PERSONAL FINANCE MANAGEMENT AND WELL BEING AMONG GOVERNMENT EMPLOYEES IN KERALA

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Abstract
This study examines whether there exists any relationship between the personal finance management and the domains of well being among government employees in Kerala, specific to the administrative staff in Cochin University of science and technology (CUSAT). An attempt was made to ascertain the personal finance practices and behaviours of the sample under study. The study adopted a descriptive survey design and data was collected using schedule method administered to 100 administrative staff who were randomly selected from various departments in CUSAT. The results indicate that personal finance management has an important role in determining an individual's well being. While contrary to the expectation, the results indicate that an increase in income may help increase well being only for those struggling to make both ends meet. However, income appears to increase well being only partially for well off individuals.

Key words: Personal finance, financial behaviours, well being, income, financial behaviour.

1.0 Introduction

Personal finance refers to individuals and household consumption possibilities, both now and in the future, and is therefore driven by both income and wealth. Personal finance in its crudest form might have started when humanity started exchange. The fear of future and the need for keeping some part of one's income to meet contingencies might have forced individuals to save and keep some part of their saving in liquid form and some part in the form of assets. But personal finance as a branch of study developed only in the second half of the 20th century. Personal Finance as an area of study is of recent origin. It is mainly concerned with the finance of the individuals. It involves the way in which a person generates his income and the way in which he spends it or saves it for the future use. It also includes the amount and pattern of investment and management of liabilities, ancestral properties, consumer durables, etc. The broad areas covered by personal finance are income, expenditure, savings and investments of individuals.

A range of studies have investigated the relationships between people's financial situation and well-being. Joo (1998) conceptualised financial wellness as 'a level of financial health. It includes satisfaction with material and non-material aspects of one's financial situation, perception (or subjective assessment) of financial stability including adequacy of financial resources, and the objective amount of material and non-material financial resources that each individual possesses'.

It is believed that money is a major component in predicting ones happiness or well being in general. A lot of studies have been conducted in this area to find if there is any relation between these two variables. Easterlin (1974, 2003) was the first economist to systematically explore the relationship between average country happiness levels and per capita incomes over several decades. His seminal work highlighted an apparent paradox: as countries grew materially wealthier – and healthier – over time: average happiness levels did not increase. His findings are now known as the Easterlin paradox. The importance of aspirations and comparison effects to individual well-being have been demonstrated in smaller scale studies of individual attitudes across a range of contexts ranging from neighbourhoods in the U.S. to cities in Latin America to regions in Russia. See Kingdon and Knight (2007); Graham and Felton (2006); (Lora and Chaparro 2011); Luttmer (2005). The statement ‘‘Happiness does not dwell in flocks or in gold. It is the soul, which is the home of a person’s daimon’’ is attributed to Democritus and dates back to the 4th century BC.2 Aristotle (2009, p. 24), in Politics (350 BC) may have been the first to suggest that making wealth the main object of household management serves the ‘‘intent upon living only, and not upon living well’’. Number of studies also predict that income can increase an individual’s well being and in effect his happiness. Robert . A . Cummins(2000) in his study demonstrate that, in marked contrast to previous reviews of this area, there exists an intimate relationship between personal wealth and SWB. Kokko and Pulkkinen, (1998) , Schulz and Decker,(1985) find that income explains variance in SWB. Income and an individual’s level of subjective well being is an area which has controversial views by two different sets of individuals. And therefore, this area needs further research and analysis.

In the Indian context, more particularly among the salaried employees, it’s the management of one’s resources in hand which counts more than his level of income. And it’s here, that personal finance management comes into play.

'I do not aspire to be wealthy, however I do want to be able to work and earn a fair wage for the work that I do' (ONS, 2011). This is the general attitude of a salaried employee in Kerala. The society and circumstances around him has equipped him to live within the salary limits. It’s here that one’s personal finance management becomes important. Managing one’s resources in hand in an efficient manner is an art. Personal finance as an area of study attempts to make people equip the art of finance management in order to live a fulfilled life. As stated above many studies have been made comparing ones income and well being, but very few attempts have been made to relate one’ s personal finance management and his overall level of well being. Thus an evident research gap exists to study this relationship. Under this study an attempt was made to analyse the financial behaviours and practices of the administrative staff of CUSAT campus and whether it had any effect on their overall well being.

2.0 Literature review

Sociological research data indicate that four factors strongly predict happiness and overall well-being in most cultures: health, economic status, employment, and family relationships (Bernstein, 2004). People are happier when they are healthy, employed, married or in a committed relationship, and financially secure. Numerous studies have been conducted to establish a relation between economic status and an individual’s well being. A few of the works related in this area are cited below:

The pioneering research into quality of life conducted by Campbell, Converse and Rodgers (1976) concluded that personal income exerts little influence over subjective well-being.

The absolute argument advanced by Veenhoven (1988, 1991) states that income helps individuals meet certain universal needs and therefore that income at least at lower levels, is a cause of subjective well being. This assertion is true to an extent as, only if an individual has finance necessary to meet his basic requirements can he concentrates on other aspects of life.

This phenomenon is common in all the cultures and countries alike. But the question arises if there is an increase in his income, will it affect his well being positively? The answer is often contradictory, this was explained by Easterlin (1974, 2003) who was the first economist to systematically explore the relationship between average country happiness levels and per capita incomes over several decades. His seminal work highlighted an apparent paradox: as countries grew materially wealthier – and healthier – over time: average happiness levels did not increase. A similar result was propaganda in Diener and Oishi_s (2000) cross-national study of college students, the importance of money was negatively correlated with life satisfaction. Diener and Diener (1995) reports correlations between the wealth of nations and social indicators that are often so high that one might wonder whether we should bother with the other indicators when wealth may account for much of the quality of life of nations.

The 2004 Health Confidence Survey, sponsored by the Employee Benefit Research Institute (Helman & Fronstin, 2004), sheds additional light on heath-personal finance connections. A number of studies are still being conducted in this area in order to arrive at an appropriate conclusion. In the Indian context very few studies have been conducted to ascertain individuals personal finance practices and his level of well being. And therefore this study is an attempt to add to the literature with regard to personal finance management of employees and their subjective well being in the Indian context. And this fact establishes the relevance of the study.

3.0 Statement of problem

Whether income influences an individual's well being or not is a controversial area. But an individual's overall finance management definitely influences his ability to cope with his limited resources in hand. In the Indian context, right from the birth of a child, the parents are obliged to take the responsibility of bringing him up. In this strenuous tenure they are required to take care of their children's education, occupation, marriage etc. All this aspects of life involve huge amounts of investments. A salaried employee need to concentrate more on this aspect as his income is limited and steady. Only if he makes a clear plan about his assets in hand, his likely investments and savings plan etc can he progress and fulfil the desires of his own and his family. Personal finance management as an area of study attempts to equip individuals the art to master their financial resources in hand.

A large number of studies have been conducted to analyse the relationship between income and happiness, but to the researchers best knowledge only a few attempts have been made to connect personal finance management and well being. And this study makes an attempt to analyse personal finance management and how it affects an individual's well being. In this study an attempt was made to analyse the financial practices and behaviours of 100 administrative staff working in CUSAT. The population under study consist of salaried employees, whose personal finance management skills were analysed and an attempt was made to determine if it had any relation with their overall well being.

4.0 Objectives of the study

1. To determine the personal finance practices of population under study.
2. To analyse if personal finance management had any influence over well being of individuals.
3. To compare the level of well being of those keeping personal finance and those who do not maintain personal finance practices.
4. To determine the factors which influence an individual's well being or quality of life

5.0 Hypothesis

The hypotheses proposed for the study are as under:

H1: Personal finance management is practiced by the population under study.

H2: Personal finance management has a positive influence over one's well being.

H3: Improved quality of life is positively related with the performance of positive financial behaviours.

H4: Quality of life is positively associated with health, physical environment, money in hand, work life, personal relationship and leisure activities.

6.0 Methodology

6.1 Data collection

The population of the study comprised of 100 administrative staff of CUSAT whose designation varied from peons to section officers, in the age group of 27yrs – 54yrs, of which 44 were males and 56 females. 88% of the sample comprised of married individuals and only 12% single. 56% of the samples were post graduates, 24% graduates and 20% under graduates (table 3)

A 15 item schedule developed by (Winger 1993) was used to assess the personal finance management of respondents who were interviewed using this schedule, which consisted of questions assessing ones personal financial behaviours. Another set of 24 item schedule was used to assess the wellbeing of respondents in general. The World Health Organisation Quality Of Life (WHOQOL) scale was used for this purpose.

6.2 Variables

The variables for the study were operationalised as under:

6.2.1Financial behaviours: Respondents were asked to reply to binary questions (yes - 1 or no - 0) for 5 specific self-reported positive financial behaviours (e.g., "followed a budget or kept regular accounts " and "cut down on living expenses", "priority based spending plan", "clarity regarding short term financial objectives", "clarity regarding long term financial objectives"). Questions were also included to assess ones financial freedom, respondents' self-evaluation of all their financial behaviours with respect to investment plan, tax planning and retirement plan. The values assigned were always, often, occasionally, rarely and never.

In the analyses, the values were reverse-coded for convenience of reading the findings.

6.2.2Quality of life: To measure the aspects of quality of life, four domains were selected consisting of:

(i) Physical health,
(ii) Psychological health situation,
(iii) social relationships and,
(iv) Environment.

7.0 Data analysis

The SPSS package was used to analyse the various aspects of the study, necessary tools of analysis where used to test the hypothesis formulated. Multivariate analysis is warranted to take into account the endogeneity of some of the variables included in the study. Multiple regression analysis analyzes the variability of a dependent variable due to the separate and collective effects of two or more independent variables. Cross tabulation was applied to assess the relationship between demographic variables under study and personal financial behaviours of individuals.

To assess the personal financial behaviours of the sample under study, a scaling technique developed by (Winger B.J 1993) was used and the results are as shown in (Table1).

A five point rating technique developed by (Winger B.J 1993) was used to assess the personal finance behaviours of the sample under study. 15 elements were included in the scale to determine the financial practices of individuals. The values on the scale ranged from 1 to 5. The value 1 was assigned to the least favourable response and 5 to the most favourable response. Thus the average score was assigned as 3. So to determine personal financial habits, those individuals who scored above 45(the mean score ie3 for all the 15 questions) were considered to have personal finance practices and those who scored below 45 were considered as not having personal finance practices. Based on this rating scale the results indicate that about 64% of the population under study maintain good personal finance practices ie those who scored above 45 and the rest who scored below 45 were considered not having personal finance practices, which account for about 36% of the sample under study.

The cross tabulation results and mean scores indicate that 64% of the population have the habit of keeping regular accounts, while 36% fail to keep any personal finance records. Cross tabulation results clearly indicate that females have better financial behaviours than males(Table2).The demographic variable 'Age' had significant relation to personal finance habits. Age groups 40-50 and above 50 exhibited better personal financial behaviours. The demographic variable marital status indicate that married couples had better financial practices than singles. The results indicate that educational qualifications and personal finance behaviours had no significant relationship. Individuals in lower income slabs exhibit better financial practices than those at higher slabs of income.(Table 2, Table3)

These findings lead to the acceptance of H1, as the analysis indicates that majority of the population under study have good personal finance practices. Thus HI: Personal finances management is practiced by the population under study is accepted.

In order to test the significance of personal finance behaviours on one's well being, correlation and one way ANOVA and regression test were applied and the results are given in the (Table4)

Personal finance behaviours were evaluated using the questions stated in the (Table4). An attempt was made to analyse if financial behaviours had any effect on quality of life of an individual. The one way ANOVA and correlation tests indicate that apart from the financial behaviours of, plan to increase income and decrease expenditure ($p=.812$, $p>.05$), prepare regular accounts ($p=.060$, $p>.05$) and investment planning ($p=.216$, $p>.05$), all other financial behaviours had a significance value ($p<.05$), which indicate that positive financial behaviours has a positive impact on quality of life.

These findings and results indicate that the personal finance behaviours and an individual's quality of life are significantly related. These findings help us to accept H2, which stated that personal finance practices have a positive impact on one's well being. H3 which states that improved quality of life is positively related with the performance of positive financial behaviours is also accepted with regard to the findings stated above. This result indicates that the maintenance of personal finance behaviours and well being of an individual does have a significant relation. Thus it can be summarised that, people keeping personal finance can have better quality of life as compared to those not keeping personal finance.

Multivariate analysis was used to study the relation of various domains of well being (quality of life). The variables were grouped into four namely:

(i) Physical health,
(ii) Psychological health,
(iii) Social relationships,
(iv) Environment

Various questions were included to test the significance of each of these four variables under study. The multivariate results are shown in (Table 5)

Multivariate analysis was conducted to analyse the significance of each domain of well being on an individual's overall well being. The results indicate that**,** Health evolved as the most significant factor in predicting one's over all well being. It included the following : (i)Activities of daily living (ii)Dependence on medicinal substances and medical aids (iii)Energy and fatigue (iv)Mobility (v)Pain and discomfort (vi)Sleep and rest (vii)Work Capacity. Work life and personal relationships also indicate to play a significant role in predicting one's overall well being. It is interesting to note that money and ones financial resources plays a very little role in determining one's overall well being.

Conclusion

The current study tried to establish the relationship between personal finance behaviours and domains of well being. The population under study comprised of 100 administrative staff of CUSAT, whose personal financial behaviours were studied. It was ascertained that about 64% of the individuals keep regular personal financial records, while the rest failed to keep any such personal records. The cross tabulation results indicate that females have much better financial practices than males and it also shows a positive association with age and marital status. While educational qualification and income from salary fail to show any significant relation with personal financial habits. Multiple regressions were used to test the significance; each domain has with the quality of life of an individual in general. The results indicate that health, work life and personal relationships of an individual affect his quality of life to a great extent, where as money seem to have no significant relation with quality of life in general. Under this population the individuals are salaried employees, having regular monthly income. Even those individuals who are at the lowest slabs of income, reported a fairly satisfactory quality of life and well being, one of the causes may be the attainment of regular and steady income, home ownership/ adequate asset position etc which need to be analysed in further studies. Another reason that can be generalised is that, individuals have adapted to their income levels and have equipped skills to manage their finances. As is seen in the analyses, that majority practice personal finance management which helps them to manage their finances better.

Apart from that, cultural factors too influence ones sense of well being, in India personal and family relationships are given due importance, moreover most of the individuals in Kerala enjoy healthy physical environment with respect to clean water, air etc which is an important aspect of ones quality of life. But it was often realised in the study that individuals at the higher slabs of income did not associate much satisfaction with life, and this aspect need to be analysed in depth.

Overall the results indicate that an individual's personal finance habits can help him achieve well being as long as it helps him to meet his basic needs. This sample established that income of an individual had very little influence on his well being. But his personal finance management definitely influences an individual's ability to manage his financial affairs better and thus achieve better wellbeing. There is a commonly accepted belief: Happiness or satisfaction with different aspects of our life, does not depend on what we have, but it does depend on how we feel towards what we have. We can be happy with little and miserable with much. Thus, one's love of money may play an important role and serve as one's frame of reference or standards in evaluating one's quality of life here (e.g.,Easterlin, 2006; Michalos, 1985).

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Tables

Table 1: Personal finance score of the sample.

		Frequeny	Percent	Valid Percent	Cumulative Percent
Valid	35.00	8	8.0	8.0	8.0
	36.00	4	4.0	4.0	12.0
	37.00	4	4.0	4.0	16.0
	38.00	4	4.0	4.0	20.0
	41.00	4	4.0	4.0	24.0
	42.00	4	4.0	4.0	28.0
	43.00	4	4.0	4.0	32.0
	44.00	4	4.0	4.0	36.0
	45.00	4	4.0	4.0	40.0
	46.00	8	8.0	8.0	48.0
	47.00	12	12.0	12.0	60.0
	49.00	8	8.0	8.0	68.0
	52.00	8	8.0	8.0	76.0
	53.00	4	4.0	4.0	80.0
	54.00	4	4.0	4.0	84.0
	55.00	4	4.0	4.0	88.0
	56.00	4	4.0	4.0	92.0
	57.00	4	4.0	4.0	96.0
	63.00	4	4.0	4.0	100.0
	Total	100	100.0	100.0	

Table 2: Personal finance management and gender difference

Gender	**Males**	**Females**
Maintain family accounts	32%	40%
Compare income and expenditure	32%	52%
Plan to increase income and decrease expenditure	32%	48%
Priority based spending plan	40%	44%
Tax planning	32%	52%
Investment plan	20%	24%

Table 3: Descriptive statistics of demographic variables

Particulars	N	Mean	Std deviation
Gender			
Male	44	1.454	.5036
Female	56	1.500	.5045
Total	**100**	**1.48**	**.5021**
Age			
Below 30	4	1	.00
30-40	32	1.5	.508
40-50	48	1.5	.505
Above 50	16	1.5	.516
Total	**100**	**1.48**	**.5021**
Marital status			
Single	12	1	.000
Married	88	1.54	.500
Total	**100**	**1.48**	**.5021**
Education			
under graduate	20	1.4	.5026
graduate	24	1.66	.4815
post graduate	56	1.42	.4993
Total	**100**	**1.48**	**.5021**
Monthly salary			
10000-20000	20	1.4	.5026
20000-30000	44	1.54	.5036
30000-40000	12	1.33	.4923
Above 40000	24	1.5	.5107
Total	**100**	**1.48**	**.5021**

Table 4: Correlations between personal finance practices and well being

		pf	wellbeing
pf	Pearson Correlation	1	.481
	Sig. (2-tailed)		.000
	N	100	100
wellbeing	Pearson Correlation	.481	1
	Sig. (2-tailed)	.000	
	N	100	100

ANOVA[b]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	11.215	8	1.402	6.333	.000[a]
	Residual	20.145	91	.221		
	Total	31.360	99			

a. Predictors: (Constant), retirement plan, tax planning, planning for non recurring expenses, plan to increase income and decrease expenditure, do you prepare regular accounts, priority based spending plan, compare income and expenditure, investment plan

Table 4: Correlations between personal finance practices and well being

		pf	wellbeing
pf	Pearson Correlation	1	.481
	Sig. (2-tailed)		.000
	N	100	100
wellbeing	Pearson Correlation	.481	1
	Sig. (2-tailed)	.000	

b. Dependent Variable: quality of life

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	3.842	.349		11.014	.000
	do you prepare regular accounts	.152	.107	.135	1.417	.060
	compare income and expenditure	.216	.054	.466	3.981	.000
	planning for non recurring expenses	.165	.041	.363	4.052	.000
	priority based spending plan	.226	.053	.438	4.281	.000
	plan to increase income and decrease expenditure	.011	.046	.027	.238	.812
	investment plan	.070	.056	.148	1.246	.216
	tax planning	-.116	.052	-.221	-2.220	.029
	retirement plan	.047	.062	.080	.762	.048

a. Dependent Variable: Quality of life

Table 5: Multivariate result of variables under study

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	4.974	.839		5.930	.000
	how satisfied are you with your health	.088	.076	.126	1.154	.041
	how much do you enjoy life	.074	.072	.107	1.034	.304
	how healthy is your physical environment	.048	.078	.068	.609	.044
	have you enough money to meet your needs	.008	.147	.007	.057	.455
	to what extent do you have opportunity for leisure activities	.122	.051	.274	2.360	.020
	how satisfied are you with your capacity to work	.012	.169	-.010	.069	.035
	how satisfied are you with your personal relationships	.150	.086	.191	1.752	.013

Dependent Variable: Quality of life