

A PROJECT REPORT ON  
**A SAMPLE SURVEY TO DETERMINE FINANCIAL BEHAVIOUR  
AND KNOWLEDGE AMONG COLLEGE STUDENTS**

Submitted in partial fulfilment of requirements for  
the award of the Degree of  
Bachelor of science



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## **DECLARATION**

I hereby declare that the project work dissertation entitled "**A sample survey to determine financial behaviour and knowledge among college students**" submitted for the B.Sc. Degree, is entirely original and was carried out by me independently in the Department of Statistics at Banaras Hindu University, Varanasi, under the supervision of **Pro. Poonam Singh**. I further declare that this project dissertation has not formed the basis for the award of any degree, associate ship, fellowship or any other similar titles.

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**CERTIFICATE**

This is to certify that this is a bonafide record of project work done in statistics entitled with "A sample survey to determine financial behaviour and knowledge among college students " done by Shivam Sahu (19220STA071) for the partial fulfilment of the requirement for the award of Bachelor of Science degree as a part of the curriculum during the academic year 2021-2022.

**Head of the Department**

**Project Guide**

**External Examiner**

## **ACKNOWLEDGEMENT**

I express my sincere gratitude to Head of the Department, Pro.S.K. SINGH and all other professors in statistics department of Banaras Hindu University for the constant encouragement and support throughout project work.

I feel pleasure to do the STATISTICS project work. I am thankful to the Department of Statistics for allowing me to do the project work in Statistics and for their valuable suggestions.

It is with most profound feelings of respect and reverence that I record indebtedness and deep-felt sense of gratitude to my project supervisor Pr. Poonam Singh, Department of Statistics, Banaras Hindu University, Varanasi for his kindness, encouragement and moral support which enabled me to complete this project work.

Last but not least, I express our respectable regards to my parents for their encouragement, cooperation throughout the work. I thank one and all who helped us in our effects for completing the project.

By:  
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## **OBJECTIVE:**

Now a days, financial behaviour and financial knowledge has become a very part of our life. Every generation, either male or female, college students or retired personnel, need financial support at every stage. And it is of immense importance that they properly plan their money flow through income and expenditure. Thus, young teens need to have financial literacy.

This project involves a survey done among college students of various streams which test the effect of various factors like, age, gender, stream, etc., of participants on financial behaviour and financial knowledge.

This project also tries to give an idea of financial knowledge to Students through a test making them familiar with certain financial terms and make them understand their position regarding money.

## **CONTENTS:**

- INTRODUCTION
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  - DEFINATION
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  - MEASURES TAKEN BY THE GOVT.
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- DATA ANALYSIS AND INTERPRATATION
- TESTING OF HYPOTHESIS
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## **INTRODUCTION**

### **ABSTRACT**

*One of the causes of Financial Crisis is identified as lack of Financial Literacy. India is a developing country and we are entering into second phase of Financial Sector Reforms. Integration of our economy with world economy will increase further and so the risk of world crisis impacting Indian economy.*

*In India there is large unorganized sector and the Government is withdrawing from pension schemes even in organized sector. In absence of any social security scheme, our economy may be in, for a major instability after demographic dividend starts waning after 20/25 years. Thus, improvement of financial literacy in the country is imperative for financial wellbeing of individuals as well as for the economy.*

*The significance of financial literacy as a transformation agent on the financial inclusion agenda of the nation is undisputed in academic as well as practitioner's circle. This paper takes a literature review of definitional and measurement aspects of financial literacy. It makes an attempt to identify the various aspects involved in defining and measuring Financial Literacy in Indian context. It also takes a review of Financial Literacy measures being taken in the country. We propose to arrive at an index of Financial Literacy for college going students. It may be pointer to modification of educational inputs for improvement in Financial Literacy amongst the students.*

## **LITERATURE:**

Adequate level of financial literacy is required for financial wellbeing of the individual and that of the family. It impacts short term requirement like day to day money management as well as long term requirement like buying home, children education, and secure retirement. Ineffective money management can also result in behaviour that makes consumers more vulnerable to a financial crisis (Braunstein and Welch, 2002). Insurance and pension plans are important for ensuring security in retired life. This requires knowledge about the markets, financial

products and also proper attitude as well as behavioural skills. These activities need budgeting, planning and involve savings and investments. Indian economy is entering into second phase of financial sector reforms.

Consequently, it will be integrated with world economy at a greater pace and will face increasing risk of adverse impact of world economic crisis. In this situation, the ability of individuals to make informed financial decisions will be of crucial importance. As Klapper et al. (2012) suggested that improved financial literacy will lead to a more prudent borrower behaviour that could reduce financial fragility. Well-informed consumers may also exercise innovation-enhancing demand on the financial sector and play an important role in monitoring the market. This will also help improve transparency and honesty in financial institutions. In India, we have a large population working in informal sector. Lack of Financial literacy is identified as one of the major causes of financial exclusion by the researchers. Thus, it can be inferred that financial literacy will facilitate the process of financial inclusion and bring them into formal sector. Cole et al. (2013) argue that *“drawing the individuals and firms working in the informal sectors into the formal financial sector would be one of the fastest ways to foster financial development in emerging markets.”*

Efforts to improve financial literacy is also an important pathway to increase saving rates and lending to the poorest and most vulnerable consumers, such as those working in informal sectors (Klapper et al., 2012). Therefore, developing financial literacy in India is of paramount importance.

In India social security system is very poor and the government is withdrawing from pension schemes in organized sector. Insurance sector in India has not covered significant portion of the population. Diverse sections of the society need different kind of treatments when it comes to financial literacy. In India, there is huge diversity in terms of economic as well as social status of the individuals and community. Each of this section of society would require a different measure of financial literacy. India is having the largest young population in the world. But, education system of the country has been questioned by many researchers. We suspect that in line with general literacy, financial literacy also would be in bad shape.



In order to assess the efficacy of developmental efforts, constructing a proper measure of financial literacy is necessary. Keeping this in view, we propose to construct a measure of financial literacy for college students.

### **Definitions of Financial Literacy:**

In literature the term Financial Literacy is interchangeably used with financial capability and economic literacy (Lusardi, and Mitchell, 2014). Some researchers consider it as a necessary skill which is regarded as ability to get and use financial information, which can be measured through understanding of financial concepts and through financial performance (Mason and Wilson, 2000). According to Murray (2010), it is a set of capabilities such as general literacy, problem solving ability, numerical ability applied to personal finance. Financial Literacy is relative in the sense that it is specific to socioeconomic conditions of the people and is linked to their specific problems such as exclusion. Atkinson and Messy (2011), define Financial literacy as *“a combination of awareness, knowledge, skills, attitude and behaviours necessary to make sound financial decisions and ultimately achieve individual financial wellbeing”*

However, levels of Financial Literacy can be considered as basic and beyond. Once a person attains basic level, he requires ability, skills, and attitude along with access to financial services for making sound decisions.

Financial literacy involves ability for judgment and discretion (Piprek et al., 2004). Basic financial literacy includes understanding of terms like savings, credit, insurance and budgeting. Financial Literacy means acquiring knowledge, skills, values and habits for successfully managing finances of individuals and family which includes managing earning, spending, saving, borrowing and investing. In essence financial literacy helps people in framing proper responses to situations involving risk and opportunities. It enables people to take informed decisions resulting into financial wellbeing.

Draft of National Strategy on Financial Education (2012), by Indian Government mentions that *“The main components of financial education*

*are understanding the key financial products one may need throughout one's life; understanding basic financial concepts; developing skills and confidence to be aware of financial risks and opportunities and to benefit from them; making sound financial choices about saving, spending, insurance, investing; and managing debt throughout one's life."*

### **Importance of Financial Literacy:**

Poor people in the society are more vulnerable to health risk and risk of loss of livelihood. Financial literacy helps the poor in avoiding such eventualities and to avoid financial exploitation. In this sense it is an important capability for the poor to prevent them from getting into the trap of poverty. *"Financial literacy and financial inclusion are integral to each other and are important because they are integral to attacking poverty. They are two elements of an integral strategy; while financial inclusion provides access, financial literacy provides awareness"* D. Subbarao (2013).

### **Measures Being Taken in India:**

India has large proportion of financially excluded population. There is also financially included population participating in financial as well in consumer markets. Therefore, different approaches are needed depending on the sector of population. The programmes for excluded section are basic and aim at avoidance of exploitation and over indebtedness and eradication of money lending practices in the country. The areas identified for included sector are; banking, securities market, insurance and retirement planning. In addition to basic knowledge, features of market products are also the learning objectives.

The project "Financial literacy" is undertaken by Reserve Bank of India (R.B.I.) for school and university students, women and senior citizens, in addition to financially excluded section of society. Banks in India have started Financial Literacy Centres (FLCs) throughout the country. In addition to banks, Self Help Groups, Micro Finance Institutions are also involved in promotion of financial literacy through their learning material and websites.

The Insurance Regulatory and Development Authority (IRDA) has launched awareness programme for policy holders giving information about rights and duties of policy holders; and has put in place grievance

redressal mechanism. It also organizes seminars for benefit of policy holders.

The Securities Exchange Board of India (SEBI) has been offering certification courses on various market related subjects. It organizes workshops throughout the country on various topics such as, investment, financial planning, risk management and retirement planning.

The Pension Fund Regulatory and Development Authority (PFRDA) have opened FAQ section on its website. It has also appointed aggregators for creating awareness in public about pension schemes.

## **METHODOLOGY:**

It is revealed through literature that many researchers have concentrated only on knowledge component of financial literacy. However, it is financial behaviour which ultimately matters and knowledge as well as attitude influence behaviour. This study takes into consideration two aspects of Financial literacy namely, knowledge and behaviour. We have included questions representing all two aspects.

As the questionnaire is designed for students, the knowledge component is given more weightage as compared to attitude and behaviour. Majority of students in India are dependent of their parents for financial support and their financial attitude and behaviour are in early stage of life cycle.

The questionnaire emphasizes on four areas namely General personal finance knowledge, Savings and Borrowings, Insurance and Investment.

The questions are related to Indian situation and pertain to banking, securities market, insurance and retirement planning. These are the areas, envisaged under national strategy on financial education.

The questionnaire also contains a test of 12 points on financial knowledge.

A score of 6 will be considered a good score.

The questionnaire was been sent via mail. A total of 100 responses has been recorded. The conclusion has been drawn on these responses.

## **CONCEPT OF CHI-SQUARE:**

Chi-Square goodness of fit test is a non-parametric test that is used to find out how the observed value of a given phenomenon is significantly different from the expected value. In Chi-Square goodness of fit test, the term goodness of fit is used to compare the observed sample distribution with the expected probability distribution. Chi-Square goodness of fit test determines how well theoretical distribution (such as normal, binomial, or Poisson) fits the empirical distribution. In Chi-Square goodness of fit test, sample data is divided into intervals. Then the numbers of points that fall into the interval are compared, with the expected numbers of points in each interval.

### **Set up the hypothesis for Chi-Square goodness of fit test:**

**A. Null hypothesis:** In Chi-Square goodness of fit test, the null hypothesis assumes that there is no significant difference between the observed and the expected value.

**B. Alternative hypothesis:** In Chi-Square goodness of fit test, the alternative hypothesis assumes that there is a significant difference between the observed and the expected value.

Compute the value of Chi-Square goodness of fit test using the following formula:

$$\sum_{i=1}^k [(O_i - E_i)^2 / E_i] \sim \chi^2(k - 1)$$

where,  $\chi^2$  = Chi-Square goodness of fit test

$O_i$  = observed value

$E_i$  = expected value

The null hypothesis can be tested either at 5% or 1% level of significance, if

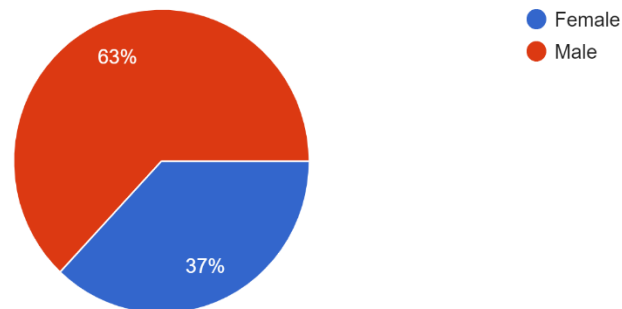
$$\chi^2_{\text{Cal}} < \chi^2_{\text{Tab}}$$

then we may accept  $H_0$  which shows that there is no significant difference between the observed and the expected value.

## **DATA ANALYSIS AND INTERPRETATION:**

### **❖ GENDER:**

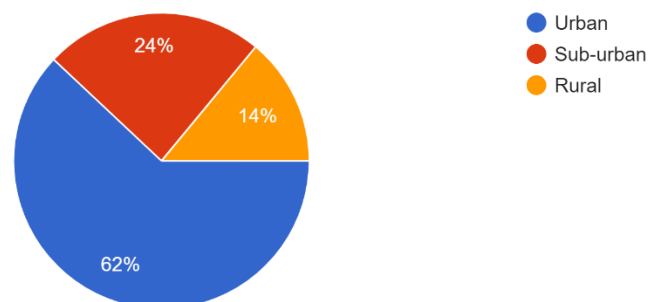
Gender  
100 responses



- In the survey 100 people participated, out of which 63% were male and 37% were female.

### **❖ COMMUNITY OF RESIDENCE:**

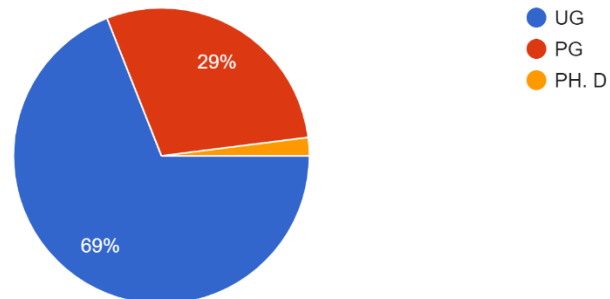
Community you live in  
100 responses



- Of the people participated in the survey, 24% people lived in rural ,14% in sub-urban and 62% in urban areas.

## ❖ QUALIFICATION:

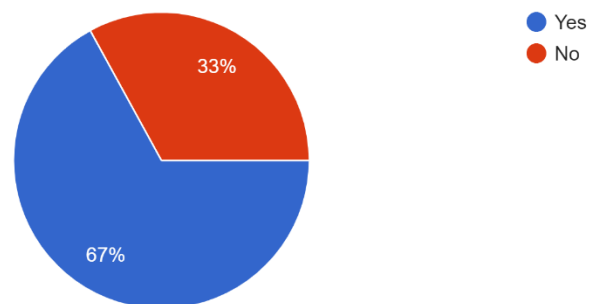
Education level  
100 responses



- Of the people participated in the survey, 69 were undergraduate, 29 were postgraduate and 2 hold Ph.D.

## ❖ MONEY SAVING HABIT:

Do you save money out of your expenses?  
100 responses

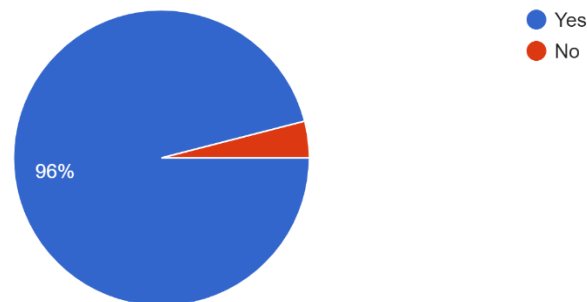


- Of the people participated in the survey, 67% save money out of their expenses while 33% did not.

## ❖ BANK ACCOUNT:

Do you hold any bank account?

100 responses

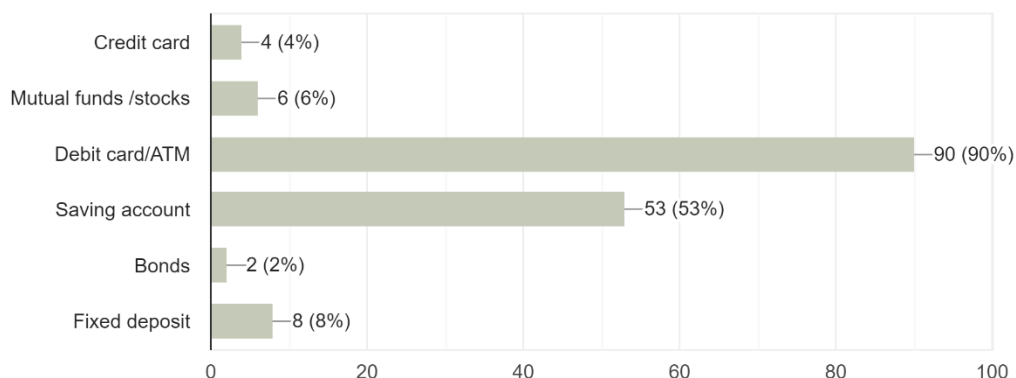


- Of the people participated in the survey, most of them had a bank account (96%).
- Thus, holding a bank account is common among students.

## ❖ FINANCIAL PRODUCTS:

What type of financial product do you possess?

100 responses



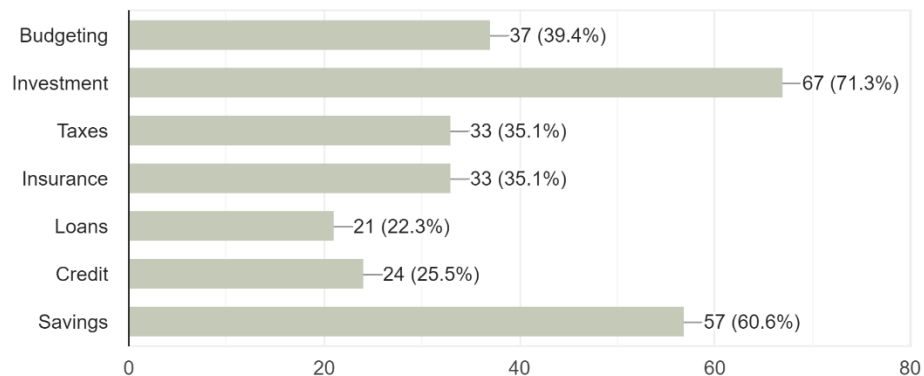
- Majority of people (90%) have debit cards with them.
- Next most common financial product is saving accounts.
- Bonds is the least popular product among students.



➤ Topics of interest of people in finances (in percentage):

What are your topics of interest?

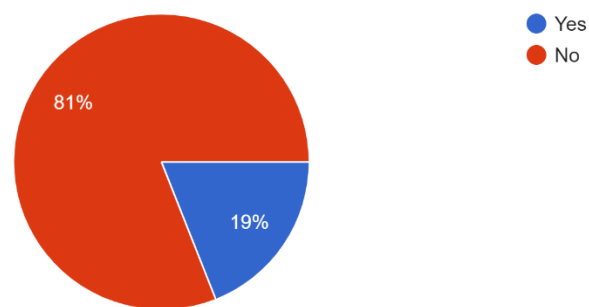
94 responses



❖ COURSE ON FINANCIAL EDUCATION:

Have you ever attended any course on financial education?

100 responses

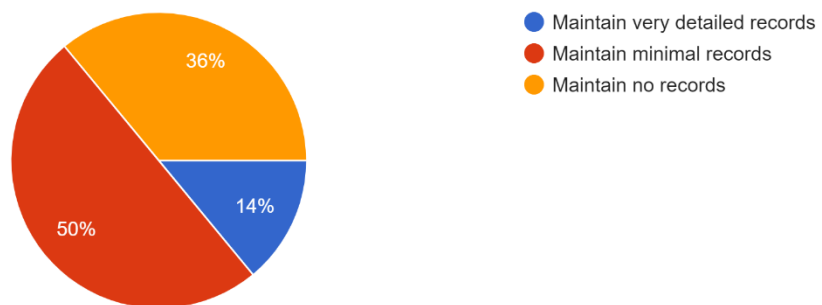


- Of the people participated in the survey, only 19% have attended any course on financial education.

## ❖ FINANCIAL RECORDS:

Do you maintain financial records?

100 responses

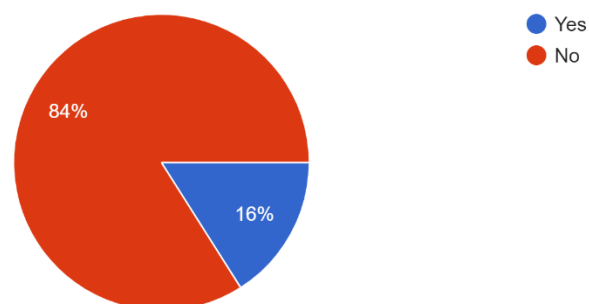


- Of the people participated in the survey, only 14% maintain financial records.
- 36% students maintain no records of their money.

## ❖ SOURCE OF INCOME:

Do you have any personal source of income?

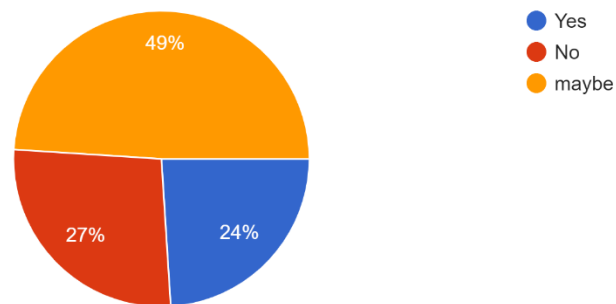
100 responses



- Of the people participated in the survey, only 16% have personal source of income.

Would you attend a personal finance course?

100 responses

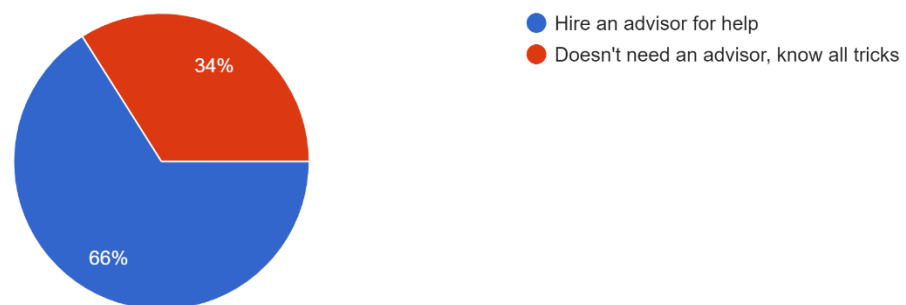


- Of the people participated in the survey, only 49% would like to attend a course on financial education.

## ❖ FINANCIAL SKILLS:

How will you describe your financial skill?

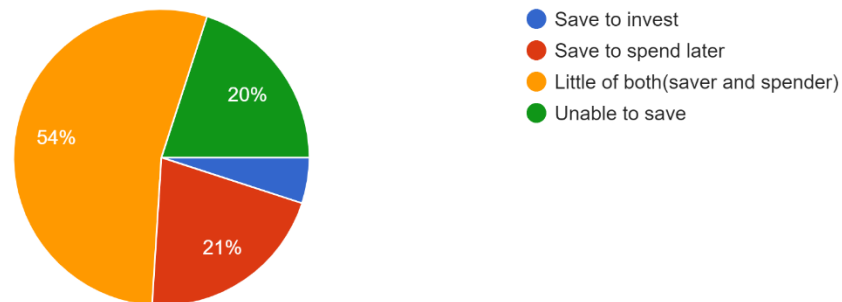
100 responses



- Of the people participated in the survey, 34% think they know all about finances.
- 66% people would like to hire an advisor for any financial help.

What's your general behaviour towards money?

100 responses

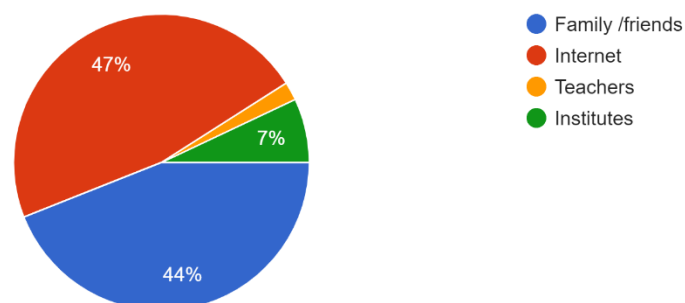


- Of the people participated in the survey, 20% are unable to save and only 5% save to invest.

### ❖ SOURCE OF INFORMATION:

What's your source of information on finances?

100 responses



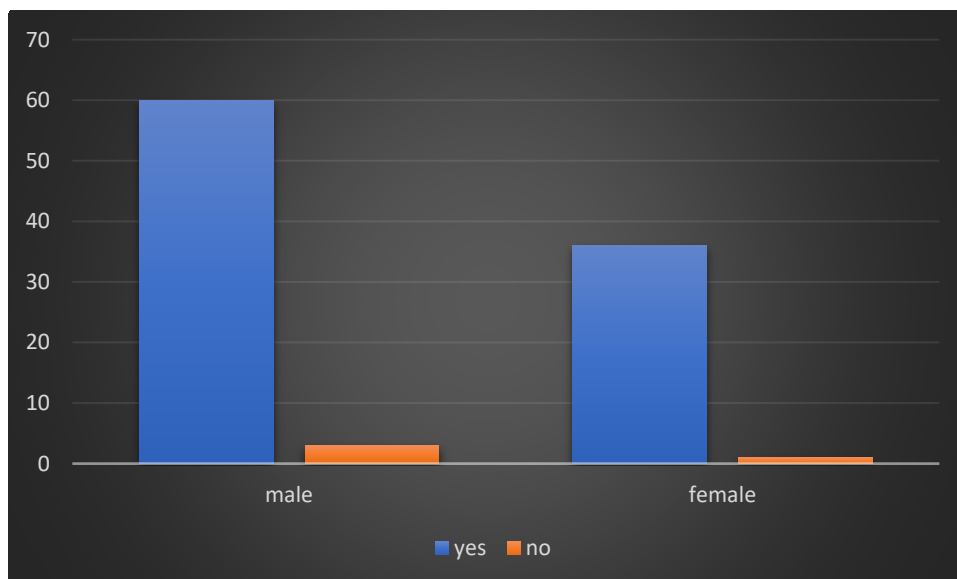
- Of the people participated in the survey, 44% depend on family/friends for financial advice while 47% depend on internet.
- Institutes form up very small percentage (7%) of source of information for students.

### ANALYSIS BETWEEN GENDER AND AVAILABILITY OF BANK ACCOUNT:

#### ❖ TABLE:

Availability of bank account	MALE	FEMALE	Total
YES	60	36	96
NO	3	1	4
Total	63	37	100

#### ❖ GRAPH:



### ❖ INTERPRETATION:

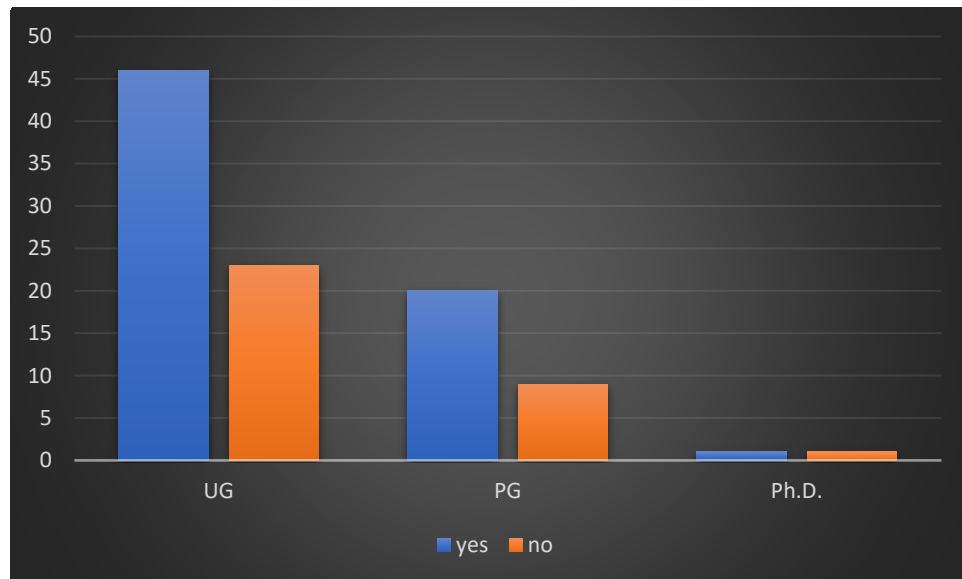
- Out of 63 male students, 3 did not have bank account, while out of 37 female students only 1 did not have bank account.

### ANALYSIS BETWEEN EDUCATION LEVEL AND MONEY SAVING HABIT:

#### ❖ TABLE:

Save money	UG	PG	Ph.D.	Total
YES	46	20	1	67
NO	23	9	1	33
Total	69	29	2	100

#### ❖ GRAPH:



### ❖ INTERPRETATION:

- Out of 69 undergraduate students, 46 save money while 23 do not.
- Out of 29 postgraduate students, 20 save money while 9 do not.

### ❖ TEST RESULTS ANALYSIS:

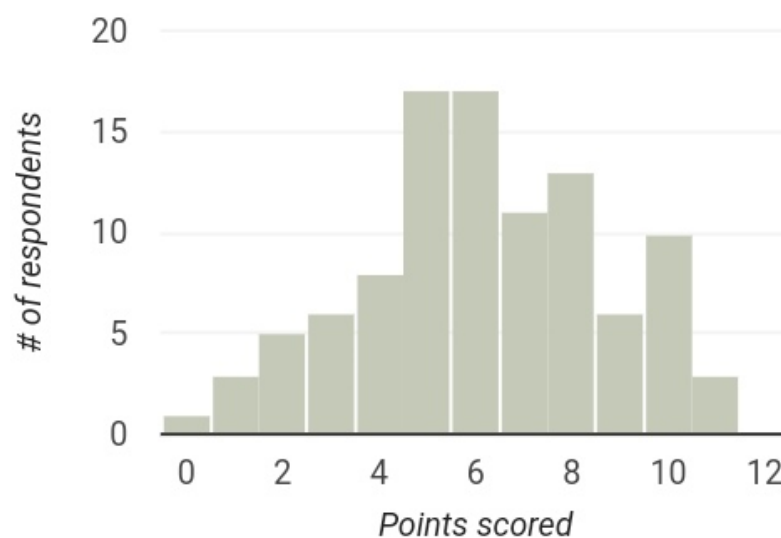
- Of the people participated in the survey, below is the graphical representation of the points scored by the participants.

**Average**  
6.18 / 12 points

**Median**  
6 / 12 points

**Range**  
0 - 11 points

### Total points distribution



- The average score of the students in the test was above 6 points, which will be considered a good score.
- Above average score of sample elements give positive signs regarding financial literacy among college students.

### **TESTING OF HYPOTHESIS:**

Here we apply chi-square test to check whether gender, annual household income and community of residence has relation with financial behaviour and knowledge.



We will apply chi-square test goodness of fit at 5% level of significance on data obtained from the survey.

Here we would test the following three hypotheses:

Null hypothesis:

**1.) Ho:** Gender has no significance on financial literacy.

**2.) Ho:** Annual household income has no significance on financial literacy.

**3.) Ho:** Community of residence has no significance on financial literacy.

To test following hypothesis, we make use of CHI-SQUARE goodness of fit test.

The formula used for the purpose is given below:

$$\sum_{i=1}^k [(O_i - E_i)^2 / E_i] \sim \chi^2(k - 1)$$

where,  $O_i$  = observed frequency

$E_i$  = expected frequency

❖ **TABLE 1:** To test significance of gender on financial literacy

Gender	Observed Frequency ( $O_i$ )	Expected frequency ( $E_i$ )	( $O_i - E_i$ ) <sup>2</sup> (a)	(a/ $E_i$ )
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MALE	63	50	169	3.38
FEMALE	37	50	169	3.38
Total	100	100		6.76

The calculated value of chi- square statistic is 6.76. While the tabulated value for chi- square statistic for 1 degree of freedom at 5% level of significance is 3.841, which is less than the calculated value of chi-square statistic. Thus, in the light of data we may reject the null hypothesis i.e. gender has a significant relationship with financial literacy among college students.

❖ **TABLE 2:** To test significance of annual household income on financial literacy

Annual household income	Observed Frequency (O <sub>i</sub> )	Expected frequency (E <sub>i</sub> )	(O <sub>i</sub> -E <sub>i</sub> ) <sup>2</sup> (a)	(a/E <sub>i</sub> )
< 2 lakhs	18	25	49	1.96
2-5 lakh	29	25	16	0.64
5-8 lakh	32	25	49	1.96
> 8 lakhs	21	25	16	0.64
Total	100	100		5.2

The calculated value of chi- square statistic is 5.2. While the tabulated value for chi- square statistic for 3 degree of freedom at 5% level of significance is 7.815, which is greater than the calculated value of chi-square statistic. Thus, in the light of given data we may accept the null hypothesis i.e. annual

household income has no significant relationship with financial literacy.

❖ **TABLE 3:** To test the significance of community of residence on financial literacy

Community of residence	Observed Frequency (O <sub>i</sub> )	Expected frequency (E <sub>i</sub> )	(O <sub>i</sub> -E <sub>i</sub> ) <sup>2</sup> (a)	(a/E <sub>i</sub> )
URBAN	62	34	784	23.06
RURAL	24	33	81	2.45
SUB-URBAN	14	33	361	10.94
Total	100	100		36.45

The calculated value of chi- square statistic is 36.45. While the tabulated value for chi- square statistic for 2 degree of freedom at 5% level of significance is 5.991, which is less than the calculated value of chi-square statistic. Thus, in the light of given data we may reject the null hypothesis i.e. community of residence has significant relationship with financial literacy.

## **CONCLUSION:**

A study had been conducted among college students to check their financial literacy among them and following conclusions have been drawn:

Out of 100 people participated in the survey, 67% save money out of their monthly expenses, only 16% have their personal source of income and 20% find it difficult to save. Most of the people held a bank account while only 36% maintain financial record. 71% have thought of financial planning in their life. Only 19% have attended a finance course while 24% would like to do so in the future. Only 34% were confident on their financial skills whereas others would hire an advisor. Nearly 50% of people depend on their family and friends for financial advices.

Three hypotheses were tested seeking any significant relationship of gender, annual household income and community of residence with financial literacy. And it has been found out that gender and community of residence have significance with financial literacy while annual household income had no such relationship with financial literacy.

Among 69 undergraduate students 66% students save money while among postgraduate students 69% students save money. Similarly, 63 male students 95% have bank account while out female students 97.3% students have bank accounts.

Also, above average scores of sample points in the given test show positive signs that students are more aware of financial education.

## **QUESTIONNAIRE**

1. NAME of the respondent: \_\_\_\_\_
2. (a) Gender:    Male ☐                                  Female ☐  
    (b) Age group: 18-20 ☐                  20-24 ☐                  >24 ☐
3. Community you live in:    Urban ☐                  Rural ☐
4. Education level:    UG ☐                  PG ☐                  Ph. D ☐  
    a.) Discipline:    arts    science    commerce    engineering    medical    others  
    b.) Year:    I ☐                  II ☐                  III ☐                  IV ☐
5. No. of members in your family (including you): \_\_\_\_\_
6. What's your parent occupation?  
☐ Govt. Job                  ☐ Self-employed  
☐ Business                  ☐ Others(specify) \_\_\_\_\_
7. What's your family annual household income?  
☐ < 2 lakh                  ☐ 2-5 lakh  
☐ 5-8 lakh                  ☐ >8 lakh
8. How much monthly expense do you get?  
☐ >1000                  ☐ 1000-3000                  ☐ 3000-5000  
☐ 5000-10000                  ☐ >10000

### **PART I : FINANCIAL BEHAVIOUR**

9. Do you save money out of your expenses?  
☐ Yes                          ☐ No
10. Do you have any personal source of income?  
☐ Yes                          ☐ No  
    If yes, how much? \_\_\_\_\_
11. What's your attitude/general behaviour towards money?  
☐ Save to invest                  ☐ Save to spend later

☐ Little of both (saver and spender) ☐ Unable to save

12. Do you hold any bank account?

☐ Yes ☐ No

13. What type of financial product do you possess? [select multiple]

☐ Credit card ☐ Mutual fund/stocks

☐ Debit card/ATM ☐ Saving account

☐ Bonds' ☐ Fixed deposit

14. Do you maintain financial records?

a. Maintain very detailed records.

b. Maintain minimal records.

c. Maintain no records.

15. What do you do with your pocket money?

a. Spend it fully

b. Save a portion of it in the bank

c. Save it in home

16. How often you ask for extra money from your parents?

a. Once in a month

b. 2-3 times in a month

c. Never

17. Ever thought of financial planning?

☐ Yes ☐ No

18. What's your source of information on finances?

☐ Family/friends ☐ Internet

☐ Teachers ☐ Institutes

19. Have you ever attended any course on financial education?

☐ Yes ☐ No

If not...would you attend a personal finance course? Yes ☐ No ☐

20. What are your topics of interest:

a.) Budgeting b.) Investment c.) Taxes d.) Insurance e.) Loans f.) Credit

g.) Savings

21. Do your parents have done any investments you know of?

☐ Yes, specify \_\_\_\_\_

☐ No ☐ Don't know

22. How much did you learn about finances from the following: (rate on level {I-V})

I- being lowest and V- being highest)

- |              |   |    |     |    |   |
|--------------|---|----|-----|----|---|
| a. Parents:  | I | II | III | IV | V |
| b. Friends:  | I | II | III | IV | V |
| c. College:  | I | II | III | IV | V |
| d. Books:    | I | II | III | IV | V |
| e. Media:    | I | II | III | IV | V |
| f. Internet: | I | II | III | IV | V |

23. How will you describe your financial skill?

- ☐ Hire an advisor for help
- ☐ Doesn't need an advisor, know all tricks

Using the scale given below please rank the importance of items numbered for questions 24 to 28.

- Very Important (5)
- Somewhat Important (4)
- Not Sure (3)
- Somewhat Unimportant (2)
- Very Unimportant (1)

24. Maintaining adequate financial records.

25. Spending less than your income.

26. Maintaining adequate insurance coverage.

27. Planning and implementing a regular investment program.

28. Planning for retirement.

## **PART II : FINANCIAL KNOWLEDGE**

27. Personal finance literacy can help you

- a. Avoid being victimized by financial scams.
- b. Buy the right kind of insurance to protect you from catastrophic risk.
- c. Learn the right approach to invest for your future needs.
- d. Lead a financially secure life through forming healthy spending habits.

- e. Do all of the above.
28. Personal financial planning involves
- a. Establishing an adequate financial record keeping.
  - b. Minimizing expenses.
  - c. Preparing plans for future financial needs and goals.
  - d. Both a and c.
  - e. All of these.
29. The most liquid asset is
- a. Money in a fixed deposit account.
  - b. Money in a saving account.
  - c. A car.
  - d. A computer.
  - e. A house.
30. Your net worth is the difference between your
- a. Expenditures and income.
  - b. Liabilities and assets.
  - c. Cash inflow and outflow.
  - d. Bank borrowings and savings.
  - e. None of the above.
31. Bank account reconciliation involves
- a. Balancing bank statement with your check-book records to determine if there are errors.
  - b. Reconciling current bank statement with the previous month's statement to determine if there are errors.
  - c. Subtracting outstanding checks to your check-book balance to determine if your checks have been properly processed.
  - d. Adding outstanding checks to your check-book balance to improve your credit standing.
  - e. None of the above.
32. Suppose you had Rs. 100 in a savings account and the interest rate was 4% per year. After 5 years, how much do you think you would have in the account if you left the money to grow?
- a. More than Rs. 104
  - b. Exactly Rs. 104
  - c. Less than Rs. 104
  - d. Do not know
  - e. Refuse to answer.
33. You have just graduated from college and found a job earning Rs. 4,00,000 per year. You will pay Rs. 6,000 per month for five years for education loans. What should you do to improve your financial health?
- a. Cut expenses and use your savings to pay down debt.
  - b. Keep the same spending pattern as in the past.
  - c. Apply for a consumer loan for a new car.
  - d. Use your credit card to pay for a vacation in the Switzerland.
  - e. None of the above.



34. Which of the following investments require that you keep your money invested for a specified period or face an early withdrawal penalty?
- a. Fixed deposit.
  - b. Savings Accounts.
  - c. National Saving Certificates.
  - d. Current Accounts.
  - e. None of these.
35. Which is FALSE concerning credit cards?
- a. You can use your credit card to receive a cash advance.
  - b. If your credit limit is Rs. 10,000, and you utilize a credit Rs. 4,000, then interest would be charged on Rs. 10,000.
  - c. The rate of interest on your credit card is normally higher than you can earn on a deposit.
  - d. A credit card company will not charge you interest if you pay off the entire balance by the due date.
  - e. You cannot spend more than your line of credit.
36. An overdraft
- a. Occurs when you write a Rs. 1,000 cheque when you have Rs. 500 in your account.
  - b. Is a stop-payment order written by the payee.
  - c. Will result in fines.
  - d. All of the above.
  - e. Both a and c.
37. The main reason to purchase insurance is to
- a. Protect you from a loss recently incurred.
  - b. Provide you with excellent investment returns.
  - c. Protect you from sustaining a future loss.
  - d. Decrease the chances of accidents.
  - e. Improve your standard of living by filing fraudulent claims.
38. Please tell me whether this statement is true or false. *"Buying a single company's stock usually provides a safer return than a stock mutual fund."*
- a. True
  - b. False
  - c. Do not know
  - d. Refuse to answer
39. Assume you're in your early twenties and you would like to build up for a secure retirement in next 30 years. Which of the following approaches should not be in your plan?
- a. Start to build up your savings account at a commercial bank.
  - b. Save money in fixed deposit accounts.
  - c. Put monthly savings in a diversified growth mutual fund.
  - d. Invest in Pension Schemes.
  - e. None of the above.

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