Money Moves Markets

How financial institutions connect saving, borrowing, and trade.

SS.7.E.1.4 "Discuss the function of financial institutions in the development of a market economy."

NAME ______________________________ DATE ______________

1 READ AND MARK

Read it twice

YOUR JOB Underline two sentences that show how financial institutions move money from savers to borrowers. Put a box around one sentence that describes a payment service.

Connecting Money and Markets

1 In a market economy, households and businesses make many choices about saving, spending, and investing. Financial institutions, such as banks and credit unions, connect people who have extra money with people who need money. When customers deposit money, the institution keeps records and protects funds under rules. Deposits do not sit unused. The institution can lend part of that money to qualified borrowers, while keeping enough available for customers who want to withdraw cash daily.

2 Consider a bicycle repair shop that wants to buy tools and hire another worker. A loan from a local bank can provide money before the shop has earned enough savings. The owner agrees to repay the loan, usually with interest, which is the cost of borrowing. The bank reviews the owner's plan and ability to repay before deciding whether to lend. This process directs funds toward borrowers expected to use them productively in the community.

3 Financial institutions also make trade easier. A debit card, check, or electronic transfer lets a buyer pay a seller without carrying large amounts of cash. Reliable payment services help businesses receive money and help customers track purchases. By moving savings to borrowers and providing ways to pay, financial institutions support exchange, business growth, and investment. They do not guarantee that every loan will succeed, but their services help markets use money more efficiently each day.

2 ANSWER WITH EVIDENCE

Use the passage

1. How can customer deposits help a qualified borrower get money?

2. Why does a bank review an owner's plan and ability to repay before making a loan?

3. Name two payment methods from the passage. How do payment services make trade easier?

4. How do lending and payment services together support a market economy?

3 YOUR TURN

Your own words

Imagine that a neighborhood bakery wants to add delivery bikes. In 4 to 5 sentences, explain how a financial institution could help the bakery get funds and accept payments. Tell how these services could affect buyers, workers, or other businesses.

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PART 1 · READ AND MARK

Underline two sentences that show how financial institutions move money from savers to borrowers. Put a box around one sentence that describes a payment service. Accept any marking that follows this job and points at the right text.

PART 2 · ANSWERS

#	QUESTION	ANSWER
1	How can customer deposits help a qualified borrower get money?	**Financial institutions can lend part of deposited money to qualified borrowers while keeping enough available for withdrawals.**
2	Why does a bank review an owner's plan and ability to repay before making a loan?	**The bank uses this review to decide whether to lend and to direct funds toward borrowers expected to use them productively and repay.**
3	Name two payment methods from the passage. How do payment services make trade easier?	**Possible methods include a debit card, check, and electronic transfer. Payment services let buyers pay sellers without large amounts of cash and help businesses receive money.**
4	How do lending and payment services together support a market economy?	**Lending moves savings to borrowers who can invest or grow businesses, and payment services make exchange easier. Together, they support business growth, investment, and trade.**

PART 3 · YOUR TURN (SAMPLE ANSWER)

A bank could use some deposited savings to lend the bakery money for delivery bikes. The bakery would repay the loan with interest as it earns money from deliveries. The bank could also provide card or electronic payment services, so customers could pay easily. More deliveries could give the bakery income to hire a driver and buy supplies from local businesses.

Accept equivalent explanations that accurately connect deposits, loans, interest, and payment services to exchange, investment, or business growth. For Part 3, accept a realistic scenario that explains both funding and payment functions and at least one market effect.