

### Important points :

1. Whatever money is earned in the family, how much to spend and how to spend is called expenditure.
2. There are certain expenses in every family like food, education, clothes, houses etc. and some semi-fixed such as marriage, party, entertainment etc.
3. Details of income and expenditure are called budget, which is necessary for every family.
4. Creating a budget can be saved for the future.
5. Budgets are mainly of three types, but the budget of savings is called ideal budget.
6. Family income and expenditure changes.
7. Household account is to spend the family income in a systematic way, which is written daily, weekly or monthly.
8. Every family spends their income on different items, according to Angel Rules, the expenditure on food decreases as income increases and expenses of luxury needs are increase.
9. There are four main ways to keep a record book. Page, envelop, note book, or card filling.
10. Keeping a household account book can reveal income expenditure, can be saved, unnecessary expenses can be reduced.

### Question :

1. Choose the answers to the following questions:
  - (i) The expenditure that is repeated over a certain period is :
    - (a) Consumption expenditure
    - (b) Fixes expenditure
    - (c) Semi fixed expenditure
    - (d) Family expenditure
  - (ii) Increasing demand for consumption items increases :
    - (a) Speed of production
    - (b) Speed and volume of production
    - (c) Volume of production
    - (d) None of this

- (iii) The meaning of budget-
    - (a) Family income details
    - (b) Details of family expenses
    - (c) Detailed expenditure statement
    - (d) Expenditure on various items
  - (iv) .....is the type of household account book
    - (a) Market expenditure
    - (b) Account holder
    - (c) Account of property
    - (d) All the above
2. Fill in the blank :
    - (i) ..... is the operator of economic activities.
    - (ii) The amount of money left after consumption is called .....
    - (iii) ..... expenditure changes according to income and circumstances .
    - (iv) Make a ..... budget before spending the income.
    - (v) It is easy to maintain proper balance of ..... at home.
  3. What is family expenditure? How many parts can it be divided, explain?
  4. Explain about consumption expenditure with its types.
  5. Income and expenditure is a continuous process. How?
  6. Write the definition and type of budget.
  7. Write the requirement for a household account book.
  8. Write the names of the main methods of writing a household account book and explain it.

### Answers :

1. (i) b. (ii) b. (iii) c. (iv) d.
2. (i) consumption expenditure  
(ii) saving  
(iii) uncertain  
(iv) family  
(v) Income-expenditure

## 30. SAVING AND INVESTMENT - I

### Saving :

Saving money is important to meet future needs, long term goals, at the time of financial crises and accident etc. It is difficult to predict what will happen. In order to overcome these problems money saved will deal with these situations. Money only, gives us support, so we should save some part of our income for the future.

Those who save their income to fulfill the future needs is called savings. The difference in income and expenditure is called Savings.

$$\text{Income} - \text{Consumption/expenditure} = \text{Saving}$$

The prosperity and development of any nation depends on the savings of its citizens. The main purpose of saving is to provide financial security to the family.

**Definition :** According to J.M. Keng “Current income is more on current expenditure called savings.” Savings should always be done thoughtfully, so that there is no impact on present needs. Tension and frustration can be seen among the family members if not done accordingly.

### Difference in savings and deposits :

Savings are always kept in productive form. Income can be increased by investing saved money.

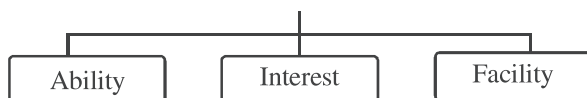
The meaning of deposit is also to save money but it is kept unproductive, there is no benefit from this.

### Need and importance of saving :

1. **Increase in income :** Dividend can be earned by the proper investment of the amount saved. Bank, post office and insurance etc. where money can be kept safe by depositing. It can increase the income of the family by availing the benefits of interest.
2. **Reducing unnecessary expenses :** Savings impede unnecessary expenditure in the family. The person should spend money wisely. Budget has to be prepared for saving and according to that, unnecessary expenses are deducted.
3. **Meeting emergency needs :** Accident can happen in the family any time, such as sudden onset of disease, the death of a family member, theft and robbery etc disturbs the family. It should be safe to save at least one month's salary for unwanted expenses. Families which regularly save are free and are able to successfully face the adverse situation.
4. **Mental satisfaction :** The family is mentally satisfied by saving and do not worry about the future. It increases the spirit and the courage. The person becomes nervous if there is no saving and gets frightened during casualty and accidents.
5. **Economic protection in old age :** Person becomes old with time and becomes physically and mentally weak in this stage. He depends on the members of the family to meet his needs. The family also helps only when they know that the person has wealth, so saving can help in the time of old age.

6. **Death of the earning member :** The future is uncertain, it is also not certain that when a person will die. The entire family may have to face the financial crisis and mental tension if a person who earns, die suddenly in the family. Time of this crisis can be successfully faced if saving are kept for the future .
7. **Long term requirements :** Every family has some long term goals such as children's education, marriage, houses etc. A lot of money is needed to achieve these goals which is possible only by savings.
8. **Increase in standard of living :** The increase in income by saving leads to a reduction in unnecessary expenses and the person saves lot of money, so that he can provide higher education, land, property and house etc to family members which raises the standard of living of the family. The family's life can be pleasant, full of joys and satisfied by saving.
9. **Social status :** The standard of living is high by saving and person receives honor due to high status in the society. Respect can also be received in society by donating some part of saving for social work.
10. **Purchase of fixed assets :** More money is required to purchase permanent property, house, store and land etc. Therefore, one should save a small amount of money from the beginning, so that permanent property can be purchased. It increases real estate and income.

#### Elements of saving



**Fig. 30.1 : Elements of saving**

11. **Economic security at retirement :** The income of the family is reduced to half after retirement. Some times, income is stopped and health also deteriorates after retirement. Therefore, expenditure increases on food, fruit, meal, medicine to maintain good health, hence save money for old age.

12. **Help in the operation of national plans :** The person receives dividends by investing his saved money in various schemes. The government operates various national schemes from that money, so that the nation can progress.

**Investment :** In the general sense, investment means to purchase those objects in order to get profit or to invest in the business.

Every person save some money from his income, which he either puts in locker at home or invest in any financial institution such as post office, bank, life insurance etc. thus increase the income by earning interest from the saving. Money kept at home can be stolen and it does not give any interest, but investing money in reputed company keeps money safe. Therefore, invest saved money to get profit is called investment.

$$\text{Investment} = \text{saving} + \text{interest}$$

Currently, there are many resources available money investment, but money is kept safe by investing in government institutions. Always invest money in those institutions where the interest rates are good, safe and more liquidity is there.

#### Important points :

1. In current circumstances, saving is necessary to run life smoothly and for family's economic and social security
2. Part left after consumption/expenditure from the total income is called Savings
3. Saving depends on the income, family members, standard of living and means of investment.
4. Money is safe by investing in right place and there is an increase in basic wealth.

#### Questions :

1. Choose the correct answer for the following questions :
  - (i) The part of the income which is reserved for the future is called :
 

(a) Money	(b) Deposits
(c) Saving	(d) Investment

- (ii) Saving is necessary for :  
 (a) Travelling (b) Old-age  
 (c) Purchasing clothes (d) None of these
- (iii) It is said that money should be used in right place to get profit :  
 (a) Saving (b) Debt  
 (c) Investment (d) Money
2. Fill in the blanks :  
 (i) When expenditure is subtracted from the total income, the remainder is called .....  
 (ii) The person gets interest on saving is known as .....  
 (iii) The person increases ..... in society by saving.  
 (iv) Savings receive ..... security after retirement.
- (v) Unproductive form of money is known as .....
3. Give detailed description of the following :  
 (i) Investment  
 (ii) Saving  
 (iii) Increase in income by savings  
 (iv) Deposits
4. What is the need of saving.  
 5. Explain importance of investment.  
 6. How does saving plays important role in operation of national plans ?
- Answer :**
1. (i) c (ii) b (iii) c  
 2. (i) Saving (ii) Investment  
 (iii) Prestige (iv) Economic  
 (v) Deposits

## 31. SAVING AND INVESTMENT - II

Every family wants to put the amount of their savings in such productive activities, which will give maximum benefit and if necessary, then get the money immediately.

Investment can be done mainly in three formats.

**(1) Short-term investment :** When a person wants to receive money by investing his savings in productive activities for a short period of time, and if he can get back the money when needed, then small investment be done. Bank, Post Office, Savings Bank are its best tool, Interest is very low but money is safe.

**(2) Long-term investment :** It is done for a long time. Interest rates are higher in this but its benefit is only on completion of a fixed term. Its main means are : Life Insurance, National Savings Bank, Farmer Development Paper, General Provident Fund, State Sector, State Insurance etc.

**(3) Lifetime investment :** Person utilizes his savings for a lifetime. The benefit is to the family members, and provides them financial security. The person secure his future by investing money in this scheme, for example, life insurance.

### Method of saving and investments :

The following means are important in terms of income and security,

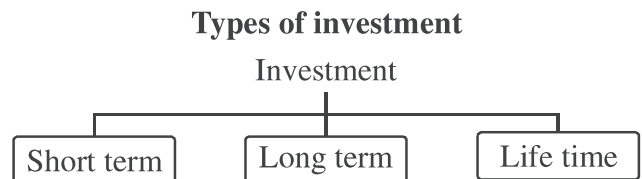
Bank is the most popular and safe method of saving and investment .

**(1) Bank :** It is a financial institution that lends money. A person can get interest by depositing his savings in the bank and can also be withdrawn if required. He can also get loans for land, ornaments, house, education etc.

**Definition :** According to Professor Kinley, the bank is an institution which gives loan to such people, who requires money, and those who have extra money can deposit it in.

### Main function of bank :

- Deposit money
- Give loan



**Fig. 31.1 : Types of investment**

The bank also offers the following other facilities-

1. Facility of cheque and demand draft, which facilitates the payment of money safely.
2. Locker facility is also provided by the banks where all valuable items, papers, land and property etc can be kept safely.
3. The passenger cheque is available in order to avoid the risk of losing cash in travel.
4. There is the credit and debit card security, so that anytime anywhere buy items 24 hours and the money can be withdrawn.

### Types of bank accounts :

**(i) Savings account :** This account encourages short-term savings in which the person deposits the money as much as possible. To open this account, the person have to deposit the minimum amount that is



vary for every bank. The account holder gets cheque book and passbook after opening the account. The details of the transaction are kept in the passbook and cheque book. He can easily withdraw money. Bank provides the interest on deposits. The rate of interest varies from time to time. The current interest rate is 4%.

**(ii) Current account :** This account is good for traders. The main purpose of this account is to provide convenience in the transaction of money. This type of account is not given interest on deposits. The account holder can deposit or withdraw money regardless of the time and number.

**(iii) Fixed term account :** In this type of account, the funds are deposited for a fixed period and the depositor can withdraw only after the completion of the term. The interest rate is higher than the other accounts. The interest rate varies from time to time.

**(iv) Recurring deposit scheme :** The main objective of this scheme is to encourage people to make small savings by making them economical. In this account, a certain amount of money is required to be deposited in a month for a certain period of time, after a certain period, the deposited money gets added to the interest. It can be applied for long term purposes, in this case, it receives 7.25% interest on deposited amount.

**(v) Home savings account :** This account can be opened by anyone at any time at the house. The bank's employees come home and take the money. They give the receipt. This account teaches the people to save money in which money can be added every day basis for a weekly or monthly. This account is more beneficial for the housewives.

**1. Open the account in bank :** It is very easy. It can be opened by filling a form and selection of the type of account, along with the submission of 2 photos and residence certificate. The account number and printed passbook is provided by the bank. The bank gives interest on the amount deposited in the account which changes from time to time. Senior Citizens get 0.5 per cent interest more from each bank.

**2. Postoffice saving bank :** It was set up by the Government of India to promote post office savings bank whose main objective was to encourage the public for small savings. The only way to save money in villages where there is no facility of bank. Post office facility is available at all places. An uneducated person can also open the account easily.

**Type of account in post office :**

**(i) Postoffice savings account :** Anyone can open an account with less money in their name or joint name in the post office. You can deposit the money any time in the savings account, but can withdraw only twice. The money deposited in the post office gives more interest than the bank.

**(ii) Postoffice monthly income scheme :** The person has to deposit a fixed amount per month in this plan. Rate of interest varies per year.

**(iii) Postoffice term deposit scheme :** Under this scheme, the person can open an account for 1 year upto 5 years. Payment of interest is made in this account every year. If required, the account needs to be closed early then the rate of interest is 1 to 2% lower and the account holder gets the all deposits.

**(iv) Postoffice recurring deposit :** A certain amount has to be deposited at regular intervals to open this account, and the whole money is returned with 7 to 8% interest after 5 years of completion.

**(v) National savings certificates :** This scheme is meant to encourage small savings. It is an important scheme of post office. The person can purchase savings certificate by investing the amount as per his desire, in which a certificate is provided by the post office after 6 years. The certificate can be shown by the person to the post office. Money can be withdrawn, with interest. Detailed information is given on the National Savings Certificates. One can buy form back from post office which bought the certificate from person.

**(vi) Kisan vikas patra :** This is a scheme similar to the National Savings Certificates, in which the postmaster has to fill up a form. The development letter is issued after the investigation, in which the deposit amount doubles after 8 1/2 years and its payment is also fixed that occurs after the period.

**3. Life insurance :** Life insurance is a very important instrument and its purpose is. “Your welfare is my responsibility”. Today’s life is very stressful and miserable and it is difficult to tell when the accident will and with whom. Life insurance person brings light to life and provides financial security to the family. Life insurance is nationalized by the Indian government. Life insurance company was established in 1956, several schemes for each group to secure the indefinite future is running today.

It is a sure plan that it is the only such institution which by providing protection, reduces the risk factors. In case of accidental mishappening or due to the death of the insured person, the amount of money insured by him is given to the respondent by life insurance.

Life Insurance is financially safe for a person, 75% of the deposit amount can also be borrowed if it is needed, income tax is exempted, small savings are encouraged, There are certain conditions at the time of making life insurance such as the person should be physically and mentally healthy, there should be no hereditary disease. The insurance company has the time period and amount of insurance plan.

In this, the person pays the premium in 3 months, 6 months or 1 year for a certain period. In return, a letter is used in the name of the policy, which also has detailed information of the plan and also the information of the insured bonus get back.

### **Types of life insurance :**

**Life insurance :** In this plan, the person deposit installement throughout of his life. dependant get all the money on the death of the insured person . The insured himself cannot take advantage of this scheme.

**Endowment insurance :** This plan is for a fixed period of time. Money is paid back after completing time. If in the middle of the plan, the insured person dies without completing the plan, then the amount will be paid to the successor. Life insurance plans change according to time. Nowadays, schemes such as Jeevan Anand Pension Scheme, Jeevan Surbhi

Children and Plot Policy GrahLaxmi etc. are going on. Nowadays, many insurances plan are prevalent in medical field in which the entire expenditure on sickness of the person is beared by the insurance company.

**4. Unit trust of India :** It was set up by the Government of India in 1974, in which people’s savings are invested in the industries and 90% of the dividend received is distributed among the appointees. In this scheme, one unit is of 10 and one person is required to buy at least 10 units and these can be purchased from post office, bank, agents anywhere. Its income is free from tax.

**5. Provident fund :** This scheme is mandatory for the employees in the government and non-government sector. Every month a certain amount is deducted from the person’s salary and is deposited in the provident fund , which is at the rate of 8% interest rate at the time of retirement. If the person needs money in the middle then he can also withdraw money from the account where money is exempted from income tax.

Selection of Investment method: Nowadays, there are a lot of means for investment, but the choice of the tool should be thoughtfully invested in the government institutions, which are safe. It should be invested according to the time of appropriation, which is easily paid every month. Money invested in which interest rates are good and funds can be easily withdrawn if required.

### **Important points :**

1. The person saves for the academic need of the future.
2. The amount of savings should not be kept in the house, and should be invested in the financial institution, which increases the income.
3. The main three instruments of investments are bank, post office and life insurance.
4. The person gets interest on the savings amount, with the increase in income, the person’s future remains financially secure.

## Questions :

1. Choose the correct answer for the following questions :
  - (i) The main means of investment are :
    - (a) Bank
    - (b) Postoffice
    - (c) Life Insurance
    - (d) All of the above
  - (ii) Savings that are mandatory for job seekers :
    - (a) Unit trust
    - (b) Lottery
    - (c) Life insurance
    - (d) Future fund scheme
  - (iii) The account in which the dealer is transacted :
    - (a) Saving account
    - (b) Recurrence deposit account
    - (c) Current account
    - (d) None of the above
  - (iv) The government has established the institution to encourage small savings :
    - (a) Bank
    - (b) Life insurance
    - (c) Postoffice
    - (d) All of the above
  - (v) The insurance in which the person himself can not take advantage of his own :
    - (a) Life insurance
    - (b) Endowment insurance
    - (c) Postoffice
    - (d) None of these
2. Fill in the blanks :
  - (i) Under the deposit scheme, the person deposits a fixed amount in ..... for a fixed period of time.
  - (ii) Account is opened by ..... by the bank in which the transaction details are kept
  - (iii) Lump sum funds are available in the ..... plan during retirement
  - (iv) Life Insurance was founded in the..... year
3. Give the definition of Investment.
4. Write the importance of life insurance in the life of a person
5. Explain what to take care when investing in any organization
6. Write a brief comment on the following :
  - (a) Bank Savings Account
  - (b) Unit Trust of India
  - (c) Life Insurance
  - (d) Post Office

## Answers :

1. (i) a (ii) d (iii) (iv) (v)
2. (i) (ii) (iii) (iv)



## 32. CONSUMER PROBLEMS

A person who purchase or consume any kind of good or services available in the market is called the consumer. It becomes even more difficult to choose items due to available in different variety, prices and quality in the market. The goods vary in the qualities due to the greed of making more money by the producers and increasing competition. Hence, Adulteration, increasing inflation, increasing trend of advertising, bad presentation, mal practices of measurements, misbranding are increasing day by day, There is a lot of emphasis on promotions and advertisements instead of qualities of goods, so that manufacturer may attract consumers interest in the item and earn more profit. Foods are also adulterated which affects the health of the people. Some people are becoming patients of severe diseases such as dropsy paralysis, blindness, etc. Consumers

unknowingly attracted due to false advertisements and free gifts, and sometimes purchase substandard goods. Therefore, the goal of the producers is fulfilled, but the consumer can not get satisfaction by using the goods. This is the reason that consumers are facing so many problems. These are as follows:

### Problems of the consumer :

1. **Illiteracy** : Most people in India are illiterate, there is still literacy of 50 to 60% in men, but the rate of literacy in women is very low. Cheating & misleading illiterate people is very easy for the seller. Illiterate people can not read the labels on the object and seller take the advantage of this and sells more low/substandard goods. Sometimes the seller also gives the goods to the illiterate consumers. He can not read it and buys the item.

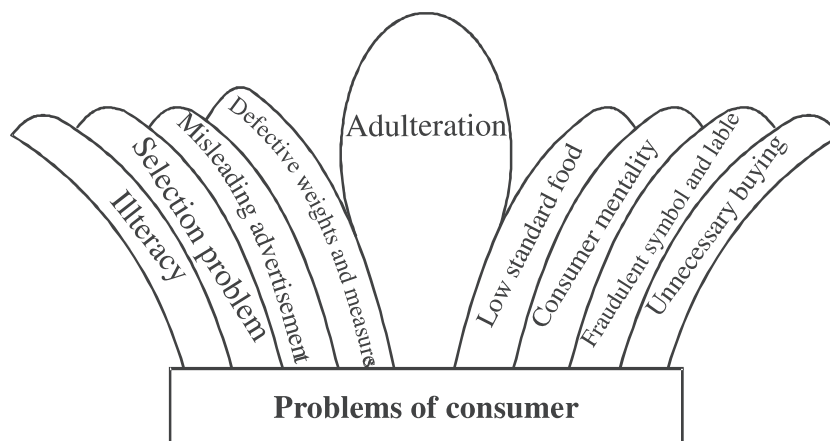


Fig. 32.1 : Problems of consumer

2. **Selection problem :** Today, variety of the same types of item available in the market causes very difficult to make the choice. The consumer gets confused by considering the different brands of the same item. The one item available in the market in different brands with different price for example shampoo is available in the market in many brands, which create problem to consumer for selection.

3. **Misleading advertising :** Advertising is the art of selling objects that affect the sentiments of consumers. Misleading advertisements give wrong information to the consumers. Consumer finds himself surrounded by misleading position due to the numerous fake advertisements of commodities for common consumption. The expenditure of advertisement recover by consumers and its value is added to the value of the item.

Advertisements are presented through many mediums such as Video, Cinemas, Posters, Fair-Exhibitions, mobile vehicles, TVs etc. in a very attractive manner to the consumer, so that consumers not seeing the merits or demerits of goods and buy goods by being influenced by advertisement. Especially young people, children, educated people and women are influenced by such advertisements and buy low value items.

4. **Defective weight and measurement :** Before independence, there was different systems of weight and measurement in different states of India which was something weighed in kilos, grams while somewhere used ratti, tolaa and masa. Similarly, in some places, mann, ser, chataank etc are used. In this situation, consumer get confused and the traders used to take advantage of the situation. They did not weigh properly and cheated the consumers. It was felt that the common system of measurement should be used throughout the country. Therefore, the Central Government passed the Standard of Weight Act on March 28, 1939, but it was not implemented, due to the commencement of the Second World War. It was implemented for the first time on 8th July,

1942, with effect. Even after using the weight and measurement system from all over the country, the business class has found such methods to cheat the consumer in unbelievable way. Some vendors and shopkeeper cheats the consumer with the skill of their hand. While weighing weight, weighing 1 or 2gm less or measure less while cutting clothes, put magnet under weighing balance etc. so that consumer get cheated in different ways. Even after giving full value to it, the goods with correct weight is not available.

5. **Adulteration :** It is a routine matter of daily adulteration in food items. It is becoming a big problem, which is also very harmful for health, such as brick powder in red chillies, pebbles and mud in pulses, dried papaya seeds in black pepper, chalk powder in flour. In the same way mixing water in the milk, removing the cream and selling it. The adulteration of linseed and yellow dhatura oil in mustard oil, selling bark of other trees in the name of cinnamon. Similarly, kerosene and lead are mixed in petrol, which result in permanent defects in machines of vehicles.

6. **Low standard items :** Many items of the same use are available in the market; some of these things are of high quality, while some items are of low. It is difficult to identify which item is of high quality or which is of low quality for the general consumer. The grading system of goods has been adopted by the Indian government in which the goods are given the best, ordinary and lower grades according to their quality but most items are not classed. Quality of most items are known by common consumer only after the use of the many items available in the market, and dissatisfaction occurs if does not fulfill the need of consumer.

7. **Consumer mentality :** Most consumers believe that expensive items are better and in this delusion they buy expensive items, even if this item is not more beneficial and useful for them. There is also a saying by our elders that cheap often repeatedly cry, but this is not always true, many times good quality things are also available at cheap prices.

**8. Use of fraudulent symbols and label :** Many sellers or producers mislead by using fake symbols and labels. They make a small change in the names of reputable companies and use it on the packet. There are duplicate items in the packets, thus uneducated and unsophisticated consumer trapped easily by vendors.

**9. Unnecessary buying :** Nowadays, the problem of unnecessary purchasing is also increasing. Consumers go for the purchase of the item even if they need those items or not. All this is due to the exhibition of all items in the mall. It is a new system of marketing and productivity of the vendor in which the consumer gets trapped and purchases unnecessary items because the items attract the consumer.

**10. Dependent on market conditions :** The biggest and major problem of the consumer is that it has to buy the available items from the local market, whether the item is of poor quality or the high quality. This problem is mostly with the rural consumer, because a lot of time, power and money are spent in buying goods by going away from the city. Going out to the city is costly for them, so whatever item is available in the nearby market, purchase to satisfy their need.

In this way, there are many problems that the consumer use to face in the present day. The present requirement is that they should try united and strongly fight for these problems. Although the government is also trying in this direction, but it will not be redressed until the consumer himself becomes aware.

### Important points :

1. The consumer is the person who purchases and uses the items.
2. All items are easily available to the consumer in the market.
3. The consumer has to face many problems while purchasing an item from the market.

### Questions :

1. Choose the correct answers for the following questions:

- (i) A person who consumes goods is called:  
(a) Producer (b) Seller  
(c) Consumer (d) All of the above
  - (ii) The adulterant in black pepper is :  
(a) Papaya seed (b) Coal  
(c) Pebbles (d) All of the above
  - (iii) The rod of the weighing balance should be :  
(a) Flat (b) Round  
(c) Slanting (d) Long
  - (iv) The value of the item become high when the item is bought from :  
(a) Cooperative stores (b) Ration shop  
(c) Unknown shop (d) Reputable shop
2. Fill in the blanks :
    - (i) The manufacturers sell ..... products of the famous brand and sell them at the cheapest prices in the market.
    - (ii) If there are many brands of the same object, there is a problem in the ..... of the object.
    - (iii) The consumer is king ..... of himself, he should be happy to buy it.
  3. Describe briefly:
    - (a) Misleading advertising
    - (b) Problems in selection of goods
    - (c) Adulteration
    - (d) Fraud marks and label
  4. Define consumer.
  5. What are the problems faced by consumer while selecting the goods?
  6. What should the consumer do to avoid such consumer problems?
  7. How do false and misleading advertisement cheat the consumer?
  8. Why lack of education is a problem of consumer ? Explain.

### Answer :

1. (i) c (ii) a (iii) a (iv) d
2. (i) fraud (ii) selection (iii) king