

# Financial Literacy in Nepal: A Survey Analysis from College Students

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## Abstract

*This study surveys 436 college students to examine their financial literacy; the impact of demographic, educational and personality characteristics on financial literacy. Mean, ANOVA and logistic regression were used in carrying out analysis. Results show that most of the students have basic level of financial knowledge but they lack in understanding of credit, taxes, share market, financial statement and insurance. Students are highly influenced by their parents at home and they have positive attitude towards savings. The study further identified income, age, stream of education, types of college, and attitude of students as determinants of financial knowledge; and financial knowledge is unaffected by gender, university affiliation, financial behavior and influence. It is concluded that college students have basic level of financial knowledge. However, overall financial knowledge of the students is affected by some of their demographic, educational and personality characteristics.*

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**Key Words:** Financial Literacy, Financial Behavior, Influence, Financial Attitude, Financial Knowledge, College Students, Nepal.

**JEL Classification:** A20, D14

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**Acknowledgement:** Authors would like to thank the participants of 2<sup>nd</sup> International Conference on Economics and Finance (26-28 February 2015) organized by Nepal Rastra Bank in Kathmandu, editorial board of NRB Economic Review as well as external reviewers for their valuable comments/suggestions.

## I. INTRODUCTION

In the course of everyday life, people make a variety of financial decisions about saving, investing and borrowing. The global marketplace is increasingly risky and is becoming more vulnerable day by day. One of its main implications include rising costs of goods and services that push people to be able to make well-informed financial decisions (Lusardi & Mitchell, 2011). This phenomenon requires individuals to be equipped with some knowledge and skills relating to personal financing, or simply financial literacy. In academia, financial literacy can be defined as “one’s understanding and knowledge of financial concepts” (Lee, 2005; and Hogarth & Hilgert, 2002). Financial literacy can have important implications for financial behavior. For instance, people with low financial literacy are more likely to have problems with debt (Lusardi & Turfano, 2009), less likely to participate in the stock market (Rooij et al., 2007), less likely to choose mutual funds with lower fees, less likely to accumulate and manage wealth effectively and less likely to plan for retirement (Lusardi & Mitchell, 2006). In recent times, concern for the levels of financial literacy in society as a whole has grown considerably and is expected to grow even more important in the future (Fox et al., 2005).

According to Mahdzan and Tabiani (2013), increasing financial literacy and capability promotes better financial decision-making, thus, enabling better planning and management of life events such as education, housing purchase, or retirement. This is particularly more relevant for college students. Peng et al. (2007) stated that university students take on higher levels of personal financial responsibility. These students face more financial challenges in conjunction with relevant instruction. It is also more likely that college students are experiencing more challenges with finances as they pay bills, use credit cards, working, saving, budgeting monthly expenses, and manage debt. Thus, there is paramount importance of financial literacy among college students.

The awareness of the importance of financial education is gaining momentum among policy makers across the world’s economies. Again, helping young people by understand their financial issues is quite important, as younger generations are likely to face ever-increasingly complex financial products and services. They are also more likely to bear more financial risks in adulthood than their parents, especially in saving, planning for retirement and covering their healthcare needs (OECD, 2011). The need of financial literacy has become increasingly significant with the deregulation of financial markets and the easier access to credit, the ready issue of credit cards and the rapid growth in marketing financial products. Recognizing the importance of financial literacy, a growing number of countries have developed and implemented national strategies for financial education in order to improve the financial literacy of their populations in general, often with a particular focus on younger generations (Grifoni & Messy, 2012).

In younger generations, school and college students are focal point for the study. In Nepal, to promote financial literacy, there are many programs held by government, non-government organization (NGOs) and private sector. Nepal Rastra Bank launched a program ‘NRB with Students’ for enhancing the financial literacy among students (NRB, 2014). In enhancing financial literacy, NRB Strategic Plan 2012-2016 focuses on financial literacy programs for women, victims of conflict, ethnic minorities, and

deprived and marginalized section of population. Similarly, since 2012 monetary policy of NRB has emphasized on the financial awareness programs stating “because of low financial literacy financial services are not effective so appropriate strategy should be developed”. However, hardly any study has been conducted on financial literacy among youth in Nepal. This paper, therefore, aims at identifying the financial literacy among the college students of Nepal.

Specifically, this study has two purposes. First, it provides the status of financial literacy among the college students. Second, it examines the financial knowledge of college students based on their demographic, educational and personality (such as financial behavior, financial attitude and financial influence) characteristics.

The remainder of the paper is organized as such: Section II reviews the relevant literature on financial literacy; Section III discusses the sample, instrumentation and methodology; Section IV analyses the data, provides results and makes a discussion on the results; and Section V summarizes and concludes the study.

## **II. LITERATURE REVIEW**

There is no such a definition of financial literacy satisfying all types of readers. The Organization for Economic Cooperation and Development (2005) defines financial literacy as: “the process by which financial consumers/investors improve their understanding of financial products and concepts and, through information, instruction, and/or objective advice, develop the skills and confidence to become more aware of financial risks and opportunities to make informed choices, to know where to go for help, and to take other effective actions to improve their financial wellbeing. However, The United States Financial Literacy and Education Commission (2007) describes financial literacy as “the ability to use knowledge and skills to manage financial resources effectively for a lifetime of financial well-being”. Similarly, Lusardi (2008) defines financial literacy as the knowledge of basic financial concepts, such as the working of interest compounding, the difference between nominal and real values, and the basics of risk diversification. And, Huston (2010) describes financial literacy as a measuring how well an individual can understand and use personal finance-related information. In addition, financial literacy includes the ability and confidence of an individual to use his/her financial knowledge to make financial decisions. Thus, in this study, financial literacy is defined as the understanding and knowledge of basic economic and financial concepts, as well as the ability to use that knowledge to manage financial resources.

There are many studies carried out among the youths including school and college students on financial literacy. Some of them used pure demographic variables for evaluation while others analyzed based on stream of education and other personal characteristics. Ibrahim et al (2009) concluded that student’s demographic variable including social background, financial attitude, financial knowledge and family sophistication significantly affect the financial literacy level of students. In the USA, Danes and Hira (1987) surveyed 323 college students from Iowa State University, using questionnaire covering knowledge of credit card, insurance, personal loans, record keeping, and overall financial management. They found that the participants have a low

level of knowledge regarding overall money management, credit cards, and insurance. They also found that male knows more about insurance and personal loan, but females know more about issues covered in the section of overall financial management knowledge. Married students were found more knowledgeable about personal finance. Britt et al. (2004) examined financial behavior of university and college students. Among 1500 students surveyed, they found that 90% were interested in learning about specific topics in financial education, where the highest percentage of them were found the need of counseling services, followed by learning about savings and investment, budgeting, how to increase their income and financial management. They further found that those female students were more tended to enjoy shopping and bought items that were on sale than male, and males however, tended to hide their spending habits from their families. Similarly, Shaari et al. (2013) examined the financial literacy among 384 university students from local Universities of Malaysia using questionnaires survey. The results of their study revealed that the spending habit and year of study have a significant positive relationship with the financial literacy, whereby the age and gender are negatively associated with the financial literacy. It has concluded that financial literacy can prevent the university students from engaging in extensive debt especially credit card debt.

Jorgensen (2007) investigated the personal financial literacy of a sample of undergraduate and graduate college students using the personal characteristics of gender, class rank and socioeconomic status, and examined parental and peer influences on the level of financial literacy of college students. It found low score of the students in financial knowledge, attitude, and behavior but significantly increasing each year from freshman to masters. Further, it also revealed that students who were financially influenced by their parents had higher financial knowledge, attitude, and behavior scores, and students with higher financial knowledge also had higher financial attitude and behavior scores. Likewise, Lusardi et al. (2010) examined financial literacy among the youth in Germany and showed that financial literacy is low; only less than one-third of young adults were found with basic knowledge of interest rates, inflation, and risk diversification. However, financial literacy was strongly related to socio-demographic characteristics and family financial sophistication.

Age, gender, language, race and income level do have an impact on the level of financial literacy among the undergraduate level students (Clercquet al., 2009). Nidar and Bestari (2012) investigated the level and factors influencing the personal financial literacy of 400 students in Padjadjaran University of Indonesia and found that level of personal financial literacy was within the low category, especially in investment, credit, and insurance. Their study also showed that level of education, faculty, personal income, knowledge from parents, parents' income, and ownership of insurance factors have significant impact on personal financial literacy. They used personal financial literacy in: basic personal finance, income & spending, credit & debt, saving & investment and insurance. In Srilankan context, Heenkenda (2014) explored the existing pattern and the levels of disparity of the functional financial literacy using quantitative data from urban, rural and state sector and found that the socio-economic-demographic characteristics have a very strong association with the financial literacy of individuals. And, it also found that the majority of the respondents demonstrated a modest financial knowledge and the

functional financial literacy was quite diverse across respondents depending on the levels of education, income, gender, age, etc. Institute of Microfinance (InM, 2011), in Bangladesh, conducted a survey covering nearly 9000 households and found very low and inadequate financial literacy in the country, particularly it is more serious in rural areas. VISA (2012) study ranked India at the 23rd position among the 28 countries surveyed. Following this study, Agarwalla et al. (2013) identified that there is the influence of various socio-demographic factors on different dimensions of financial literacy among the working young in urban India. A few factors specific to India, such as joint-family and consultative decision making process were found to significantly influence financial literacy in urban Indian youths.

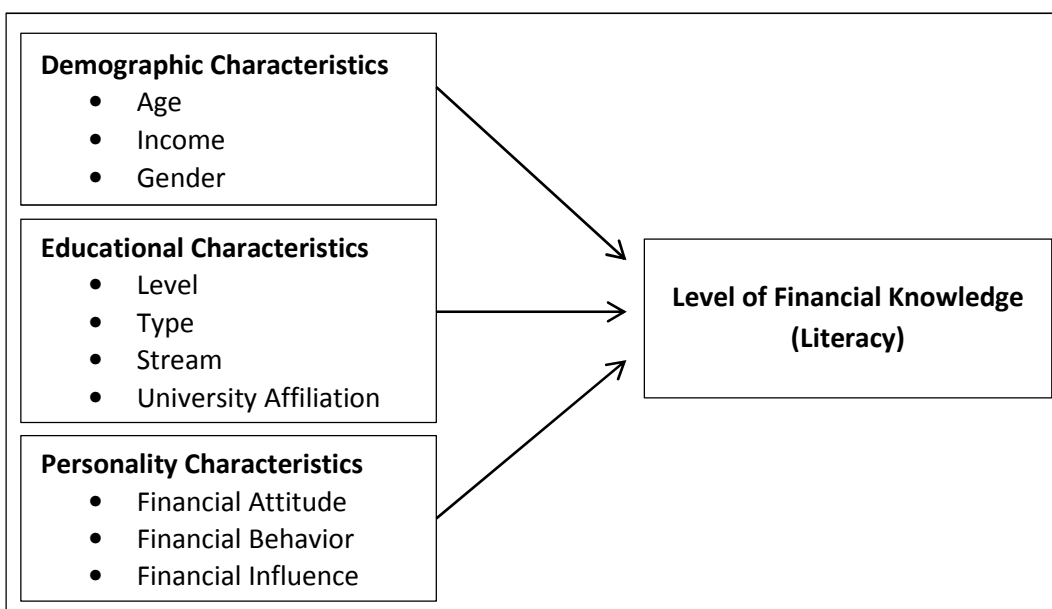
Some of the studies suggested that the stream of the education is one of the indicators for determining financial literacy of the students (Chen & Volpe, 1998; Peng et al., 2007; Robb & Sharpe, 2009; Ramasawmy et al., 2013, and Fatoki, 2014). In Mauritius, Ramasawmy et al. (2013) examined the level of awareness of financial literacy by survey among management students at the University of Mauritius. Four fundamental aspects in financial literacy were considered: level and importance, definitions and theories, constraints and measures to improve financial literacy. They found that management students at the University of Mauritius attached a sound level of importance to financial literacy to their subject of study. However, according to the results, most students had a medium level of knowledge and skills in financial literacy and in savings and borrowings. They did not find the significant difference in the financial literacy level between male and female respondents while male and female's ability to read, analyze, manage and communicate was found significantly different. Similarly, their study also stated that age, gender, language, race and income level did not have an impact on the level of financial literacy. Similar type of the study was carried in South Africa, by Fatoki, (2014). Fatoki assessed the level of financial literacy surveying amongst the business and non-business students of two universities located in Gauteng and Limpopo province of South Africa and found that financial literacy impacts on an individual's financial decisions especially in the area of savings, borrowing, retirement planning, or portfolio choice. It was also found that non-business students have a low level of financial literacy in comparison to business students.

Financial behavior, attitude and influence are related to financial knowledge (Jorgensen, 2007). Hathaway and Khatiwada (2008) provided critical analysis of the impact of financial education programs on consumer financial behavior but the empirical relationship between financial knowledge and behavior was not found. It may be that savings behaviors are associated with factors other than financial knowledge and attitudes. However, Hilgert et al. (2003) provided some support for a link between financial knowledge and better financial practices. They used monthly survey data from the University of Michigan's Surveys of Consumers and constructed indexes that represent the level of households' participation in each of four financial management practices: cash flow management, credit management, saving, and investment.

A review of the literature on financial literacy shows that most of the studies focused on demographic variables of the students. Though some of the studies dealt with the college students, however, sample students are taken from a single University or two only.

Further, they are limited within one level of students such as undergraduate or graduate. Very few of these studies covered selected areas in personal finances, such as financial behavior, attitude and influence. In Nepalese context, studies are rarely found that have examined the financial literacy of college students using various areas of assessments. This study tries to fill this gap using Nepalese data. Broadly, all independent variables are categories into three groups: Demographic, educational and personality characteristics. Schematic diagram showing relationship between dependent and independent variables for the study has been presented in Figure 1.

**Figure 1: Conceptual Framework**



### III. METHODOLOGY

This study is entirely based on survey. It describes the characteristics of sampled respondents with their responses on the various aspects of financial literacy. Stratified sampling method was used to collect data from four leading universities of Nepal. According to Economic Survey 2013/14, there are 678,047 students studying under the different colleges in University system of Nepal. Out of them, Tribhuvan, Kathmandu, Purbanchal and Pokhara University constitute of 668,776 (99%) students. These four universities were taken as strata. Though size of these universities is not the same, but all of these universities provide some common programs, such as management, humanities, engineering and science & technologies. About 500 students of 23 colleges (constituent and affiliated) from these universities providing management and/or non-management programs were approached for questionnaire survey. Students were asked to complete the questionnaire in their class room in the college during their break time. Authors themselves administered the survey during October, 2014. Only 436 respondents responded well thus the response rate was 87.20.

A full-fledged questionnaire was constructed covering five areas namely personal information of respondents, financial behavior, financial influence, financial attitude and financial knowledge with reference to Jorgensen (2007). Along with demographic information, survey participants were asked 53 questions including multiple-choice questions on their knowledge of finance, and multiple answer questions and opinion of different aspects of financial literacy. The pilot test was conducted among ten prospective respondents and opinion of two experts was taken to refine and finalize the questionnaire. Quality and consistency of survey was assessed with Cronbach's alpha and its value is 0.719, which is more than 0.6 thus the data seem to be reliable.

### **Hypotheses**

Following hypotheses have been formulated for the study:

H<sub>1</sub>: There is significant difference in financial knowledge among college students of different demographic characteristics (Gender, Income and Age).

H<sub>2</sub>: There is significant difference in financial knowledge among college students in different educational characteristics (Level, Stream, University and Type).

H<sub>3</sub>: There is significant relationship of financial knowledge of college students with their personality characteristics (Financial attitude, Financial influence and Financial behavior).

In analyzing data, first of all responses were coded and entered in to SPSS. Frequency, percentage, mean and standard deviation were used to describe the characteristics of the data. Similarly, scores on the basis of correct answers regarding financial literacy was converted into percentage and was tested by ANOVA to find significant difference among the universities, ages and incomes. Level of knowledge is divided into three categories following Chen and Volpe (1998). Students having correct percentage score below 60 is considered as low, 60 to 80 as medium and above 80 as high level of knowledge.

The participants are classified into two subgroups on the basis of median percentage of correct answers of the sample. Students with scores higher than the sample median are classified as those with relatively more knowledge. Students with scores equal to or below the median are classified as students with relatively less knowledge. This dichotomous variable is then used in the logistic regression as the dependent variable, which is explained simultaneously by the independent variables (Gender, Education, Type, Stream, Financial Behavior, Influence and Attitude).

### **The Model**

The logistic model takes on the following form:

$$\log [p/(1 -p)] = B_0 + B_1(\text{Gender}) + B_2(\text{Education}) + B_3(\text{Type}) + B_4(\text{Stream}) + B_5(\text{Behavior}) + B_6(\text{Influence}) + B_7(\text{Attitude}) + e_i \quad \dots\dots\dots (1)$$

Where,

- $p$  = the probability of a student who is more knowledgeable about finance.  
 Gender = 1 if the participant is a male, 0 otherwise.  
 Education = 1 if the participant is studying in bachelor level, 0 otherwise  
 Type = 1 if the participant is studying in private college, 0 otherwise  
 Stream = 1 if the participant's stream is management, 0 otherwise  
 Behavior = Financial Behavior measured in 4-point scale  
 Influence = Financial Influence measured in 4-point scale  
 Attitude = Financial Attitude measured in 4-point scale  
 $e_i$  = Error term

#### IV. ANALYSIS, FINDINGS AND DISCUSSION

##### Sample Characteristics

Table 1 shows the characteristics of the sample. It shows about 60 percent of the respondents are male and the same percentage go with private college students in the sample. About half of the respondents are from age group of 21 to 24 years followed by 18 to 20 years group (35%). As far as monthly family income of the respondents is concerned, respondents from each category are equally distributed. Two third of the respondents come from bachelor level and equally from management stream. Similarly, half of the respondents constitute from Tribhuvan University followed by Pokhara (20%), Purbanchal (15%) and Kathmandu (14%) University.



**Table 1**  
**Sample Characteristics**

<b>Demographic Characteristics</b>		
<i>Gender</i>	Frequency	Percentage
Male	271	62.2
Female	165	37.8
<i>Age (In years)</i>		
Below 18	8	1.8
18 to 20	156	35.8
21 to 24	232	53.2
25 to 29	33	7.6
30 and above	7	1.6
<i>Monthly Family Income (In NPR)</i>		
Below 20,000	107	24.5
20,000 to 30,000	126	28.9
30,000 to 50,000	108	24.8
50,000 and above	95	21.8
<b>Educational Characteristics</b>		
<i>Level</i>		
Bachelor	291	66.7
Master	145	33.3
<i>Stream</i>		
Management	291	66.7
Non-Management	145	33.3
<i>Types of Institution</i>		
Government	169	38.8
Private	267	61.2
<i>University Affiliation</i>		
Tribhuvan University	219	50.2
Kathmandu University	62	14.2
Purbanchal University	66	15.1
Pokhara University	89	20.4

### **Financial Knowledge**

Respondents were asked 11 questions from basic to advance level of finance covering numeracy, inflation, compound interest, time value of money, money illusion, financial statement, share market, banking, insurance, taxes and credit, and finding is presented in

Appendix I. Most of the respondents (81%) correctly answered the question regarding numeracy followed by banking (78%), inflation (63%), share market (60%) and credit (59%) while very few respondents were familiar with taxes (29%), financial statement (29%) and insurance (39%). Thus, students have high level of knowledge on numeracy while it is medium in banking, inflation and share market, and low in credit, taxes, financial statement and insurance.

Overall financial knowledge was divided into basic and advance categories. Basic financial literacy index was constructed by numeracy, compound interest rate, inflation, time value of money and money illusion questions (Rooij et al., 2007) and advance financial literacy index was developed by constituting questions related to financial statement, insurance, banking, taxes, credit and share markets. As presented in Appendix II, the mean percentage score of basic category is 62 while in advance it is only 49.50. Mean percentage scores of each section of sample characteristics are presented in Appendix III.

### **Financial Behavior**

Spending habit, maintaining records, use of saving, managing money in problem, financial services taken and use of additional income are major aspects of financial behavior. Despite the different level of financial knowledge, most of the students are somewhat economical, maintain minimal records, deposit their savings into bank account, use their savings at the time of low income and prefer to deposit into fixed account when they have excess money (Appendix IV). The result also shows students do not like to use their money in buying jewelry, lending friends and investing in share markets. In the time of crisis, students do not like to take bank loan. They also neither like to buy insurance policy nor go for vacation if they have additional money. Among the five different financial services, bank saving was taken by most of the students while investment in commodities and insurance were least taken.

Different aspects of financial behavior are presented in Appendix V. Students opined that all are important except investment in IPO for overall and more knowledgeable students group. Less knowledgeable students mostly plan and implement regular saving/investment but they do not like to invest in IPO which is also supported by overall and more knowledgeable students. On the other hand, more knowledgeable students mostly compare the price while shopping. In aggregate, students spend less than what they get most of the time.

### **Financial Influence**

All of the influential variables affect somehow in financial knowledge of the students as mean value is more than 2 in 4 point scale while parents followed by life experience influence the most as shown in Appendix VI (a). However, friends and internet are least influential factors in each category. Most students learn about saving and budgeting while least number of students learns about taxes and insurance at home (Appendix VI (b)).

It is also found that finance is discussed openly in the family of most of the students and parents do not argue about finance in the family as its mean score is lowest as shown in

Appendix VII. However, the lowest score of the mean value of more knowledgeable students shows that they think that they are not explicitly taught by their parents.

### **Financial Attitude**

Financial attitude is one of the most important factors affecting financial literacy. The result of the analysis in financial attitude is presented in Appendix VIII. All factors of financial attitude are somehow true for them as mean values are greater than 2 in 4 point scale. Among 11 items, most of the students opined that they give importance to saving followed by capacity to use future income to achieve their financial goal. This is consistent with the perception of more knowledgeable students. However, students feel that they are uncertain about where their money is spent and worried to manage their finance. In disaggregate level, less knowledgeable students have high level of saving and insurance attitude but they feel that they are unable to control financial situation and uncertain about spending money.

### **Analysis of Financial Literacy**

#### *Analysis of Variance (ANOVA)*

ANOVA is used to test whether there is significant difference in financial knowledge among different universities, ages and incomes, and the result is shown in Table 2. It indicates that university affiliation is found to be insignificant, which means there is no significant difference in knowledge among universities. However, income and age are found significant at 10 percent and 1 percent level of significance respectively. This implies that there is significant difference in knowledge among various age and income groups. Financial knowledge increases as students get older till 30 and their family income increases up to NPR 50,000.

**Table 2**  
**Results of ANOVA**

<b>Characteristics</b>	<b>F-Statistic</b>	<b>Sig.</b>
University Affiliation	1.4	0.240
Monthly Family Income (In NPR)	2.34	0.072
Age (In years)	16.08	0.000

#### *Logistic Regression Analysis*

Logistic regression is used to test whether there is significant relationship of gender, education, type, stream, behavior, influence and attitude on financial knowledge. In this case number of cases to independent variables is 62:1.

**Table 3**  
**Omnibus Tests of Model Coefficients**

		Chi-square	df	Sig.
Step 1	Step	95.681	7	0.00
	Block	95.681	7	0.00
	Model	95.681	7	0.00
-2 Log likelihood		Nagelkerke R Square		
488.317		0.267		

Table 3 presents the result of Omnibus test of model and model summary. The model seems to fit well for developing relationship between dependent and independent variables defined in the model as it is significant at 1% level of significance. Moreover, Nagelkerke R Square is the evidence of explaining level of knowledge by selected independent variables.

**Table 4**  
**Summary of Logistic Regression Analysis for Variables Predicting Financial Knowledge**

Predictor	B	S.E.	Wald	Df	Sig.	Exp(B)
Gender	-0.128	0.239	0.287	1	0.592	0.88
Education Level	-1.324	0.299	19.642	1	0.000	0.266
Type	0.455	0.268	2.897	1	0.089	1.577
Stream	1.372	0.253	29.363	1	0.000	3.945
Behavior	-0.038	0.283	0.018	1	0.892	0.962
Influence	-0.376	0.257	2.142	1	0.143	0.686
Attitude	0.793	0.316	6.299	1	0.012	2.21
Constant	-0.793	1.033	0.59	1	0.443	0.452

To examine the impact of some demographic variables and few personal characteristics of students on financial knowledge, logistic regression was performed and the results are shown in Table 4. The result indicated that gender, financial behavior and financial influence are statistically insignificant which means these variables have no significant impact on the financial knowledge. Whereas, level and stream of education are significant at 1 percent; financial attitude at 5 percent; and type of educational institution at 10 percent level of significance. Moreover, the odd of more knowledge is likely to be 0.266 times lower for bachelor level students than masters. Similarly, the odd of more knowledge is likely to be 3.95 times higher for management students than non-management students. When financial attitude increases by 1 point, the odd of more financial knowledge is likely to increase by 2.21. The odd of more knowledge is likely to be 1.58 times higher for the students studying in private colleges than government colleges.

Since standard error of each of independent variables is less than 2, there is no problem of multi-collinearity in this model. The proportion of accuracy by chance is 65.40% which is less than the accuracy computed by SPSS (74.50%). Thus, criteria for accuracy are also maintained.

### **Discussion on Findings**

Students were found knowledgeable in basic level of finance. In particular, level of knowledge on numeracy was found highest while it was medium in banking, inflation and share markets, and low in credit, taxes, financial statement and insurance. This finding is consistent with the finding of Nidar and Bestari (2012), in which they found low level of literacy in credit and insurance.

Instead of buying insurance policy, investing in stock markets, buying jewelry and lending friends, most of the students are involved in bank saving. Similar to Jorgensen (2007), this is because students are influenced by their parents in bank saving and have positive attitude towards saving.

There are three demographic variables tested in hypothesis H<sub>1</sub>, out of them income and age are accepted while gender is rejected. This result implies that students with high family income are likely to be more knowledgeable. Likewise, elder students have more financial knowledge. However, gender of students does not make any difference in level of financial knowledge. In hypothesis H<sub>2</sub>, four educational variables; level, type, stream and affiliation, were examined. Only university affiliation is rejected which means students' level of knowledge is independent of university affiliation. On the other hand, financial knowledge is more in higher level of education, in students of private colleges, and students of management stream. Finally, three personality variables (behavior, influence and attitude) were assessed in hypothesis H<sub>3</sub>. Financial attitude is only variable accepted meaning that students' financial knowledge can be enhanced by their attitude towards the finance. Conscious students in financial matters are likely to be more knowledgeable financially. Besides, financial knowledge of students does not vary with how they engage in financial activities and what influences them.

Thus, financial knowledge is determined by income, age, stream of education, types of college, and attitude of students while it is unaffected by gender, university affiliation, financial behavior and influence. In terms of age and income, this study supports De Clercq et al., (2009) while it refutes their findings in case of gender and the findings related to gender is consistent with Ramasawmy, et al (2013). Findings of education level, type and stream are quite similar to previous studies such as Hilgert et al (2003), Lusardi (2008), Shaari, et al (2013) and Fatoki (2014). As by Hathaway and Khatiwada (2008), this study also does not find relationship between financial behavior and knowledge and find significant relationship between attitude and financial knowledge (Ibrahim, et al. 2009).

## V. SUMMARY AND CONCLUSION

This study analyzed the students' financial behavior, influence, attitude and knowledge. From 23 colleges in four major universities of Nepal, 436 students were selected and a questionnaire was surveyed among them. Collected data were described by frequency, percentage, mean and standard deviation, and three hypotheses were tested using ANOVA and logistic regression analysis. The study found that students are more knowledgeable in basic level of finance while they are less familiar with bank credit, taxes, share markets, financial statement and insurance.

Instead of buying insurance policy, investing in stock markets, buying jewelry and lending friends, most of the students are involved in bank saving. Similarly, it was also found that financial knowledge is determined by income, age, stream of education, types of college, and attitude of students while it is unaffected by gender, university affiliation, financial behavior and influence. Therefore, it is concluded that college students have basic level of financial knowledge and their level of financial knowledge is determined by their family income, age, stream of education, type of college they study and their financial attitude. Government, financial sector regulators, NGOs, and educators might use these findings for developing their policies in financial literacy.

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**Appendix I**  
**Frequency and Percentage of Components of Financial Knowledge**

<b>Concepts</b>	<b>Frequency</b>	<b>Percentage</b>
Numeracy	354	81.2
Compound Interest Rate	230	52.8
Inflation	276	63.3
Time Value of Money	222	50.9
Money Illusion	276	63.3
Net Worth	130	29.8
Share Market	262	60.1
Banking	340	78
Insurance	174	39.9
Taxes	129	29.6
Credit	259	59.4

**Appendix II**  
**Mean and Standard Deviation of Percentage Correct Answers**  
**According to Level of Financial Literacy**

	<b>Basic</b>	<b>Advance</b>	<b>Overall</b>
Mean	62.30	49.50	55.30
SD	26.23	22.84	20.07

**Appendix III**  
**Mean Percentage of Correct Responses to Each Section by**  
**Characteristics of Sample**

<b>Characteristics</b>	<b>Basic</b>	<b>Advance</b>	<b>Overall</b>
<b><i>University Affiliation</i></b>			
Tribhuvan	61.46	48.86	54.59
Kathmandu	63.55	52.96	57.77
Purbanchal	58.79	46.46	52.07
Pokhara	66.07	50.75	57.71
<b><i>Monthly Family Income (In NPR)</i></b>			
Below 20,000	57.9439	45.3271	51.0620
20,000 to 30,000	63.3333	50.5291	56.3492
30,000 to 50,000	64.2593	52.6235	57.9125
50,000 and above	63.5789	49.1228	55.6938
<b><i>Age (In years)</i></b>			
Below 18	57.5000	31.2500	43.1818
18 to 20	55.0000	39.6368	46.6200
21 to 24	65.4310	54.5259	59.4828
25 to 29	72.7273	63.6364	67.7686
30 and above	77.1429	54.7619	64.9351
<b><i>Gender</i></b>			
Male	62.2878	49.1390	55.1157
Female	62.3030	50.0000	55.5923
<b><i>Education Level</i></b>			
Bachelor	58.4880	43.5281	50.3280
Master	69.9310	61.3793	65.2665
<b><i>Stream</i></b>			
Management	67.3540	55.6701	60.9809
Non-Management	52.1379	37.0115	43.8871
<b><i>Types of Institution</i></b>			
Government	58.8166	50.0000	54.0075
Private	64.4944	49.1261	56.1117

**Appendix IV**  
**Frequency and Percentage in Financial Behavior According to level of**  
**Students' Financial Knowledge**

Financial Behavior	Financial Knowledge					
	Less		More		Overall	
	Frequency	Percent	Frequency	Percent	Frequency	Percent
<b>Spending Habit</b>						
Very economical	26	15.2	19	7.2	45	10.32
Somewhat economical	46	26.9	92	34.7	138	31.65
Neither economical nor spending	40	23.4	66	24.9	106	24.31
Somewhat spending-oriented, rarely saving money	39	22.8	67	25.3	106	24.31
Very spending-oriented, hardly ever saving money	20	11.7	21	7.9	41	9.40
Total	171	100	265	100	436	100.00
<b>Maintaining Records</b>						
Maintain no records	60	35.1	106	40	166	38.07
Maintain minimal records	82	48	133	50.2	215	49.31
Maintain very detailed records	29	17	26	9.8	55	12.61
Total	171	100	265	100	436	100.00
<b>Use of Savings</b>						
Spend it on consumer goods	17	9.9	31	11.7	48	11.01
Keep it in cash	33	19.3	41	15.5	74	16.97
Deposit it into bank account	76	44.4	127	47.9	203	46.56
Invest it in the capital market	8	4.7	15	5.7	23	5.28
Lend it to friends or relatives	4	2.3	5	1.9	9	2.06
Invest it in our own business	26	15.2	27	10.2	53	12.16
Buy gold and jewelry	6	3.5	10	3.8	16	3.67
Others	1	0.6	9	3.4	10	2.29
Total	171	100	265	100	436	100.00
<b>Managing Money in Problem</b>						
Cut down expenses and save	43	25.1	73	27.5	116	26.61
Borrow money from relatives, friends and acquaintances	43	25.1	70	26.4	113	25.92
Spend our saving	49	28.7	80	30.2	129	29.59
Use a credit card or bank loan	14	8.2	23	8.7	37	8.49
Work extra hours or do additional jobs	20	11.7	18	6.8	38	8.72
Other	2	1.2	1	0.4	3	0.69
Total	171	100	265	100	436	100.00
<b>Use of Additional Income</b>						
Purchasing of household goods like furniture, clothes etc.	16	9.4	24	9.1	40	9.17
Fixed deposit for future	54	31.6	80	30.2	134	30.73
Saving for meeting contingency	16	9.4	27	10.2	43	9.86
Repay earlier debts	17	9.9	31	11.7	48	11.01
Go for travel or vacation	19	11.1	12	4.5	31	7.11
Investment in own business	41	24	57	21.5	98	22.48
Buy an insurance policy	4	2.3	2	0.8	6	1.38
Buy shares	4	2.3	32	12.1	36	8.26
Total	171	100	265	100	436	100.00
<b>Financial Services Taken</b>						
Bank loan	38	22.2	59	22.3	97	22.25
Insurance	20	11.7	37	14	57	13.07
Investment in Shares	28	16.4	40	15.1	68	15.60
Bank saving	91	53.2	169	63.8	260	59.63
Investment in commodities	15	8.8	34	12.8	49	11.24
Others	7	4.1	10	3.8	17	3.90

**Appendix V**  
**Mean and Standard Deviation in Financial Behavior According to Level of**  
**Students' Financial Knowledge**

Items	Less Knowledgeable		More Knowledgeable		Overall	
	Mean	SD	Mean	SD	Mean	SD
I budget and track my spending	2.43	0.988	2.52	1.00	2.49	0.995
I contribute to a bank saving account regularly	2.29	0.997	2.39	0.975	2.35	0.984
I compare prices when shopping for purchases	2.9	1.027	3.13	0.996	3.04	1.013
I have a life insurance policy	2.19	1.241	2.08	1.306	2.12	1.281
I invest in the shares under IPO	2.09	1.132	1.86	1.117	1.95	1.126
I read to increase my financial knowledge	2.78	1.043	3.01	0.981	2.92	1.011
I maintain adequate financial records	2.56	1.029	2.82	0.931	2.72	0.978
I spend less than income	2.99	0.985	3.1	0.991	3.06	0.989
I maintain adequate insurance coverage	2.51	0.996	2.31	1.046	2.39	1.03
I plan and implement a regular savings/investment program	3.05	1.011	2.98	0.977	3	0.99

**Appendix VI (a)**  
**Mean and Standard Deviation in Financial Influence According to Level of Students' Financial Knowledge**

Factors	Less Knowledgeable		More Knowledgeable		Overall	
	Mean	SD	Mean	SD	Mean	SD
Parents	3.23	0.970	3.38	0.926	3.32	0.945
Friends	2.31	0.984	2.35	0.909	2.33	0.938
School	2.54	0.947	2.47	1.000	2.50	0.979
Books	2.79	0.989	2.75	0.927	2.77	0.951
Media	2.59	0.992	2.59	0.953	2.59	0.968
Job	2.68	1.131	2.66	1.205	2.67	1.175
Life experiences	3.13	1.027	3.36	0.873	3.27	0.942
Internet	2.42	1.100	2.45	1.014	2.44	1.047

**Appendix VI (b)**  
**Frequency and Percentage in Financial Influence According to level of Students' Financial Knowledge**

Learning at Home	Less Knowledgeable		More Knowledgeable		Overall	
	Frequency	Percent	Frequency	Percent	Frequency	Percent
Budgeting	45	26.3	78	29.4	123	28.2
Investing	38	22.2	71	26.8	109	25.0
Taxes	25	14.6	33	12.5	58	13.3
Insurance	37	21.6	53	20	58	13.3
Loan	44	25.7	75	28.3	90	20.6
Saving	109	63.7	188	70.9	297	68.1
Interest Rates	35	20.5	55	20.8	90	20.6
Keeping Records	33	19.3	68	25.7	101	23.2

**Appendix VII**  
**Frequency and Percentage in Financial Influence According to level of**  
**Students' Financial Knowledge**

Handling Finance in Family	Less Knowledgeable		More Knowledgeable		Overall	
	Frequency	Percent	Frequency	Percent	Frequency	Percent
My parents usually argued about the finances	22	12.9	39	14.7	61	14.0
Within the family we openly discussed our finances	58	33.9	115	43.4	173	39.7
My parents explicitly taught me about finances	29	17	35	13.2	64	14.7
We didn't talk much about finances but I learned from their examples	50	29.2	77	29.1	127	29.1
My parents included me in various financial decisions	47	27.5	89	33.6	136	31.2

**Appendix VIII**  
**Mean and Standard Deviation in Financial Attitude According to Level of**  
**Students' Financial Knowledge**

Items	Less Knowledgeable		More Knowledgeable		Overall	
	Mean	SD	Mean	SD	Mean	SD
I feel in control of my financial situation	2.57	1.08	2.91	0.91	2.78	0.99
I feel capable of using my future income to achieve my financial goals	2.80	0.91	3.18	0.85	3.03	0.89
I worry to manage my finance	2.63	1.06	2.51	1.01	2.56	1.03
I am uncertain about where my money is spent	2.54	1.11	2.36	1.06	2.43	1.09
I feel credit cards are safe and risk free	2.73	1.07	2.72	1.07	2.72	1.07
I feel capable of handling my financial future (e.g. buying insurance)	2.69	1.00	2.87	0.98	2.80	0.99
I am afraid of credit and credit cards	2.74	1.05	2.63	1.05	2.67	1.05
I give importance to saving money from my monthly income	2.96	1.03	3.21	0.93	3.11	0.98
I feel having life insurance is an important way to protect loved ones	2.91	1.02	3.04	1.00	2.99	1.01
I enjoy thinking about and have interest in reading about money management	2.81	0.89	3.14	0.92	3.01	0.92
I enjoy talking to my peers about money related issues (i.e. taxes)	2.70	1.07	2.63	1.09	2.66	1.08

## Appendix IX Questionnaire on Financial Literacy among College Students

### Section I: Respondents' Profile

Name (optional):.....

Gender: Male [ ] Female [ ]

Age (in Years): Below 18 [ ] 18-20 [ ] 21-24 [ ] 25 – 29 [ ] 30 and above [ ]

Family Monthly Income Range:

Below Rs.20,000 [ ] Rs. 20,000- 30,000 [ ] Rs.30,000-50,000 [ ]

More than Rs.50,000 [ ]

Educational Stream: Management [ ] Non-Management [ ]

Education (currently studying): Bachelors [ ] Masters [ ]

Type of Academic Institution/College: Private College [ ] Government College [ ]

University Affiliation: Tribhuvan University [ ] Kathmandu University [ ]  
Purbanchal University [ ] Pokhara University [ ]

### Section II: Basic Information

#### *Financial Behavior*

1. *How economical/spending oriented are you? (Please select only one option)*
  - a. Very economical
  - b. Somewhat economical
  - c. Neither economical nor spending oriented
  - d. Somewhat spending-oriented, rarely saving money
  - e. Very spending-oriented, hardly ever saving money
2. *In what manner do you maintain financial records?*
  - a. Maintain no records
  - b. Maintain minimal records
  - c. Maintain very detailed records
3. *If you (your family) have/has any money left right before the next income arrives, what would you usually do with it? (Select the most appropriate option).*
  - a. Spend it on consumer goods
  - b. Keep it in cash
  - c. Deposit it into bank account
  - d. Invest it in the capital market
  - e. Lend it to friends or relatives
  - f. Invest it in our own business
  - g. Buy gold and jewelry
  - h. Other (Please specify)...

4. *What do you usually do when you (your family) run(s) out of money before the next income arrives?*
- Cut down expenses and save
  - Borrow money from relatives, friends and acquaintances
  - Spend our savings
  - Use a credit card or bank loan
  - Work extra hours or do additional jobs
  - Other (Please specify)
5. *Let's assume that in addition to your regular income your family got some money in the amount of Rs50,000- Rs200,000. What would you do with this money most likely?*
- Purchasing of household goods like furniture, clothes etc.
  - Fixed deposit for future
  - Saving for meeting contingency
  - Repay earlier debts
  - Go for travel or vacation
  - Investment in own business
  - Buy an insurance policy
  - Buy shares
  - Other (Please specify)...
6. *Rate the following statements on a scale of 1-4 (1, not at all true for me; 2, somewhat not true for me; 3, somewhat true for me, 4, very true for me)*

Statements	1	2	3	4
a. I budget and track my spending				
b. I contribute to a bank saving account regularly				
c. I compare prices when shopping for purchases				
d. I have a life insurance policy				
e. I invest in the shares under IPO				
f. I read to increase my financial knowledge				
g. I maintain adequate financial records				
h. I spend less than income				
i. I maintain adequate insurance coverage				
j. I plan and implement a regular savings/investment program				

### **Financial Influences**

7. *Rate the following items of influences on a scale of 1-4 (1, none; 2, not much; 3, some; 4, a lot). How much did you learn about managing your money from the following?*

Items	1	2	3	4
a. Parents				
b. Friends				
c. School				
d. Books				
e. Media				
f. Job				
g. Life experiences				
h. Internet				



8. Which of the following items did you learn about in your home while growing up? (Check all that apply)
- |                   |                    |
|-------------------|--------------------|
| a. Budgeting      | b. Investing       |
| c. Taxes          | d. Insurance       |
| e. Loans          | f. Saving          |
| g. Interest rates | h. Keeping records |
9. How would you describe how finances were handled in your family? (Check all that apply)
- My parents usually argued about the finances
  - Within the family we openly discussed our finances
  - My parents explicitly taught me about finances
  - We didn't talk much about finances but I learned from their examples
  - My parents included me in various financial decisions
  - Other (Please specify)...

**Financial Attitude**

10. Rate the following items on a scale of 1-4 (1, not at all true for me; 2, somewhat not true for me; 3, somewhat true for me, 4, very true for me)

Statements	1	2	3	4
a. I feel in control of my financial situation				
b. I feel capable of using my future income to achieve my financial goals				
c. I worry to manage my finance				
d. I am uncertain about where my money is spent				
e. I feel credit cards are safe and risk free				
f. I feel capable of handling my financial future (e.g. buying insurance)				
g. I am afraid of loan				
h. I give importance to saving money from my monthly income				
i. I feel having life insurance is an important way to protect loved ones				
j. I enjoy thinking about and have interest in reading about money management				
k. I enjoy talking to my peers about money related issues (i.e. taxes)				

**Financial Knowledge**

Please select only one answer option for question no. 11 to question no.21.

11. Suppose you had Rs.1000 in a savings account and the interest rate was 2% 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.1020 | b. Exactly Rs.1020 |
| c. Less than Rs.1020 | d. Do not know     |
12. Suppose you had Rs.1000 in a savings account and the interest rate is 20% per year and you never withdraw money or interest payments. After 5 years, how much would you have on this account in total?
- |                       |                     |
|-----------------------|---------------------|
| a. More than Rs. 2000 | b. Exactly Rs. 2000 |
| c. Less than Rs. 2000 | d. Do not know      |

13. Imagine that the interest rate on your savings account was 1% per year and inflation was 2% per year. After 1 year, how much would you be able to buy with the money in this account?
  - a. More than today
  - b. Exactly the same
  - c. Less than today
  - d. Do not know
14. Assume a friend inherits Rs.10,000 today and his sibling inherits Rs.10,000 3 years from now. Who is richer because of the inheritance?
  - a. My friend
  - b. His sibling
  - c. They are equally rich
  - d. Do not know
15. Suppose that in the year 2014, your income has doubled and prices of all goods have doubled too. In 2014, how much will you be able to buy with your income?
  - a. More than today
  - b. The same
  - c. Less than today
  - d. Do not know
16. *Net worth is:*
  - a. The difference between expenditures and income
  - b. The difference between outsiders' liabilities and assets
  - c. The difference between cash inflow and outflow
  - d. None of the above
17. *A company issues shares in the:*
  - a. Secondary markets
  - b. Primary markets
  - c. Stock exchange
  - d. Derivative markets
18. *Who regulates the banks and financial institutions in Nepal?*
  - a. Securities Board of Nepal
  - b. Securities Exchange Commission
  - c. Insurance Board of Nepal
  - d. Nepal Rastra Bank
19. *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 severe loss
  - d. Protect you from small incidental losses
  - e. Improve your standard of living by filing fraudulent claims
20. *What is the general corporate tax rate in Nepal?*
  - a. 15%
  - b. 20%
  - c. 25%
  - d. 30%
21. *What do you think deserves primary attention when one has to compare between the banks to choose the one where to take a loan from?*
  - a. Bank's reputation (fame) and its reliability
  - b. View of the bank office and qualifications of its personnel
  - c. Interest rate and the other costs
  - d. Gifts and advertising campaigns