

A Study on Household Finance and Their Spending Behaviour

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Abstract: *This article investigates the nature of Household finance and their spending behavior. In household finance, the main thing to focus on is the person looking after household expenditure. Financial illiteracy is widespread among the general population and particularly acute among specific demographic groups, such as women. This paper mainly focuses household finance decision and it is varying from end to end consumers. To know the awareness about different investment from saving. This survey based on changing behavior of population towards the saving and investment. The survey has been conducted from earning group of the family members. The demographic population has been targeted to know the importance of household finance and benefits.*

Keywords: Household finance, financial mistakes, financial literacy, family budget

I. INTRODUCTION

Mainly household expenditure and their budget are created by woman in the house. Household finance means borrowing money to meet the household needs including the home itself, and its repairs and maintenance. The Household finance depends upon the standard of living of a family or an individual. If a family or an individual belongs from a higher class family then his financial budget related to his household would be much greater than the person who lives in lower class or lower middle class families, as their expectations are greater than a lower class family because they can afford prestigious goods. To maintain the Household finance the person should make a financial planning related to Household expenditure, repairs and maintenance, etc.

A Household financial budget is all the more important in this consumer era because it teaches members of the family the worth of the money. A Household budget helps you to identify the areas in which you spend, and take necessary steps to curtail expenditure on those items that are non-essential and unnecessary.

To the householder, the study of this budget of this budget is very useful. He will be able to find out from the budget before him whether his income has been properly distributed among the various items of expenditure and also whether he has been able to balance his budget or not. If the householder is to derive maximum satisfaction from his limited income, then mapping out of expenditure beforehand is absolutely necessary.

- Budgeting allow you to spend smart
- The first step in budgeting is to write down the various sources of your income. This includes salary, rent, interest on family deposits, etc.
- It's important to manage the Household Finance to create a smooth financial monthly budget for the household
- It contributes to overall economic growth, social uplift, and employment.

II. REVIEW OF LITERATURE

Prema Chandra and Pang Long (2003)

Public saving they discovered seems to crowd out private saving, but less than proportionately and that while both old- and young-dependency in population have a negative impact on the saving rate, the magnitude of the impact of the former is far greater than that of the latter. Finally, they concluded that increased availability of social security provisions and enhanced credit availability also seem to reduce availing.

The Indian Household Investors Survey (2005)

Conducted by the Society for Capital Markets Research & Development, Delhi emphasises the fact that investment preferences among household investors have important socio economic applications. Such preferences influence the direction in which, and the channels through which, household financial savings would flow.

Jayachandran C., (2004)

Admits that during the course of his Ph.D. study, there is a moderate level of savings among the households. The major determinants of savings are the personal income, family size, family income and life cycle of the household. The most popular investment on physical assets is consumer durables and financial assets like bank deposits.

Rajarajan, V., (2000)

Conducted a study entitled, -Investors Life style and Investments Characteristics, with an object of finding out life styles based on segmentation of Individual Investors and to analyze the investment size, pattern and future investment preference of Individual Investors on the basis of their life styles. This study was carried out in State Capital of India, New Delhi by getting data from 405 investors through questionnaires .

Horioka and Wan, (2007)

In their research work had established the fact that China's household saving rate has been high and rising and that the main determinants of variations overtime and over space are the lagged saving rate, the income growth rate, the real interest rate and the inflation rate. However, they found that the variables relating to the age structure of the population usually do not have a significant impact on the household saving rate. The traditional view purports the idea that rural households cannot save because they are too poor and therefore rural savings mobilization efforts are deemed futile and worthless.

Naga Sridhar, (2007)

Commented in his study that despite their expanding reach, banks still need to tap a larger share of household savings in India and compete with lucrative investment options such as real estate in the process. According to the study, household savings, as a share of Gross National Savings in India, are the highest in the world at 69 per cent as against 55 and 44 per cent in France and China, respectively. And the banks have a reason to be concerned as only 47 per cent of these savings are accessed by the financial services sector. The reason for banks' inability to attract domestic savings should be located in the high geographical fragmentation of banking operations with limited presence in rural areas

Elizabeth Bell and Robert I. Lerman (2005)

Increasingly, sponsors are linking financial education programs to tax refunds, buying a home, required registration for pensions, participation in welfare programs, and other key moments. While financial education programs have proliferated in recent years, targeted research is necessary to learn about the actual benefits of such programs and to insure they are well structured. Generally, we expect that educated consumers are more capable of making sound financial decisions to increase their families' economic security and, in turn, contribute to community economic development.

III. OBJECTIVE

- To analyses the housing finance in India in General and Mumbai, Sub-Mumbai & Thane in particular.
- This survey of household finances and spending patterns is a matter of general interest and concerns the entire population.
- The aim is to collect information on the diversity of financial situations that households may face.
- To examine the inadequacies and inequalities in Housing finance.
- To enhance the understanding of individual household behavior.
- To identify and understand the channels of savings.

IV. PROBLEM STATEMENT

- This topic is selected to research the problem faced by different class of household maintaining their household finance.

- To find out how lower class people survive in a world full of competition where rich get richer and poor get poorer.
- To find out the spending behavior of different class of household, where how higher people spends their money compared to the people of lower class in the behavior of spending money.
- To find out if people borrow home loan to satisfy their needs or any other wants related to their household.

V. LIMITATIONS

1. Time spend on the study is limited and thus is a major constraint.
2. Area of research is limited to the three places where the sample is collected and therefore cannot be taken as a universal sample is thus also a major constraint.
3. This research reflects opinion of individual's behavior, So the impact of household finance behavior, only where by findings and suggestion given on the basis of this research cannot be applied to the entire population.

VI. RESEARCH METHODOLOGY

A) Research Design

The research conducted was descriptive and analytical. So a Survey method was used. A Survey was conducted through a structured questionnaire tested for reliability and data was collected throughout Mumbai.

B) Primary Data

Primary data was collected randomly through the structured questionnaire in Mumbai, Suburbs Mumbai and Thane District , by using simple random sampling.

C) Sample Size

The study was limited to those participants who willingly elected to complete the instruments in their entirety. There were a total of 350 respondents. The sample to which the questionnaire was administered was based on random sampling techniques. The sample distribution was given in Table1.

Age (Years)	Male	Female	Total
16-20	19	25	44
21-30	30	38	68
31-40	50	95	145
41-50	30	40	70
50-above	10	13	23
Total	139	211	350

Table 1: Source: Primary data

D) Sample Design

The researcher relied upon simple random sampling technique, considering the research methodology and research type as per guidelines. A caution was exercised during the study that the respondents who did not show inclination to be a part of the study were not covered.

E) Area of Research

Mumbai, Suburb Mumbai & Thane District.

F) Secondary Data

The secondary information or data was collected from newspapers, research articles, magazine and websites.

G) Research Instruments

A summated closed end questionnaire was used with different viewpoints of respondents. In this questionnaire, all the questions were positively framed to study the impact of independent variables like age, gender and profession on the dependent variable.

H) Statistical Analysis

Efficient and effective data analysis is the result of effective data preparation. This was found to be very crucial between the completion of the field work and the statistical processing of the collected data. Data preparation involved transferring the questionnaire into an electronic format which allowed and facilitated subsequent data processing. On the basis of data sheet, tables and graphs were prepared for the analysis.

VII. HYPOTHESIS

- Ho1= There is significantly less or no decision making in maintenance of household finance.
- Ha1= There is significant more decision making in maintenance of household finance.
- Ho2 = There is significantly less influence of women in household financing for budget planning.
- Ha2 = There is significant influence of women in household financing for budget planning.
- Ho3 = There is significantly less time taken in allocation of family budget for better household financing.
- Ha3 = There is significant time taken in allocation of family budget for better household financing.

VIII. DATA ANALYSIS

1. Ho1= There is significantly less or no decision making in maintenance of household finance

Occupation of Respondents		
Dimension	Respondents	Percentage %
Service	121	34.57
Self Employed	95	27.14
House Wife	90	25.71
Others	44	12.55
Total	350	100
What Are Your Family Plans From Your Savings?		
Dimension	Respondents	Percentage %
Investment	75	21.42
Bank (Saving Account)	125	35.71
Satisfying Want	80	22.85
Others (Buying a Physical Assets)	70	20.02
Total	350	100

FAMILY PLANS FROM YOUR SAVINGS

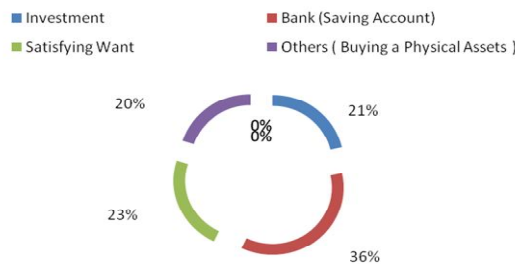


Table 2: Source: Primary Data

Ho1= There is significantly less or no decision making in maintenance of household finance.

- The above stated hypothesis is rejected.

Ha1= There is significant decision making in maintenance of household finance.

- According to the research, there is significant more decision making in maintenance of household finance.

A) Interpretation

Whereas other people who are satisfied more than their income satisfy their needs and wants through purchasing new items and things for the household, which either act as a benefit for the family or it’s just to satisfy the necessities. Some people invest their remaining money left from their monthly income in the bank as a deposit which also known as —savings

2. Ho2 = There is significantly less influence of women in household financing for budget planning

Age (Years)	Respondent	Percentage %
16-20	44	12.57
21-30	68	19.43
31-40	145	41.43
41-50	70	20
50-above	23	6.57
Total	350	100
Do you plan your monthly budget ?		
Dimension	Respondent	Percentage %
Yes	237	67.71
No	25	7.14
Sometime	78	22.28
Never	10	2.87
Total	350	100

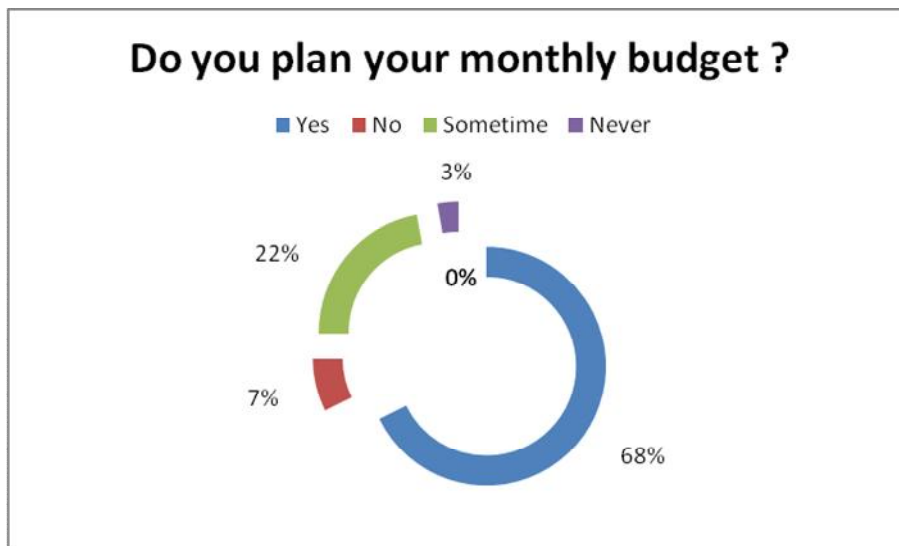


Table 3: Source: Primary Data

Ho2 = There is significantly less influence of women in household financing for budget planning.

- The above stated hypothesis is rejected.

Ha2= There is significant influence of women in household financing for budget planning.

- According to the research there is significant more influence of women in household financing for budget planning.

B) Interpretation

According to the survey, it was observed that family budget is important in individual life. It may affect the standard of life style of the members. It is necessary to plan monthly budget to meet the daily expenditure. Most of the 68% respondent says 'YES' they required planning to overcome from the family expenditure. They plan they overall budget to maintain the regular saving.

3. H03 = There is significantly less time taken in allocation of family budget for better household financing

Have You Ever Borrowed Loan for Housing Purpose?		
Dimensions	Respondents	Percentage %
Yes	126	36
No	87	24.88
May Be	40	11.42
Sometime	97	27.7
Never	00	00
Total	350	100
How do arrange finance to meet family budget ?		
Dimensions	Respondents	Percentage %
Gold loan	97	27.71
Bank Loan	16	4.58
Mortgage Loan	25	7.14
Chits Fund	112	32
Loan from friends or Family	100	28.57
Total	350	100

How do arrange finance to meet family budget ?

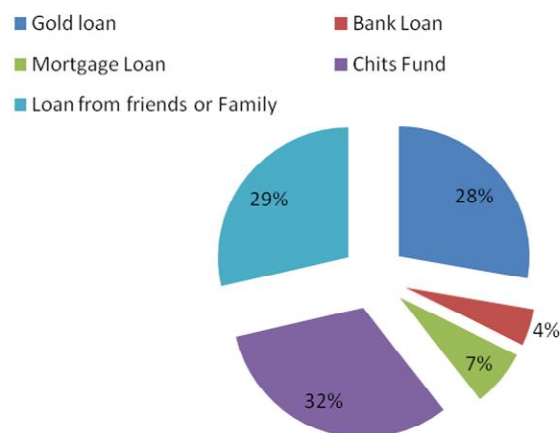


Table 3: Source: Primary data
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H04 = There is significantly less time taken in allocation of family budget for better household financing.

- According to the research there is significantly less time taken in allocation of family budget for better household financing.

Ha4 = There is significant time taken in allocation of family budget for better household financing.

- The above stated hypothesis is rejected.

C) Interpretation

According to the research, those families who answered-'YES' belongs to middle class families to desire their household needs and other activities. Most of the responded agree they borrow the money to meet the household finance 32% of the responded agree 'Chit Funds'. 29 % of the responded they take loan from friends or the other family members to meet the urgent requirement of households finance. It was also observed that; 36% of the responded say 'YES' they borrow the money for the household finance.

IX. RECOMMENDATIONS / SUGGESTIONS

1. They must realize the fact that effective financial planning is to ensure that the right amount of money is available in right hands at right point of time in the future to achieve the desired goals and objectives.
2. Financial literacy and effective financial planning is direction associated with individuals financial decisions. It allows persons to understand how each financial decision they make affects other areas of their finances.
3. Financial planning and investments also helps households in gaining knowledge on clear assessment of one's inflow of funds and the financial goals that need to be achieved from time to time.

X. CONCLUSION

The study of household finance is challenging because household behavior is difficult to measure, and households face constraints. Households finance plan for the future and the present by making savings and investments decisions. Some differences associated with savings and investments choices include risk and liquidity.

The choice of saving and investment Avenues and its expected returns and risk are more associated with their financial literacy. For the elaborate study it has been inferred that, 49% of the respondents have said that they pay more attention to the safety of the principal amount while making investments. Even with the relatively homogeneous literacy predicts financial literacy vary greatly, and that financial literacy predicts financial behavior of household. From this studies it has been observed that women's are great in making household financial planning such has household expenditure, investments, creating budgets, etc.

Overall, we conclude that the financial goals of individuals are very diverse. State driven centralized policy solutions will certainly enable some support to the very poorest, but it is clear that to cater to the vast array of diverse needs, it is important to improve households' use of the formal financial system. More importantly, the design and implementation process of novel policies and financial products to support households requires a new set of principles to guide their development, if the goal is to achieve closer to-optimal household finance outcomes in the coming decades.

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