

Borrowings

Hello all,

We are to the end of this financial literacy series for 2022-23. We hope to expand our awareness & horizons further in the forthcoming academic year.

For now, let's briefly understand the last major component of a financial plan---- the term "borrowings". Why do individuals borrow? Think of the reasons- low income, bigger needs, set up business unit etc.

In most cases, almost every individual is required to borrow money at one point in their life. To ensure borrowing is done effectively, an understanding of interest rates, compound interest, time value of money, payment periods, and loan structure is crucial.

If the criteria above are understood sufficiently, an individual's financial literacy will increase, which will provide practical borrowing guidelines and reduce long-term financial stress.