Session 3: Making a Budget

Learners practice planning monthly spending based on income. The session highlights how to balance expenses, avoid overspending, and create a simple budget that works in real life.

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Before we start

In Session 1, we learned about earning money. Now let us see how to use that money wisely. A budget is a simple plan for money. It helps us decide in advance where our money should go, so that we are not left wondering where it all went at the end of the month.

Session objective

By the end of this session, you will be able to:

Understand what a budget is, Divide monthly income into different expense categories, Make a simple monthly budget for yourself.

A small story

Meena is 18 years old and has just started a small job after training. She gets ₹20,000 in a month. At first, she feels the money is more than enough for everything. But after a few days, she notices something. She spends a little here, a little there, and by the middle of the month, the money becomes tight. She wonders where it all went. Then someone helps her make a budget. She writes down what is needed, what is wanted, and what should be saved. Suddenly, the money starts making more sense. That is the power of a budget.

Part 1: What is a budget?

A budget is a simple plan for money. It helps us: know how much money is coming in, know how much money is going out, avoid unnecessary spending, save for future needs.

Quick note: A budget does not mean stopping all spending. It means spending with care.

Part 2: Budgeting with the 50-30-20 rule

Part	Use
50%	Needs
30%	Wants
20%	Savings

Filled example if the monthly income is 20,000:

Category	Calculation	Amount	Example use
Needs	50% of 20,000	₹10,000	Food, rent, travel, phone recharge, medicine
Wants	30% of 20,000	₹6,000	Movies, shopping, eating out, hobbies
Savings	20% of 20,000	₹4,000	Emergency fund, future goal, SIP
Total		₹20,000	

Instructions: If the monthly income is 20,000, complete the table below.

Category	Calculation	Amount
Needs	50% of 20,000	
Wants	30% of 20,000	
Savings	20% of 20,000	
Total		

Part 3: A detailed monthly budget

Now let us go one step further. A budget is not only about broad categories. It also means writing actual expenses category by category.

Filled example:

Category	Amount
Rent	₹4,000
Food	₹2,500
Travel	₹1,000
Health and medicine	₹500
Electricity and water	₹500
Mobile recharge	₹300
Education or skill	₹700
Entertainment	₹800
Savings	₹3,000
Emergency fund	₹700
Others	₹0
Total	₹14,000

Instructions: Make your own detailed budget. If you had 20,000 for a month, how would you plan it across categories?

Category	Amount
Rent	
Food	
Travel	
Health and medicine	
Electricity and water	

Category	Amount
Mobile recharge	
Education or skill	
Entertainment	
Savings	
Emergency fund	
Others	
Total	

Part 4: What if money is less?

Sometimes money is not enough for everything we want. That is normal. In such a case, we must choose carefully.

Quick example:

You have 300. You want to buy snacks, recharge your phone, and keep some money aside. What comes first? Phone recharge comes first if it is needed for communication and work. A small amount for food if necessary. Then whatever is left can be saved.

Instructions: Choose the priority option for each situation and explain your choice.

Situation	First choice	Why?
Food or movie ticket		
Bus fare or café visit		
Medicine or game top-up		
School fee or shopping		

Reflection

Which expense is easiest to forget?

Which one usually becomes bigger than expected?

What is one small expense you can reduce this month?

Quick Recap

Topic	Key Takeaway
Budgeting	A budget is a plan that gives you control over where your money goes.
Prioritization	When money is tight, always pay for your needs before your wants.

One line to remember

A budget tells your money where to go instead of wondering where it went.

Closing thought

A budget is not only a money sheet. It is a habit. The more we practise it, the easier it becomes. Even a small budget can give us more control, less stress, and better planning.