Sadiq Public School

Do the right, fear no man

Subject: Economics **Class: C1** **Day: Saturday** **Date: 16th November, 2024**

Lesson: Chapter No. 17 (Households)

Topic: Influences on Spending: **Page no: 136**

Inquiry: What are the factors that affect how people spend their money

Information:

Influences on Spending:

Influences on spending are the different factors that affect how much money people decide to spend. These factors can make people spend more or less money depending on their situation. Here are the main influences explained in simple terms.

- **Disposable Income**

What it means: Disposable income is the money left after paying for necessary things like taxes, bills, and basic needs. This is the money that people can use for spending on things they want.

Example:

Without disposable income: If you earn 50,000 rupees a month but have to pay 40,000 rupees for rent, bills, and food, you will have only 10,000 rupees left to spend on fun things like entertainment or shopping.

With more disposable income: If you get a raise and now earn 80,000 rupees, and your bills and rent stay the same, you now have 40,000 rupees left to spend. You might decide to spend more on going out with friends, buying new clothes, or saving for something big, like a trip.

So, more disposable income means people can spend more, while less disposable income means they have to spend less on things they want.

- **Wealth**

What it means: Wealth refers to everything a person owns that has value, like their house, car, or savings. People with more wealth can spend more because they feel financially secure.

Example:

Low wealth: If you don't own a house and have little savings, you may only be able to spend money on basic things like food, bills, and rent. You might not have money for extra things like vacations or expensive gadgets.

High wealth: If you own a house and have a good amount of savings in the bank, you may feel comfortable spending money on luxury items or a nice vacation because you know you have valuable things that could help you in case of an emergency.

So, more wealth gives people the confidence to spend more, while less wealth means people have to be careful about spending.

- **Confidence**

What it means: Confidence is how positive or uncertain people feel about their future. If people feel good about their future income and job, they will be more willing to spend money.

Example:

Lack of confidence: If you hear that the economy is doing poorly or your job is not secure, you might feel worried and decide not to spend money on things like dining out or buying new clothes. Instead, you might save your money just in case**.**
High confidence: If you get a promotion at work and feel certain that your income will stay steady, you might decide to spend more money on activities you enjoy, like traveling or buying a new gadget.

So, confidence can encourage people to spend more, while lack of confidence makes people more cautious with their money.

- ❖ **Interest Rates**

What it means: Interest rates are the extra money people have to pay when they borrow money or the extra money they can earn when they save. When interest rates are high, borrowing becomes expensive, and people might spend less. When interest rates are low, borrowing is cheaper, and people are more likely to spend.

Example:

High interest rates: If you want to borrow 20,000 rupees to buy a bike and the interest rate is 10%, you will have to pay back 22,000 rupees. Because of the high interest, you might decide not to borrow the money and wait to save.

Low interest rates: If the interest rate is only 2%, borrowing 20,000 rupees would mean paying back only 20,400 rupees. With the lower interest rate, you might feel comfortable borrowing the money and spending it on the bike.

So, low interest rates encourage more spending because borrowing money is cheaper, while high interest rates make borrowing expensive, causing people to spend less.I

- ❖ **Income Distribution**

What it means: Income distribution refers to how money is shared between different people in a country. If money is spread out more evenly, people with lower incomes will tend to spend more, which can help the economy grow.

Example:

Uneven income distribution: In a country where most of the money goes to a few rich people, the poor people might not have enough money to buy many things. They may spend only on basic needs, like food and shelter.

Even income distribution: If the government helps to give more money to poorer people, they might spend more on things like clothes, school supplies, or entertainment. This increased spending can help the economy grow.

So, when income is spread more evenly, it can lead to more overall spending because more people have money to buy goods and services.

- **Technology**

What it means: New technology can encourage people to buy new products. When new products like gadgets or electronics are released, people often replace their old items with the newer ones.

Example:

Old technology: If you have an old phone, you might not be spending money on the latest gadgets. You are fine using your current phone and don't feel the need to spend money on a new one.

New technology: When a new phone model comes out with cool features, you might want to buy it, even if your old phone still works fine. The excitement of having the latest technology leads you to spend more money.

So, new technology encourages more spending because people want to have the latest products and replace old items with new ones.

Summary of concepts:

Disposable income: More money left after essentials means more spending.

Wealth: Owning valuable things like a house or car makes people feel comfortable spending more**.**

Confidence: Feeling secure about your future income and job encourages more spending.

Interest rates: Low interest rates make borrowing cheaper, encouraging more spending.

Income distribution: More even income distribution means more people can spend money**.**

Technology: New gadgets and inventions encourage people to spend more on the latest products.

Each of these influences changes how much people spend and helps explain why people choose to buy certain things or save money.

Read your textbook page 136

Synthesizing information: (Personal notes)

Understand the main concept of spending, disposable income, wealth and interest rate.

<u>Practice</u>:

Q1. Define each of the following:

a) Wealth
b) Disposable income
c) Income distribution
d) Interest rate

Q2. Write down the factors that influence how much money people decide to spend.

Class	Teacher's Name	Teacher's Abbreviation	Teacher's Email Address	Instructions
C1A,C1B C1GA	SYED SHAMS ABBAS	SSA	syedshamsabbas74@gmail.com	**C1A,C1B** and **C1GA** students will send their home assignments to their subject teacher **(SSA)** for checking and getting feedback.