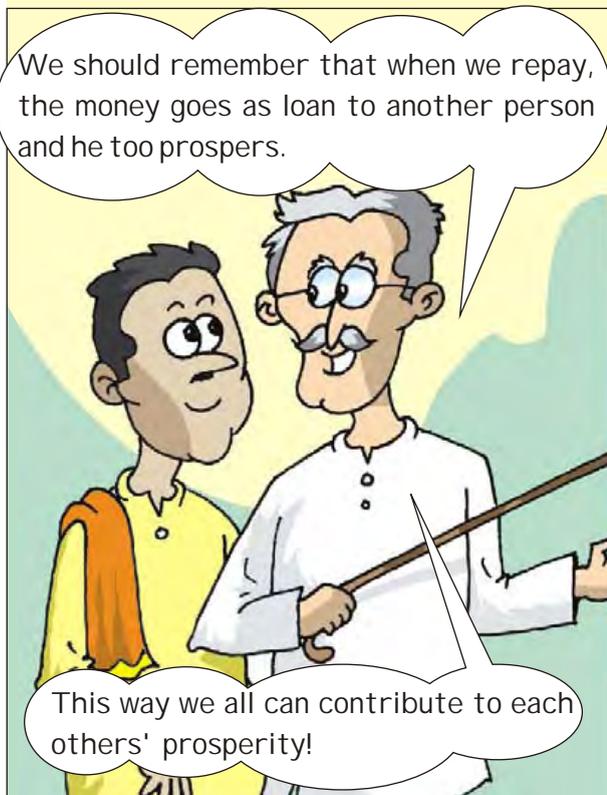
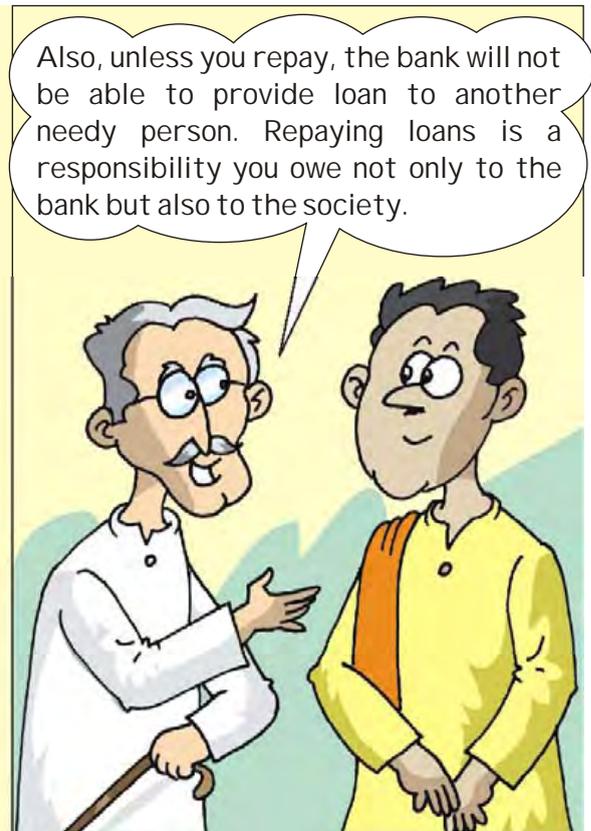
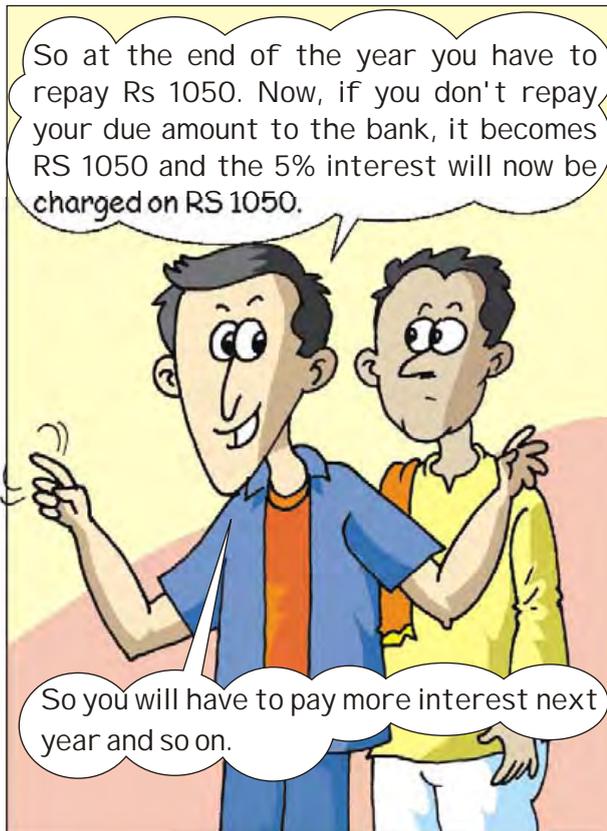
The land ownership documents will be held in the custody of the bank till the loan is repaid.

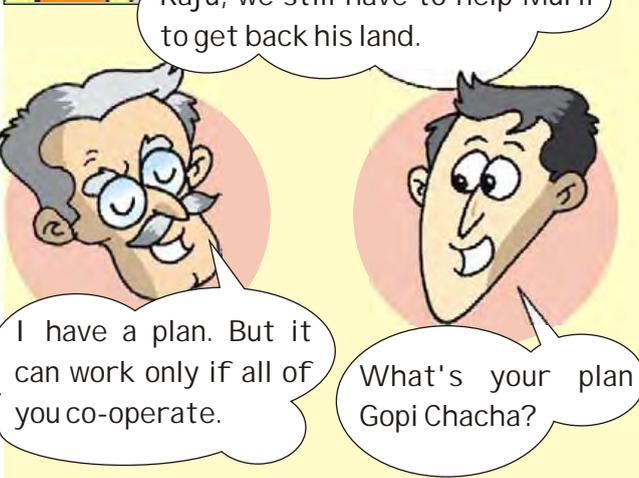
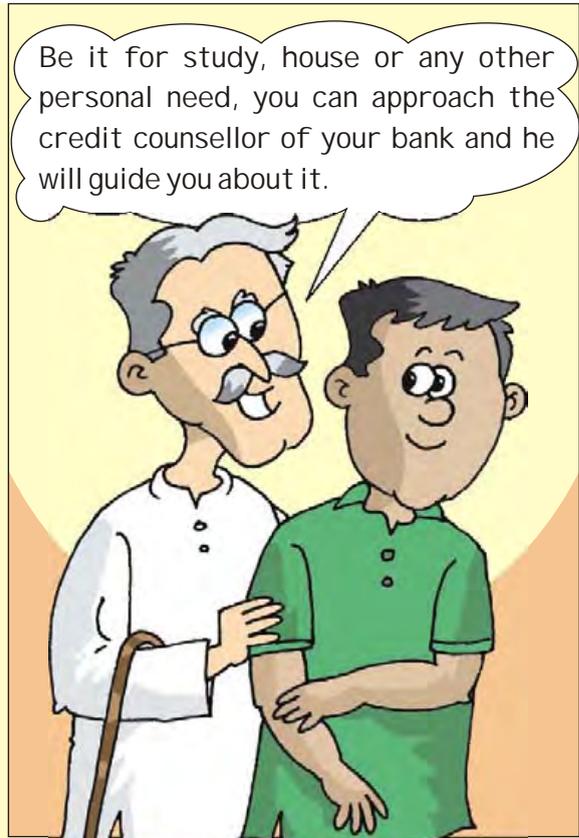
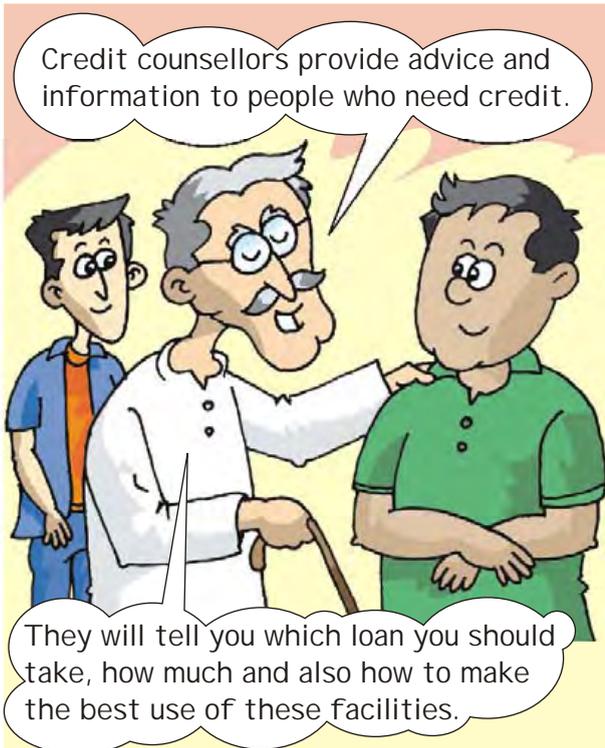
Always remember. Repaying a loan in time is as important as taking the loan. If you do not repay in time you will be charged interest on interest and the loan will become a burden on you.



How is that?

See, you take a loan of Rs 1000 at 5% interest which means Rs 50 is the interest amount.





Next day, Sunder was sitting on his easy chair (enjoying his hookah) thinking about a new plan and Chander was playing with the dog.



Shamu came rushing from the other side.

Did you hear the news? Murli has got a magical goat.



Gopi Chacha drank its milk last night and by morning he was transformed into a young man.





I am going to Murli's house to purchase that goat before he sells it to anybody else.

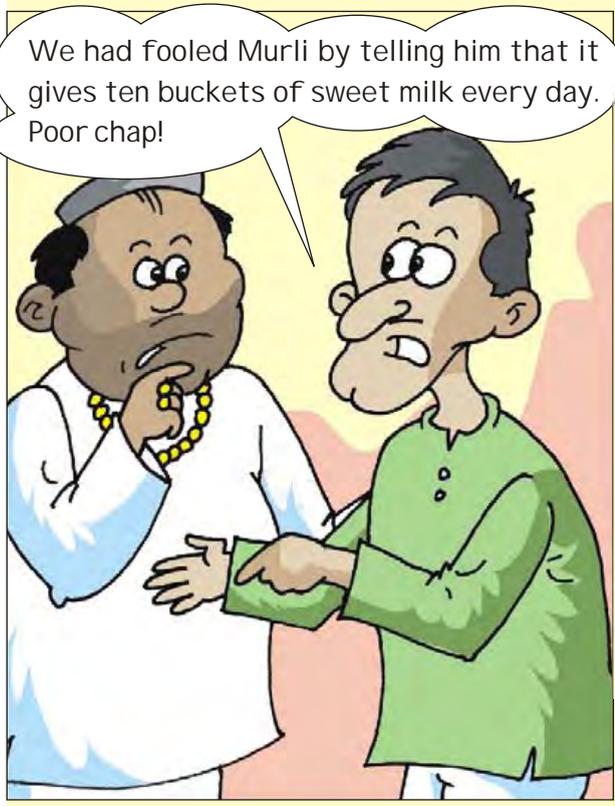
What???

Shamu leaves before Sunder and Chander could ask any question.



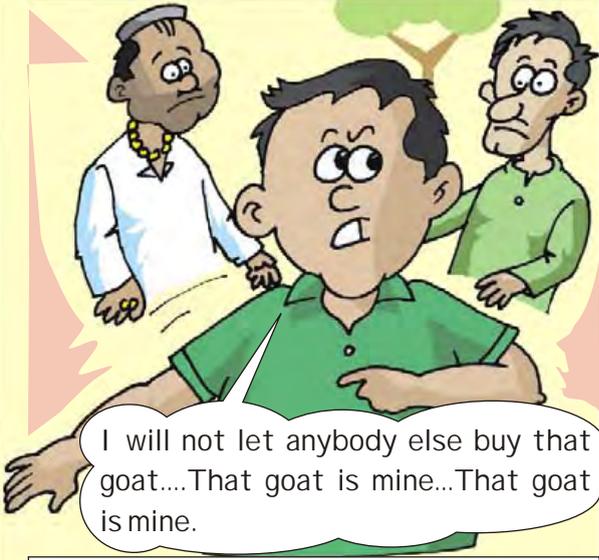
Shamu must be crazy. How could anyone become young by drinking a goat's milk?

That was just an ordinary goat.



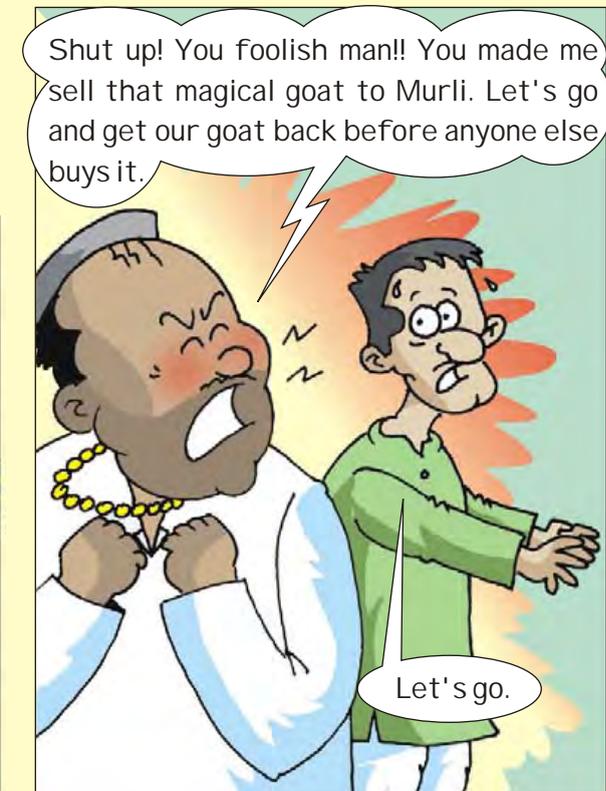
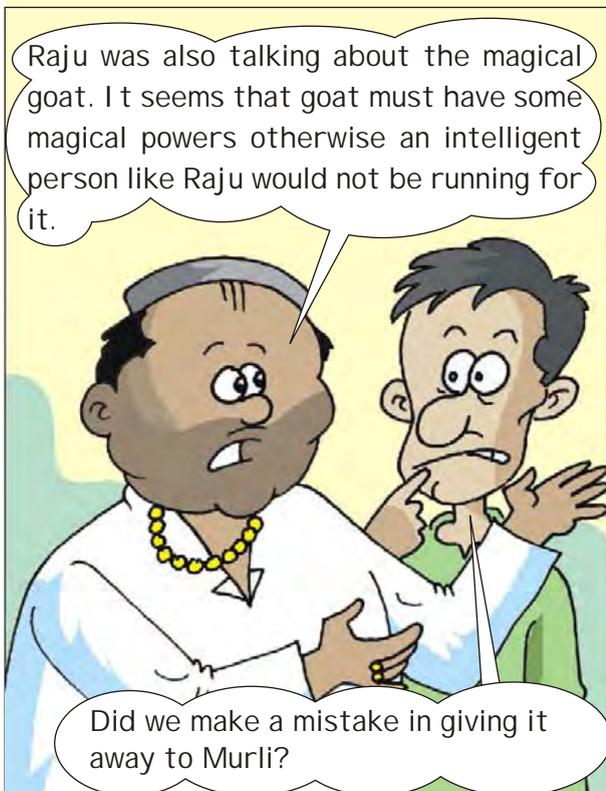
We had fooled Murli by telling him that it gives ten buckets of sweet milk every day. Poor chap!

After sometime Gopal came rushing from the other side.



I will not let anybody else buy that goat....That goat is mine...That goat is mine.

Gopal didn't even stop to talk to Sunder and Chander.



Sunder & Chander reach Murli's house. Outside everybody is trying to get hold of the goat.



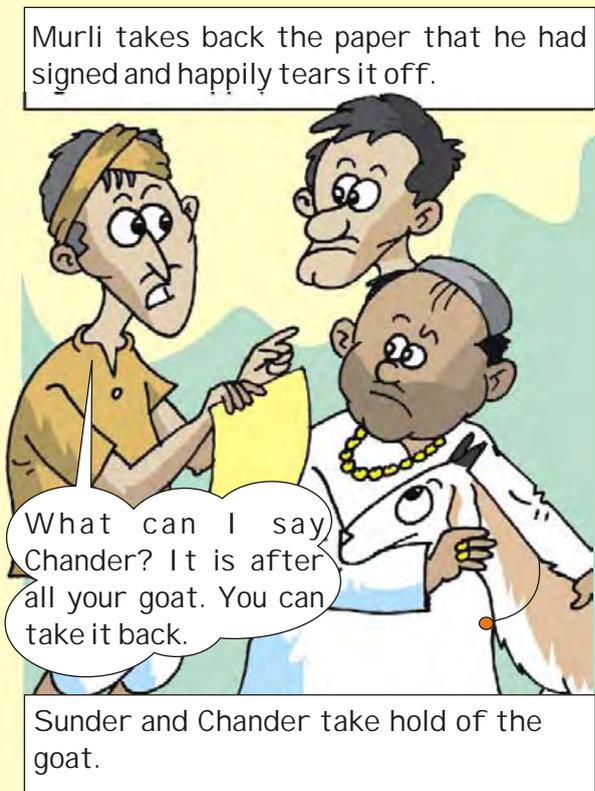
Leave this goat alone. It is mine now.

Get away Raju and Gopal; I will not leave the goat. Shamu and Tara you pull the rope from your side.



Stop! Everybody!! Leave this goat alone. It is our goat and we have come to take it back.

Murli you have cheated us by giving your barren land to us. Take back your land and give us our goat back.

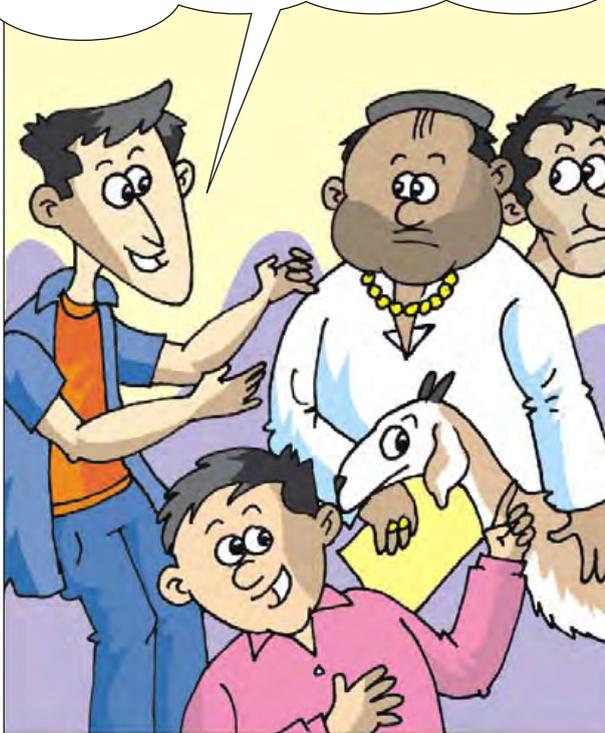


Murli takes back the paper that he had signed and happily tears it off.

What can I say Chander? It is after all your goat. You can take it back.

Sunder and Chander take hold of the goat.

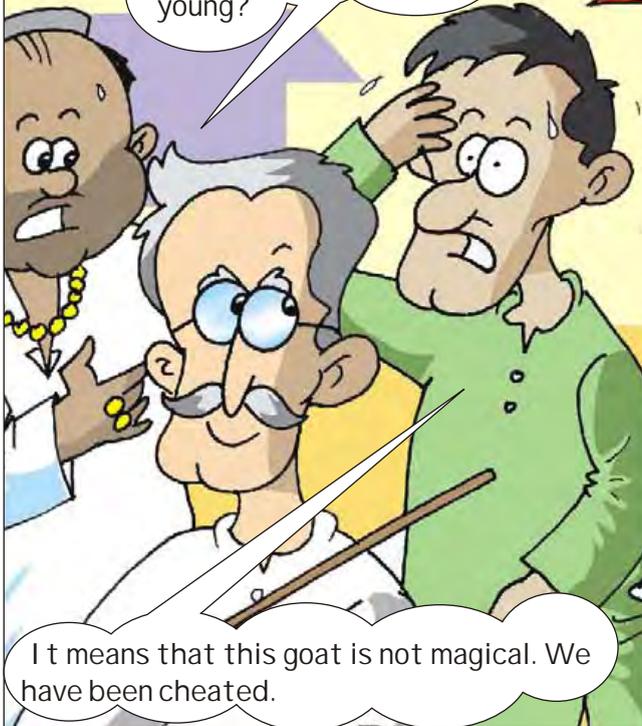
Sunder and Chander, you can take the goat back. But let me drink its milk at least once.



In the meantime Gopi Chacha who was hiding inside the house comes out. Sunder and Chander were surprised to see that he was still the same old man.

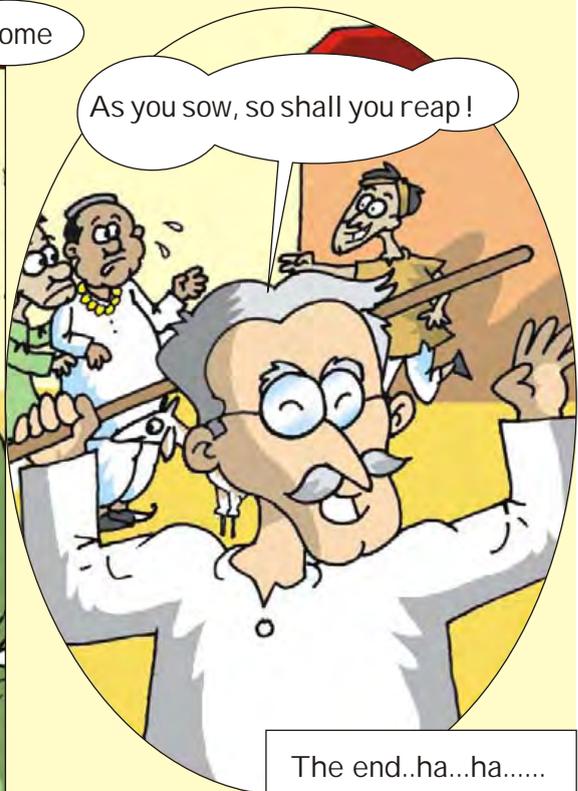


What's this? You have not become young?



It means that this goat is not magical. We have been cheated.

As you sow, so shall you reap!



The end..ha...ha.....

Now, tell me....

Q. 1. Banks do not give loans for the following activity.

- (i) for buying tractor, fertilizers & seeds.
- (ii) for buying a house
- (iii) for education and higher studies
- (iv) for gambling and drinking

(a) (i)&(ii) (b) (i)&(iii) (c) (i),(ii)&(iii) (d) (iv)



Q. 2. You need to submit following documents to avail of education loan

- (i) mark sheet of the qualifying exam
- (ii) admission proof
- (iii) estimate of fees and hostel expenses, etc.
- (iv) identity proof

(a) (i)&(ii) (b) (ii)&(iii) (c) (i),(ii)&(iii) (d) (ii)&(iv) (e) none of the above



Q. 3. Under Kisan Credit Card, the farmer can draw money :

- (i) to buy seeds, fertilisers and consumption expenses
- (ii) to dig wells
- (iii) to buy tractors, bullocks, implements etc.
- (iv) to construct a house

(a) (i)&(ii) (b) (ii)&(iii) (c) (i),(ii)&(iii) (d) (iv)



Q. 4. Choose the right one :

- (a) Tractor is mortgaged
- (b) Land is hypothecated
- (c) Scooter is hypothecated and house is mortgaged

Q. 5. Choose which is incorrect

Hypothecation of the tractor means :

- (i) The tractor one has purchased with the bank loan will be in his/her name and possession.
- (ii) He/She can use the tractor purchased with the bank loan.
- (iii) The bank has the right to recover the amount from the sale of tractor if he/she fails to repay the loan.
- (iv) Only the bank's name will be registered in the books of the Road Transport Authority as 'Hypothecated to'.
- (v) He/she can not sell the tractor against which he/she has availed the loan without asking the bank.
- (vi) If he/she sells the tractor with bank's permission he/she can use it to meet his expenses and then repay the bank loan.

(a) (i)&(ii) (b) (i),(ii)&(iii) (c) (iv)&(vi) (d) (iv),(v)&(vi) (e) (vi) only



Q. 6. Tick (?) the correct option.



Mortgaging the house implies

- (i) Land records will show that the bank has interest in the house.
- (ii) You can sell it or give it as security for another loan without informing the bank.
- (iii) The land ownership documents will be held in the custody of the bank till the loan is repaid.
- (iv) He/She can use the land/house he/she has purchased with the bank loan.

(a) (i)&(ii) (b) (ii)&(iii) (c) (i),(ii)&(iv) (d) (i),(iii)&(iv)

Q. 7. Credit counsellors are not responsible for the following activities :

- (i) Providing advice and information to people who need credit;
- (ii) Guiding the borrowers which loan to take, how much to take and how to make the best use of the loan;
- (iii) Helping in completing the formalities of the bank for availing the loan ;
- (iv) Serving as recovery agents of the banks.

(a) (i)&(ii) (b) (ii)&(iii) (c) (i),(ii)&(iii) (d) (iv) only

Q. 8. General credit card (GCC) can be held by

- (a) a farmer
- (b) a self-employed
- (c) a student
- (d) anybody having a savings bank account

Q. 9. Kisan credit card (KCC) can be held by

- (a) a farmer
- (b) a self-employed
- (c) a student
- (d) anybody having a savings bank account

Q. 10. Raju advised Murlu Chacha to go to a bank to avail of loans to buy a land for following reasons:

- (i) Cheaper rate of interest;
- (ii) He need not sign a blank document;
- (iii) Not bonded for life to a bank ;
- (iv) formalities and paper work in the interest of the customer;
- (v) all of the above.

(a) (i)&(ii) (b) (i),(ii)&(iii) (c) (i),(iii)&(iv) (d) (v)

Answers: 1.(d) 2.(c) 3.(d) 4.(c) 5.(e) 6.(d) 7.(d) 8.(d) 9.(a) 10.(d)



भारतीय रिज़र्व बैंक
RESERVE BANK OF INDIA
www.rbi.org.in

- **Copyright**

Reproduction is permitted provided the source is acknowledged.

- **Disclaimer**

Financial education initiatives of the Reserve Bank of India are for providing general information and guidance to the common person. Users may exercise their care and judgement while using it.