



## **A developmental study on financial planning profiles of households in Vellore city of Tamil Nadu**

**Dr. T Nagananthini<sup>1</sup>, M Deepa<sup>2</sup>**

<sup>1</sup> Assistant Professor in Commerce, L.R.G. Government Arts College for Women, Tiruppur, Tamil Nadu, India

<sup>2</sup> Assistant Professor in Commerce, Muthurangam Government Arts and Science College, Vellore, Tamil Nadu, India

### **Abstract**

Family financial management and control practices have received little attention. Yet they are increasingly important, due to changes in the financial environment such as deregulation of the banking industry and the increasing number of dual income families. This paper reports on the family's financial management and control tendencies.

This was a survey research with a two-fold purpose. One purpose was to investigate the financial management practices among selected households in Vellore City. The other purpose was to investigate how the socio-economic factors and financial management practices influence satisfaction with these practices.

**Keywords:** financial planning, household finance, Vellore city

### **Introduction**

Nations, people, individuals and all institutions such as families at whatever level use available resources to raise their economic standards and improve their welfare. The family uses these available resources to sustain and maintain their status. There are two main types of resources 1) human resources 2) non-human resources. Examples of human resources include; interests, abilities and energies of household members, while those of non-human resources are; income, time, and other tangible resources like assets. These resources, must be managed well for sustenance and efficient use.

This is true at international, national and family level. Family income is that stream of money, goods services and satisfaction that come under the control of the family to be used by them to satisfy needs and desires and to discharge Obligations. Chief among the family's concern is the use of its major non-human resource namely money. Much thought and efforts are expended in its size and source.

Establishment of financial goals early in life can improve the quality of life by making maximum use of one's income. A family has financial goals that it wants to achieve, either immediately or in the long term. Thus, it is important for the families to spend the available income so that the goals set may be achieved. Many people make personal financial decisions by chance, for example, saving plans are based on how much money is left over at the end of the month.

However, with lack of financial management, families are not likely to save, may be in debts and are likely to overspend in some areas than others. This may lead to a financial crisis that may result into bankruptcy, an indication of a family's inability to cope with problems of debt and the management of their finances.

### **Objectives of this study**

1. Identify the social economic characteristics of the low,

middle and high income households;

2. Determine the financial management practices of the low, middle and high income households in Vellore City;
3. Investigate the differences among the low, middle and high income households in their financial management practices;
4. Examine the relationship between socio-economic factors, financial management practices and satisfaction with these practices.

### **Statement of the problem**

At times one wonders whether households really take trouble to systematically manage their families. Sometimes it is evident that some families attain goals faster than others, even when income and assets are kept constant. Such an observation means that there is something more than just availability of income that helps some families attain goals. It is thus crucial to establish such financial management practices that help to achieve their goals.

Probably a big percentage of families could improve their financial status by planning their finances better.

The present research is therefore a situational study to determine whether families plan for their finances. For those who plan, the researcher explored methods used to manage and how these could be improved. An effort was also made to establish whether families are satisfied with their financial situation and if so, whether financial planning positively influences financial satisfaction. For those who do not plan, recommendations about how they could be helped were given.

### **Purpose of the study**

The purpose of this study is therefore, to determine financial management practices among households in some selected areas of Vellore City. The study will also investigate how the socio-economic factors and financial management practices influence satisfaction with these practices.

**Hypotheses**

I. There is a positive relationship between income and the level of saving within families.

II. There is a relationship between financial management practices and the satisfaction with these practices

**Table 1:** Personal profile of the respondents

|                                 |                 | Frequency | Percentage % |
|---------------------------------|-----------------|-----------|--------------|
| Gender                          | Male            | 80        | 64           |
|                                 | Female          | 45        | 36           |
|                                 | Total           | 125       | 100          |
| Age                             | 25 to 34 Years  | 54        | 44           |
|                                 | 35 to 44 Years  | 48        | 38           |
|                                 | 45 to 54 Years  | 18        | 14           |
|                                 | 55 and above    | 05        | 04           |
|                                 | Total           | 125       | 100          |
| Marital status                  | Married         | 108       | 87           |
|                                 | Single          | 8         | 6            |
|                                 | Separated       | 4         | 3            |
|                                 | Divorced        | 2         | 2            |
|                                 | Widowed         | 3         | 2            |
|                                 | Total           | 125       | 100          |
| Household Size                  | 4 and below     | 34        | 27           |
|                                 | 5 - 9           | 82        | 66           |
|                                 | 10 and above    | 09        | 7            |
|                                 | Total           | 125       | 100          |
| Total Family Income (per month) | Below 10,000    | 43        | 34           |
|                                 | 10,001 - 20,000 | 27        | 22           |
|                                 | Above 20,000    | 55        | 44           |
|                                 | Total           | 125       | 100          |

From the Table 1, it is inferred that majority (64 percent) of the respondents were Male, regarding age most (44 percent) of the respondents are belonging to 25 to 34 Years. In case of marital status, 87 percent of the respondents were married. Inference with regards to household size, majority of the respondents (66 percent) belongs to 5 to 9 member's category. The table also reveals that most (44 percent) of the respondents total family income per month is above 20,000.

**Table 2:** Satisfaction with financial management practices.

| Income Level  | HDS | DS | N  | S  | HS | Total |     |
|---------------|-----|----|----|----|----|-------|-----|
| Low Income    | No. | 12 | 27 | 06 | 05 | -     | 50  |
|               | %   | 24 | 54 | 12 | 10 | -     | 100 |
| Middle Income | No. | 01 | 07 | 15 | 25 | 02    | 50  |
|               | %   | 02 | 13 | 30 | 51 | 04    | 100 |
| High Income   | No. | -  | -  | 04 | 20 | 01    | 25  |
|               | %   | -  | -  | 16 | 80 | 04    | 100 |
| Total         | No. | 13 | 34 | 25 | 50 | 03    | 125 |
|               | %   | 10 | 27 | 20 | 40 | 03    | 100 |

Results indicate that (40%) of the respondents felt satisfied with their financial management practices. Majority (80%) of these were the high income earners. More than half (54%) of the low income earners reported dissatisfied with their financial management practices. Likewise, almost all of the respondents that reported extremely dissatisfied were low income earners.

**Table 3**

| Income Level  | DS  | S    | Total |     |
|---------------|-----|------|-------|-----|
| Low Income    | No. | 45   | 05    | 50  |
|               | %   | 90   | 10    | 100 |
| Middle Income | No. | 23   | 27    | 50  |
|               | %   | 45   | 55    | 100 |
| High Income   | No. | 04   | 21    | 25  |
|               | %   | 16   | 84    | 100 |
| Total         | No. | 72   | 53    | 125 |
|               | %   | 57.2 | 42.8  | 100 |

$X^2$ : 133.6407

The chi-square results showed that the differences in satisfaction with financial management practices among the low, middle and high income households were significantly different ( $X^2= 133.6407$ ) at alpha level  $p=0.05$ .

**Conclusion**

House hold size was highest among the low- income earners. On financial management practices, the research revealed that, though majority of the households budget for their family finances, only some do it frequently and review their budget frequently to make adjustments when need be. However, majority of the low-income earners were found not to budget, may be because of the difficulties they encounter due to their limited financial resources that chase too many needs and demands.

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