

**ROLE OF PERSONAL FINANCE MANAGEMENT IN DETERMINING
FINANCIAL WELL BEING AND QUALITY OF LIFE:
A STUDY AMONG GOVERNMENT EMPLOYEES IN KERALA.**

Thesis Submitted to
Cochin University of Science and Technology
for the Award of the Degree of
Doctor of Philosophy
under the Faculty of Social Sciences

by

RASHMI M.B.

Under the Supervision of
Prof. (Dr.) P.R. WILSON



**SCHOOL OF MANAGEMENT STUDIES
COCHIN UNIVERSITY OF SCIENCE AND TECHNOLOGY
KOCHI – 682 022**

August 2019

Role of Personal Finance Management in Determining Financial Wellbeing and Quality of Life: A Study among Government Employees in Kerala.

Ph.D. Thesis under the Faculty of Social Sciences

Submitted by

Rashmi M.B.

School of Management Studies
Cochin University of Science and Technology
Kochi – 682022, Kerala, India
Email: *mb.rashmi@gmail.com*

Supervising Guide

Prof. (Dr.)P.R Wilson

Professor
School of Management Studies,
Cochin University of Science and Technology
Kochi – 682022, Kerala, India
Email: *wilsonpudukkaden@gmail.com*

August 2019



School of Management Studies
Cochin University of Science and Technology
Kochi - 682 022, Kerala, India



Prof. (Dr.) P.R. Wilson
Professor (Retd)

Ph: +91 9446434061
email: wilsonpudukkaden@gmail.com

Certificate

This is to certify that the thesis entitled “**Role of Personal Finance Management in Determining Financial Well Being and Quality of life : A Study among Government Employees in Kerala.**” is a record of bonafide research work done by Ms. Rashmi M.B., Part-time Research Scholar (Reg. No. 4369) under my supervision and guidance. The thesis is the outcome of her original work and has not formed the basis for the award of any Degree, Diploma, Associateship, Fellowship or any other similar title and is worth submitting for the award of the degree of Doctor of Philosophy under the Faculty of Social Sciences of Cochin University of Science and Technology. It is also certified that all the relevant corrections and modifications suggested by the audience during the pre-synopsis seminar and recommended by the Doctoral Committee of the candidate have been incorporated in the thesis.

Place:Kochi-22
Date: /08/2019

Prof. (Dr.) P.R. Wilson
Supervising Guide

Declaration

I hereby declare that the dissertation entitled “**Role of Personal Finance Management in Determining Financial Well Being and Quality of life : A Study among Government Employees in Kerala**” is a record of the bona fide research work done by me and that it has not previously formed the basis for the award of any Degree, Diploma, Associateship, Fellowship or any other title of recognition.

Place:Kochi-22

Rashmi M.B.

Date: /08/2019

Acknowledgement

I thank God Almighty for giving me the strength and determination to successfully pursue this seminal work as part of my Ph.D research.

There are several persons who have helped me at various stages of this research. Words cannot fully convey the deep sense of gratitude I have for each one of them. And here I place on record my appreciation for their support and help in this long journey.

First and foremost I express my sincere gratitude to my supervising guide Prof.(Dr.) P.R. Wilson for his inspiring guidance, encouragement and support throughout the course of this work. With great respect I extend my whole hearted indebtedness and gratitude to him.

The guidance and support I received from Prof. (Dr.) Jagathy Raj, member of my doctoral committee is worth special mention and I am deeply grateful to him for his wholehearted support and rich guidance.

I am thankful to Prof. (Dr.) D. Mavoothu, Professor and Director, School of Management Studies, CUSAT and Prof. (Dr.) S. Harikumar, Professor and Dean, Faculty of Social Sciences for their whole hearted support and guidance.

I am grateful to all other faculty members in the department who selflessly helped me at different stages of my research work.

I am highly thankful to Dr.Sreejesh S., Assistant Professor, Indian Institute of Management (Kozhikode) for patiently helping me with the data analysis for the study.

I take this opportunity to acknowledge with thanks, the help I received from the library and office staff at different stages of my research.

Finally, I acknowledge the support of my family members, who were critical elements to the completion of this thesis. I am truly indebted to my husband Dr. Siju V.G. for being my pillar of strength all throughout these years and my two little sons Siddharth and Prathyush for being supportive at all times. I also acknowledge the support and encouragement I received from my parents and in laws alike for the completion of this work.

Rashmi M.B

Abbreviations

| | | |
|--------|---|---|
| US | - | Unites States |
| SWOT | - | Strength Weakness Opportunity Threat |
| GDP | - | Gross Domestic Product |
| GNH | - | Gross National Happiness |
| SQL | - | Subjective Quality of Life |
| WHOQOL | - | World Health Organisation Quality of Life |
| LQW | - | Life Quality and Well Being |
| UNESCO | - | United Nations Education Scientific and Cultural Organisation |
| OECD | - | Organisation for Economic Co-operation and Development |
| NDPH | - | Net Domestic Product of Happiness |
| EFA | - | Exploratory Factor Analysis |
| UGC | - | University Grants Commission |
| SD | - | Standard Deviation |
| AVE | - | Average Variance Extracted |
| CR | - | Construct Reliability |
| SEM | - | Structural Equation Modelling |
| AMOS | - | Analysis of Moments Structures Software |
| SPSS | - | Statistical Package for Social Sciences |
| PFM | - | Personal Finance Management |
| FWB | - | Financial Well Being |
| QOL | - | Quality of Life |
| RBI | - | Reserve Bank of India |

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"As an individual moves through the life cycle — from single life, to married life, to life with children, to retired life — wants and needs may change, but the necessity of having a financial plan will not" (Creviston et al., 1985).

1.1 Introduction

The great depression of 1930 shook the entire U.S. economy drastically. There was complete disruption of the economic situation, and even pushed people into extreme conditions where they had to struggle for subsistence. Further, in 1940, when the country was hardly recovering from its aftermath, the U.S. predicted that there would be another depression before 1948. This prediction added to the chaos and confusion existing in the economy.

At this juncture, Dr. George Katona, one of the founders of the survey research centre, of the University of Michigan, predicted that there would be inflation in America, based on a consumer survey. His rationale for such an argument was that the prediction made for another depression

was based on government and industrial expenditure alone. While the relevance of consumer spending and investment pattern was overlooked in the prediction made by the government. Amidst substantial criticism, Katona persisted in his view that consumers are essential as an independent factor. Finally, Katona's prophecy was held valid. This forced economists into believing that there existed a third factor, apart from government and industry, which influences the market: the financial behaviour of individuals. Katona was the first to advocate a link between economics and psychology and is known as the father of behavioural economics (Hosseini, 2011).

He conceived behavioral economics as a discipline within economics that was primarily concerned with the human element in economic affairs. This thought introduced a new stream of thought known as personal finance. This marked the birth of personal finance as an area of study.

Personal finance is concerned with individuals and household consumption potentials, both today and in the future, and is therefore driven by both income generation and wealth (Seddon, 2012). Personal finance is mainly concerned with the finance of individuals. It involves how a person generates his income and how he spends it or saves it for 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 (Rashmi,2018).

The scope of personal finance and the areas covered in it describe the depth of the subject and its implications on human life. This has created a lot of interest in research circles, compelling them to find out ways to improve personal finance management skills.

Financial matters are related to all spheres of personal and family life, and this is the reason why researchers always investigate financial issues. Numerous researchers have studied the impact of financial matters on personal and family life for years. Financial concerns and family relationships (Conger et al., 1990; Elder, Conger, Foster & Ardel, 1992; Thomasson & Lawrence, 1991), financial issues and substance abuse (Peirce, Frone, Russell, & Cooper, 1996), economic hardships and its psychological impacts, and financial problems and stress (Bruner & Cooper, 1991; Sporkowski, 1979) are just a few examples of research topics in personal finance. Significant areas of research are the identification of the characteristics of financial problems and financial wellness, the examination of financial difficulties of various groups, and the impact of financial matters on quality of life.

This certainly demonstrates that financial matters are one of the most critical issues in our daily life. This emphasizes the need for effective personal finance management. Personal financial management is *"the management of the personal and family resources to achieve financial happiness. Financial success is the achievement of financial aspirations that are desired, planned, or attempted"* (Garman & Fogue, 1997, p.4). Individual financial management includes a broad spectrum of activities, which include (a) long term and short term financial planning

(b) financial management of income and credit, (c) commercial practice through the purchase of housing, insurance, vehicles, and other durable and non-durable consumer goods and services including banking, insurance, and investment, and (d) financing for the future (Garman & Forgue, 1997; Kapoor, Dlabay, & Hughes, 1994).

1.2 Research motivation

An individual in his day-to-day life has to take several important decisions concerning his career, family needs, investments, and children's education. If they are not handled properly, they will hurt his financial structure. In the Indian context, making effective financial decisions become all the more critical because financial management is not just about an individual but about an entire family. In fact, in India, personal finance deals with the lifelong financial aspects of a family.

The break up of the joint family system has posed severe threats to the economic, social, and psychological aspects of the individuals. In the earlier days when the joint family system prevailed, there was a mutual interdependence that existed among the family members. Despite a large number of family members, the head of the family was able to allocate resources in a manner which was beneficial and adequate for all. Moreover, there existed a culture of "consuming what you cultivate." It was challenging to find a household without paddy fields to cultivate rice, and all the needed vegetables were grown fresh in the fields. Cattle and poultry animals formed part of the family, which provided for milk, meat, and eggs.

Apart from the means to finance the daily needs of the family, people then even had investment plans to meet their long term financial objectives in life, like marrying off a daughter. One such means to finance large financial requirements was the 'chitty' system.

1.2.1 Chitty system in Kerala: A brief overview

It is intriguing to uncover how financial intermediation existed in Kerala much before banks came into being.

Simcox (1894, p 568) in a remarkable account on primitive civilizations, covers the region of Malabar along with other areas. She quotes that "*the Dravidian Kuri, or lottery, is said to have been handed down from very ancient times, and it is still commonly resorted to by anyone desiring to raise a sum of money for some special purpose, such as a daughter's marriage.*"

These kuries (popularly known as chit funds today) evolved for over a thousand years and are perhaps the oldest forms of financial intermediation. The kuries emerged as a popular means of commercial trade due to the expanded spice trade in the Malabar region, which lead to the monetization of the economy. Thus a need was felt to develop a mechanism which would help to transfer funds to the one who needed it. This led to the development of the chit system, where members got funds on a rotation basis. A chit means, *a transaction whether called chit fund, chitty, kuree or by any other name by or under which a person enters into an agreement with a specified number of persons that all of them shall subscribe a certain sum of money (or a certain quantity of grain instead) by way of periodical installments over a definite period and that each*

such subscriber shall, in his turn, as determined by lot or by auction or by tender or in such other manner as may be specified in the chit agreement, be entitled to the prize amount (Simcox, 1894 p 568). In the absence of collateral, kuree was an exciting way to transfer money from surplus units to deficit units, which is seen as a significant role in the financial system as well. The kuree system practiced in Kerala was a social collection of people whose intention of forming such a group was to help those in immediate need to lump some money. In some instances, members purposefully didn't call a lot, to make funds available for the neediest. In other words, more than just being financial intermediation, this system was able to create a social bond among the members in the chit funds. There existed cooperation among the fellow villagers and harmony among the neighbours who were ready to help each other in financial turmoil.

But today the situation has changed considerably, and there no more exists a society which genuinely is willing to cater to the needs of the needy. The breakdown of the joint family system is yet another cause for the increased interest among salaried employees over financial matters.

1.2.2 Joint Family System

India is known to be a collectivist economy. Cultures with a collectivistic orientation emphasize the goals and interests of the group over those of individual members (Triandis, 1995). The judgements, behavior, and self-definition of individuals within such a tradition are expected to reflect the wants, values, and expectations of the larger group (Markus & Kitayama, 1991; Triandis, Bontempo, Villareal, Asai, &

Lucca, 1988). Perhaps the most salient domain for the expression of these values is the family. A critical aspect of a collectivistic ideology is a strong concern for the fate and well-being of one's kin and family members. Collectivistic cultures often are expected to support each other and to assist in the maintenance of the household (Kagitcibasi, 1990; Lee, 1983; Triandis, 1990). The needs of the family usually have priority, and individual members often are asked to downplay their own needs and desires if they conflict with those of the larger family. Collectivism was promoted through the extended family structure in India. Extended family structure or joint family structure has been a vital family orientation in the country.

Family is considered to be the centre of social organization in India (Choudhary, 2001). Lamb (2011, p.501) defines a joint family as '*any multigenerational household including at least one senior parent and one married adult child (generally a son) with a spouse.*'

A joint family consisted of many generations of people living together in the same house, all bound by the common relationship. Elderly and young all found a place in this family structure. There was everyone for anyone. The grandparents acted as a supporting cushion for the grandchildren and all others alike. In other words, a house was self-sufficient in all means, both economically and psychologically.

But now the situation has changed drastically. Industrialization, urbanization and educational expansion have brought about a sharp decline in extended families, and as a result, there has been a sudden rise

in the contemporary nuclear families (Bongaarts, 2011). There has been a significant increase in nuclear families in India over the past few decades. This change has brought about a drastic reformation of the society at all levels. The breakup of the joint family set up has posed severe psychological issues. Though the number of members in the families has decreased, there has been a substantial increase in family problems. Finance which was managed collectively among a group of individuals, now rest in the hand of a single individual, who have to make effective decisions. There is no elderly support to check whether we are on the right track or not. Everything has to be managed by a single person, which makes financial matters all the more complicated today. Thus it emphasizes the importance of personal finance management in the current scenario.

"Management of personal finance is a vital factor determining the prosperity of a family" (Perude and Robinson, 1999). Proper financial planning helps to bring in financial discipline in the family. In short, it can be summed that personal financial management has a direct link with the quality of life of individuals. The literature exploring the relationship between financial planning and well-being though scant, is today, gaining importance. For example, (Smith 1997; Wenzlow et al. 2004; Headey and Wooden 2004 and Headey et al. 2008) all explore the relationship between net worth and subjective well-being. Similarly, (Drentea and Lavrakas 2000; Brown et al. 2005 and Lenton and Mosley 2008) explore the association between well-being and debt. The majority of studies report a strong inverse relationship between debt and well-being; however, the direction of causality remains unclear.

A range of studies has investigated the relationships between people's financial situation and well-being. Joo (2004) conceptualized financial wellness as a level of financial health. It includes contentment with material and non-material aspects of individual financial situation, perception of financial stability and the amount of material and non-material financial resources that each individual possesses. It is believed that money is a significant component in predicting one's happiness or well-being in general. Through effective personal finance management, an individual can attain financial satisfaction, which plays an essential role in determining the overall quality of life. Diener and Biswas-Diener (2002) argue that financial satisfaction can be seen as a "mediator" between income and happiness. Since life satisfaction is influenced by many factors other than income, while financial satisfaction has income at its core. Several works have been conducted in this area to find if there is any relation between these two variables.

Enhancing the quality of life is regarded as one of the highest human and societal goals (Krau, 1985; Oswald, 1997). Sociological research measures quality of life by both objective and subjective indicators. Objective indicators are external to the individual and comprise of material living levels such as income and nutrition. Subjective indicators measure how individuals evaluate their quality of life (Easterlin and Angelescu, 2009). They are usually summarized under the term "subjective well-being" and conceptualized as either happiness or life satisfaction (Cummins, 2000; Diener and Biswas-Diener, 2002). A fundamental question for social policy is whether economic growth

enhances subjective well-being (Arthaud-Day & Near, 2005; Oswald, 1997). On the one hand, higher-income increases the possibilities to satisfy human needs by providing more nutrition, better health, higher financial security, more exciting jobs, and other benefits (Diener and Biswas-Diener, 2002). Cross-sectional analyses and international comparisons empirically support a positive effect of income on subjective well-being (Diener & Biswas-Diener, 2002; Easterlin & Angelescu, 2009). It is stronger in emerging countries, where small income increases can make the difference between life and starvation (Easterlin, 2005; Easterly, 1999). On the other hand, rational expectations quickly adapt to changing circumstances (Easterlin, 1995). Easterlin (1973, 1974, 1995, 2001, 2005) argues that this adaptation effect completely offsets an increase in income and prevents subjective well-being from changing, at least in developed countries. Through his study, he concluded that aggregate income has no impact on personal well-being. This phenomenon became to be known as the "Easterlin paradox" because it is counter to the observed fact that humans pursue higher incomes, even in developed countries (Ahuvia, 2008; Arthaud- Day and Near, 2005). The Easterlin paradox sparked a discussion between sociologists who support (Di Tella et al., 2001; Hagerty and Veenhoven, 2000; Oswald, 1997; Veenhoven, 1991, 1998) and deny (Ahuvia, 2008; Easterlin, 1973, 1974, 1995, 2001, 2005; Easterlin and Angelescu, 2009; Krau, 1985) an impact of economic growth on subjective well-being. Easterlin and Angelescu (2009) asserted that cross-sectional analyses and simple correlations attributed contradictory findings. They opined that simple relationship

does not capture any information regarding the timing of events, and thus, longitudinal study should be preferred.

The relevance of aspirations and comparison effects to individual well-being have been demonstrated in smaller-scale studies of individual behaviours across a range of contexts ranging from the U.S. to cities in Latin America to regions in Russia. (Kingdon & Knight, 2007; Graham & Felton, 2006; Luttmer, 2005).

Cummins (2000), in his study, exhibits in contrast to previous reviews of this area, that there exists a strong relationship between personal wealth and Subjective Well-being. Studies also find that income explains variance in Subjective Well-being. Income and an individual's level of subjective well-being is an area which has controversial views points. Therefore, this area of interest needs further research and analysis (Kokko & Pulkkinen, 1998; Schulz & Decker, 1985).

In the Indian framework, more particularly among the salaried employees, it's the management of one's resources in hand, which counts more than the income level. And it's here, that personal finance management becomes important. A salaried worker is one who has a single source of income at hand. From this single source, money needs to be allocated in such a manner that needs of his entire family, which would include his spouse, children, and parents are met. This makes things all the more complicated for a salaried employee. In this state, he needs to excel the art of effective financial management, and thus, personal finance management becomes all the more critical for a salaried employee.

Personal finance attempts to equip people with the art of financial management to lead a fulfilled life. As stated above, many studies have compared one's income and well-being, but very few attempts have been made to relate personal finance management and one's overall level of well-being. An evident research gap exists in the study of this relationship. This study is an attempt to explore this relationship and highlight the association between personal finance management, financial well-being, and quality of life.

1.3 Significance of the study

In the existing economics literature, two strands have developed, one concerned with the aggregate level of well-being in the economy and the other with the determinants of well-being at the individual level. The first person to use subjective measures of well-being in the economics literature was (Easterlin, 1974). He observed that; despite increasing levels of GDP across time, the aggregate level of well-being in an economy does not appear to increase. However, within a given country, individuals with higher income reported higher levels of well-being. Since this study, there has been a significant increase in the number of articles which exploit subjective measures of well-being. Dolan et al. (2008) opine that a household's financial position could potentially have a significant influence on the well-being of individuals. In India, household finance management is crucial to the existence of the nomenclature called 'family.' In India, personal finance takes the form of family finance, which, rather than understanding the needs of an individual, tries to accomplish the goals of the family.

Zmyslinski- Seelig (2016) in her study, states that poor financial management and communication are associated with adverse outcomes. The findings prompt to device theoretical perspective with the ultimate goal of providing better financial management techniques to both couples and practitioners. Poor financial practices have concerning implications.

Taylor, Jenkins, & Sacker (2009) found a strong association between financial incapability and psychological instability, including higher mental stress, lower life satisfaction, and health issues such as anxiety/depression.

Thus this study attempts to analyse the effect of personal finance management on financial well-being and quality of life at large.

1.4 Statement of the problem

There is possibly no decision-making domain that has more considerable significance and repercussions than decisions involving personal finance (Hershey, Austin, & Gutierrez, 2015). Making sound personal financial decisions throughout adult life is one of the keys to individual self-sufficiency, independence and quality of life (Hershey et al., 2015). Humans live for three periods: youth, prime earning years, and retirement (Bodie, Treussard, & Willen, 2007) and throughout these stages, personal financial management influences quality of life significantly. In India, parents undertake the responsibility of bringing up their children in the best manner possible. Looking after the needs of children is their *dharmic* duty as parents. Various decisions need to be taken in this regard like education, occupation, marriage, etc. And all these aspects of life involve vast amounts of investments (Wilson, 2006).

Hence for a salaried employee, the significance of effective personal financial management is manifold as his income is limited and steady. A large majority of government employees are facing problems of the inadequacy of income, rising cost of living, insufficient savings, and investments and growing debts (Joy, 1997). In this scenario, a salaried employee must plan his financial resources effectively so that he can progress and fulfill the desires of his own and his family. Thus the crucial questions here are:

1. "Do demographic and social-economic factors influence Personal Finance Management in the Indian cultural context?"
2. "What are the dimensions of Personal Finance Management and Financial Well Being in the Indian cultural context?"
3. "Will Personal Finance Management influence Quality of Life of individuals?"
4. "Will Personal Finance Management influence Financial Well Being?"
5. "Are Personal Finance Management, Financial Well Being, and Quality of Life interrelated?"

This study is a sincere attempt at bringing out the relation between personal finance management, financial well-being, and quality of life.

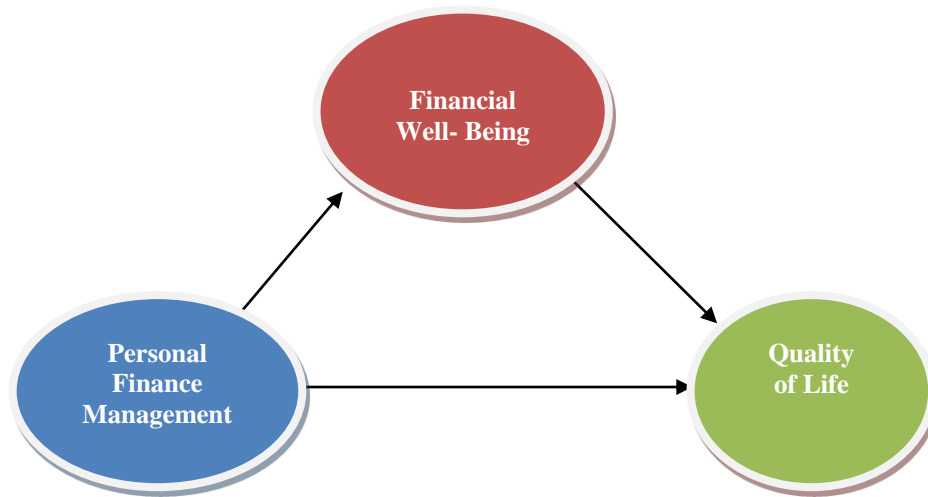


Fig 1.1 Research model of the study

1.5 Research Objectives

In order to address the gap in research that exists, regarding the conceptualization and operationalisation of personal finance management, the purpose of this research is twofold. First, to identify different aspects connected with personal finance management and its link to financial well-being and quality of life. Second, to develop a model through empirical testing and validation. Thus, The above primary objectives can be summarised as under:

1. To study the variations in Personal Finance Management with respect to significant demographic and socio-economic variables.
2. To explore the dimensions of Personal Finance Management and Financial Well Being in the Indian cultural context.
3. To examine the influence of Personal Finance Management on Quality of Life.

4. To study the influence of Personal Finance Management on Financial Well Being.
5. To investigate the mediating role of Financial Well Being in the relationship between Personal Finance Management and Quality of Life

1.6 Organisation of the thesis

The thesis is organized under six chapters. The current chapter begins with the introduction of the research, followed by the motivation of the research, the significance of the study, and concludes with a problem statement and objectives of the research study.

Chapter 2 is primarily devoted to the review of literature in the personal finance management, financial well being, and quality of life relationships and its related arena, followed by the identification of research gaps.

Chapter 3 deals with the theoretical framework of this study.

Chapter 4 presents the details of the research methodology used for the study, which includes the qualitative methodology for conceptual model development and quantitative methodology to test the hypotheses.

Chapter 5 details the data analysis of the study undertaken. It has been divided into two parts, one concentrating on the demographic profile of respondents and the second, dealing with the conceptual model testing and details the results of hypothesis testing.

Chapter 6 presents the discussion of the results, the limitations associated with the present study, and potential avenues for future research.



Chapter 2

REVIEW OF LITERATURE

Section I

- 2.1 *A brief history of personal finance management*
- 2.2 *Indian Philosophy: A Brief overview*
- 2.3 *Vedic literature on personal finance*
- 2.4 *Personal finance in India*
- 2.5 *Importance of Personal Finance in India.*
- 2.6 *Consumer Finance and Personal Finance Management*
- 2.7 *Studies on the important aspects of personal finance management*
- 2.8 *Studies conducted in India*
- 2.9 *Definition of Personal Finance Management*
- 2.10 *Personal finance management and its dimensions*

Section II

Financial Well Being

- 2.11 *Concept of Financial Well Being*
- 2.12 *Studies on financial well being*
- 2.13 *Dimensions of Financial Well Being*

Section III

Quality of Life

- 2.14 *Concept of Quality of life*
- 2.15 *Definition of quality of life*
- 2.16 *Dimensions of Quality of life*
- 2.17 *Studies on quality of life*
- 2.18 *Research Gap*
- 2.19 *Chapter Summary*

The review of literature for the study has been divided into three sections. In the first section, the history and evolution of personal finance management as a subject is discussed. The section, further discusses vedic literature on personal finance management in India, studies related to consumer finance and personal finance management, various definitions of personal finance management, and finally, the dimensions of personal finance management are detailed.

The second section is devoted to financial well being, which is conceptualised as the mediating variable of the study. In this section, conceptualisation of financial well being is provided, focusing on the reviews on financial well being. Further, the section also discusses the definition of financial well being and the dimensions of financial well being.

The third section begins by bringing in the conceptualisation of quality of life, followed by studies on quality of life, definitions of quality of life, and summary of literature reviewed on quality of life. The chapter finally ends by establishing the research gap for the study.

Section I

2.1 A brief History of Personal Finance Management

Personal finance, as a subject originated in the United States. It all began with the prediction made by the U. S. economists who forecasted a depression in 1948, taking into consideration the spending by the Government and the Industry. But, George Katona predicted inflation, based on a consumer survey. In the survey, he found that there was

increased spending of money on consumer durables, and he forecasted that it would continue in the near future. His prediction turned out to be true: in 1948, the U.S had inflation instead of depression. Thus, economists identified a third factor after Government and industry: the financial behaviour of individuals, which forced the economists to study and infer financial behavior of individuals. This gave birth to personal finance as an area of study.

Ever since the birth of this subject, economists have paid due attention to the aspects related to human behaviour. The subsequent financial crisis in and around U.S and other parts of the world is evidence that human beings do not always make rational financial decisions. It also indicates that often the market is not necessarily self-regulating and corrective of any imbalances in the economy (Ariely, 2009).

Moreover, it was seen that every year, the U.S had graduates entering the working force whose students' debts were large. These loans often made it difficult for them to buy a home of their own, or start a family and even posed a risk to their future employment as many companies did not hire people with large debts (Blanton, 2011). This could be the reason that the importance of providing finance education was recognized in the U.S. long back. The establishment of Wharton school of business (which was initially known as Wharton School of Finance) in 1881, is an evidence to the fact that financial education was given due importance in U.S. Today there are more than 30 universities in America providing personal financial literary courses in undergraduate programmes (Crain, 2013).

In a recent report by Fidelity Investments, 2018 based on a study conducted by them on financial resolution, report that for the 10th consecutive year, the top three financial resolution among Americans consist of 'To save more' (reported by 48%), 'To pay down debts' (reported by 29%) and 'To spend less' (reported by 15%). This provides evidence to the fact that personal finance education is of utmost importance in the U.S.

Considering the situation in India, personal finance may not have emerged as a refined and structured subject as in the U.S., but even without a course and syllabus on the subject, people in India tend to manage their financial resources in a much better manner than in any other country. The proof of this even exists in the reports provided at the national level.

The undistributed financial stability of India during the financial crisis of 2008 is an example. Not just at the national level that India has held its financial stability. At the individual level, too people tend to manage their resources in a much better way. This is mainly because almost all aspects of the Indian culture is linked to religious belief and values. The religious and cultural beliefs in India form an integral part of the Indian philosophy and often helps individuals to live within their limits.

2.2 Indian Philosophy: A Brief overview

Ramanujan (1989), in his informal essay point out that 'it is only the west that is materialistic and rational, in India matter is subordinated to spirit, rational thought to feeling and intuition.'

In a similar study by Mulla & Krishnan (2006) on karma yoga, point out that Indian philosophy believes in duty orientation and absence of desire for rewards. They point out three central beliefs of Indian philosophy — first, the belief in karma theory. Second, in the existence of a permanent entity called Atma or soul. Third the doctrine of Mukti or salvation.

Kapur (2012) in his study points out that Indian philosophy focuses on austerity and creative, uncomplicated day to day living, while on the other hand, America emphasises on material acquisition and the limitless pursuit of prosperity.

Nath (2017), in his study on Indian philosophy, says that human life always strives towards freedom, duty, wisdom, and well being. He claims that Indian philosophy is the art of living a tranquil and serene experience. He further says that Indian philosophy is both materialistic and spiritualistic as both matter and spirit are necessary for human life. He more also compares Indian philosophy with the western philosophy and argues that many scholars have described that the goal of western philosophy is the acquisition of knowledge, whereas the acquisition of education in India is considered to be a means to self-realization (moksha), which is possible only through spiritual activities. He further says that self-realized being dedicates his life for humanity and social well being. The Indian value system is based on the classification of purusarthas (human ends) into artha (wealth), kama (pleasure), dharma (moral and religious virtue) and moksha (self-realization). He finally concludes that Indian philosophy suggests many different ways to live a

good life, as the deeds in our current life have an influence on one's next life, and thus even rebirth is moralized.

In another study by Kou, Mulder & Bailey (2017) they point out the importance of 'family' in immigrants life. They point out that in Indian society, family values are highly honoured, whereas in western culture, the individual is central.

2.3 Vedic literature on Personal Finance

India is a culturally rich place, with umpteen numbers of religious beliefs and values. The majorities of the population in India follow Hinduism and are popularly known as Hindus. The Hindus, sometimes refer to their religion as 'Sanatana dharma,' the eternal religion or law (Firth, 2005). According to Hinduism, all are born into a particular class or varna. The four *varnas* are *Brahmin* (priests), *kshatriyas* (warriors and kings), *vaishyas* (merchants and traders), and *Sudras* (peasants, labourers). These *varnas* are subdivided into occupation-based castes (*jatis*).

Each caste has its *dharma* or social and ethical code for behaviour. *Dharma*, "righteousness, morality, or virtuous conduct" (Zaehner, 1966) also informs personal morality and family roles: "Thus . . . all the activities of the individual are fundamentally religious, and there is no aspect of life which can be divorced from *Dharma*." (Zaehner, 1966) Closely related to *dharma* is the concept of *karma*, a causal law in which all moral or immoral acts and thoughts have consequences in the next life.

Good *karma* leads to a good rebirth or release, and bad *karma* to an unfortunate rebirth.

Suffering can be explained in terms of past *karma*. Another relevant term, *ashrama*, refers to four stages of life: student, householder, forest dweller (when one has grandsons), an ascetic or *sannyasi*. Throughout these stages of life, personal finance management has a significant role to play. As it is believed that only if we fulfill our duties in our different stages of life, will we be able to attain salvation or *Mukti*.

According to the Arthashastra, there are four ends to a productive and moral life. These are moksha (salvation), dharma (ethics), Artha (money), and kama (pleasure). These four qualities are also preserved in the Vedic tradition (Sharma, 2005). Thus money is one of the four most important attributes. The importance of money in Hinduism is reinforced by the place assigned to Lakshmi, the Goddess of Wealth, who is the wife of Vishnu, the God of Preservation. Diwali, one of the most celebrated festivals of Hinduism, reveres Ram, an incarnation of Vishnu. But on this day prayers are also offered to Lakshmi devi. Hindu traders begin new year at Diwali after offering prayers to Lakshmi devi. Hinduism also recognizes the mercurial nature of money and the need for Lakshmi to move: she should therefore not be hoarded but passed on.

In India due importance is given to family and blood relations. Though people are in search to enhance their achievements, the utmost goal of an average Indian is to improve the well being of his family at large. This is soul reason for even the highly educated Indians to be

concerned about their children's education, about their future likely marriage expenses, etc. In fact, he lives more for his family than for himself (Wilson, 2006).

2.4 Personal Finance in India

Finance energizes life. It is "The" factor which ensures the existence of an organization. The study of financial management enables one to understand the basic concepts of managing this scarce and essential resource. Be it an individual or an organization, the management of finance is a must, as it empowers one to utilize, maximize, and ensure the subsistence of life. *'The day begins with checking how much one has in one's pocket and ends with as to how much has one been able to add'* (Agarwal, 2002). The financial debacles in the last decade and the growth of trade and internationalisation have made the study of financial management a vital component. Starting from the emergence of this resource, as a medium for business from Vedic periods to the westernized way of governance has put forward the need, relevance, and the role it plays in the society. These have made nations emerge and dissolve. Financial strength has been a non-defeated resource for reaching heights (Agarwal, 2002). From an organizational perspective, a higher risk is associated with higher profits; this notion makes finance inspiring and exciting but also challenging and sometimes perplexing. This fact is not different in the case of individuals too. Thus personal financial planning becomes essential, especially for a salaried employee, who has a single source of income and multiple ends to meet. Therefore, for a salaried employee, it is essential to learn the art of personal financial planning as it helps him in acquiring practical wisdom in managing finance.

Learning, through experience, to judge the particular details of the situation, to understand the context in which the decision must be made, to think clearly with discrimination about the means necessary to secure the chosen goal: these are all specific tasks, for which we can only prepare ourselves by the disciplined acquisition of practical wisdom. (Ashta & Hannam, 2014).

People of each country possess a distinct “national character” (Clark, 1990). India as a country is heterogeneous, it is surrounded by subcultures, values, norms, and beliefs, and it is often difficult to identify a common thread of value in India (Banerjee, 2008). India is a country rich in ceremonial greetings (Banerjee, 2008). *For example, Indian weddings are still very elaborate and pompous. Women take pride to flaunt their collection of jewellery, which travels generation to generation in spite of her modern progressiveness* (Banerjee, 2008). It indicates the necessity to have adequate personal finance management to satisfy daughters marriage dreams.

Similarly, possessing a house in India is not just about acquiring an asset. It is more about having a home to spread joy with the family, and this aspiration constitutes the single most substantial investment in an individual's life (Aslam, 2008). Since family bonds are stable in India, the importance given to children's upbringing and education cannot be undermined, thus from every angle of life, the importance of personal finance management in India, gets reinforced.

2.5 Importance of Personal Finance in India.

India is seen as a collectivistic economy (Hofstede, 1980). It emphasizes that individuals in India like to lead a life filled with people, individuals see themselves as an integral part of their family (Banerjee, 2008) and often make decisions for the betterment of the family as a whole, rather than concentrating on individual needs. In India, personal finance management plays a very prominent role. Family is of dominant concern for most Indians (Mandelbaum, 1970). This trend is also true among Asian Indians and Indian immigrants, noting that possessions brought more prestige to the family than to the individual (Mehta & Belk, 1991). Role of the patriarch is very crucial in Indian society. Because of spreading out of income generation units at random; family members are forced to part from their parents. But, mentally still, they are close to each other. So, the relationship is of prime concern. In India, people search security and prestige within the confines of the near and dear. Individual responsibility of the head of the family is much more, but this thrust on relationship gives security and identity. Ownership pattern travels through generations. Value system transmits through elder members by word of mouth or by placing them as role models. Strive for personal space is not in top priority (Banerjee, 2008). Indian society is not hardcore competitive. More harmonious and less comparative, people believe in group performance. Performance through consensus is underline assumption of the community. People strive for individual achievement, but they are also ready to share it with others. Social hierarchy structure is robust. Age-wise and income-wise divisions are both present. Changes are welcome, but incremental change with the right balance between old

and new ideas is acceptable. In Indian society, social acceptability has greater importance than individual accomplishment. “Where from I?” is more important than “What am I?”. It can be thus concluded that, in the core value system of India, success is enjoyed from the perspectives of a group than an individual. Concern for group welfare is considered as a fundamental virtue for all class of people. Concern and consideration for others has been given the highest place. In India, the elderly are socially engaged and this helps them to renovate their thought process. This lifestyle has been responsible for their happiness and longer life (Krishnan & Mahadevan, 1992). Role of values on a person's happiness is fundamental (Stevens, 2000). Though materialistic gain is not the prime route of ensuring satisfaction, yet the average Indian takes steps to maximize his gains. He takes calculated risks in terms of investment, expenditure, and advancements (Pande, 1990).

In India, irrespective of social hierarchy, people are spiritually aware and more inclined towards religion (Peter, 2002). People believe in their own faith and often failures are streamlined on the notion that, these are pre determined and cannot be altered. The advancement in technology could not play a significant role in changing the belief that there is a supreme power which rules the entire universe.

Despite the changes in cultural values, yet it is often seen that many aspects of Indian culture are still the same (Peter, 2002). This emphasizes the importance people provide to the family as a unit of dwelling and more importantly, as a unit of belonging and well being. It is also notable that almost all aspects of family involve financial investment,

and therefore, personal financial management becomes inevitable in India.

2.6 Consumer Finance and Personal Finance Management

'Consumer finance is concerned with the study of how institutions provide goods and services to satisfy the financial functions of the household. It also considers how consumers make financial decisions and how government action affects the provision of financial services' (Tufano, 2009). In simple terms, consumer finance refers to how households use financial instruments to attain their objectives. Tufano (2009) classifies the primary functions of consumer finance as Moving Funds, Managing Risks (connected with insurance, savings etc), Advancing funds from future to today (consisting of secured and unsecured borrowings), Advancing funds from today until a later date involving investments and savings for future like retirement planning, social security planning etc. The broad definition of consumer finance is an evidence that it is a wide area covering a variety of decisions affecting the individuals and household financial decision making both having short term and long term consequences.

A range of studies covers topics related to the areas stated above, the following section details the study conducted in these areas.

In the study conducted by Haunty (1993), he points out that the sources of many financial management problems can be traced to five Ds of financial negligence. They are Disorganisation of economic decisions, Lack of Direction, lack of Deficit Spending, Disclaiming professional advice, and non Diversification.

Lusardi (2012) points out that '*financial literacy is an essential tool for anyone who wants to be able to succeed in today's society, and make sound financial decisions and ultimately be a good citizen*'.

Shiller (2013) in his paper titled 'Finance contributing to good society' points out that finance is derived from the Latin word 'finis' meaning the end. He emphasizes that finance is the science of achieving personal ends or goals. In his paper, he insists that finance is an enabler of a broader spectrum of social goals.

The importance of finance is acknowledged in all spheres of life, and thus numerous studies have been conducted on the importance of financial literacy, some of the studies have been detailed below:

Crain (2013) insist on the importance of providing financial literacy at the graduate level as it is essential in dealing with day to day life especially managing debts, equipping skills to create and maintain a budget and learn the importance of saving for future. She further points out that financial literacy programmes should be introduced at the elementary level and expanded in high schools and further reinforced in college.

In a similar study, Brau, Nielson, and Sudweek (2015) opine that personal finance education is not just about learning finance and accounting. It is more than just a change in spending habits; instead, it calls for a change in behavior. In order to facilitate the students with the art of personal finance management, the authors opt for exposing them to experiential learning, which consists of goal setting, personal finance

statements, budgets, spending plan, tax planning, cash management, credit reports, student/ consumer loans and debt reduction, insurance planning, money and relationships, investment planning, retirement planning, estate planning and will. The students' reception of this approach to teaching was reported to be positive.

Martinez (2016), in his paper, emphasize the importance of providing personal finance education to college students. He designs a course both incorporating business and individual perspective. The contents which are discussed at the business level are tried to be analyzed from the individual perspective. For example, with regard to teaching about the financial environment, from a business finance perspective, topics related to maximizing the value of the firm are taken by adding investment decisions that add value to the firm and minimize the firm's cost of funding. While when learning this concept in personal finance, the emphasis is given to individuals to plan their financial future by distinguishing between needs and wants and preparing a budget. This attempt is an innovative way of introducing personal finance topics to students, which automatically shows the importance of a personal finance course.

The literature on money management, show evidence that individuals who manage their money, by taking responsibility of their finances report to have more financial satisfaction and less financial stress (e.g. Dowling, Tim & Hoiles 2009; Joo & Grable, 2004).

2.7 Studies on the important aspects of Personal Finance management

Personal Finance is a broad area considering a wide range of financial decision from an individual perspective, consisting of personal financial planning, budgeting, preparation of financial records, aspects related to income and expenditure, personal savings and investments, personal and property insurance, personal liabilities and credit management, tax planning retirement planning and estate planning.

Personal finance is concerned with the procurement of finance and its utilization for the achievement of a person's goals. In the Indian context, personal finance management is concerned with the completion of family objectives. According to Creviston, Hashmi, Hoban, & Hoban (1985) the eventual objective of personal finance is to enable the households to lead a happy life after achieving financial security and financial freedom of the family. Personal finance has many facets such as assessing the total volume of family commitments, deciding specific assets, properties, or investments to be acquired and finding out the sources of funds. Ultimately, it is an exercise of equalizing sources of funds with the application of funds or vice versa (Loganathan, 1997).

Personal finance covers the entire spectrum of family finance, and it includes the following:

2.7.1 Personal financial planning

Personal financial satisfaction is the consequence of a structured process referred to as personal financial planning. Every family differs in

its financial position. Thus it is essential to make a SWOT analysis of the family's financial resources in hand, keeping in mind the specific needs and goals. "*A comprehensive financial plan can enhance the quality of your life and increase your satisfaction by reducing uncertainty about your future needs and resources*" (Kapoor et al., 1999).

Personal financial planning helps to use financial resources effectively by avoiding excessive debt and bankruptcy. It helps in providing freedom from financial worries and thereby attaining personal financial goals. It is also acknowledged that personal financial planning is needed because of inflation, rising life expectancy, and break down of the joint family structure (Thomas, 2008).

Number of studies have been conducted in the area of personal financial planning, specifically about the insurance sector. In the study conducted by Webb & Hawk (1988), they conclude that financial planning among individuals is restricted to life insurance, through individual agents of insurance companies, who do not follow any fee structure. They also point out that people are more interested in insurance use than in stock and bond investment.

In a similar study by Healy (1985), he highlights the importance of insurance agents in providing guidelines for financial planning to their agents. The author defines personal financial planning as '*the total financial profile of an individual and his or her family.*' He also points out that personal financial planning covers areas of risk management, investment supervision, tax planning, employee benefits, retirement planning, and estate planning.

In a recent study by Mahapatra, Raveendran & De (2017) define personal financial planning as '*a process of shaping all types of future financial needs efficiently.*' They identified six components of personal financial planning, i.e., cash flow management, investment planning, insurance planning, tax planning, retirement planning & estate planning.

2.7.2 Budgeting

Managing money is one of the most critical factors in financial capability and falls apart into making ends meet and keep track of expenses (Atkinson, Mckay, Kempson & Collard, 2006).

'A budget is a tool to ascertain cash inflows and to determine how an individual and his family can best meet financial obligations and attain financial goals by allocating cash outflows' (Guthrie & Nicholls, 2015). It is always important to live within our means, and a budget can be used as a tool to accomplish this objective. Guthrie & Nicholls (2015) assert that a budget protects us from entering into financial crises and help ensure that our money goes towards what is essential for us.

Martinez (2016) points out in his study that skills like budgeting, savings for future, and understanding credit are essential methods to avoid a financial crisis in individual lives.

It is a well known fact that people who budget and control their money are more careful and meticulous than those who do not (Shafer, 2000; Gasiorowska, 2013). They are also financially responsible, good at monitoring their finances (e.g., at estimating the amount they have in their pockets or in their bank accounts), and have higher financial literacy (Sohn, Joo, Grable, Lee, & Kim, 2012).

This area of research has gained much significance today and is often connected to mental accounting, which is widely studied incorporating mental budgeting, current income, current assets and future income (Mahapatra et al., 2017).

Antonides, Groot & Raaij (2011) state that mental accounting refers to the psychological separation of economic categories. It is the process of how people deal with money and expenses. It is practiced to keep control of household finance, especially when financial means are limited.

2.7.3 Personal Financial Records

In order to manage personal finance effectively, it is crucial to know the present financial position of the family. Assessing the financial situation is usually done by compiling two important personal financial statements. These statements are simplified versions of corporate balance sheets and income statements viz *personal balance sheet* and *personal income and expenditure record*. A personal balance sheet provides the financial position of an individual as on a particular date. The personal income and expenditure record contains a clear idea about the sources of funds (income) and the applications of funds (expenditure).

2.7.3.1 Personal Balance Sheet

It describes the financial position of an individual as on a particular date. Unlike the corporate balance sheet, in the personal balance sheet assets are shown on the left side and liabilities on the right side. A Sample Balance Sheet is given below:

| ASSETS | AMT | LIABILITIES | AMT |
|---|-----|---|-----|
| Cash in hand Cash at bank | | Rent, Taxes, Unpaid Bills, Insurance premium, others | |
| Investment in shares, debentures, Mutual Fund, Life insurance | | Installments on Loan due on (i) Automobiles. (ii) House (iii) others | |
| Annuity | | Other Loans | |
| Investment in shares, debentures, mutual fund, Life insurance etc | | | |
| Annuity | | | |
| Investment in Real Estate | | | |
| Investment in Business | | | |
| House property | | | |
| Automobiles | | | |
| Other property | | | |
| Total Assets | | Total Liabilities | |
| | | Net worth of family (Total Assets – Total Liabilities) | |

Net worth (Total Assets – Total Liabilities). A family's net worth is the amount of actual wealth or equity owned by the family. Analysis of past years' financial status helps in understanding the financial progress of the family.

2.7.3.2 Personal Income Statement

The income statement consists of three parts – income, expenditure and contributions to savings and investments. Expenses are deducted from income to find out contribution to savings and investments. A sample income statement is given below:

| Particulars | Amount |
|--|---------------|
| INCOME | |
| Salary income of husband | |
| Salary income of wife | |
| Interest received | |
| Dividend | |
| Rent received | |
| Bonus or commission | |
| Total income | |
| EXPENSES | |
| Expenditure on food, clothing, housing, education, medical care, conveyance, social obligation, entertainment, personal habits etc | |
| Loan repayment | |
| Others | |
| Total expenses | |
| Savings & Investment (Income - Expenditure) | |

The advantage of preparing a budget is that it helps to compare our actual expenditure with the budgeted ones, and thereby facilitate control of spending. It also serves as a basis upon which upgraded and improved budget can be prepared for the coming year.

2.7.4 Personal Income

The critical factor ultimately controlling the quality of a person's life is the amount of income that he can expect to earn (Thomas, 2008). For a common man, personal income usually depends on his age, education, and career. It is generally seen that in the very initial years of earning, the family income is low as most of the members have just started their careers. Gradually it grows up to the age of 55 and then again

starts declining, as the earning members retire. Also, the level and type of education often influence the potential income of the individual. As the year's progress, families try to increase their money earning by engaging in multiple jobs, providing better education to members, etc.

2.7.5 Personal Expenditure

The income earned by families is spent on various commodities. The family members need to keep a constant check on them, so as to avoid unnecessary expenditure. Numerous studies conducted in these areas have been detailed below:

Guthrie & Nicholls (2015) in their study report that, it is essential to make a distinction between the nondiscretionary expenses and the discretionary expenses. Non- discretionary expenses need to be paid regularly. (For example loan payment, rent, health insurance, utilities, and food). Discretionary expenses represent items that arise from our desire or wants (For example need for food is non- discretionary, but the need to eat frequently in restaurants is discretionary). It is necessary to cut down expenses categorized to be discretionary. Moreover, the categorization of a need as discretionary or nondiscretionary may vary across individuals.

Gregg, Waldfogel & Washbrook (2006) in their study state that families with low income spend less on child-related items such as children's shoes, toys, fresh fruits, and vegetables than the affluent families. Gregg et al. (2006) tried to assess the family expenditure change concerning the increase in income. Their study indicated that as family income rose, there were substantial drops in hardships, which help us to conclude that income plays a decisive role in family spending and expenditure.

Expenditure on Food is considered to be an essential component of family expenditure. A large amount of money is spent by families to buy healthy and nutritious food. Another expense which requires enormous investment is the acquisition of a house. *"Probably the largest single transaction that individuals make during their lifetime will be the acquisition of a house. Because of the major commitments involved in the acquisition, repayment, and maintenance of this key non-financial asset, the decision on housing must be done carefully"* (Stanley, Markman, & Whitton, 2002). Expenditure on housing is considered to be the single most substantial investment in an individual's life (Aslam, 2008). If the apartment you are living in is on rent, then it is most likely that it is the single largest bill you need to pay each month (Guthrie & Nicholls, 2015). This is the reason that numerous researches are being conducted today to reduce the cost of housing in India. In a recent study by Raj et al. (2016) on the construction of low-cost housing models for urban and rural areas based on Rammed earthed technique, point out that house construction cost can be considerably reduced as the materials used are low cost and locally available, low fire risk and non-combustible and durable.

Expenditure on Clothing is probably the most significant category where wasteful spending occurs, and one of the most comfortable groups on which a lot of saving is possible. As such, clothing management is mostly a psychological problem because it affects the personality development and happiness of each member of the family (Dickson & Littrell, 1996).

Expenditure on Education has become so expensive that it should be planned and savings are to be made ahead of time. The number of children, nature of education, and place of instruction are the factors to be considered in formulating the education budget. Now educational loans are available from banks for higher studies and the feasibility of obtaining such loans should be evaluated. Other expenditures like medical care, conveyance, automobile ownership, expenditure on social obligations, entertainment and personal habits are all areas where income earned needs to be spent.

The aggregate of expenditure on food, housing, health, and education can consume a major share of an individual's income, and thus needs acute attention.

2.7.6 Savings and Investment

As far as we *live below our limits*, that is spending less than what we earn; we would be able to save (Guthrie & Nicholls, 2015). The concept of saving can thus be understood as the act of refraining from spending one's income entirely on consumption. Savings thus form that part of revenue, which is available for expenditure in the future either for use or for investment purposes. Individual savings means earned surplus. Hence, savings is that part of an individual's income over a period, which is not spent on consumption during the same period. Thus, one can define personal saving as the difference between disposable personal income and personal consumption expenditure. Postponement of consumption is called savings, and these savings are invested in order to obtain a reward for such postponement.

In common parlance, investment means to allocate money in the expectation of some benefit in the future. An investment is a commitment to something of present value in the hope of receiving future benefits. There are various reasons for investment, but generally, people invest for two primary reasons, either to fulfil short term goals or long term goals. Individuals who are looking for current income select investments that pay regular dividends or interest. Whereas, investors who desire long-term growth choose stocks, mutual funds, real estate, and other investments with the potential for increased value in the future. In India, a average salaried employee invest mainly for achieving his family objectives, of which his major concerns are building his own house, educating his children and marriage of his children (Wilson, 2006). The major considerations of a salaried employee while making investment consist of safety, profitability, liquidity, marketability, and tax benefit. There are numerous studies which pinpoint the importance of savings and investments in one's life. Meier, Kirchler & Hubert (1999) in their research on saving and investment decisions within private households report that households choose different forms of investment to achieve particular financial goals like purchasing a house or providing for retirement or accumulation of wealth.

Gerrans, Moulang, Feng & Strydom (2018) report in their study that majority of the individuals do not seek professional advice for retirement savings investments, instead the results of the study indicate that investment decisions are influenced by their peer behaviours especially the behavior of the workplace peers of the same gender.

People accumulate wealth by saving, investing, or purchasing the tangible property. In general, the goal of an individual is to maximize his wealth so as to maintain a desired quality of life through proper financial management. Savings represent money that has been set aside in some interest-earning form. Quite often saving goals are set to accumulate the wealth needed to purchase tangible property such as a car, pay for education, etc. Regardless of the motive, the establishment of savings goals as part of wealth accumulation is an essential aspect of personal financial management. The purchase of stock, bonds, and other types of marketable securities provide the purchaser with interest or dividends which are backed by the risk factor. Although investments are viewed as more "risky" than savings, investors expect to receive larger returns from investments than from savings and personal finance as a subject aims to enable people to excel in it. Real estate, Automobiles, Jewellery, etc. are a tangible property which may depreciate [like automobiles], and some may appreciate [like real estate, jewellery etc.]. These assets are acquired as necessity or as means to enhance the quality of life of individual, and since personal finance covers the area of wealth-creation and its management, acquisition of tangible property becomes an objective of personal finance.

2.7.7 Personal and property insurance

Life in the modern era is filled with many risk and uncertainties. Illness and death from diseases, automobile accidents, fire, and other natural calamities are all unforeseen events which trouble human life. Therefore adequate insurance coverage is a crucial component of personal

financial planning. In the olden days, the joint family system itself provided an insurance umbrella and succor to surviving family members (Ranade & Ahuja, 1999). In modern times such arrangements are now increasingly made through the market mechanism by buying insurance. Insurance provides protection against an unpredictable loss by the payment of a known charge- premium in advance (Thomas, 2008). The popular insurance types availed by individuals are life insurance, health insurance, automobile insurance, and property insurance.

2.7.8 Personal Liabilities and Credit Management

The world today we live in is often called as the 'credit economy' as anything, and everything under the sun is available through the medium of credit. Most people even believe that debt allows families to raise their standard of living and increase their productive capacities. Deville (2019) opine that debt of any type, whether be arising out of kinship relations to banks; all need to be paid back with interest.

Thus it is essential to take extra care by the family members to be aware of the fact that additional credit should be avoided at all levels. Osma, Conde & Heras (2018) assert that debt pressure leads to increased anxiety and restlessness among corporate and individuals alike. Thus it is essential to provide personal financial classes from graduate levels, to help individuals equip the art of financial management. Financial literacy is considered a prerequisite in credit management. In a study conducted by Scheriner (2004) based on lending data from Bolivia, concludes that experience in and knowledge about lending could reduce the risk of bad loan. In the opinion of Skousen & Skousen (1997), "*credit can be used to*

your advantage, or it can be an albatross around your neck. If you use it regularly for consumer purchases, it will become a heavy burden, but if you use it judiciously for wise and timely investment, it can be extremely profitable. Never let debt get too strong a hold on you, even for investment purposes."

2.7.9 Tax planning, Retirement Planning and Estate Planning

Tax planning calls for prudent planning, much before earning income. The various methods available to reduce and avoid tax by using the loopholes in tax law should be utilized to maximize the take-home income.

Two topics that should be given significant consideration in the course of preparing and implementing personal financial plans are retirement planning and estate planning. These topics should be taught at a younger age, as only then will a person take efforts to make his future life safe and preserve net worth that can provide a source of retirement income as well as benefits for heirs. People who do not plan properly often have to significantly reduce their standard of living and associated quality of life to make ends meet upon their retirement.

Estate planning can be defined as 'a goal satisfaction oriented activity that uses tax minimization tools and techniques to provide the greatest financial security possible for an individual and his or her heirs or beneficiaries.' There is no substitute for vigilant and thoughtful planning involving estate transfer. Estate transfer means to transfer to another or others, those assets in which an individual has the legal rights of ownership or title.

Studies in retirement planning indicate that financial literacy plays a vital role in effective retirement planning(Lusardi and Mitchell, 2007; Dvorak and Hanley, 2010).

2.8 Studies conducted in India

Various studies have been conducted in India, in relation to personal finance management at the individual level, which are detailed below:

Haridasan (1967) tried to analyse the family budget and social security benefits of rubber plantation workers in India.

Mitra (1977) state that the ultimate aim of everyone is to lead a happy life enjoying everything that's good, but in the process, it should be ensured that while we enjoy our today, our future is also taken care of. Future financial security needs to be planned, and thus, personal finance management becomes all the more critical.

Pathak (1988) investigated the money management practices of families from the low-income group in Assam. The findings of the study revealed that ignorance and lack of appreciation on the part of home makers regarding the advantages of budgeting and account keeping act as hindrance to realizing how the family income is being spent.

Antony (1988) analyzed the investment pattern of non-resident Keralites. He found that a significant share of investment is made in non-productive assets like land and building, and only about 19% of saving is invested in income-generating assets.

Fernandez (1990) undertook a study on the saving and investment pattern of employed women, and discovered that the major reason for saving among women is to provide for housing, dowry and marriage expenses.

Mani (1990) observed the level of tax planning among the university employees at Cochin. The findings of her study revealed that majority of the employees do not have a direct financial plan to reduce their tax burden. In fact, most of the employees are unaware of the different methods available to reduce the tax burden.

Joy (1997) conducted a study to ascertain the personal financial management of gazetted officers in Kerala. He concluded that though people have some financial planning, it is not systematic and organised.

Thomas (2002) conducted a study on the personal finance management of gulf returned Keralites and concluded that the majority of the sample under review had poor personal financial planning. His findings state that personal financial planning has a direct influence on the quality of life. He suggested that proper awareness of personal plan can help increase the habit of personal financial planning at an early stage.

Aslam (2008) studied the aspects of personal finance concerning house building and concluded that personal finance practices had a direct influence on an individual's financial situation, and poor financial planning may often land up individuals in debt traps. It was interesting to note the fact in this study that, even individuals who had proper financial

planning landed up in debt traps, due to non-confinement of expenditure within the budgeted one in relation to house construction.

Yogesh, Patel, Charul, Patel., & Somaiya (2012) conducted a study about the saving pattern of salaried employees in the private sector. Their findings assert that youngsters are more risk-takers and senior citizens are risk-averse. They claim that youngsters look for investment avenues which are providing higher returns and tax benefits. Investment alternatives like fixed deposits, post office schemes, etc. are preferred by a senior citizen only, due to the low risks attached to them.

Yamini & Deokar (2012), in their study, state that there is a declining trend in the household savings in India. They also report that there is a declining trend of savings of financial assets partly because of the massive diversion of funds for the purchase of gold and silver. In case of household savings, the decline may be attributed to the unattractive interest rates of the small savings and discontinuance of popular schemes like Kisan Vikas Patra.

Cole, Gine, Tobacman, Topalova, Townsend & Vickery (2013) conducted a study on barriers to household risk management in India, with particular reference to the adoption of an innovative rainfall insurance product. The study was conducted in the rural areas of Andhra Pradesh and Gujarat, and the findings of the study suggest that the high price of the product is the major reason for lower demand for the product. Moreover, lack of trust, liquidity constraints, and lack of salience are significant non-price frictions that constraints demand these products.

Even though a number of studies were conducted relating to the various aspects of personal finance management, both at the international level, national and state level, a comprehensive study covering the entire aspects of personal finance management considering the lifelong financial objectives, life stages, and values of an average salaried employee in Kerala is not yet undertaken.

2.9 Definition of Personal Finance Management

Personal finance management is the application of the principles of financial economics to an individual's (or family's) financial decisions. It asks, "how much money will you need at various points in the future?" and "how do you go about getting that money?" Thus, on one side personal finance demands a thorough evaluation of the available resources of the family, and on the other side the most beneficial utilization and protection of the same to maximize the earning capacity and welfare of the family, based on personal financial objectives.

"Personal finance is concerned with the management of personal and family resources to achieve financial success. Financial success is the achievement of financial aspirations that are desired, planned or attempted" (Garman & Fogue, 1997)

Personal finance may be defined as *"the science of earning, spending, saving and investing of money based on objectives and protecting the wealth of the family to generate an adequate return, achieve financial security, and thereby ensure welfare and happiness of the family"* (Joy, 1997). Personal financial management refers to the

management of personal and family resources to achieve financial goals (Thomas, 2002). Personal finance management applies the principles of management in family finance. Financial management requires systematic and disciplined action and thought. It covers financial planning of family; organisation of family financial matters, proper direction of family resources and control by means of proper family budget. Personal financial management involves the allocation of family's current flow of income and stock of wealth towards the goal of meeting the family's financial objectives (Godwin, 1992). Goldsmith & Goldsmith (1996) defines personal financial management as "*the science or practice of managing money or other assets.*" According to him, financial management is a transformation process involving the identification of financial goals, collection of information, analysis of resources, decisions about whether to spend or save and evaluation of resources. Personal financial management allows individuals or families to achieve personal financial goals more easily. Although most people do not have the same goals, similar financial principles are required in order to facilitate goal achievement.

The goals of personal financial management are related to the quality of life, consumption, wealth accumulation, savings, and investment.

Thus, personal finance involves how income is generated, spent, and saved for future use. It also includes the security and preservation of the family wealth to maximise the welfare of the family.

From the above deliberations, it is clear that personal financial planning involves a lifetime process covering the entire spectrum of human activities. From birth until death, most decisions and behaviours of individuals are connected with personal financial planning. Only knowledgeable, active decision-makers will achieve financial security. These are the wide spectrum in which the subject of personal finance revolves. It a broad concept, which in a nutshell encompasses aspects of a family unit, which are of utmost importance.

2.10 Personal finance management and its dimensions

Personal finance management is concerned with the art of earning, spending, and saving money. The significant aspects of personal finance management can be grouped as financial planning, Financial Budgeting, Clarity of term objectives, and Family financial objectives.

2.10.1 Financial Planning

Financial and personal satisfaction is the consequence of a structured process that is referred to as personal financial planning or personal money management. Personal financial planning helps to manage one's money to achieve personal economic satisfaction. This planning process allows one to control one's financial situation. Every family differs in its financial position. Thus financial planning must be carefully planned to meet specific needs and goals. "*A comprehensive financial plan can enhance the quality of your life and increase your satisfaction by reducing uncertainty about your future needs and resources*" (Kapoor et al., 1999).

Personal financial planning helps individuals to prioritize their needs and channelize their available income to meet those needs. In other words, personal financial planning enables an individual to meet his financial obligations without undue stress. According to (Gable, 1983), *"building a sound financial plan is conceptually similar to erecting a building."* Just like a building which requires a strong foundation for its long life, similarly, a financial plan should be so designed that it is capable of absorbing all kinds of shocks to enable a better quality of life. *Perceptions of what is a desirable quality of life vary among socio-economic strata. While people in the lower socio-economic strata might consider the ownership of a large, expensive car as part of high-quality life, those in the upper socio-economic strata might consider membership in a country club and an annual trip abroad requisites for a high-quality life* (Gitman, 1981). The perceptions about the quality of life may vary among individuals but the need to prepare financial plans will not.

Financial planning is very much essential for a sound financial position. It calls for effective resource utilisation, employment of the resources in revenue-generating investments, savings pattern and behaviour analysis, retirement planning, etc. All these aspects are essential to have sound personal finance management. Agarwal et al. (2009) in their study, reports about the saving behaviours of south Asian countries, namely India, Pakistan, Bangladesh, Srilanka, and Nepal. He asserts in his paper that savings are relatively high in these countries when compared to the other developing countries like China. The output of the study show that the main factors positively affecting the total savings rate in these countries are income per capita or its growth rate and access to

banking facilities. The results also indicate that increase in savings rates in South Asia is largely explained by the increasing per capita income or growth, declining dependency rates (fewer children per couple) and improved availability of banking facilities. Zmyslinski-Seelig (2016) in her study, assert that money management plays a significant role in determining the marital satisfaction of couples. The results of the study throw light on the the importance of productive financial management and financial communication to build satisfying relationships. Stanley, Markman, & Whitton, (2002) suggests that financial management and planning is essential, as it influences difficult issues such as career, children, chores, communication, and in-laws. Bergstresser & Poterba (2002), Scholz (1994) and Hubbard (1985) point out the influence of taxation levels on the household's financial portfolio.

2.10.2 Financial Budgeting

A well-designed personal financial plan will help one make financial choices easier, providing him with a greater sense of financial security. The need for personal financial budgeting today is stronger than ever before, because of economic changes such as rising life expectancy (Arora, 2003) inflation and the breakdown of the joint family system. A proper family budget can be made if we have clarity regarding family objectives. The distinction between long term and short term goals should be made on a regular basis.

Personal financial management will remain incomplete and aimless until a person decides his financial goals. According to (Kapoor et al., 1999), financial goals should be: (1) realistic, (2) measurable, (3) time-bound, and (4) action-oriented.

The establishment of financial goals is the first step in the overall financial planning process. The setting of goals can provide direction for the financial planning process. The financial planning process can be initiated only with the knowledge of current financial position by preparing personal financial statements. After the current financial situation is evaluated, both long-term and short-term financial goals must be established.

Using a budget effectively will have a more significant impact on whether or not one will achieve a financial goal. Ashton (2000) on this topic says that every family should have a budget. He emphasizes the importance of maintaining a budget as it helps one to know, what one may receive, and how much are we going to spend. He also points out that, If one of the reasons for the successes of large organizations, such as the LDS Church, is that those responsible watch budgets carefully, shouldn't we, as individuals and families, watch our budgets carefully as well.

A budget not only helps to keep a record of our monthly income and expenses but also makes sure that the financial resources are being used to accomplish both personal and family goals. Research has shown that individuals who budget make more wealth than who do not. Grant (2002) said, *"If there is anyone thing that will bring peace and contentment into the human heart, and into the family, it is to live within [one's] means. And if there is anyone thing that is grinding and discouraging and disheartening, it is to have debts and obligations that one cannot meet"*. Aston (2000) states that *"Some claim living within a*

budget takes the fun out of life and is too restrictive. But those who avoid the inconvenience of a budget must suffer the pains of living outside of it."

2.10.3 Clarity of Objectives

Clarity of objectives suggests that a financial planner, which could be a household or an individual, need to clarify between short term and long term objectives. Short term objectives are those which are to be met within a short span of time say one year. While long-range plans assume to spread over a long period of time and have lasting impacts ever. A person who is clear about his short term and long term objectives and allocate his funds effectively in fulfilling those objectives will not suffer from financial problems. Long term objectives require a constant investment of funds and reviewable process. On the other hand, short term objectives are made for a short period of time. Wilson (2006) asserts that for a family financial budget to be successful it is essential that there should be clarity regarding the resource allocation, which in turn calls for a distinction between short term and long term goals.

2.10.4 Family Financial Objectives

In the Indian context, personal finance management is more about family financial management. It's not just the decisions that are concerned with an individual which finds a place here, but also the aspects related to ones' family. They are mainly related to life cycle goals. At every stage of life, an individual has to make effective decisions regarding his family objective, which calls for huge financial investments like house building, the marriage of children, retirement planning, etc. Personal finance management in India cannot be studied without looking into this

dimension, as the majority of the salaried class, try to find means to accomplish their family financial objectives with the limited income at hand.

Section II

Financial Well Being

2.11 Concept of Financial Well Being

The terms financial well-being and financial satisfaction are used interchangeably in this study. The meaning of financial well-being has evolved from pure happiness or general satisfaction with one's material or financial situation to a complicated perception of both the material and non-material aspects of an individual's financial situation. The complicated perception includes satisfaction with income and savings, awareness of opportunities, ability to make ends meet, sense of material security, and sense of fairness of the reward distribution system (Strumpel, 1973).

Williams (1983) theorized financial well-being as a function of material and non-material aspects of one's financial situation. To identify economic well-being, she included money income, real or full income, agreement about distribution, and psychic income or perceived adequacy of income as independent variables. Fergusson, Horwood, and Beautrais (1981) described economic well-being with the level of financial inputs, such as income and assets.

Hayhoe (1990, p.119) observed that "*economic well-being is an individual's perception of satisfaction with their financial situation.*" Porter (1990, p.22) defined financial well-being as "*a sense of one's financial situation that is based on objective attributes and perceived attributes that are judged against standards of comparison to form evaluated attributes of that financial situation.*" Porter and Garman (1993) asserted that financial well-being depends upon an individual's perceived objective attributes of the financial situation after comparing it with specific financial standards of comparison as well as objective and subjective attributes of the financial situation. Draughn, LeBoeuf, Wozniak, Lawrence, and Welch (1994) described economic well-being as consisting of three components: financial adequacy, perceived economic well-being, and satisfaction with the level of living. Financial adequacy was measured as an objective assessment of income. Perceived economic well-being denoted the subjective assessment of an individuals economic survival. Satisfaction with the level of living reflected the perception of ability to meet financial demands for needs. In summary, financial wellness can be conceptualized 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 the adequacy of financial resources, and the objective amount of material and non-material financial resources that each individual possesses.

Financial satisfaction or Financial Well Being has been previously defined as an individual's satisfaction with their current financial situation

(Joo and Grable, 2004). Besides, Xiao *et al.* (2009) define financial satisfaction to be the degree to which individuals have financial adequacy and security, while Zurlo (2009) defines it to be a subjective measure of financial well-being. In the literature, no definitive definition of financial satisfaction is proposed. Financial satisfaction is a subjective measure of an individual's financial well-being and captures the impact of various aspects of their financial situation. Analogous to measures of subjective well-being, no consensus exists regarding the most effective method to measure financial satisfaction. Consequently, various approaches have been employed in order to capture one's level of financial satisfaction. For example, Draughn *et al.* (1994) and Hayhoe and Wilhelm (1998) use multiple item measures to capture an individual's level of financial satisfaction. These multiple item measures include information relating to a variety of financial well-being measures such as income, being able to handle financial emergencies and the level of savings amongst other areas. In contrast, Davis and Schumm (1987), Porter and Garman (1993), Headey and Wooden (2004), Van Praag *et al.* (2010), Hansen *et al.* (2008) and Plagnol (2011) all have used single-item measures of financial satisfaction. For example, Mills *et al.* (1992, p. 127) use a single statement to measure economic satisfaction (i.e., 'How satisfied are you with your financial situation?'). Similarly, Greenley, Greenberg & Brown (1997, p.251) asked the following question 'How comfortable and well off are you financially?'. Danes (1998) also used a single item to measure satisfaction with a person's level of living using a seven-point Likert type response scale.

The relationship between income and financial satisfaction has received a large amount of attention in the existing empirical literature. For example, Hsieh (2004), Vera-Toscano et al. (2006), Xiao et al. (2009), Johnson and Krueger (2006) and Rao and Barber (2005) all generally find a positive, though relatively small, relationship between income and financial satisfaction.

Malone et al. (2009) investigated the financial well-being of American women and reported that majority of them had conservative buying behaviours, desired for financial independence and had a somewhat cynical view of their current financial situation. It was also reported that they had worries about retirement and their financial futures, and considered long term care insurance a necessity. Whereas older women, who were better educated, had higher salary, and contributed money to meet household expenses had more positive perceptions of their financial situation.

In order to have the ability to act and be financially capable, people require information *and ability* to manage their personal and family finances. All other things equal, people who have greater knowledge and understanding about finances and possess financial management skills are more likely to make sound financial decisions. As a nationally representative study finds, financial knowledge is associated with positive financial practices (Hilgert et al., 2003).

There is ample evidence that low-income households, in poor and rich nations alike, actively engage in making complex and challenging

financial decisions, often with skill and perseverance (Collins, Morduch, Rutherford, & Ruthven, 2009; Davis, 1995; Edin & Lein, 1997; Muske & Winter, 1999). People in poverty – like the non-poor – track, evaluate, and engage with others as they make financial decisions (Rainwater, Coleman, & Handel, 1959; Zelizer, 1989). Low-income families weigh the advantages and disadvantages of using mainstream and alternative financial products to manage their money (Barr, 2004; Caskey, 1994). Despite small incomes, even the poorest households in the world set aside small savings for emergencies, life cycle needs, and future opportunities (Collins et al., 2009; Rutherford, 2000).

It is a well known fact wealth has an impact on individuals economic and consumer choices. It also influences their job productivity, physical and mental health and even marital satisfaction. (Furnham & Argyle, 1998; O'Neill, Sorhaindo, Xiao, & Garman, 2005). The consensus among researchers is that personal financial satisfaction is a component or at least a forcaster of general well-being (Joo & Grable, 2004; Mills, Grasmick, Morgan, & Wenk, 1992). The construct of subjective wealth has been labelled and conceptualized in both positive and negative terms. It has been termed as financial well-being, personal financial wellness, financial satisfaction, perceived ability to make ends meet, and perceived income adequacy, and often is negatively termed as financial strain, economic stress and financial dissatisfaction (Dowling, Corney, Hoiles, 2009; Mills et al., 1992; Prawitz et al., 2006; Von Stumm, O'Creevy, Furnham, 2012).

A large body of research insists that people who earn or have more money evaluate their financial situation as better, report higher ability to make ends meet, higher financial or pay satisfaction, and lower economic strain (Joo & Grable, 2004; Mills et al., 1992; Pravitz et al., 2006; Von Stumm et al., 2012; Wilhelm et al., 1993).

The number of children, income, marital status, health status, and housing tenure are found to be the most significant predictors of financial well being (Van Praag et al. 2003)

Diener and Biswas- Diener (2002) report financial satisfaction as an important mediating factor between income and subjective well - being. Financial .

Lorenz (1985) investigated the relationship between objective and subjective indicators of economic well-being within different age, race, and sex groups over time. he reported that weakest relationship was found among the oldest age group. The implications of this research put forward the notion that the concept of financial well being can be measured both subjectively and objectively, but since the concept is personalised, a better assessment of the same can be made when a subjective approach is used. Thus, the current research focuses on a subjective measurement of the same.

2.12 Studies on financial well being

Lown & Cook (1987) state that research on financial well-being has not been theoretical. There are no proper models or conceptual

frameworks to guide research education or counselling. While Caplovitz (1983) state that research into the real world problems cannot be tested through a specified model, instead efforts should be made to study a wide range of problems encountered by the general public and to determine its apparent causes and consequences.

Research in the area of financial well-being has taken two approaches. The first one concentrated on the objective measure, where demographic characteristics, socioeconomic status and financial behaviour models were considered to study financial well-being. The second approach takes a subjective perspective, where financial well-being is measured from the perception of the financial situation of an individual.

2.13 Dimensions of Financial Well Being

Financial Well Being has been studied both objectively and subjectively across nations. In the present study the researcher has conceptualized financial well being under six domains. The domains are detailed as under :

2.13.1 Present financial situation

In the present study, the researcher has conceptualised present financial situation as a construct, which is the subjective assessment of a person regarding his financial situation.

Gatina (2016) reports in her study that financial status of an individual has a direct influence on his general well being.

Vlaev and Elliott (2014), report in their study on Financial Well-Being Components, that the essential component in predicting one's financial well-being is financial control over one's financial situation.

2.13.2 Financial stressors

Financial stressors are defined as life events that impact a family unit and can produce changes in a family social system (McCubbin & Patterson, 1983). Financial stressors are mainly attributed through three sources: Personal, Family, and Financial Situations. Personal stressors arise from investment losses, injuries, accidents, and illnesses. Family stressors include major life cycle events such as marriage, births, retirement, job loss, death, divorce, etc. Financial situations such as paying for household and vehicle repair, legal problems, bankruptcy, medical bills etc can also lead to financial stressors. These stressors tend to increase stress levels and thereby lead to lower financial satisfaction (Freeman et al., 1993; Joo, 2008)

Garoarsdottir and Dittmar (2012) in their study on the relationship of materialism to debt and financial well-being report that people who endorse materialistic value have more financial worries, poor money management skills and compulsive buying and spending.

Arber, Fenn and Meadows (2014) in their study report that both income and subjective financial well-being are independently associated with health. People with lower income and financial difficulties had a poor health status.

2.13.3 Financial behaviours

Gurney (1988) state that there is an indivisible link between our insensible or unconscious feelings about money and the way in which we earn, spend, save, and invest it. Although the need for money management is acknowledged, (eg.Cook & Lown, 1987; Lovell & Gustafson, 1985; Williams, 1998) little research has focused on this concept. In any case, the economic growth is the most prominent provider of well-being for all social layers, and especially for the vulnerable groups and the poor. But not all social layers benefit from economic growth to the same extent (Ra˘ileanu-Szeles, 2015)

Loibl & Hira (2007) in their study report that both for husbands and wives, money management is a topic of current and long term importance to their relationship.

2.13.4 Risk tolerance

Xiao et al. (2001) assert that risk tolerance is a critical component in determining a wide range of personal and household financial decisions, including investment in risky assets. In addition, attitudes towards risk have been shown to be a significant determinant of an individual's decision to invest in human capital (Shaw, 1996), portfolio allocation decisions (Arrow & Lind, 1978), the level of debt that individuals hold (Brown, Garino, & Taylor, 2013), migration (Jaeger et al., 2010), earnings (Dohmen et al., 2012), self-employment (Brown, Dietrich, Ortiz-Nuñez & Taylor, 2011) and risky lifestyle choices such as drinking and smoking (Dohmen, Falk, Huffman, & Sunde, 2012). Also, as suggested by (Joo & Grable, 2004), subjective financial satisfaction could potentially be influenced by an individual's risk attitudes.

In the existing literature, a variety of definitions of risk tolerance and risk attitudes have been used. For example, (Kogan & Wallach, 1964) define risk tolerance as the willingness of an individual to participate in behaviour, in which there is a goal, but where the goal is uncertain. Similarly, Irwin (1993) defines risk tolerance as the willingness to engage in behaviours where the possible outcomes remain uncertain. Financial risk tolerance is often defined as the maximum amount of volatility or uncertainty that an individual is willing to accept when making financial decisions (Elton, Gruber, Brown, & Goetzmann, 2009). Becker (1975) asserts that an individual's response to uncertainty is determined by the nature and quantity of risk and by tastes or risk attitudes, where risk aversion is part of the individual's risk attitudes. Highhouse & Yuce (1996), on the other hand, define a risk-averse individual as someone who prefers a certain outcome to an alternative uncertain outcome.

2.13.5 Investment decisions

The literature on investment decisions often find it combined with risk aversion; there has been an increase in the number of studies which explore the impact of risk attitudes on a variety of outcomes. (For example, Brown & Graf, 2013; Ferrer-i-Carbonell & Ramos, 2010; Cardak & Wilkins, 2009; Jaeger et al., 2010; Worthington, 2009 and Barasinska, Schäfer & Stephan, 2008).

Gray (2013), in his study, suggests that when the risky asset ratio is considered as the dependent variable, wealth is positively related to the level of risky assets held. He further reports that heads of households that are male or are more educated have a higher tendency of holding a higher

proportion of risky assets. Similarly, homeownership is negatively related to the demand for risky assets, and households with married heads hold a lower proportion of risky assets. Gray (2013) report that homeownership is found to increase the proportion of risky assets held, which contrasts with the findings of (Heaton & Lucas, 2000) and (Yamishita, 2003). He also asserts that individuals with longer planning horizons hold a higher proportion of risky assets and individuals that display a higher level of risk aversion hold a lower proportion of risky assets.

2.13.6 Life cycle goals

Throughout life, a person undergoes physical and emotional disturbances. In the first life stage, the most important factors for financial satisfaction (based on parameter significance) are marital status; employment; and labour income (Brown, Durand, Harris & Weterings, 2014). Money is not always the key to happiness, but its presence in amounts adequate for the fulfillment of financial goals allows people to devote more of their energy to the achievement of life goals and personal happiness (Gitman, 1981).

According to Sid (1977), "*All of us want to be happy. We want our families to enjoy the good things of life now. However, we also would like to be able to assure them they will be taken care of in the future.*" Future financial security of the family does not just happen. One must plan for this. He further points out that, if individuals visualize their life a little further in the future, they can visualize the following stages in life. a) Employment b) Marriage c) Children & their education (including professional) d) House building e) Daughter's marriage f) Retired life.

2.13.6.1 Employment

Our life is a strange combination of diverse instances of action and inaction, work, and rest. Work provides us with an inner creative joy which saves us from the dullness and boredom of life. Moreover, put our energies to proper use. It provides us with money for our lively hood.

There are various definitions provided for the career that we choose in our life. One among them stated by (Hughes, 1997, p 389) is "*A person's course or growth through life (or a distinct portion of life)*" A better meaning is "*a profession affording opportunities for advancement*".

Getting into a career is our first step towards achieving financial security. Having a regular and stable income would provide a means to look forward into the future and provide for our objectives.

Erdogmus (2004) asserts that career orientation has become a critical component of career development.

Unemployment is an essential cause of the decreases in the SWB (Lucas, Clark, Georgellis, & Diener, 2004.).

2.13.6.2 House building

Humankind has the unique history of living in all parts of the earth - from areas affected by the harshest to the mildest of climatic conditions. A dwelling unit is not just a home but also a symbol of human assertion, of having made habitable any type of environment. The first and foremost training ground for man's development of his varied faculties is home. In fact, housing is not only an essential basic human need but a fundamental right of the poor too (Mathur, 1981)

2.13.6.3 Education and marriage of children

Education of any form is an important investment that helps people build their abilities and prepare them for high-skilled works. Traditionally, people who have made this investment have received a considerable economic benefit that lasts over their lifetime (Abel, Deitz & Su, 2014). However, affording higher education today has become a major concern among individuals and families alike. The evidence to this fact is that Americans today view college as unaffordable (Hershbein & Hollenbeck, 2014). It is irrefutable that the costs of attending college, regardless of how they are measured, have risen faster than both overall price levels and median incomes over the last few decades, and sentiments about affordability may reflect these trends. In India, it is the responsibility of the parents to look after their children right from their birth, until they are called to be "settled" in life. Education is one crucial element where parents spend enormous amounts of money on securing their child's future.

There are a large number of papers which investigate the relationship between families' economic resources and child development (For example, Blau, 1999; Shea, 2000; Aughinbaugh & Gittleman 2003; Taylor, Dearing & McCartney, 2004). All these studies conclude that there is a clear association between family income and measures of children intellectual and behavioural development. It is evident in most of these studies that these associations are most significant in early childhood (Brooks-Gunn & Duncan, 1997; Morris, Duncan, & Rodriguez, 2004) and are higher for children in low-income or less-educated families than for children in more privileged families.

McLoyd (1990), in his study, found that parents with increased income feel less stressed and therefore practice better parenting. Becker (1981); Becker & Tomes (1986) feel that one might consider the effects of income from an investment perspective and they state that parents with more income are in a position to provide better education to their children, supplement them with good nutrition and health care.

Croix (2001) in their study have found that too low investment in education may lead to low human capital formation and which in turn would lead to a reduction in the aspiration level. Similarly, too high educational spending may also lead to a poverty trap due to increased aspiration levels.

Berger, Paxson & Waldfogel (2009) in their study, examine how income is associated with the home environments and the cognitive and behavioural development of pre-school children. They report that low-income children have lower Peabody Picture Vocabulary Test (PPVT) scores, more mother-reported aggressive, withdrawn, and anxious behaviour problems, and also more interviewers reported problems with behaviour than more affluent children. The findings of this study is a clear indication that income influences the children overall growth.

Gennetian, Castells, & Morris (2010) examine the role of income as a vehicle for meeting children's primary need. The study was conducted among the US population, where child poverty continues to be a persistent issue. Child poverty increases the rates of crime; health-related issues and lowers productivity. This reinforces the idea that income can help in improving the standard of living of individuals.

Although the concept of early marriage has become less relevant after 60 years of independence, other practical concerns persist. One of the most significant apprehension for most parents is to arrange a good marriage proposal for their daughter. the term good marriage may have different meaning in different families, yet the primary issue is that nobody should damage the value of a daughter in the marriage market(Desai, & Andrist, 2010). It is interesting to note that often timings of arranging a marriage for daughters is dependent on economic incentives and constraints. In different parts of Asia it is seen that women who earn income are often having late marriage (Greenhalgh, 1985; Wolf, 1994). More particularly in India, wedding expenses and dowry are major concern for family members and may often result in delayed marriage. Even after 65 years of independence and progress in all spheres it is often seen that there is a increase in dowry expectations both among all groups of family status. (Bloch, Rao, & Desai, 2004). Very often it is seen that enlarged marriage expenditure lead to delay of marriage as families fight to build up resources in order to provide an appropriate dowry and pay for the wedding (Schlegel 1993) . The continuing importance of arranged marriage (Kaur 2004) and dowry (Srinivasan & Lee 2004) in modern India bolster the argument that globalization may have a long way to go before gender scripts woven into the Indian stratification system begin to unravel.

2.13.6.4 Retirement planning

Once all the objectives described above are fulfilled, one would think of his retirement planning. Retirement planning is a mutually dependent process for many adults as it involves coordination of planning

with one's partner. Due to the growing labour force participation by women over the past century (Kim & Moen 2001), retirement has increasingly become a transition that is navigated by both men and women, often within the context of their relationships (Henkens, 1999; Smith & Moen, 1998; Szinovacz & DeViney 2000).

Section III

Quality of Life

2.14 Concept of Quality of life

The notion of quality of life has a complex composition. That may be the reason that it neither has an agreed definition nor a standard form of measurement (Cummins, 1997). Quality of life has been used in various contexts such as health, justice, economy, or environment. Moreover, an individual's quality of life is influenced by all life events within all domains of life without any predetermined bias towards a particular discipline. Therefore in assessing a community's quality of life, only a multidimensional approach is applicable (Hajiran, 2006).

The idea of quality of life has a long history; it has captured the interest of early philosophers like (Plato and Aristotle) to modern social scientists. Plato's notion of quality of life was quite similar to the contemporary quality of life philosophies. Aristotle, on the other hand, believed that economic and social living conditions alone were not the touchstone to happiness. An equally famous and far more advanced thinker cum philosopher, Socrates, even went on to say that an unexamined life was unworthy of living. He gave much importance to self- observation, and self-analysis. Later these philosophies paved the way for the development of quality of life.

The modern social scientists have addressed the quality of life issue in terms of social indicators such as gross national product, infant mortality, social mobility, etc. (Pinto et al.,2017). Whatever be the issue, quality of life is an essential concept in environmental, social, medical, and psychological sciences (Ferna'ndez-Ballesteros, 1998).

Susniene (2009) reports in her study that; the concept of quality of life differs across subjects. In sociology, the quality of life is understood as a subjective construct, which takes into account individual needs and wants. In economics, it is the standard of living, in medicine, it is the relationship between health and illness and a healthy lifestyle. Thus, it can be affirmed that quality of life is becoming a multidisciplinary research area among several pieces of research of different backgrounds.

Brock (1993) describes three major philosophical approaches to quality of life.

The first approach describes the characteristics of the good life that are dictated by normative principles based on religious, philosophical, or other systems. People consider that a good life should include helping others as holy principles dictate this. This approach to quality of life neither depends on the subjective experience of people nor on the fulfilment of their wishes.

The next approach to defining the good life is based on the fulfillment of desires through preferences. This approach emphasizes that within the constraint of resources, people will choose those things that will enhance their quality of life. This approach to utility or good life based on people's choices is the modern economic way of judgment.

The next definition of quality of life is connected with people's experiences and perception. In this approach, factors such as happiness, pleasure, delight, and life satisfaction are supreme. This approach is used to define the quality of life in the subjective well-being literature.

The word 'well- being' derives from the Latin word 'bene' and "stare," which means being well. The oxford dictionary defines well being as 'the state of being comfortable, healthy, or happy.'

Well -being is closely linked to how things function in an objective world and with the external factors of life. Well- being is thus something superficial than meaning in life, the fulfillment of needs, and self-realization. It is also a multidimensional concept, with implications on one's physical, mental, social, and environmental aspects of living (Kiefer, 2008).

Satisfaction with life is achieved when the surrounding world is meeting one's expectations, needs, and desires in life. It is a mental state; wherein one may be satisfied with life yet feel bad inside. The person may not be unhappy with his present life, but deep down considers it worthless. Contentment with life is thus not the same as understanding meaning in life.

Meaning in life is a fundamental concept in our life, which needs to be maintained throughout our lives. The purpose of life is the central theme of all religions in the world.

Happiness, on the other hand, is a special feeling, which is hard to attain and is something profound in the individual. It has gained a lot of

relevance in recent research, and studies are being conducted all across the world in connection with promoting happiness as a dominant value in society. Moreover, it has been widely recognized that indicators like GDP and HDI are not the only indicators of social welfare. The Bhutanese government has adopted another framework for governance known as gross national happiness or GNH, which is gaining popularity all across the world (Karma, 2005).

2.15 Definition of quality of life

Quality of life explains the extent to which the occurrences of an individual's life satisfies that individual's both physical and psychological wants and needs.

Much of the debate on defining quality of life revolves around the objective and subjective approaches. Rice (1984) defines objective quality of life as the "degree to which specified standards of living are met by the objectively verifiable conditions, activities, and activity consequences of an individual's life." And the subjective quality of life (SQL) as 'a set of affective beliefs directed toward one's life.'

The world health organisation defined the quality of life as, "*an individual's perception of their position in life in the context of the cultural and value system in which they live and relation their expectation, goals, standards, and concerns. It is a broad-ranging concern incorporating a complex way the persons' physical health, psychological state, level of independence, social relationships, personal beliefs and their relationship to salient features of the environment*" (WHOQOL Group,1995)

Another version of quality of life is the satisfaction of a person with the current life dimensions in comparison with the pursued or ideal quality of life. The assessment of one's quality of life also depends upon the value system as well as the cultural environment to which he/ she belongs. (Gilgheus, 1998; Fitzpatrick, 1996).

2.15.1 Objective approach

Western societies have compiled a flood of national and regional statistics that are considered essential for the operation of modern society. The bulk of these data relate to material aspects of life-- income, expenditures, savings, and the production of goods and services. While such monetary indicators are attractive because they are relatively easy to count. Many investigators have argued against using them as the ultimate criteria for assessing the quality of life.

Consequently, there has been a constant effort to develop noneconomic "social indicators" to measure the quality of life. Nearly all of these social indicators describe events, behaviours, or characteristics of individuals that are reported through governmental agencies of one type or another. Most people are familiar with statistics of this type that report the incidence of marriages, divorces, births, crimes, college graduates, and employed women. None of these statistics depends upon the individual's description of his or her own life, and thus, they are also objective indicators.

While individuals experience the quality of life, it is closely related to the quality of life of social groups, communities, and nations. The aggregation of individual life experiences to produce a summary

statement of the quality of life of a nation is one among the most challenging problems of quality of life research (Solomon, 1980). Large multi-national variety of life research programs, such as that of United Nations Educational, Scientific and Cultural Organization (UNESCO) and the member countries of the Organization for Economic Cooperation and Development (OECD), have thus far concentrated on the development of objective indicators. The OECD member countries have developed a slate of social concerns and are seeking to create social indicators to measure each of them.

2.15.2 Subjective Approaches

The accumulation of goods and services is considered as an instrument through which people enhance their feeling of well-being. Previous research in this area, e.g., (Campbell, Converse, & Rodgers, 1976) shows that there is not necessarily a strong relationship between wealth and Subjective Quality of life. Subjective Quality of Life assessments measure perceptions of well-being--how people feel about their lives--. Researchers (e.g., Campbell, 1976) who favour a subjective approach maintain that the only direct source of information on the feeling about life is the individual living that life. The literature on Subjective Quality of Life is, thus involved about explaining how and why people understand their lives in positive ways, including cognitive judgments and affective reactions (Diener, 1984).

Investigators have used both objective and subjective measures in the past to measure the quality of life. More and more researchers have, however, come to acknowledge that the information provided by the two

types of indicators is complementary, rather than redundant. The power and usefulness of two kinds of variables can be increased by combining them. It is vital to have a common understanding of how individuals assess their subjective quality of life, keeping in mind their objective conditions (Bradburn, 1969). Andrews and Withey (2012) are of the opinion that both subjective measures and objective measures used to assess quality of life, should be used simultaneously so as to predict the exact manner in which living conditions influence peoples quality of life.

2.16 Dimensions of Quality of life

In the present study, the researcher has used the WHOQOL scale to measure the construct quality of life. According to this scale, there are four dimensions to quality of life, which are detailed in the following sections.

2.16.1 Physical health

It is seen in many studies that Correlations between objective physical health and well-being are low in broad samples of respondents. This is partly because people appear to adapt over time to many illnesses and because most people are relatively healthy. However, certain diseases that interfere with daily functioning produce a marked decrease in well-being. It is observed that global well - being correlates positively with longevity and subjective health. While ill-being correlates negatively with longevity and subjective health. Yet, severe health problems that interfere with daily functioning can lower well-being, sometimes substantially so, as can lethal illnesses. For example, (Verbrugge, Reoma, & Gruber-

Baldini,1994) found that the well-being of people with serious illnesses, such as congestive heart failure, declined over an year. despite the fact that people with serious illnesses are likely to be above neutral in well-being, their well-being is often lower than their counterparts. Stilley et al (1999) report that almost half of transplant recipients testimony clinically noteworthy degrees of dissatisfaction and distress. it is also reported that patients with AIDS and cancer are clinically depressed(Servellen, Sarna, Padilla, & Brecht, 1996).

Not only life-threatening illnesses but also diseases that curb activities and cause pain can lower well-being. Patients with fibromyalgia and rheumatoid arthritis show more depression and anxiety, and lower life satisfaction, than control subjects (Celiker & Borman, 2001)

2.16.2 Psychological

Psychological aspects are a significant source to measure well being or quality of life of individuals. And today, this area has become all the more critical because of the increased rate of depression and anxiety cases reported. Loneliness shoots from a lack of friends, and in turn increases the risk of mental problems, physical injury, and low life satisfaction (Bowling, Edelmann, Leaver, & Hoekel, 1989). Another group of authors (Hammen, 1999; Brennan, Hammen, Katz & Le Brocque, 2002) suggested that interpersonal problems are a root cause of depression. Interestingly, Kahneman et al. (in press) found that in only 1 of 15 activities of daily living (i.e., praying) people had greater affect balance (positive minus negative emotions) when they were alone. It indicates that people enjoyed the other 14 activities, such as exercising,

resting, commuting, and working around the house, better when others were present.

2.16.3 Environment

The environment is an important dimension to measure the quality of life. And the environment in many ways is affected by the financial resources that we have in our hand. The environment encompasses aspects related to the surroundings we live in, the facilities of medical and transport, clean and safe drinking water, etc. All these aspects have a direct effect on our quality of life and thus cannot be neglected.

2.16.4 Social

Social relationship is crucial to the well being of individuals. People require supportive, positive relationships, and social belonging to sustain well-being and prosperity. Baumeister & Leary (1995) opine through their study that the desire to have long term and secure relationship and the need to belong, is a fundamental human need. Further concludes that the well - being of individuals depends on the fulfilment of this need.

An abundant amount of studies support the conclusion that social relationships are essential to well-being. Diener & Seligman (2002), in their study of 'finding very happy people,' found that every single respondent in their happiest group had excellent social relationships. Park, Peterson & Seligman (2003) establish that interpersonal skills are the best predictors of life satisfaction. Examining data from representative surveys of adolescents and adults and of focus group discussions, Lansford (2000)

found that high-quality social relationships enhance well-being. Schilling and Wahl (2002) report in their study that the rural elderly in Germany who had more extensive family networks than elderly people living in cities were more happy and satisfied with life. This indicates that family ties were partially accountable for the increased life satisfaction of the countryside elderly. People experience more positive emotions and feeling in when they are with others than when they are alone (Pavot, Diener, & Fujita, 1990).

Menec (2003) found that the greater the frequency of participating in social activities the greater was the happiness, functioning, and lower mortality in the elderly.

Harlow & Cantor (1996) found that the significant predictors of life satisfaction consist of being married, being in regular contact with one's children and siblings. Social and community service had the most robust relation with life satisfaction (except for prior life satisfaction).

Hintikka, Koskela, Kontula, Koskela, and Viinamaeki (2000) report in their study that people with more friends had lower levels of mental strain than people with lesser acquaintances. In a national survey on mental illness in Great Britain, Jenkins et al. (1997) found that people who were unmarried or single parents or living alone experienced the highest rates of mental problems.

Aged individuals who do not have friends or companions report lower well-being than those who do (Chappell & Badger, 1989). Negative emotions occur when people are excluded from social groups (e.g.,

Barden, Garber, Leiman, Ford, & Masters, 1985). Hammen (1999) opine that a large majority of depression in individuals is due to interpersonal issues arising from beliefs about others, stressful interpersonal events, dysfunctional social behaviors, and conflictual family relationships. Thus, social relationships constitute another significant factor affecting well-being and ill-being that is not captured by economic indicators.

Nehra, Mann, Sharma, & Verma (1997) in their study found that when people with moderate to high hearing loss obtained hearing aids, their subjective well-being enhanced, and signs of depression decreased. Finally, the study also indicates that people who are happy tend to have better relationships than unhappy people (Pavot, Diener, & Fujita, 1990). These results further reinforce the fact that positive social contact causes well-being. Watson (2000) concluded that the relation between social relationships and mood is much stronger for positive feelings than for negative ones.

Furthermore, it could be said that some societal characteristics that foster economic growth, in fact, interfere with social relationships and therefore, lower well-being. Again, well-being indicators are a needed complement to current economic and social indicators. Thus it can be concluded that the most powerful determinants of quality of life include material well being, health stability, political stability and security, healthy family life, cordial community life, climate and geography, job security, political freedom and gender equality (Raileanu-Szeles, 2015).

The WHOQOL scale adopted for the study measure quality of life in four dimensions, namely physical, psychological, social, and environment encompassing almost all the aspects stated above.

2.17 Studies on quality of life

In this section, studies relating to the quality of life are scrutinized emphasizing on the definition of quality of life, its measurement, and its relation to well being and life satisfaction.

Barofsky (2012), in his study, tries to resolve the problem of defining quality of life. In the study, he details the different dimensions and areas in which quality of life is defined. Finally, he concludes that defining quality of life varies according to the context in which it is defined, and providing a comprehensive definition of quality of life is not possible. Instead, he argues that quality of life represents a distinctive pattern of thinking, and an attempt to define quality of life will become meaningful only when the presence of the elements of this hybrid construct is demonstrated.

In another study, Pinto et al., (2017) try to analyze the differences and similarities of the concept of comfort, well being, and quality of life. The findings of their study reflect that comfort is a broader holistic concept while well being is mainly related to psycho-spiritual dimensions. They further report that quality of life reflects the individual perception of satisfaction with life.

Tartaglia (2013), in her study, try to identify different predictors of quality of life in an urban environment. She aimed at comparing the effect of different sets of predictors of quality of life in an urban setting. The results pointed out that perceived social support and place attachment plays a significant role in promoting quality of life.

A vast amount of literature related to quality of life consists of well being or subjective well being (to be more precise) and happiness studies. In the following section, studies integrating these variables are presented.

Shaw (2002), in his study, attempts to establish a relationship between materialism, psychological well being, and overall quality of life. The study point out that materialism is associated with depression, anxiety, and reduces subjective well being and overall quality of life. As material well being is often influenced by the individual's evaluation of his or her standard of living against set aspirations, any mismatch between the two may lead to dissatisfaction and lower the overall quality of life of individuals.

In another study, Diener points out that a person's cognitive process such as perception, thought and feelings about life conditions often play an important role to the value of quality of life (Diener, 2006). This viewpoint put forward the idea that psychological factors are crucial in determining subjective well being. Therefore, individual perception of quality of life may affect subjective well being indicating positive and negative evaluations of life.

In similar lines, Malkoc (2011), in his study, point out that psychological health, social relationships, and environment significantly predicted subjective well being. This suggests that individuals' psychosocial environment is potentially crucial for mental happiness.

Shek & Lilin (2014) in their study, try to study the differences in personal well being and family quality of life in Chinese adolescents with and without economic disadvantage across longitudinal data for three years. The findings of the study provide a evidence that adolescents in economically low-income families reported lower levels of positive youth developments. However, no association was found between their risk-taking behaviors and economic status. However, it was found that the family quality of life also dropped as financial situation worsened.

Yamaguchi (2015) study the influences of quality of life on health and well being and try to comprehend whether the relationship between quality of life and health and well being is stable when examined across different cultures. The study was conducted among college students at the University of Hawaii and Reitaku University. The findings of the study indicate that social factors have a significant impact on health and well being. It can also be learned that differences in health status and well being can be attributed to processes associated with socio-environmental circumstances and situations. They also point out that there are cultural differences in terms of trust in social capital and its effect on health and well being — the findings of this study emphasises the importance of healthy social relationships.

Sores & Peto (2015), in their study focused on factors determining well being among 804 local respondents in Hungary in relation to health tourism. It was found in their study that tourism encourages inflation and prices increase by about 20% and poses problems for local inhabitants, who live below the subsistence level, but those who live above it are more satisfied with their lives.

In another study conducted by Skevington & Boehnke (2018) they develop a foundation for a new Life Quality and Well Being (LQW) model integrating subjective well being and quality of life as they suggest that both these construct have overlapping concepts which can be combined to form a single model.

Since quality of life differs across contextual backgrounds, clearly defining the term becomes all the more difficult, this could be the reason that most of the quality of life revolves around finding measures to assess quality of life. One of the earlier studies in this area was conducted by Chaplin (1933), who devised a scale for rating families according to the material things available in the house. Different weights were assigned for sewing machines, kerosene, alarm, telephone etc. and the sum total of each were taken to classify homes as destitute, lower middle class, middle class, upper class etc. it is an objective measure of measuring quality of life.

In a similar study conducted by Kain (1939) it was reviewed that living conditions can be assessed based on factors such as assess to electricity, water connection, telephone connection etc.

The above-mentioned studies only focused on the objective measures to assess quality of life. A wide variety of studies today focus on subjective measures to assess quality of life of individuals like satisfaction, happiness and gratification as experienced in life concerns such as health, marriage, family, work etc.

Hajiran (2006) in his study, tries to define quality of life, devise a measurement method to measure QOL and examine the link between happiness and quality of life. In the study, he states that attaining the highest possible QOL and its corresponding satisfaction is the ultimate objective for the majority of individuals. In the paper, he suggests that Net Domestic Product of Happiness (NDPH) is a better measure of quality of life than GDP, which only measures the standard of living. For the development of NDPH, he suggests that domains related to QOL need to be identified first like health, economics, recreation, spirituality etc and then to develop relevant set of indices to evaluate those domains like unemployment rate, GDP, crime rate etc and finally convert the various domains into a single unit and value.

The objective or subjective assessment techniques ultimately aim at providing a precise measure to assess quality of life of individuals. Moreover, the process of improving the quality of life often requires the sustained collective action of people and indeed of generations. At an individual level, people usually consult, discuss, and negotiate their goals with family and friends so that their own goals are socially influenced. Moreover, many capabilities cannot be produced or enjoyed individually instead require cooperation and public action. Thus one of the purposes of

measuring quality of life might be to encourage constructively impatient social movements to improve the quality of life of others (Alkire, 2008).

2.18 Research Gap

One of the objectives of personal finance management is to enhance the quality of life of individuals (Gitman, 1981). Improving the quality of life of individuals has always been an essential goal for individual, communities, nations, and the world at large (Schuessler & Fisher, 1985). Personal finance management is considered as an inevitable component in determining the financial well being of individuals (Taft, Hosein, & Mehrizi, 2013). Even though financial wellness is considered as an essential component in determining the quality of life, very less attempts have been made in this direction. (Thomas Li-Pingg Tang et al., 2006)

The impact of income on quality of life has been studied both from the positive (Michalos, 1985) and negative (Easterlin, 2006) perspective.

Moreover, the commonly held belief is that Happiness, or satisfaction with different aspects of our life, depends on how we feel towards what we have, and not on what we have. We can be happy with little and miserable with much. Thus, one's evaluation of financial satisfaction would play an important role in determining one's quality of life (Thomas Li-Pingg Ting et al., 2006).

Through the literature review, we can understand that personal financial management has a positive influence on the financial well being. Yet there are very scant studies to prove its relation to the quality of life. The personal wellness of individuals has been measured in many studies (Diener, 1984; Flanagan, 1978) both objectively and subjectively. But how financial management has an influence on the quality of life is still in its stage of infancy.

Moreover, through literature review process it was well established that though studies exist in the individual domain of the variables, no comprehensive study has been conducted so far to connect the three variables under study i.e., personal finance management, financial well being and quality of life.

Thus, this study would contribute to the literature in this filed. The study also tries to explore the dimensions of personal finance management and financial well being in the Indian setting, which is culturally utterly different from the rest of the world. The study has also attempted to explore the dimensions of these variables in the Indian setting, encompassing the Vedic background of India. Thus the present research attempts to address this gap existing in the literature and thereby contribute theoretically to the literature. The study also attempts to empirically validate a model, which can explain the relationship between these variables in the Indian setting.

2.19 Chapter Summary

It is evident from the above that there has been numerous work done in each of the domains of personal finance management, quality of life, and financial well-being. Studies integrating all these variables are scant and have adopted different approaches to evaluating the results. Thus this study will serve as a bridging gap in the literature incorporating personal finance management, financial well-being, and quality of life.

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THEORETICAL FRAMEWORK OF THIS STUDY*3.1 Personal Finance Management**3.2 Financial well being**3.3 Quality of life***Section II***3.4 Gist of observation and Rationale for the study**3.5 Findings of an exploratory study***Section III***3.6 Development of hypotheses***The theoretical framework of this study**

This chapter provides the various conceptualisations related to the variables under study i.e., Personal Finance Management, Financial Wellbeing, and Quality of Life. It provides an insight into the research work undertaken. Further, the chapter moves on to develop multiple hypotheses of the study.

3.1 Personal Finance Management

Personal finance management is conceptualised as the independent variable under this study, and it is defined as the sum total of financial behaviours and practices in connection with income generation, expenditure, savings, and investments. This study has identified four different dimensions of personal finance management, namely financial

planning, family budgeting, clarity of objectives, and family financial objectives.

The construct personal finance management has been adapted from the scale developed by Winger & Frasca, 1993. Though the scale has been used extensively both nationally and internationally, few attempts have been made to test it subjectively. Thus, with results of the preliminary study undertaken and opinions of experts, the scale was made suitable for Indian conditions.

3.2 Financial Well Being

Financial well being is conceptualised as the mediating variable under the study and is described as a condition of being healthy, happy, and free from financial worry (Zimmerman, 1995). From the Indian perspective, financial well being has been conceptualized as a state where a household is having sufficient control over money to pay for essentials and meet its obligations. Further, it has some money left over for luxuries, and to pay for debts and unexpected expenses. In this study, the researcher has measured financial well being across six dimensions, namely, present financial well being, financial stressors, financial behaviours, investment decisions, risk tolerance, and life cycle goals. For measuring the present financial well being of the sample under study, an adapted version of scale developed by (Prawitz et al., 2006) was used. In order to measure financial stressors, an adapted version of the scale developed by (Joo & Grable, 2004) was used. Financial behaviours were measured using the adapted version of scale developed by (Joo, 1998). Investment decision and risk tolerance was based on a measure developed

by (Grable, 2000). Five items were used to measure, life cycle goals, and their responses Varied from 'Strongly Agree to Strongly disagree.'

3.3 Quality of Life

The dependent variable for the study is quality of life, which has been defined and measured using WHOQOL- BREF developed by WHO. The World Health Organisation (WHO) defines quality of life as, "*Quality of life is defined as individuals' perceptions of their position in life in the context of the culture and value systems in which they live and in relation to their goals, expectations, standards and concerns.*" This definition reflects the view that quality of life refers to a subjective evaluation which is embedded in an environmental, social, and cultural context. The scale measures quality of life under four dimensions, namely physical, psychological, social relationships, and environment.

Section II

3.4 Gist of observation and Rationale for the study

Financial concerns are unavoidable in all spheres of our life, be it personal or family issues. This has aroused interest among the research community to explore aspects related to finance and how they influence the life of the individuals. An abundant amount of studies have been conducted in this area, some examples are; financial concerns and family relationships (Conger et al., 1990; Thomasson & Lawrence, 1991), financial problems and substance abuse (Peirce et al., 1996), etc.

Personal finance management is aimed at enhancing the financial well being of individuals and thereby improving quality of life (Gitman,

1978). In the Indian context personal finance management rather than being a individual aspect is viewed from the family perspective. Moreover, it has been argued and discussed in the literature that household's financial position can affect the individual's consumption levels and in turn , influence their levels of well being and utility (Gray et al., 2012).

In the Indian context, personal finance management is more about family finance, it was necessary to equip the instrument used to measure personal finance management from the Indian perspective, and thus it was exposed to expert review and analysis. After the revision of the questions used in the scale, the exploratory factor analysis was run to explore the different dimensions of personal finance management. The EFA results enabled to exploit four dimensions of personal finance management which is depicted in the figure below:

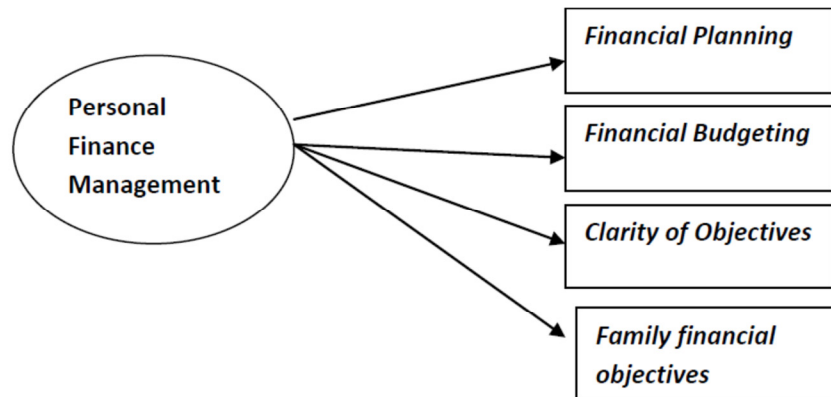


Fig 3.1: Personal Finance Management and its dimensions [source : EFA Result]

In the present study, the researcher aims to bring out the relationship between personal finance management, financial well being, and quality of life and to establish the interrelationships that exist between these variables.

The literature on financial well being is scant, and there is no clear definition of defining financial well being. Due to the ambiguity in defining financial well being, it has been defined in different terms like financial coping, financial satisfaction, etc. Groenland and Nyhus (1994) define financial coping as the *'degree to which an individual can cope with unexpected cost. The ability to cope well financially therefore, suggests having a budget which is robust enough to absorb minor shocks.'* Strumpel (1976) elaborated that financial well being goes beyond transitory satisfaction to encompass individuals satisfaction with income. It includes saving as well as perceptions of prospects, capability to make ends meet, sense of material security, and sense of justice of the reward distribution system.

Thus, there exist different perceptions about measuring financial well being. Therefore, it was necessary to find the various dimensions of financial well being in the Indian setting. Thus, exploratory factor analysis was carried out to explore the dimensions of financial well being in the Indian context. The explored dimensions are depicted in the figure below:

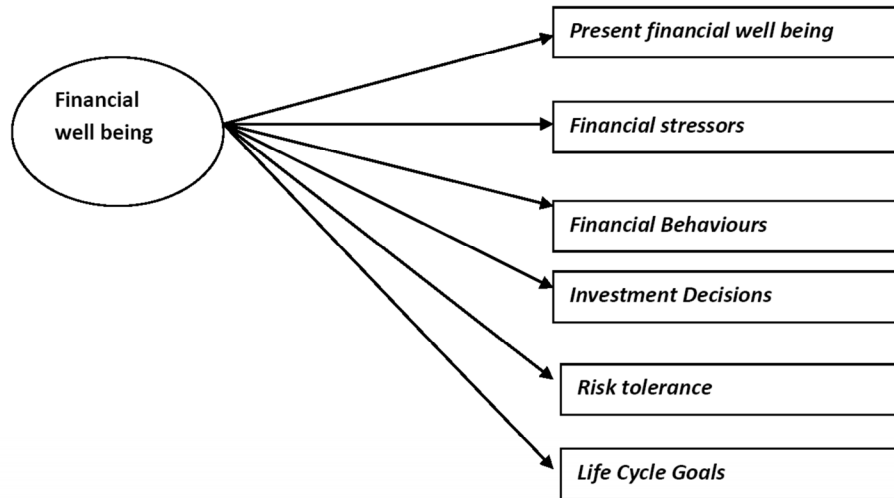


Fig 3.2: Financial Well Being and its dimensions [source : EFA Result]

The EFA results extracted six dimensions for financial well being in the Indian context. The new dimension was named as 'life cycle goals.' This result prompted the researcher to conduct an exploratory study establishing the results of the exploratory factor analysis, the details of which are provided in the following section.

Thus, the rationale for the present study lies in integrating the dimension of personal finance management, financial well being and quality of life. The study also tries to establish the inter linkages that exist between these variables.

3.5 Findings of an exploratory study

An preliminary study was undertaken by the researcher prior to the main study (Rashmi et al., 2018) to ascertain the role of personal finance management in determining financial well being and quality of life of salaried employees in India. The emphasis of the study was to establish that personal finance management in India is different from the rest of the world, by claiming that the financial objectives of a salaried employee comprise of getting a job, house construction, education of children, marriage of children and retirement planning. The study, further tried to determine whether personal financial practices have an influence on ascertainment of financial objectives.

In order to facilitate data for the present study, retired employees of various government organizations were contacted, and questionnaires were distributed to them, to collect the relevant information. An attempt was made to understand whether the personal financial planning has any influence on the achievements of the financial objectives. The sample for the study comprised of 83 salaried employees who were above the age of 60. The designations of the sample varied from peons to section officers and assistant engineers. A convenience sampling method of data collection was employed.

A scaling technique developed by Winger & Frasca (1993) was used to asses the personal financial behaviour of the sample under study. Fifteen 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 one (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 indicated that about 74% of the population under study maintained 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 26% of the sample under study.

From the results, it was clear that the majority of the sample group (76%) maintained good personal financial practices. It was thus essential to ascertain whether these financial practices had any influence on their goal ascertainment. In order to ascertain that, additional questions were included like 'is there any relationship between financial welfare and happiness of family'; 'do you think proper financial planning can improve your financial status' etc. The responses to these questions were collected using a likert scale. Where the responses varied from strongly agree to strongly disagree.

This probed the researcher to enquire further, and ascertain if the life cycle financial goals have any influence on personal financial planning. The subsequent questions were included to ascertain the life cycle financial goals understudy 'Building my own house is/was the biggest financial concern for me ', 'Education of my children consumes a large portion of my income ', 'Marriage of my children (especially

daughters) is a major reason for my financial planning ‘and ‘social obligations force me to accomplish my financial objectives ‘. The responses to these statements varied from Strongly Agree to Strongly Disagree. An analysis of the mean, standard deviation, variance, and range of these statements was carried out, which indicated that:

- a. A vast majority of the respondents agree to the fact that house construction is a significant financial concern for them.
- b. Regarding childrens' education, it was ascertained that respondents agree moderately to the fact that education of the children consumes a large portion of the income of the respondents.
- c. In connection with the marriage expenses of children, it was ascertained that respondents consider the marriage of daughter as a primary concern for financial planning with a mean score of 3.5 and Standard deviation .949 and variance .902
- d. With regard to social obligations; a vast majority of respondents moderately agree that social commitment forces them to accomplish financial objectives, with a mean score of (3.44) and standard deviation .859 and variance .737.

If the mean score of the Statements are consolidated, we arrive at a conclusion that house construction is considered as the most important life cycle financial objective of the respondents under study, followed by marriage of children (especially daughters), and followed by children's

education and social obligation to accomplish financial objectives. Further, the correlation was run to find the relationship between personal finance and life cycle financial goals.

The correlation test indicated a correlation of ($r=0.452$, $p < .01$) between personal finance management and life cycle goals, which suggests that there exist a significant relationship between the constructs. Thus, further regression analysis was run to test the extent of the relationship existing between the two variables.

The beta coefficient was obtained as (0.204 , $p < .01$) this indicates that there exist a positive relationship between personal finance management and life cycle financial goals. In other words, it can be summed up that 20.4% variation in personal financial management is influenced by life cycle financial goals.

The analysis of the results reveals that in India, personal finance management does play a very important role in determining the financial well being of individuals. It can be determined that social obligations often force an average salaried employee to be concerned about his financial position and thus plan effectively to meet the desires of oneself and his family. Moreover, for a salaried employee the income remains more or less steady and limited and only if he makes a clear plan about his financial resources will he be able to achieve financial satisfaction by fulfilling all his life cycle goals.

In view of the findings from our exploratory study, the financial well being model has been suitably modified to include the dimension of life cycle goals in the present study. As the exploratory study has been carried out only in India, results obtained cannot be used for conclusively accepting the importance of life cycle goals. Rather it is being proposed that personal finance management, and determining financial well being in India cannot be separated from life cycle goals.

Section III

3.6 Development of hypotheses

The first hypothesis of the study was formulated based on the significant demographic and socio economic variables. Antony (2008) and Joy (1997) opined that 'type of family structure,' 'spousal income,' 'ancestral property received' & 'asset position' are significant factors influencing financial management at the individual level. In similar lines, Joo and Grable (2004) assert that 'saving and investments' and 'liabilities' are important components in personal financial management. Thus, to test the (I) first objective of the study, the hypothesis is stated as:

H1: *Personal finance management varies with respect to significant demographic and socio-economic factors.*

In order to test this hypothesis, nine sub hypotheses were formulated, which are stated below:

- H1 (a): *There is significant variation in personal finance management with respect to 'type of family structure.'*

- H1 (b): *There is significant variation in personal finance management with respect to 'employed members in the family.'*
- H1 (c): *There is a significant variation in personal finance management with respect to 'income of spouse.'*
- H1 (d): *There is a significant variation in Personal Finance Management with respect to 'income from other sources.'*
- H1 (e): *There is a significant variation in personal finance management with respect to 'type of accommodation of individuals.'*
- H1 (f): *There is a significant variation in personal finance management with respect to 'asset position.'*
- H1 (g): *There is a significant variation in personal finance management with respect to 'ancestral property received by spouse.'*
- H1 (h): *There is significant variation in personal finance management with respect to 'savings and investments.'*
- H1 (i): *There is significant variation in personal finance management with respect to 'liabilities of an individual.'*

The second (II) objective of the study explores the dimensions of personal finance management and financial well being, by developing theoretical frameworks and executing exploratory factor analysis and then confirming the explored factors through confirmatory factor analysis.

Thus, no hypothesis has been formulated with regard to the (II) objective of the study. However, for the rest of the objectives hypotheses have been formulated through extensive theoretical and literature support.

Lee and Miller (2012) opined that positive financial behaviors will improve quality of life of individuals as well as the society. In similar lines, Gray (2013); Hershey et al., (2015) assert that financial management influences quality of life. Thus, to test the (III) objective of the study, the hypothesis is stated as:

H2: *Personal finance management positively influences quality of life.*

Gutter and Copur (2011) argue that positive financial behaviors significantly relate to financial well being. Numerous studies (Kim, 2000; Worthy, Jonkman & Pike, 2010; Xiao, Tang, & Shim 2009; Joo & Grable, 2004) quote the importance of financial management on financial well being. Thus, to test the (IV) objective of the study, the hypothesis is stated as:

H3: *Personal finance management positively influences financial well being.*

Gerrans (2013) studied the relationship between financial wellness and personal wellness. Joo (2008) asserts that financial satisfaction mediates the relationship between financial status and financial behavior to personal wellness. In line with the (V) objective of the study, the following hypothesis is stated:

H4: *Financial Well Being mediates the relationship between Personal Finance Management and Quality of Life*

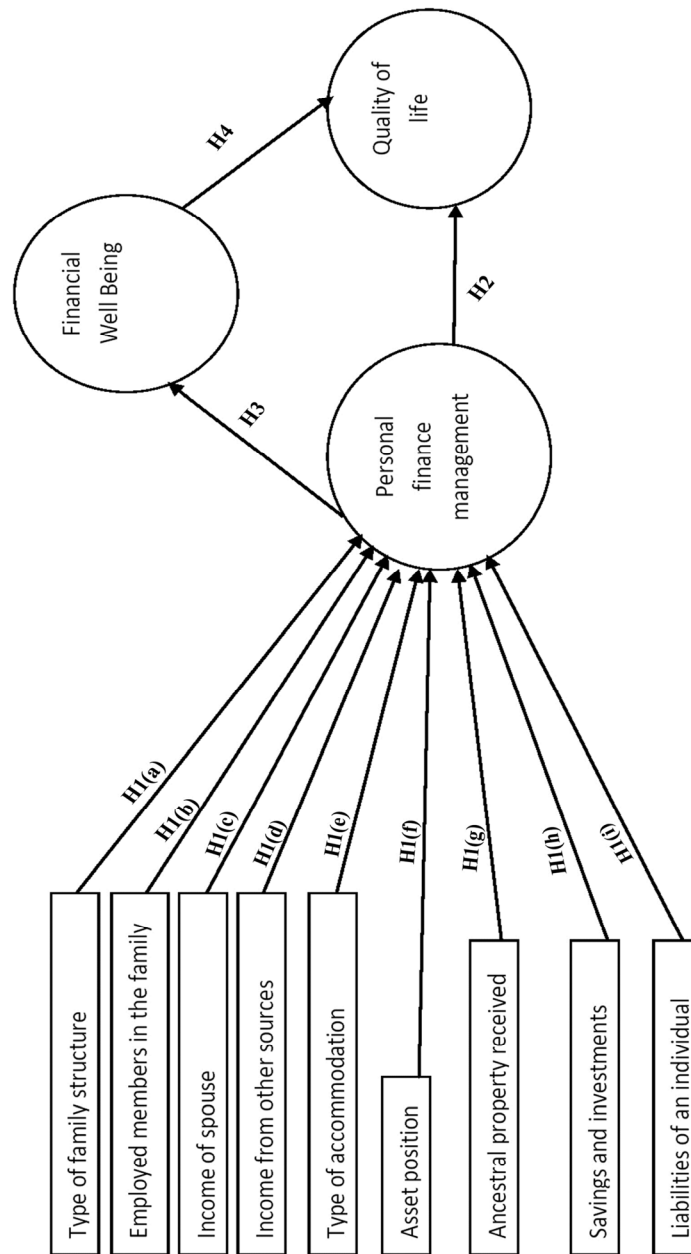


Fig 3.3: Summary of hypotheses formulated



Chapter 4

RESEARCH METHODOLOGY

Contents

- 4.1 *Relevance of the study*
- 4.2 *Validation of research problem*
- 4.3 *Operational Definition of the variables under study*
- 4.4 *Scope of the study*
- 4.6 *Instruments*
- 4.7 *Pilot study*
- 4.8 *Data analysis design*
- 4.9 *Chapter Summary*

This chapter on research methodology describes the various methods and procedures used in the study, including data collection methods, measurement instruments used, study population and sample, implementation plan and finally ends with the data analysis approach that was used to analyse the study.

4.1 Relevance of the study

Household finance management can have a theatrical impact both on macroeconomic and microeconomic outcomes. At the macro level, household liquidity constraints and debt levels can have a significant impact on the level of combined demand in the economy. At the micro-

level, the household's financial position can affect the individual's consumption levels, and in turn, influence their levels of well-being and utility. In addition, due to an aging population, the household's financial position will affect their ability to support themselves in later life. A huge amount of research is going on financial concerns and family relations (Conger et al., 1990; Elder, Conger, Foster, & Ardel, 1992; Thomasson & Lawrence, 1991) to cite a few. All these studies are evidence that personal finance management is an important area, and household finance management has a great impact on the quality of life of the individuals. In the Indian context, a salaried individual has very limited income in hand, with which he has to meet a large number of obligations. These obligations include house construction, education of children, the marriage of children, etc. All these require a huge amount of investments. Only prudent financial planning will help attain these objectives with the limited money at hand. Thus personal finance management in the Indian context becomes all the more important. Thus this study aims, to establish the relationship of personal finance management, financial well being, and quality of life.

4.2 Validation of research problem

On the basis of the literature review, discussions with competent authorities, and research insights into the problem, we assume a relationship between personal finance management, financial well being and quality of life. We assume that personal finance management would positively influence financial well being and thereby enhance quality of life. Based on this assumption a preliminary study was conducted to look

into the above-stated problem. A sample of 100 state government employees were selected from Ernakulam district and questionnaires were distributed to them to analyse the problem under study. The findings of the study indicate that the conceptualised model was fitting well with the assumptions formulated, thus based on these findings, and recommendations received from experts and the respondents the final questionnaire for the study was formulated.

4.3 Operational Definition of the variables under study

4.3.1 Personal Finance Management

Personal finance management involves a way in which a person earns his income, spends and saves it (Gitman, 1981). In the present study, personal finance management has been measured using the scale developed by (Winger & Frasca, 1993). Operationally, this concept is measured in four dimensions, namely financial planning, family budgeting, clarity of objectives, and family financial objectives. The financial planning dimension includes plans to increase income and decrease expenditure, investment planning, tax planning, and retirement planning. The family budgeting dimension includes the practice of maintaining financial accounts, compare income and expenditure, nonrecurring expenses, and family finance. The dimension clarity of objectives includes short term and long term planning. The dimension family financial objective includes life cycle objectives and family budgets.

4.3.2 Financial Well being

Financial well being has been operationalised in terms of six dimensions, namely: perceived financial well being, financial behaviours, investment decisions, risk tolerance, financial stressors, and life cycle goals. Perceived Financial Well Being refers to the distinctive features associated with one's financial situation and ability to meet normal monthly living expenses. The adapted version of the scale developed by Prawitz et al. (2006) was used for the present study. Financial behaviours are operationalised as identifying, analysing, and implementing practices to allocate and distribute income to meet expenses and financial goals. The scale developed by (Joo, 1998) was utilized for the same. Investment decisions were operationalised as investment opportunities related to stock and bonds, and processing knowledge to be a successful investor. The scale developed by (Grable, 2000) was used to measure this construct. Risk tolerance was operationalised as the level of risk aversion, with respect to investing, safety, and returns. The scale developed by (Grable, 2000) was used for the same. Financial stressors was operationalised as events in the life course, which can increase stress levels, like a decrease in income, serious illness, residence shift, purchase of vehicles, etc. The adapted version of the scale developed by (Joo & Grable, 2004) was used for the measurement. Life cycle goals was operationalised as major financial decisions arising out of life cycle changes, comprising of the decision to build own house, education, and marriage of children, social obligations, etc.

4.3.3 Quality of life

Quality of life has been operationalised in terms of four dimensions, namely physical health, psychological environment, social relationships and general environment as provided by the World Health organisation (WHO). This variable has been measured using the adapted version of the scale WHO- BREF (1998)

4.4 Scope of the study

The scope of the study can be defined by the following elements:

4.4.1 Population

Population in this study is defined as, "State government employees working in state government departments on a permanent tenure, and have been in employment for at least one year". As per the finance department, G.O. (P) No.7/2016/Fin. Dated 20/01/2016: there are 97 common categories of departments falling under the state government rule.

This categorisation will help to segment the employees into a homogenous lot, thereby facilitating generalisation in the research work conducted. The state government employees are further classified into four groups based on their pay scale, and steps were ensured to collect data from each segment of the group specified. The list as prepared by the finance department of the state is given in table 4.1 based on their pay scale:

Table 4.1 : Revised Classification of Government Employees into Group A, Group B, Group C and Group D

| Group A Scale of Pay | Group B Scale of Pay | Group C Scale of Pay | Group D Scale of Pay |
|---------------------------------|---------------------------------|---------------------------------|---------------------------------|
| 55350-101400 | 35700-75600 | 17500-37500 | 16500-35700 |
| 60900-103600 | 36600-79200 | 17500-39500 | |
| 68700-110400 | 39500-83000 | 18000-41500 | |
| 77400-115200 | 40500-85000 | 19000-43600 | |
| 81000-117600 | 42500-87000 | 20000-45800 | |
| 85000-117600 | 45800-89000 | 22200-48000 | |
| 89000-120000 | | 25200-54000 | |
| 93000-120000 | | 26500-56700 | |
| | | 27800-59400 | |
| | | 29200-62400 | |
| | | 30700-65400 | |
| | | 32300-68700 | |

The employees belonging to the Group A are belonging to the highest pay band, followed by Group B, Group C, and Group D

4.4.2 Place of study

The area of research is Kerala. The area of the study was sub divided into three regions, south, central, and north comprising of Thiruvananthapuram, Ernakulam, and Kozhikode. Various government offices of these three zones were included for data collection, the details of which are provided in the sampling section.

4.4.3 Data Sources

Data for the analysis was the primary data collected through a questionnaire survey conducted among state government employees working in various departments in Kerala.

4.4.4 Period of study

The data was collected during the period from May to September 2016.

4.5 Research Design

The study undertaken is both descriptive and analytical in nature. The study analyses and reports on the personal finance management of employees working in state-owned enterprises and its influence on their quality of life. Thus the study is descriptive in nature. The study also tries to bring out the relationship between the various variables under study. Thus the study can be described as analytical too.

4.5.1 Sample Design

The population consists of all state government employees working in various departments in Kerala. As per the Finance Department report, there are 97 departments functioning under the control of state government, with approximately 5,00,0000 employees working in varied departments. The employees working under the collegiate education, whose remuneration was funded by the University Grants Commission (UGC) was excluded from the study.

In this study, the population is finite but unknown, thus estimating the exact size of the population is not possible. Hence it is difficult to conduct a foolproof probability sampling. Using the sampling estimation equation $(1.96 * SD / d)$, where S.D. represents standard deviation, and d is the estimate of error, under the % estimate of error and the critical value form normal test at 5% level of significance is 1.96 the sample size for the study was ascertained as 498. And based on the process of calculating the sample size, multiplying the items in the questionnaire by 10 Haier et al. (2010), the sample size was determined as 560, i.e. $(56 * 10)$. Thus the sample size was rounded as 600.

4.5.2 Sampling process

Area of study (Kerala) was divided into three regions – south, central and north, and Thiruvananthapuram, Ernakulam, and Kozhikode were selected to represent these three zones. The study adopted a survey method of data collection using a structured questionnaire. From the selected three districts in Kerala, data was collected from employees working in state government offices. The offices included in the survey

were selected randomly from the list provided by the finance department (G.O. (P) No.7/2016/Fin. Dated 20/01/2016) of the government of Kerala. The sample size for the study was fixed as 600, and thus 200 samples each were collected from the three districts. Efforts were made by the researcher to ensure that the required number of sample is received from each of the three districts. Table 4.2 below shows the number of questionnaires distributed in each district, the number of responses, the number of usable responses, and the response rate.

Table4.2: Data collection details

| Districts | No. of questionnaire distributed | No. of responses | No. of usable responses | Response rate |
|--------------------|---|-------------------------|--------------------------------|----------------------|
| Thiruvananthapuram | 272 | 236 | 200 | 86.7% |
| Ernakulam | 250 | 220 | 200 | 88% |
| Kozhikode | 247 | 213 | 200 | 86.2% |
| Total | 769 | 669 | 600 | 86.9% |

The researcher ensured that the required number of sample is received from the three districts, and the questionnaire received were cross-checked for completeness and correctness of their response and only such response sheets were included in the sample for further analysis. Until the required sample size was received from the three districts the process was repeated. Out of the 272 questionnaires distributed in Thiruvananthapuram, 236 responses were received (86%

response rate), of which 36 were rejected due to incompleteness. Similarly, 250 questionnaires were distributed in Ernakulam, of which 220 responses were received (88% response rate), of which 30 were rejected. In Kozhikode 247 questionnaires were distributed, 213 questionnaires were received (86%), of which 13 were rejected. Thus the required sample size of 600 was obtained.

4.5.3 Survey Method in data collection

The survey method is one of the most common approaches used in social sciences, especially when it is required to evaluate the interrelations of concepts sociological and psychological in origin empirically.

The questionnaire for this study was formulated based on logical reasoning that has evolved from the literature study taken up and also based on the feedback and results drawn from the exploratory work. As this study has intended to collect both attitudinal and factual data regarding personal finance management, and its influence on quality of life variables, the survey method is the most appropriate.

4.6 Instruments

This study has three different constructs, named as personal finance management, financial well being, and quality of life. It uses different scales to measure these constructs which are crucial for the conceptualisation proposed. The details regarding the scales used to measure each construct is given below:

4.6.1 Personal Finance management

Personal finance management was measured using the adapted version of scale developed by (Winger & Frasca, 1993). This scale has been used extensively in both international and national studies to measure personal finance management, including (Joy, 1997; George, 2002; Aslam, 2008). In all these studies personal finance management was measured as an objective construct. But no attempt has been made to measure it subjectively. In the present study, the researcher has measured this construct subjectively, and thus it was essential to see if the scale is suitable for the Indian audience. Therefore, it was necessary to check the suitability of the scale by subjecting it to expert review. The scale was reviewed by a panel of three experts. The experts were asked to review each item in the scale for suitability of item wording and appropriateness in the Indian context. Based on the inputs from the review panel, adaptations were made in the original 15 items scale, to suit the Indian context. Adaptations were in the form of change in wordings and addition of 2 items and deletion of 1 item. The added items were about family financial decisions. The deleted item was considering awareness of loan and borrowing, which was felt to be repetitive and thus was deleted. These were deemed to be appropriate, regarding the objectives of the study by all the experts alike. The resultant scale had 16 Likert type statements on a 1 to 5 scale, ranging from 'Strongly Agree' to 'Strongly Disagree'.

1. **Quality of life**

Quality of life was measured using WHOQOL- BREF developed by WHO. The World Health Organisation (WHO) defines quality of life as, "*Quality of life is defined as individuals' perceptions of their position in life in the context of the culture and value systems in which they live and in relation to their goals, expectations, standards and concerns*". This definition reflects the view that quality of life refers to a subjective evaluation which is embedded in an environmental, social, and cultural context.

WHOQOL-BREF is a short version of the WHOQOL-100 Field trial version, which originally had 100 questions, consisting of 24 facets of quality of life and 4 items relating to the overall quality of life and general health. The testing of the scale was carried out in 15 countries consisting of Argentina, Australia, Brazil, Croatia, Germany, Hong Kong, India, Israel, Japan, Netherland, Panama, Spain, Thailand, USA, and Zimbabwe. This reveals that the scale is widely accepted as a measure of the quality of life across the world.

But since the scale was a very lengthy one, it was essential to develop a shorter version of the scale. WHOQOL-BREF is a short version of WHOQOL-100. It covers four domains – Physical health, Psychological, Social relationships, and environment. The details are given in the table 4.3 below:

Table 4.3: Domains in quality of life measurement

| Domain | Facets incorporated within domains |
|-------------------------|---|
| 1. Physical health | Activities of daily living Dependence on medicinal and medical aids Energy and tiredness Ease of Mobility Pain and distress Sleep and rest Work Ability |
| 2. Psychological | Bodily appearance Negative feelings Positive feelings Self-esteem and regard Spirituality / Religious orientation / Personal values Thinking, memory and Attentiveness |
| 3. Social relationships | Personal relationships Social support |
| 4. Environment | Financial resources and assets Freedom, physical safety and security Health and social care: accessibility and quality Home surrounding Prospects for acquiring new knowledge and skill Recreation / leisure activities Physical environment (pollution / noise / traffic / climate) Transport |

The scale consisted of 26 questions, which after the review with the experts were further brought down to 24 questions. The two deleted items were excluded because of inappropriateness to the Indian audience. Thus the scale finally had 24 questions whose responses ranged from 'Strongly Agree to Strongly Disagree'

4.6.3 Financial Well Being

Financial well being construct has been measured both objectively and subjectively across a number of studies internationally. In this study, the researcher has measured financial well being across six dimensions: Present Financial Well Being, Financial Stressors, Financial Behaviours, Investment Decisions, Risk tolerance, and Life Cycle Goals.

4.6.3.1 Present Financial Well Being

For measuring the present financial well being of the sample under study, an adapted version of scale developed by (Prawitz et al., 2006) was used. This scale has extensively been used in measuring financial well being for distress across various studies. Seven items were used to measure this construct, whose responses varied from 'Strongly Agree to Strongly Disagree'. Five out of the seven questions were reverse coded in the scale. The questions which were reverse coded were "*I often want to go out to eat, go for a movie etc but don't go because I can't afford it; I often worry about being able to meet my normal monthly living expenses; I often feel that my income is just enough to meet my expenses only; I am stressed about my personal finances in general; I experience a high level of financial stress.*" These items were reverse coded as it would have a

negative impact on financial well being. The other two items included in the scale were "*I am satisfied with my present financial situation, I am confident that I can find the money to pay for a financial emergency.*"

4.6.3.2 Financial Stressors

McCubbin & Patterson (1983, p.88) defined stressor as "*a life event or occurrence in or impacting upon the family unit which produces a change in the family social system.*" Previous research findings have often shown that financial stress is negatively related to financial satisfaction (Bailey, Woodiel, Turner & Young, 1998).

In the present study, financial stressors were measured using the following items, "*Any decrease in my income will cause financial stress to me, Serious illness to my health will cause problems in my employment, Medical treatment is a financial concern for my family, Moving from one residence to another can cause financial stress, Purchase of a new vehicle can cause financial stress*". Scale developed by Joo & Grable (2004) was adapted to measure this construct.

4.6.3.3 Financial Behaviours

The literature also suggests that financial behaviours can affect financial satisfaction or well being (Godwin, 1994; Godwin & Carroll, 1986; Grable & Joo, 1998; Mugenda, Hira, & Fanslow, 1990). Mugenda and her associates (1990) while trying to assess the causal relationships of factors that influence many management practices, concluded that "*net worth, monthly debt payments, savings, absence of financial difficulties were the main determinants of managers' satisfaction with financial*

status" (p.355). Similarly, Joo (1998) determined that exhibiting positive financial behaviors, such as paying credit card bills in full each month, and comparison-shopping for a big-ticket item, is positively related to financial satisfaction.

In the present study, the respondents' financial behaviour was examined using five-point Likert type questions, where the responses ranged from 'Strongly Agree to Strongly Disagree'. Items used were modified initially and developed by (Joo,1998). Eight items were used to measure financial behaviour of respondents. The following items were used "*I set money aside for savings, I set money aside for retirement, I make regular plans to reach my financial goals, I follow weekly or monthly budgets, I pay credit card bills in full and avoid finance charges, I do not spent more money than I have, I compare in more than one shop when purchasing an expensive items*"

4.6.3.4 Investment Decisions and Risk Tolerance

Risk tolerance, as one subconstruct of broad financial attitudes, may also be related to financial satisfaction. For example, different levels of risk tolerance can result in differences in financial decisions and outcomes. These differences may lead to different levels of financial satisfaction. Research findings reported by (Grable & Lytton, 1998) and (Sung & Hanna, 1996) suggest a positive relationship between and among predictor variables (e.g., demographic factors) and financial knowledge and subjective risk tolerance. Grable and Lytton (1998) and Roszkowski & Davey (2010) concluded independently that there appears to be a common psychological profile among risk tolerant individuals and those

with more financial knowledge that allows them to make different financial decisions, which may ultimately lead to greater attained levels of financial satisfaction.

Respondents risk tolerance was measured using six Likert type questions, the responses of which varied between 'Strongly Agree and Strongly Disagree.' Investment decision and risk tolerance were based on a measure developed by (Grable, 2000). The questions included to measure this construct are as under:

'In terms of investing, safety is more important than returns, I am comfortable putting my money in a bank than in the stock market, When I think of the word 'risk' the term 'loss' comes to mind immediately, Making money in stocks and bonds is based on luck, I lack the knowledge to be a successful investor, Investing is too difficult to understand'.

4.6.3.5 Life Cycle Goals

Family events include several life cycle events. Marriage, the birth of a child, the child goes to college, the retirement of family member, job loss of a family member, divorce or separation from spouse, and death are related to the employee's personal financial wellness (Sporakowski, 1979). These events are financial stressors as they require considerable amounts of money. Moreover sudden changes or unexpected events can cause serious financial problems. Financially stressful situations include residence shift, key house repair, major vehicle repair, mortgage repayment, legal problems, insolvency, low wage, medical bills, and pre-existing excessive consumer debt. In Indian condition it is inevitable to

think of financial satisfaction or well being, without meeting the life cycle goals, hence a need was felt to include this item in the analysis.

Five items were used to measure, life cycle goals and their responses Varied from 'Strongly Agree to Strongly disagree'. "*Building my own house is / was the biggest financial concern for me, education of my children consumes a large portion of my income, marriage of my children is a major reason for my financial planning, In meeting my financial objectives my family members and relatives support me at all times, Social obligations force me to accomplish my financial objectives.*"

4.7 Pilot study

After the finalisation of the measures for measuring the proposed constructs, the study conducted a pre-test which was aimed at validating the questionnaire. Data were collected from 122 government employees working in different departments of Ernakulam. The mean age of the respondents was 35.2 (SD 7.61) and mean income was Rs.22045 (SD 14927). Through this exercise the researcher found out that results were matching with the assumptions developed in the conceptualisation of the model under study. The pilot study helped in finalizing the questionnaire used in the study, by incorporating the required amendments based on the findings of the survey and the feedbacks collected from the respondents.

4.8 Data analysis design

The data collected from 600 respondents were analyzed with the help of statistical packages. Reliability and construct validity test was

carried out on the scales chosen to ensure the validity of the variables under study. Confirmatory factor analysis with structural equation modelling was conducted for estimating the fitness of the model proposed. Path analysis using structural equation modelling using AMOS 21.0 was carried out. The model validation was carried out in the following stages.

4.8.1 Test of Reliability and Validity

The reliability of the measurement scale was examined using Cronbach's (1951) coefficient alpha using IBM SPSS 23.0. The study first confirmed the reliability of the scale as per the suggestion was given by (Nunnally, 1967). Validity checks of the measured constructs were carried out through the confirmation of discriminant and convergent validity using AMOS 21.0. The discriminant validity of the measured constructs was performed using an approach suggested by Joreskog (1971). For each pair of constructs, the discriminant validity is achieved in two stages. In the first stage, the correlation between the two constructs is constrained (fixed as one). In the second stage, these two constructs are allowed to correlate freely (unconstrained). After the completion of these two stages, the χ^2 difference between these two models (constrained and unconstrained) is obtained. The significant difference between the constrained and unconstrained model proved that the constructs are not perfectly correlated and that discriminant validity is achieved. Convergent validity of the constructs was confirmed through the suggestion given by (Hair, Ringle & Sarstedt, 2010). For assessing convergent validity, the

proposed study checked the values of standardized factor loadings, Average Variance Extracted (AVE) and Construct Reliability (C.R.).

4.8.1.1 Conceptual Model Testing

The study followed the steps proposed by Diamantopoulos & Siguaw (2000) for the assessment of model development and testing. The steps are given in the following Figure 4.1 below

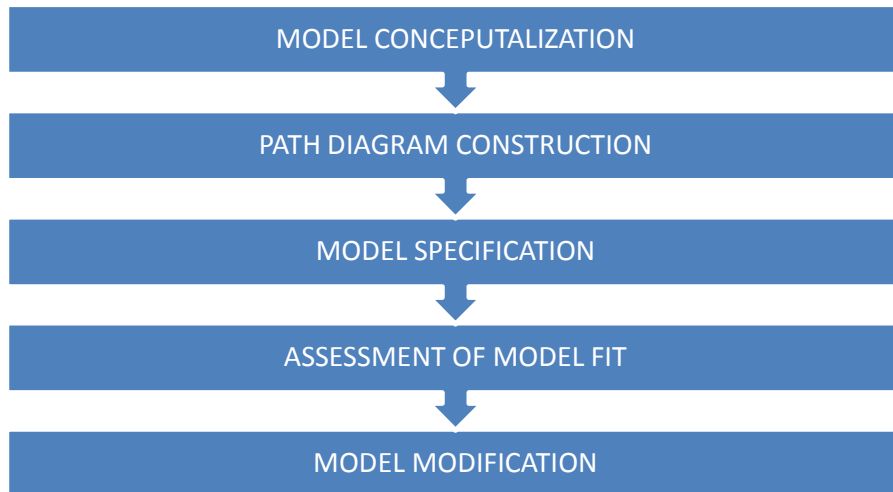


Fig 4.1: Conceptual model building steps

4.8.1.2. Model Conceptualization

Model conceptualization, is concerned with the development of theory-based hypotheses to serve as the guide for linking the latent variables to each other and to their corresponding indicators. Hair et al. (1998) stated that the strength and conviction with which the researcher can assume the relationship, particularly the causation between two constructs depends not lie in the analytical methods chosen but with the theoretical justification to support the analysis. This stage of model

conceptualization reflects the researchers' ability to perceive how the latent variables are related to theory and literature.

Based on the theoretical support and findings of the pilot study, the proposed model of the study is depicted as under:

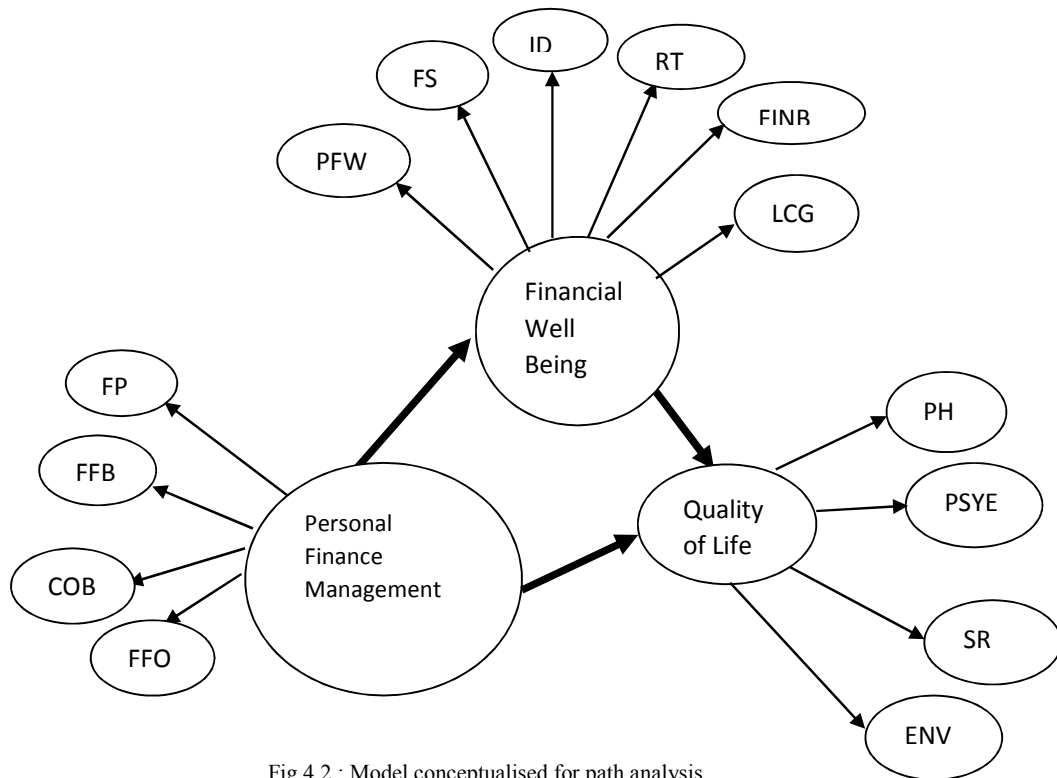


Fig 4.2 : Model conceptualised for path analysis

Where, **Personal finance management** is the **Independent variable** and its four dimensions are:

- FP - Financial Planning, measured using 5 items
- FFB - Family Budgeting, measured using 4 items
- COB - Clarity of Objectives, measured using 2 items
- FFO - Family Financial Objectives, measured using 2 items

Financial well being represents the **mediator variable**, which is measured using six dimensions namely:

- PFW - Perceived Financial Well Being, measured using 7 items
- FS - Financial stressors, measured using 5 items
- ID - Investment Decisions, measured using 3 items
- RT - Risk Tolerance, measured using 3 items
- FB - Financial Behaviours, measured using 3 items
- LCG - Life cycle goals, measured using 4 items

Quality of life is the **dependant variable**, which is measured using four dimensions:

- PH - Physical health, measured using 2 items
- PSYH - Psychological Health, measured using 8 items
- SR - Social Relationships, measured using 4 items
- ENVT- Environment, measured using 4 items.

4.8.1.3.Path-Diagram Construction

Path diagram construction allows the researcher to visually represent the substantive (theoretical) hypotheses and measurement scheme. In this stage, all the predictions and associative relationships among latent variables and observed variables are presented with arrows. In SEM, all the constructs belong to two general categories: exogenous and endogenous. Exogenous constructs are independent variables and not caused or predictor by any other variables in the model. Endogenous latent variables are dependent variables are predicted by other constructs in the theoretical model.

4.8.1.4 Model Specification

In this stage, the relationship depicted in the path diagrams now translates into a system of linear equations that link the constructs and define the measurement model. At a basic level, the formation, representation of the model can be represented in two ways: structural equations and measurement equations. In the structural equation, each endogenous variable could be predicted by exogenous variable, or by other endogenous variable. For each hypothesized effect, a structural coefficient (β) was estimated. Also, an error term was included for each equation, representing the sum of the effects due to specification error and random measurement error. The measurement model represents the operationalization of latent constructs through the observed or manifest variables. It is considered that the foundation of measurement modeling is quite analogous to factor analysis. In this model, the factors are named as latent variables and the individual items as observed variables or indicators. In this study, all the variables were operationalised as second order constructs. The Endogenous variable in the study is quality of life which was measured using 18 observed variables. The exogenous variable, personal finance management was measured using 13 observed variables and the mediating variable financial well being was measured using 25 observed variables. A total of 56 observed variables were used in the study using AMOS 21.0

4.8.1.5 Assessment of Model Fit

In this stage of model fit assessment, researchers examine different fit indices that generates while running AMOS, which confirms the extent to which the implied covariance matrix is equivalent to the observed covariance matrix. These fit indices allow the researcher to

confirm the quality and soundness of the measurement and structural parts of your model in terms of supporting your operationlizations and theory based hypotheses. In Chapter 5 the study will present the details of this model fit indices.

4.8.1.6 Model Modification

From the results obtained in the previous stage, the study should modify or make alterations to the base based upon theory. In this stage, the basic thing to remember is that these model modifications are made to the model based upon the theory and guard against the temptation of making data-driven modifications just to get a model that fits the data better (Sreejesh, 2014). In Chapter 5 the study analyzed the alternative models which were driven by theory and compared these alternative models with the hypothesized model.

4.9 Chapter Summary

This first part of the chapter presented a brief overview of the research methodology that was employed to refine, verify and develop the conceptual model of personal finance management relationships. This chapter began with the relevance of the study, followed by validation of research problem and operationalisation of variables under study. The second part of the chapter described about the methodological approach used in the study, which detailed regarding the scope of the study, research design and instruments used. The next chapter describes about data analysis design, which includes the use of SEM as the appropriate technique.

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DATA ANALYSIS AND RESULTS

PART –I

5.1 Section I: Respondents Demographic Profile

5.2 Section II – Personal Finance Management

5.3 Section III – Financial Well Being

5.4 Section IV- Quality of life

5.5 Model Estimation Overview

PART –II

5.6 Chapter summary

Data Analysis and Results – Part I

The analysis for the present study has been divided into two main parts. The first part (Part I) has been further divided into four sections, the first section details about the demographic and socio economic profile of the respondents. Descriptive statistics of the variables under study have been analyzed using frequency and percentage analysis.

The second section begins with detailing about the independent variable for the study namely Personal Finance Management. This section details about objective assessment of the elements constituting personal finance management. Further, to test the first hypothesis of the study the

significant demographic and socio economic variables have been analyzed, using T- test and ANOVA to study the relation between the independent variable i.e. Personal Finance Management.

In similar fashion, the analysis for the mediating variable (Financial Well being) and the dependent variable (Quality of Life) have been carried out in the third and fourth sections respectively.

In the second part (Part II) analysis relating to the model established for the study has been undertaken. Hypotheses related to the model formation has been tested and validated using Structural Equation Modeling (SEM) in AMOS 21.0

5.1 Section I: Respondents Demographic Profile

The study used a survey method to collect data from the sample constituting of state government employees in Kerala. The data was collected from Thiruvananthapuram, Calicut and Ernakulum, which represents the south, north and central zones in the state of Kerala. A total of 600 employees were surveyed through questionnaire method, the demographic profile of the respondents is given in the table 5.1 below:

5.1.1 Age

Table 5.1.1 Descriptive Statistic - Age

| Age | Frequency | Percent |
|----------------|-----------|---------|
| Below 30 years | 50 | 8.3 |
| 31-40 years | 245 | 40.8 |
| 41-50 years | 196 | 32.7 |
| Above 50 years | 109 | 18.2 |

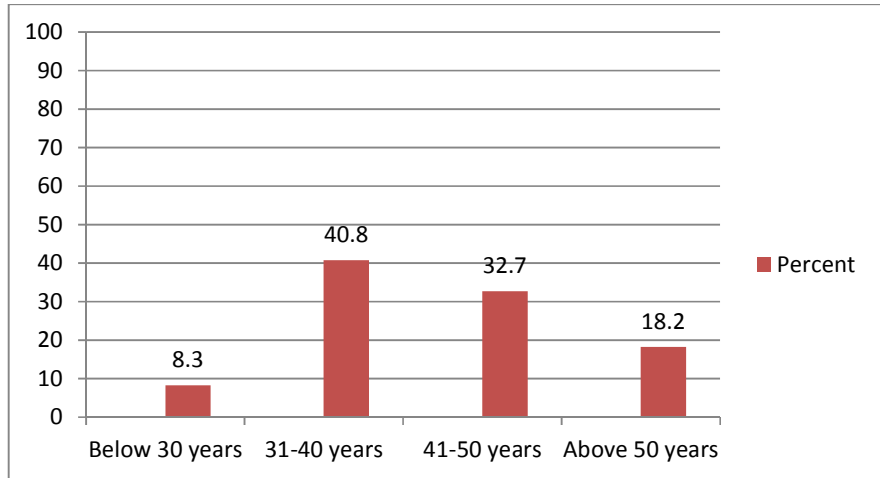


Figure 5.1.1 Descriptive Statistic- Age

Table 5.1.1 and Fig 5.1.1 explain the age statistic of the respondents. It can be seen that majority of the respondents (245) i.e. 40.8% belong to the age group of 31-40 years, followed by 41-50 years (196) i.e. 32.7%. Thus, a large majority of the respondents belong to the age group between 31-50 years (73.5%). Since the respondents for our study are state government employees whose retirement age extend to 56 years. It can be seen from the figure above that a good representation of the sample belonging to each group has been gathered.

5.1.2 Gender

Table 5.1.2 Descriptive Statistic- Gender

| Gender | Frequency | Percent |
|--------|-----------|---------|
| Male | 276 | 46 |
| Female | 324 | 54 |

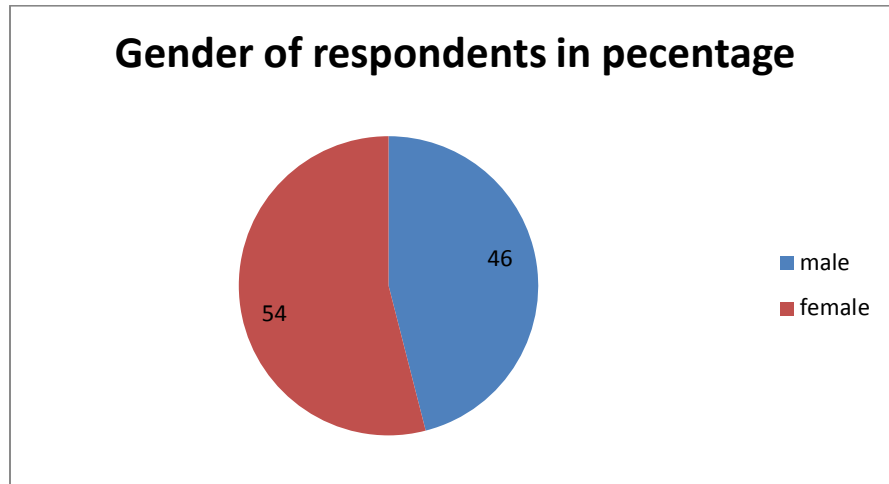


Figure 5.1.2 Descriptive Statistic - Gender

Table 5.1.2 and Fig. 5.1.2 indicates that (54 %) of the respondents are female and the rest (46%) are male. Kerala ranks first among the states in India for having a favourable sex ratio. As per the latest census (2011) it is reported that there are 1084 females per 1000 males in Kerala. Equal opportunity for education and employment, provides avenue for the female to perform. As per the National Employment service, Government of Kerala, there are 22,47,231 lakhs of female registrants, when compared to 13,41,862 male registrants. The results of the analysis show that, the sample could accommodate this phenomenon in the study.

5.1.3 Marital Status, Type of family, Number of occupants, Number of employed members

| Marital Status | Frequency | Percent |
|-----------------------------------|------------------|----------------|
| Single | 50 | 8.3 |
| Married | 538 | 89.7 |
| Divorced | 8 | 1.3 |
| Separated | 4 | .7 |
| Type of family | Frequency | Percent |
| Nuclear | 430 | 71.7 |
| Joint | 170 | 28.3 |
| Number of Occupants | Frequency | Percent |
| 1 | 1 | .2 |
| 2 | 81 | 13.5 |
| 3 | 124 | 20.7 |
| 4 | 246 | 41 |
| 5 &above | 148 | 24.7 |
| Number of employed members | Frequency | Percent |
| 1 | 175 | 29.2 |
| 2 | 374 | 62.3 |
| 3 | 41 | 6.8 |
| 4 &above | 10 | 1.7 |
| Service Group | Frequency | Percent |
| Group A | 88 | 14.7 |
| Group B | 207 | 34.5 |
| Group C | 218 | 36.3 |
| Group D | 87 | 14.5 |
| Years of Service | Frequency | Percent |
| Below 5 years | 104 | 17.3 |
| 5-10 years | 166 | 27.7 |
| 11-15 years | 105 | 17.5 |
| Above 15years | 225 | 37.5 |

Table 5.1.3 indicates that approximately (89.7 %) of the respondents are enjoying a married status. Regarding the type of family structure, (71.7%) belong to nuclear families and the rest (28.3%) to the joint family setup. This statistic shows the importance of marriage in our society and the need for social and cultural bond. A large majority of the respondents (41%) are having 4 occupants in their family. Majority (62.3%) of the respondents state that there are two earning members in their family, followed by (29.2%) who state that there is only one earning member in their family. Moreover, it can be seen from the table above that majority of the respondents (36.3%) belong to Group C, which is the second lowest in the pay band provided to state government employees. It is also interesting to find that majority of the respondents (37.5%) have experience above 15 years. It is a clear indication that the earning members in our society is comparatively less when compared to other countries, which gives a clear understanding that those in charge of financial management in a house, need to take extra efforts to ensure that all financial needs of the family are met, or in other words the importance of personal finance management is emphasized.

5.2 Section II – Personal Finance Management

5.2.1 Personal Finance Management – Objective Assessment

The Independent variable for the study is Personal Finance Management. This section details about the objective and subjective assessment of the elements constituting personal finance management. The section begins by elaborating the aspects covering personal finance of

the respondents under study like their income from salary, sources of other income, asset position, and also about their liabilities and annual expenditures. Further, the scales adapted to measure personal finance management (Winger & Frasca, 1993) has been analyzed using Mean, Standard Deviation and Variance.

Personal finance management involves a way in which a person earns his income, spends and saves it (Gitman, 1981). Thus, the following section provides details regarding the respondents' income from salary, income of spouse, income from other sources, house ownership, total asset position, ancestral property received by spouse, savings and investments, investments in other properties and also discusses about liabilities and annual expenditure.

5.2.1.1 Income from salary, Income of spouse and Income from other sources.

Income from salary, income of spouse and income from other sources constitute an important part of personal finance. The details of these are provided in the table below:

Table 5.2.1.1: Income from salary, Income of Spouse & Sources of other Income

| Monthly income from salary | Frequency | Percent |
|-----------------------------------|------------------|----------------|
| Below Rs.20000 | 55 | 9.2 |
| Rs.20000-Rs. 40000 | 303 | 50.5 |
| Rs.40000- Rs. 60000 | 138 | 23 |
| Rs.60000 & Above | 104 | 17.3 |
| Monthly Income of Spouse | Frequency | Percent |
| Nil | 247 | 41.2 |
| Below Rs.20000 | 132 | 22 |
| Rs.20000- Rs.40000 | 111 | 18.5 |
| Rs.40000-Rs.60000 | 110 | 18.3 |
| Income from other Sources | Frequency | Percent |
| Nil | 223 | 37.2 |
| Below Rs.10000 | 302 | 50.3 |
| Rs.10000- Rs. 20000 | 48 | 8 |
| Rs.20000- Rs.30000 | 14 | 2.3 |
| Above Rs.30000 | 13 | 2.2 |

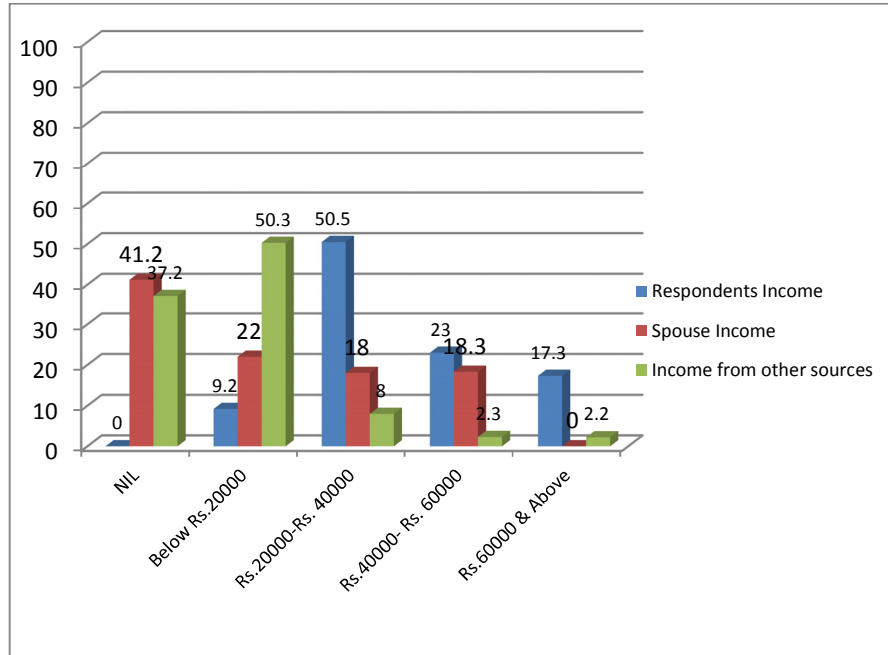


Figure 5.2.1.1 Income from Salary, Income of Spouse and Income from other sources

Table 5.2.1.1 and Figure 5.2.1.1 indicates the salary income of respondents, Spouse income and Income from other sources. It can be observed that majority (50.5%) of the respondents income lies in the pay band of Rs. 20,000 to Rs. 40,000. It was also shown in the earlier table that majority of the respondents are Group C employees. Regarding spouse income majority (41.2%) state that they do not have any income. Majority (50.3%) of the respondents report that income from other sources account for only less than Rs.20,000.

5.2.1.2 Type of Accommodation

| Accommodation | Frequency | Percent |
|---------------|-----------|---------|
| Owned | 439 | 73.2 |
| Rented | 161 | 26.8 |

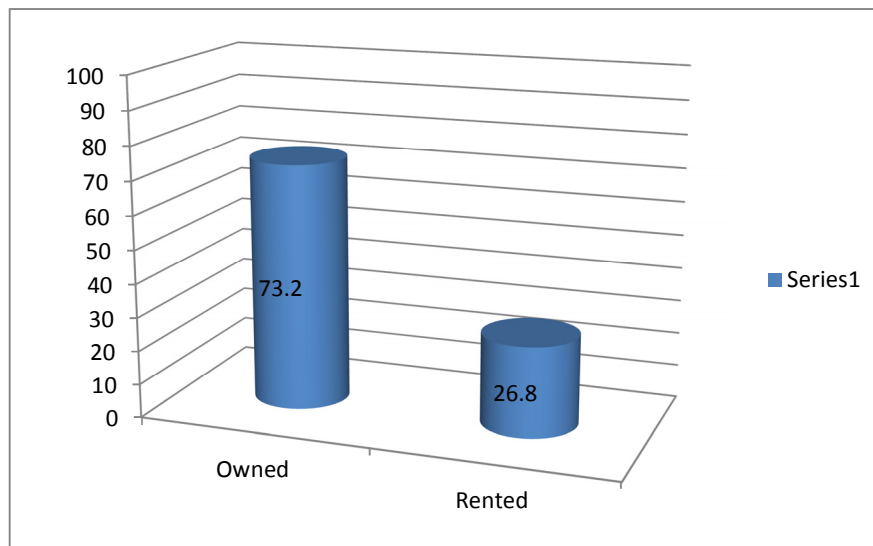


Figure 5.2.1.2 Type of Accommodation of Respondents

Table 5.2.1.2 and Figure 5.2.1.2 indicates that majority of the respondents under study (73.2%) own homes while the rest (26.8%) live in rented houses. This finding implies that majority of the respondents under study are capable of owning homes, which is an indication of enhanced quality of life.

5.2.1.3 Place of Residence

| Place of residence | Frequency | Percent |
|--------------------|-----------|---------|
| Urban | 232 | 38.7 |
| Rural | 245 | 40.8 |
| Semi urban | 123 | 20.5 |

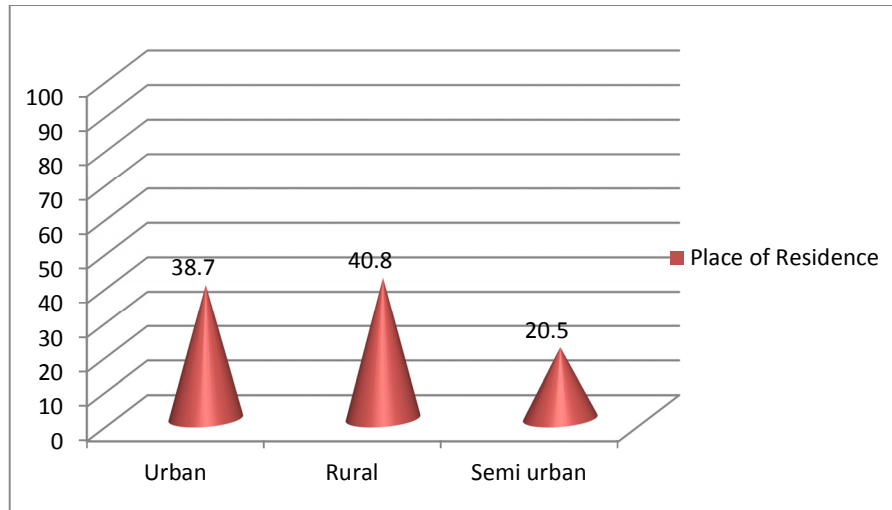


Figure 5.2.1.3 Place of residence of respondents

Table 5.2.1.3 and figure 5.2.1.3 indicates that majority of the respondents (40.8 %) live in rural areas followed by (38.7%) in urban areas and the rest (20.5%) in semi urban areas. Since majority of the respondents live in rural areas their cost of living index would be less than that of those who are living in urban areas.

5.2.1.4 Total Asset position including ancestral property

| Total asset position including ancestral property | Frequency | Percent |
|---|-----------|---------|
| Below 50 lakhs | 383 | 63.8 |
| Rs. 50 lakhs – Rs.1 Cr | 146 | 24.3 |
| Above 1 Cr | 71 | 11.8 |

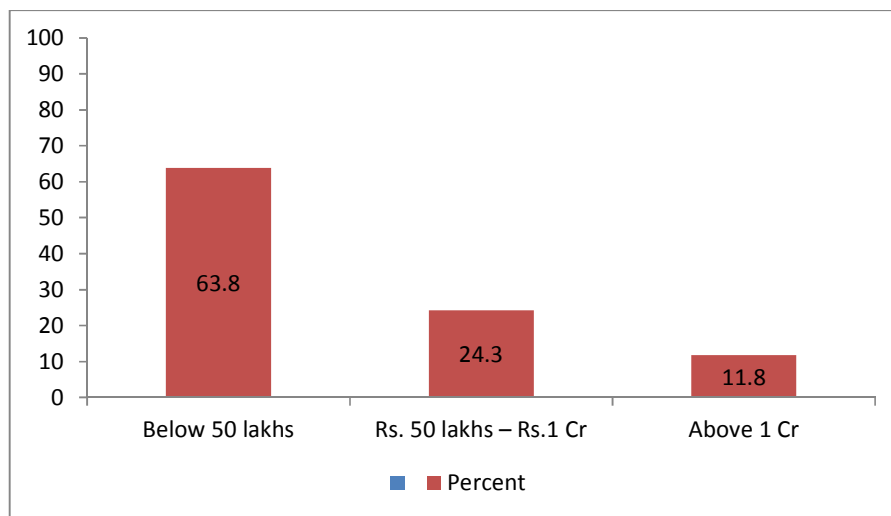


Figure 5.2.1.4 Total Asset position including Ancestral property

Table 5.2.1.4 and Figure 5.2.1.4 indicate that majority of the respondents (63.8%) report to have a total asset position of below 50 lakhs. It is natural that a salaried employee who just have a regular income and one who completely depends on it, would not be able to generate more assets if, he does not opt to invest the money wisely.

5.2.1.5 Total Asset position of the Spouse

| Value of ancestral property received by spouse | Frequency | Percent |
|--|-----------|---------|
| Nil | 156 | 26 |
| Below Rs.10 lakhs | 253 | 42.2 |
| Rs.10 – 20 lakhs | 85 | 14.2 |
| Above Rs.20 lakhs | 106 | 17.7 |

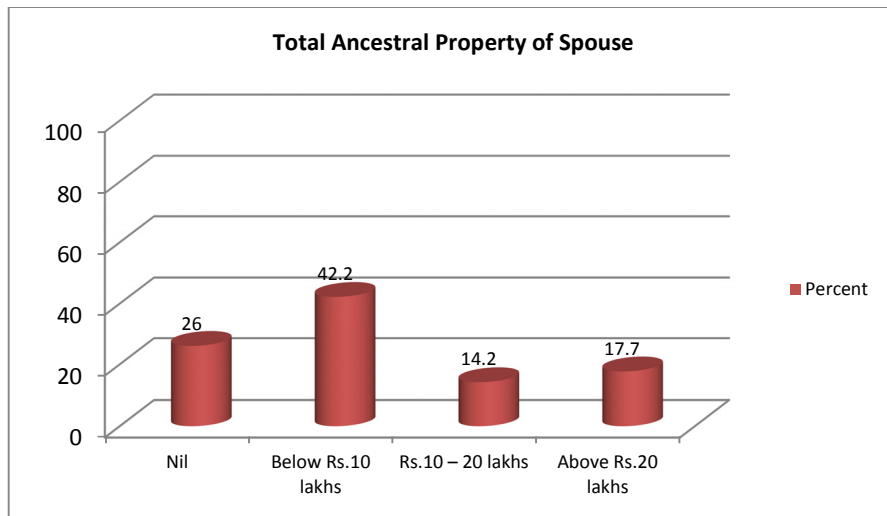


Figure 5.2.1.5 Total Ancestral Property of Spouse

Table 5.2.1.5 and Figure 5.2.1.5 indicates that majority of the respondents (42.2%) report that they have received ancestral property from their spouse valuing below Rs.10 lakhs. It is customary in India to provide ancestral property to their children. This custom also prevails as part of dowry system.

5.2.1.6 Savings and Investments

| Savings and investments | Frequency | Percent |
|-------------------------|-----------|---------|
| Nil | 174 | 29 |
| Below Rs.5 lakhs | 310 | 51.7 |
| Rs.5-10 lakhs | 73 | 12.2 |
| Above Rs.10 lakhs | 43 | 7.2 |

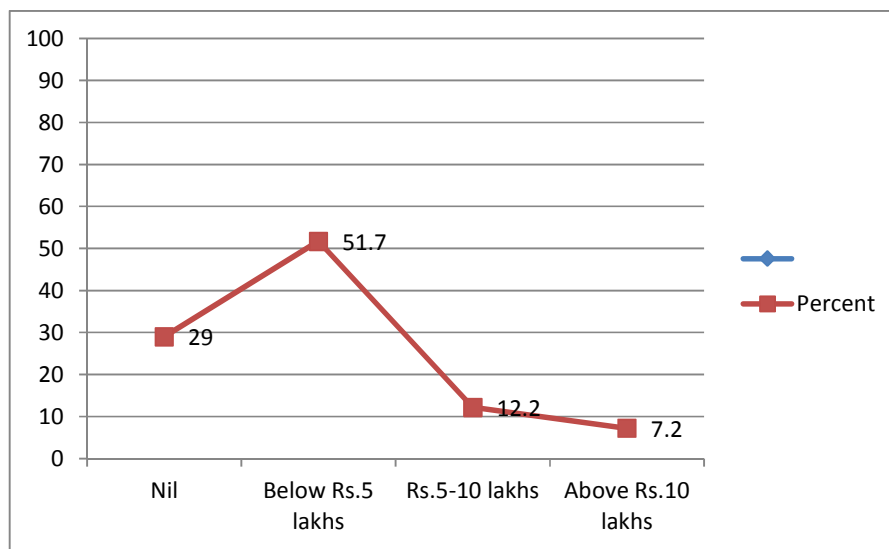


Figure 5.4.1.6 Savings and investments

Table 5.2.1.6 and Figure 5.2.1.6 indicates that majority of the respondents (51.7%) report to have saving and investments of below Rs.5 Lakhs , followed by (29%) who state that they do not have any investments. This does not indicate a favourable trend in the pattern of investment of the sample under study.

5.2.1.7 Investments in other Properties

| Investment in properties | Frequency | Percent |
|--------------------------|-----------|---------|
| Nil | 302 | 50.3 |
| Below Rs.10 lakhs | 194 | 32.3 |
| Rs.10-15 lakhs | 42 | 7 |
| Above Rs.20 lakhs | 62 | 10.3 |

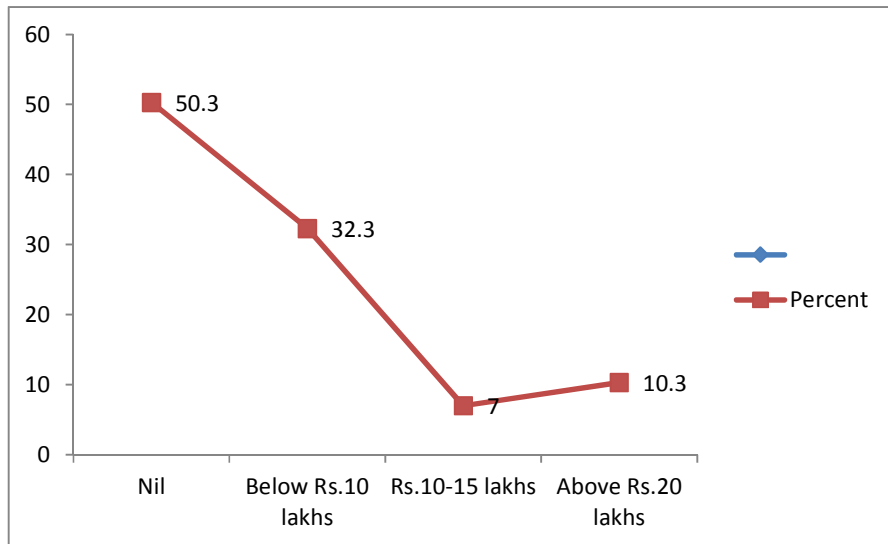


Figure 5.2.1.7 Investment in other Properties

Table 5.2.1.7 and Figure 5.2.1.7 indicate that more than half of the respondents (50.3%) report that they do not have any investments, followed by (32.3%) who report to have investment below Rs 10 lakhs. The reason for the low investment could be risk aversion.

5.2.1.8 Details of liabilities

| Details of liabilities | Frequency | Percent |
|------------------------|-----------|---------|
| Nil | 245 | 40.8 |
| Below Rs.10 lakhs | 250 | 41.7 |
| Rs.10- 20 lakhs | 70 | 11.7 |
| Above Rs.20 lakhs | 35 | 5.8 |

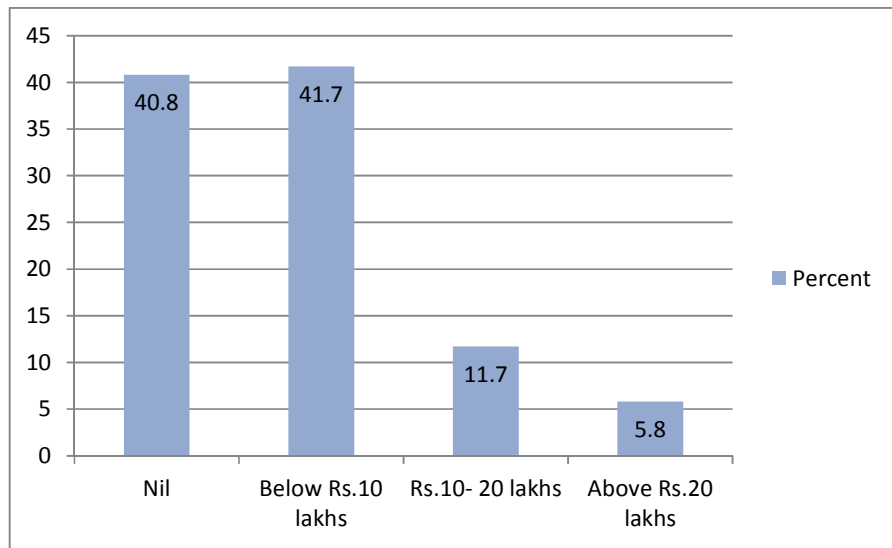


Figure 5.2.1.8 Details of Liabilities

Table 5.2.1.8 and Figure 5.2.1.8 indicates that majority of the respondents (41.7) indicates that they have liabilities below Rs. 10 lakhs.

5.2.1.9 Annual expenditure

| Details of annual expenditure | Frequency | Percent |
|-------------------------------|-----------|---------|
| Below Rs.100000 | 236 | 39.3 |
| Rs.2-3 lakhs | 245 | 40.8 |
| Rs.4-5 lakhs | 64 | 10.7 |
| Above Rs.5 lakhs | 55 | 9.2 |

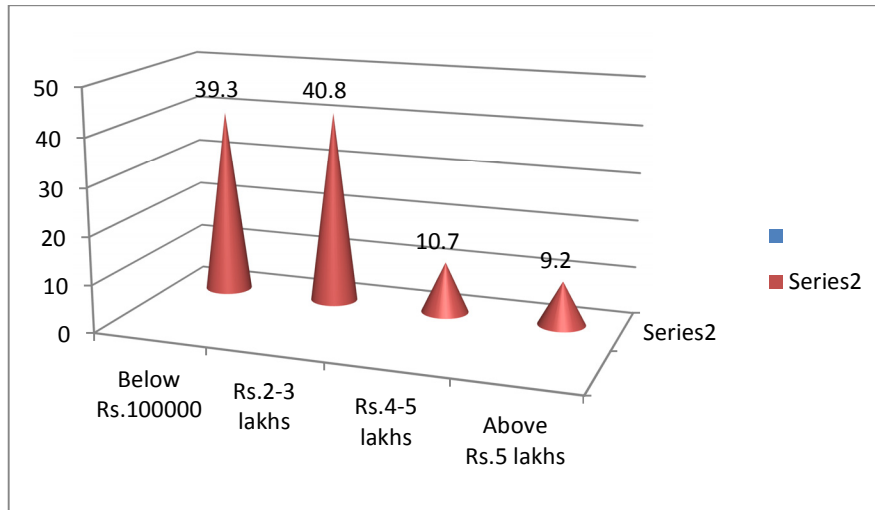


Figure 5.2.1.9 Annual Expenditure

Table 5.2.1.9 and Figure 5.2.10 indicates that majority of the respondents (40.8%) report to have an annual expenditure ranging between RS.2- 3 lakhs.

5.2.2 Hypotheses testing with regard to significant demographic and socio economic variables

The first hypothesis for the study has been formulated as '*To test the variations in personal finance management with respect to significant demographic factors*'. Sub hypotheses were formulated to test each independent demographic factor with personal finance management. Independent sample T- Test and ANOVA with Post Hoc test have been applied to test the relationship between the different variables under study.

5.2.2.1 Type of Family Structure and Personal Finance Management

The type of family structure is considered to be a significant factor influencing personal finance management of individuals. Joy (1997) asserts in his study that the break up of the joint family system has posed serious threats to financial planning of individuals. To test this relationship a hypothesis was formulated as under:

H1a: There is significant variation in personal finance management with respect to type of family structure.

In order to test this hypothesis independent sample T – test (Table 5.2.2.1 (a)) was run which indicates that the type of family structure has a significant influence on the personal finance management of individuals ($p\ 0.029 \ \& \ 0.042 < 0.50$). The mean values indicate that nuclear families (55.18) practice better personal finance practices than joint families (53.89). The reason for this phenomenon could be that income in a

nuclear family is restricted, and moreover the individuals are responsible for all the expenditures and revenues connected with their family. Thus, the hypothesis was supported.

Table 5.2.2.1 (a)Independent Samples Test of type of family structure on personal finance management

| | | Levene's Test for Equality of Variances | | t-test for Equality of Means | | | | | | |
|----|-----------------------------|---|------|------------------------------|---------|-----------------|-----------------|-----------------------|---|-------|
| | | F | Sig. | t | df | Sig. (2-tailed) | Mean Difference | Std. Error Difference | 95% Confidence Interval of the Difference | |
| | | | | | | | | | Lower | Upper |
| pf | Equal variances assumed | .974 | .324 | 1.755 | 598 | .029 | 1.293 | .737 | -.154 | 2.740 |
| | Equal variances not assumed | | | 1.815 | 332.923 | .042 | 1.293 | .712 | -.108 | 2.695 |

5.2.2.2 Number of Employed Members and Personal Finance Management

The number of employed members in a family definitely plays a significant role in determining the personal finance management of individuals. Qualls, (1987) asserts that household decision behavior to a great extent is influenced financial planning and often the number of earning members can have a role to play in financial management. To test this relationship a hypothesis was formulated as under:

H1 (b): *There is significant variation in personal finance management with respect to employed members in the family*

In order to verify this relationship one way ANOVA, post hoc test and mean scores were calculated, which indicate that households with single earning individuals have the highest mean score [see Table 5.2.2.2 (b (i)) & Table 5.2.2.2 (b(ii))] when compared to rest of the groups, this is a clear indication that a single bread earner pays more attention to his personal finance management when compared to multiple earners as the income is limited and the wants of the family are many. Thus the hypothesis was supported.

Table 5.2.2.2 (b (i)) Mean Score of Personal finance management across the number of employed members in a family

| | N | Mean | Std. Deviation | Std. Error | 95% Confidence Interval for Mean | | Minimum | Maximum |
|-----------|-----|-------|----------------|------------|----------------------------------|-------------|---------|---------|
| | | | | | Lower Bound | Upper Bound | | |
| 1 | 175 | 58.50 | 9.076 | .686 | 52.14 | 54.85 | 24 | 77 |
| 2 | 374 | 55.28 | 7.576 | .392 | 54.51 | 56.05 | 33 | 80 |
| 3 | 41 | 55.32 | 7.945 | 1.241 | 52.81 | 57.82 | 35 | 74 |
| 4 & above | 10 | 53.50 | 10.223 | 3.233 | 51.19 | 65.81 | 43 | 73 |
| Total | 600 | 54.82 | 8.145 | .333 | 54.16 | 55.47 | 24 | 80 |

Table 5.2.2.2(b (ii)) One way ANOVA of Personal finance management and number of employed members in a family

| | Sum of Squares | df | Mean Square | F | Sig. |
|----------------|----------------|-----|-------------|-------|------|
| Between Groups | 530.258 | 3 | 176.753 | 2.687 | .046 |
| Within Groups | 39208.207 | 596 | 65.786 | | |
| Total | 39738.465 | 599 | | | |

5.2.2.3 Income of Spouse and Personal Finance Management

Rosen & Granbois, (1983) in their study on the determinants of role structure in family financial management state that working couple do manage their personal finance in a better way when compared to the single earners. Thus, income of spouse becomes an important component in determining personal finance management among individuals. To test this relationship a hypothesis was formulated as under:

H1(c): There is a significant variation in personal finance management with respect to income of spouse.

In order to verify this relationship one way ANOVA, post hoc test and mean scores were calculated which indicate that individuals with no spousal income pay more attention to personal finance management when compared with those having spousal income (See table 5.2.2.3 (c(i)) table 5.2.2.3 (c (ii))). This is a clear indication that individuals whose spouse are non earners, find it difficult to make both ends of life meet and thus pay extra attention in their personal financial planning. Thus, the hypothesis was supported.

Table 5.2.2.3(c(i)) Mean score of Personal Finance Management and Spousal Income

| | N | Mean | Std. Deviation | Std. Error | 95% Confidence Interval for Mean | | Minimum | Maximum |
|----------------|-----|-------|----------------|------------|----------------------------------|-------------|---------|---------|
| | | | | | Lower Bound | Upper Bound | | |
| nil | 247 | 53.50 | 8.685 | .553 | 52.41 | 54.59 | 24 | 77 |
| Below Rs.30000 | 132 | 55.85 | 8.245 | .718 | 54.43 | 57.27 | 33 | 80 |
| Rs.30000-60000 | 111 | 55.89 | 6.914 | .656 | 54.59 | 57.19 | 35 | 80 |
| Above Rs.60000 | 110 | 55.44 | 7.591 | .724 | 54.00 | 56.87 | 38 | 74 |
| Total | 600 | 54.82 | 8.145 | .333 | 54.16 | 55.47 | 24 | 80 |

Table 5.2.2.3 (c (ii)) One way ANOVA of Personal finance management and spousal income

| | Sum of Squares | df | Mean Square | F | Sig. |
|----------------|----------------|-----|-------------|-------|------|
| Between Groups | 737.989 | 3 | 245.996 | 3.759 | .011 |
| Within Groups | 39000.476 | 596 | 65.437 | | |
| Total | 39738.465 | 599 | | | |

5.2.2.4 Income from Other Sources and Personal Finance Management

A salaried individual on an average has a single source of income and is bound to make his ends meet with the means available. Often an increase in the sources of income, in the form of other income, can have a significant influence on the personal finance management. To test this relationship a hypothesis was formulated as under:

H1 (d): There is a significant variation in Personal Finance Management with respect to income from other sources

The One way ANOVA, Post hoc test and mean score indicate that as the income from other sources increases, the tendency to perform better financial management among the individuals increases. It is clear from the mean score (see table 5.2.2.4(d (i)) & table 5.2.2.4 (d (ii))) that an individual having income from other sources above Rs.30000, is more concerned about his personal finance than a person who has nil income from other sources. Thus, the hypothesis was supported.

Table 5.2.2.4(d (i)) Mean score of personal finance management and income from other sources

| | N | Mean | Std. Deviation | Std. Error | 95% Confidence Interval for Mean | | Minimum | Maximum |
|----------------|-----|-------|----------------|------------|----------------------------------|-------------|---------|---------|
| | | | | | Lower Bound | Upper Bound | | |
| nil | 223 | 53.94 | 8.199 | .549 | 52.86 | 55.02 | 24 | 76 |
| Below Rs.10000 | 302 | 54.88 | 7.881 | .453 | 53.99 | 55.78 | 31 | 80 |
| Rs.10000-20000 | 48 | 58.10 | 8.980 | 1.296 | 55.50 | 60.71 | 35 | 77 |
| Rs.20000-30000 | 14 | 57.36 | 8.915 | 2.383 | 52.21 | 62.50 | 35 | 73 |
| Above Rs.30000 | 13 | 58.31 | 6.382 | 1.770 | 49.45 | 57.16 | 44 | 67 |
| Total | 600 | 54.82 | 8.145 | .333 | 54.16 | 55.47 | 24 | 80 |

Table 5.2.2.4 (d (ii)) One way ANOVA of Personal finance management and income from other sources

| | Sum of Squares | df | Mean Square | F | Sig. |
|----------------|----------------|-----|-------------|-------|------|
| Between Groups | 810.816 | 4 | 202.704 | 3.098 | .015 |
| Within Groups | 38927.649 | 595 | 65.425 | | |
| Total | 39738.465 | 599 | | | |

5.2.2.5 Home ownership and Personal Finance Management

Home ownership is considered to be an important factor in Personal financial management. Berkowitz & Qiu, (2006) in their work on household portfolio choice and health status, state that housing is the single biggest investment in an individual's life. In similar line (Smith & Thorns, (1980); Edwards, Gray, Merret & Swan, (1976)) assert that housing is a very important component in financial management. Thus, to test this relationship the following hypothesis was formulated:

H1 (e): There is a significant variation in personal finance management with respect to home ownership

The independent sample t – test (see table 5.2.2.5 (e)) reveal that individuals with owned accommodation have better personal finance management than those who live on rented houses. The reason for this phenomenon could be the fact that house construction is considered to be the most important financial decision that an individual has to take in his life, as it involves huge amount of investments. This calls for effective personal finance management. Thus, the hypothesis was supported.

Table 5.2.2.5 (e) Independent Samples Test of type of accommodation on personal finance management

| | | Levene's Test for Equality of Variances | | t-test for Equality of Means | | | | | | |
|----|-----------------------------|---|------|------------------------------|---------|-----------------|-----------------|-----------------------|---|-------|
| | | F | Sig. | t | df | Sig. (2-tailed) | Mean Difference | Std. Error Difference | 95% Confidence Interval of the Difference | |
| | | | | | | | | | Lower | Upper |
| pf | Equal variances assumed | 2.767 | .097 | 1.918 | 598 | .045 | 1.436 | .749 | -.034 | 2.907 |
| | Equal variances not assumed | | | 1.802 | 254.762 | .073 | 1.436 | .797 | -.133 | 3.006 |

5.2.2.6 Asset Position and Personal Finance Management

Hilgert, Hogarth & Beverly, (2003) in their work on household financial management confirm that knowledge and behavior play a important role in financial management. They also state that knowledge and good financial behaviours are the key to asset creation. This reinforces the fact that asset position does play a important role in determining the personal financial management of individuals. Thus, to test this relationship the following hypothesis was formulated:

H1 (f): *There is a significant variation in personal finance management with respect to asset position.*

The one way ANOVA, post hoc test and mean scores [see table 5.2.2.6 (f (i)) & table 5.2.2.6 (f(ii))] indicate that individuals having fewer assets are better concerned about their personal finances than those who have higher amounts of it. This is a clear indication that those having fewer assets are more aware about their financial position, and find it necessary to keep better financial management practices than those having more assets. The reason for this phenomenon could be that individuals who have higher assets are least bothered about their financial planning as they are having enough assets to supports their financial position. An average salaried employee whose assets are comparatively less, will devote more time in planning his finances as, he is aware about hid financial position. Thus, the hypothesis was supported.

Table 5.2.2.6 (f (i)) Mean score of personal finance management and total asset position

| | N | Mean | Std. Deviation | Std. Error | 95% Confidence Interval for Mean | | Minimum | Maximum |
|-------------------|-----|-------|----------------|------------|----------------------------------|-------------|---------|---------|
| | | | | | Lower Bound | Upper Bound | | |
| Below Rs.50 lakhs | 383 | 56.53 | 8.047 | .411 | 53.72 | 55.34 | 24 | 80 |
| Rs.50lakhs-1crore | 146 | 54.95 | 8.275 | .685 | 53.60 | 56.31 | 27 | 74 |
| Above Rs.1crore | 71 | 53.07 | 8.389 | .996 | 54.08 | 58.06 | 37 | 75 |
| Total | 600 | 54.82 | 8.145 | .333 | 54.16 | 55.47 | 24 | 80 |

Table 5.2.2.6 (f (ii)) One way ANOVA of Personal finance management and income from other source

| | Sum of Squares | df | Mean Square | F | Sig. |
|----------------|----------------|-----|-------------|--------|------|
| Between Groups | 2936.961 | 3 | 978.987 | 15.855 | .000 |
| Within Groups | 36801.504 | 596 | 61.747 | | |
| Total | 39738.465 | 599 | | | |

5.2.2.7 Ancestral Property received by Spouse and Personal Finance Management

In India acquisition of ancestral property is a part and parcel of the cultural and value norms in the society. It forms an important component in the asset position of an individual. Thus, it is considered to be an important element in determining personal finance management, order to test this relationship the hypothesis was formulated as under:

H1 (g): There is a significant variation in personal finance management with respect to ancestral property received by spouse.

The one way ANOVA, post hoc test and mean score indicate that those individuals who report to have received Nil property and those who report to have received property between Rs. 10- Rs.20 lakhs indicate significant variations in personal finance management. The mean score indicate that individuals having ancestral property between Rs.10 lakhs – Rs.20 lakhs have the highest mean score of (56.71) (see table 5.2.2.7 (g (i)) & table 5.2.2.7 (g(ii))), which implies that they are more engaged in personal finance management when compared with the rest. Thus the hypothesis was supported.

Table 5.2.2.7(g(i)) Mean score of personal finance management and ancestral property received by spouse

| | N | Mean | Std. Deviation | Std. Error | 95% Confidence Interval for Mean | | Minimum | Maximum |
|-------------------|-----|-------|----------------|------------|----------------------------------|-------------|---------|---------|
| | | | | | Lower Bound | Upper Bound | | |
| Nil | 156 | 55.46 | 8.524 | .682 | 52.11 | 54.80 | 27 | 77 |
| Below Rs.10 lakhs | 253 | 54.87 | 7.939 | .499 | 53.89 | 55.85 | 24 | 80 |
| Rs.10-20 lakhs | 85 | 56.71 | 8.707 | .944 | 54.83 | 58.58 | 31 | 75 |
| Above Rs.20 lakhs | 106 | 53.17 | 7.314 | .710 | 53.76 | 56.58 | 29 | 74 |
| Total | 600 | 54.82 | 8.145 | .333 | 54.16 | 55.47 | 24 | 80 |

Table 5.2.2.7 (g(ii)) One way ANOVA of Personal finance management and ancestral property received by spouse

| | Sum of Squares | df | Mean Square | F | Sig. |
|----------------|----------------|-----|-------------|-------|------|
| Between Groups | 606.493 | 3 | 202.164 | 3.079 | .027 |
| Within Groups | 39131.972 | 596 | 65.658 | | |
| Total | 39738.465 | 599 | | | |

5.2.2.8 Savings and Investments and Personal Finance Management

Chen & Volpe, (1998) in their study on personal financial literacy among college students state that financial literacy leads to good financial behaviours, which in turn has an impact on the saving and investment pattern of students. In similar lines (Peng, Bartholomae,, Fox & Cravener, (2007) state that personal finance education delivered at college courses does have an impact on the saving pattern of individuals. To test this relationship the following hypothesis was formulated :

H1 (h): There is significant variation in personal finance management with respect to savings and investments.

The one way ANOVA test, Post hoc test and mean scores [see table 5.2.2.8(h (i)) & table 5.2.2.8 (h (ii))] indicates that as savings and investments among the individuals increase, their personal finance management also increases. The mean scores are a clear indication that those having savings and investments above Rs. 10 lakhs are more inclined to practice better personal finance management. The mean scores tend to increase across the categories indicating that as personal finance management improves, savings and investments increase. Thus, the hypothesis was supported.

Table 5.2.2.8 (h(i)) Mean score of personal finance management and savings and investments

| | N | Mean | Std. Deviation | Std. Error | 95% Confidence Interval for Mean | | Minimum | Maximum |
|------------------|-----|-------|----------------|------------|----------------------------------|-------------|---------|---------|
| | | | | | Lower Bound | Upper Bound | | |
| Nil | 174 | 53.63 | 8.598 | .652 | 52.35 | 54.92 | 24 | 80 |
| below Rs.5lakhs | 310 | 55.00 | 7.286 | .414 | 54.19 | 55.82 | 29 | 74 |
| Rs.5-10lakhs | 73 | 55.34 | 8.983 | 1.051 | 53.25 | 57.44 | 27 | 74 |
| Above Rs10.lakhs | 43 | 57.35 | 9.981 | 1.522 | 54.28 | 60.42 | 31 | 77 |
| Total | 600 | 54.82 | 8.145 | .333 | 54.16 | 55.47 | 24 | 80 |

Table 5.2.2.8 (h(ii)) One way ANOVA of Personal finance management and savings and investments

| | Sum of Squares | df | Mean Square | F | Sig. |
|----------------|----------------|-----|-------------|-------|------|
| Between Groups | 1071.538 | 3 | 357.179 | 5.505 | .001 |
| Within Groups | 38666.927 | 596 | 64.877 | | |
| Total | 39738.465 | 599 | | | |

5.2.2.9 Liabilities and Personal Finance Management

Winger & Frasca, (2002) in their book on '*Personal finance: An integrated planning approach*' emphasize the importance of management of liabilities as an important component of personal finance management. Thus, in the present study the relationship was tested with the following hypothesis:

H1 (i): *There is significant variation in personal finance management with respect to liabilities of an individual.*

When compared with the liabilities of the individual with his personal finance management score, it was found that there is significant influence of liabilities and personal finance management. The comparison with the mean scores and ANOVA [see table 5.2.2.9(I (i)) & table 5.2.2.9 (I (ii))] indicate that as the amount of liabilities increase the scores of personal finance management drop. This is a clear indication that an individuals who practices personal finance tries to minimize his liabilities. Thus, the hypothesis was supported.

Table 5.2.2.9 (I (i)) Mean score of personal finance management and liabilities

| | N | Mean | Std. Deviation | Std. Error | 95% Confidence Interval for Mean | | Minimum | Maximum |
|-------------------|-----|-------|----------------|------------|----------------------------------|-------------|---------|---------|
| | | | | | Lower Bound | Upper Bound | | |
| Nil | 245 | 55.28 | 8.036 | .513 | 54.27 | 56.29 | 24 | 80 |
| below rs.10 lakhs | 250 | 54.63 | 8.410 | .532 | 53.58 | 55.68 | 29 | 75 |
| rs.10-20lakhs | 70 | 54.11 | 7.794 | .932 | 52.26 | 55.97 | 31 | 69 |
| above Rs.20lakhs | 35 | 54.26 | 7.812 | 1.320 | 51.57 | 56.94 | 27 | 68 |
| Total | 600 | 54.82 | 8.145 | .333 | 54.16 | 55.47 | 24 | 80 |

Table 5.2.2.9 (I (ii)) One way ANOVA of Personal finance management and liabilities

| | Sum of Squares | df | Mean Square | F | Sig. |
|----------------|----------------|-----|-------------|--------|------|
| Between Groups | 3975.338 | 3 | 1325.113 | 22.083 | .000 |
| Within Groups | 35763.127 | 596 | 60.005 | | |
| Total | 39738.465 | 599 | | | |

5.2.3 Conclusions of hypotheses testing

The analysis revealed that demographic variables do play an important role in determining the personal financial practices of individuals. With regard to type of family structure it was ascertained that nuclear families were forced to pay more attention to personal finance management as their income was limited and there was no support system available in the family. This was in consensus with the hypothesis **(H1 (a))** formulated and thus was supported. Similar findings were found by (Joy, 1997) in his study concerning the personal finance management of gazette officers, which stated that the breakup of the joint family system has posed serious threats to our entire financial planning. (H1 (b)) tried to analyze the influence of number of employed members and personal finance management, the analysis revealed that as the number of employed members increase in the family lesser importance is given to personal finance management. Thus, hypothesis **(H1 (b))** was supported. This is very clear from the analysis that households with single income pay more attention to personal finance management when compared to those who have multiple incomes. Similar findings were found with individuals who did not have any spousal income and thus **(H1(c))** was

supported. With regard to income from other sources **(H1(d))** and savings and investment **(H1(h))** it was found that as the value of these items increases the personal finance management of the individuals also increase. Thus, these hypotheses were supported. The type of accommodation of individuals also plays a significant role in personal finance management. It was found that individuals who owned houses had better financial management practices, than those who lived on rented homes. The main reason for this finding could be that, house construction is the single biggest investment in an individual's life (Aslam, 2008), for which individual needs to plan effectively. Thus, hypothesis **(H1 (e))** was supported. With regard to the asset position it was ascertained that individuals who reported to have higher assets reported lower personal financial planning and those with less assets reported to have good personal financial planning. This is an interesting finding which suggests that an individual who has enough assets in hands is not much bothered about his financial planning, as he has sufficient resources to meet his needs, while an individual with less assets has to concentrate more on his financial planning. Thus, **(H1 (f))** was supported. Similar results were found with regard to ancestral property received by spouse. In this regard those who reported to have less property received stated to have better personal finance practices. Thus, **(H1(g))** was supported.

Liabilities were found to have significant relation with personal finance management. The analysis of the mean score indicated that individuals who reported to have less liabilities have better personal finance score, which in other terms implies that as individuals practice

better financial practices, the chances for them to incur liabilities decreases. Or in other words, those who practiced personal financial management had lesser liabilities, than those who did not. The results of the analysis, revealed that there exist significant relationship between these variables and thus **(H1 (i))** was supported.

With regard to marital status, it was found that divorced and separated individuals practice personal finance management in a better way when compared to the married individuals even though no hypothesis was formulated for the same. This is an interesting finding, as it emphasizes the need for family support system in Indian conditions when managing personal finance. This finding is in consensus with previous findings which assert that married individuals are less stressed about their financial planning than those who are not (Joo& Grable, 2004).

Overall, it can be concluded that personal finance management has a very important role to play in an individual's life. Most of the decisions of an individual are influenced by the finance he has with him. This also has an influence on his financial well being and quality of life. Thus, it can be concluded that personal finance management becomes an inevitable part of a salaried employee's life.

5.2.4 Personal Finance Management – Subjective Assessment

Personal Finance Management in this study has been measured using the scale developed by (Winger, 1993). The Scale originally contained 16 items which was reduced to 13 items after the conducting

the Exploratory Factor Analysis. The items so obtained were operationally measured in four dimensions namely financial planning, family budgeting, clarity of objectives and family financial objectives. The following analysis shows the Mean, Standard Deviation (SD) and the Variance of the dimensions under study

5.2.4.1 Financial Planning

The dimension financial planning was measured using statements ‘I plan to increase income’, ‘I plan to decrease expenditure’, ‘I make investment planning’, ‘I make tax planning’ and ‘I make retirement planning’.

Table 5.2.3.1(a) Financial Planning

| Statements | Mean | Std. Deviation | Variance |
|--------------------------------|------|----------------|----------|
| I plan to Increase Income | 3.34 | .899 | .809 |
| I plan to Decrease Expenditure | 3.43 | .856 | .733 |
| I make Investment Planning | 3.31 | .877 | .770 |
| I make tax planning | 3.34 | .847 | .718 |
| I make Retirement Planning | 3.29 | .865 | .748 |

It can be observed from Table 5.2.4.1 (a) that the mean score for the statement ‘I plan to decrease expenditure’ has the highest mean value (3.43), followed by ‘I plan to increase income’ & ‘I make tax planning’ with mean value of (3.34) each. This indicates that majority of the respondents try to decrease their expenditure, moreover individuals are also concerned about increasing income and tax planning. When it come

to investment planning respondents have scored only (3.31), which indicates that investment planning takes a back seat in financial planning. It is also interesting to note that individuals are least concerned about retirement planning with a mean score of (3.29). The reason for this phenomenon could be because of the profile of the respondents, who are all government employees. Since the government employees retirement plans such as pension scheme is well take care of by the government, they are least concerned about their retirement planning.

Table 5.2.4.1 (b) Aggregate Score of Financial Planning

| Dimension of Personal Finance | Minimum | Maximum | Mean | Std. Deviation | Variance |
|--------------------------------------|----------------|----------------|-------------|-----------------------|-----------------|
| Financial Planning | 5.00 | 25.00 | 16.7017 | 3.65855 | 13.385 |

Table 5.2.4.1 (b) shows the aggregate score of financial planning which constituted of the five statements whose individual scores have been provided in the Table 5.2.4.1 (a) above. It can be seen from the Table 5.2.4.1 (b) that the mean score of the respondents is 16.70 , where the maximum value is 25 and the minimum value 5. Thus, it can be concluded that majority of the respondents pay moderate attention to financial planning as a dimension of personal finance management.

5.2.4.2 Family Budgeting

The dimension family budgeting was measured using the statements ‘I practice family budgeting’, ‘I maintain family financial accounts’, ‘I compare income and expenditure with budgeted one’ and ‘I plan for non recurring expenses’

Table 5.2.4.2 (a) Family Budgeting

| Statements | Mean | Std. Deviation | Variance |
|--|------|----------------|----------|
| I maintain family financial accounts | 3.34 | .915 | .837 |
| I compare income and expenditure with budgeted one | 3.23 | .902 | .814 |
| I plan for non recurring expenses | 3.21 | .890 | .793 |
| I practice family budgeting | 3.44 | .867 | .751 |

It can be observed from the table 5.2.4.2 (a) that the mean score for the statement ‘I practice family budgeting’ has the highest mean score (3.44), followed by ‘I maintain family financial accounts’ with a mean score of (3.34), followed by ‘I compare income and expenditure with budgeted one’ with a mean score of (3.23). This indicates the importance respondents provide to family financial accounts and budgeting. This is a clear evidence that government employees who earn limited money, need to plan about their expenditure prudently. The respondents score the lowest with regard to ‘planning for non recurring expenses’ with a mean score of (3.21). The reason for this phenomenon could be the fact that, since non recurring expenses do not occur frequently, individuals would not have felt the need to pay more attention to it.

Table 5.2.4.2 (b) Aggregate Score of Family Budgeting

| Dimension of Personal Finance | Minimum | Maximum | Mean | Std. Deviation | Variance |
|-------------------------------|---------|---------|---------|----------------|----------|
| Family Budgeting | 4.00 | 20.00 | 13.2267 | 2.99615 | 8.977 |

Table 5.2.4.2 (b) shows the aggregate score of family budgeting which constituted of the five statements whose individual scores have been provided in the Table 5.2.4.2 (a) above. It can be seen from the Table 5.2.4.2 (b) that the mean score of the respondents is 13.22, where the maximum value is 20 and the minimum value 4. Thus, it can be concluded that majority of the respondents pay moderate attention to family budgeting as a dimension of personal finance management.

5.2.4.3 Clarity of objectives

The dimension clarity of objectives was measured using the statements ‘I have clarity regarding my short term financial objectives and ‘I have clarity regarding my long term financial objectives’. The responses of the respondents varied from ‘strongly agree’ to ‘strongly disagree’.

Table 5.2.4.3 (a) Clarity of Objectives

| Statements | Mean | Std. Deviation | Variance |
|--|-------------|-----------------------|-----------------|
| I have clarity regarding Short term objectives | 3.76 | .751 | .564 |
| I have clarity regarding Long term objective | 3.53 | .860 | .740 |

It can be observed from the table 5.2.4.3 (a) that the mean score for the statement ‘I have clarity regarding short term objectives’ has the highest mean score (3.76). This indicates that the respondents are clear about their short term objectives in a better way when compared to their long term financial objectives which has a mean score of (3.53). the

reason for this disparity may be that individuals are capable of forecasting their near future in a much better way than their long term future.

Table 5.2.4.3 (b) Aggregate Score of clarity of objectives

| Dimension of Personal finance | Minimum | Maximum | Mean | Std. Deviation | Variance |
|--------------------------------------|----------------|----------------|-------------|-----------------------|-----------------|
| Clarity of objectives | 2.00 | 10.00 | 7.2883 | 1.46928 | 2.159 |
| Valid N (listwise) | | | | | |

Table 5.2.4.3 (b) shows the aggregate score of ‘clarity of objectives’ which constituted of the two statements whose individual scores has been provided in the Table 5.2.4.3 (a) above. It can be seen from the Table 5.2.4.3 (b) that the mean score of the respondents is 7.28, where the maximum value is 10 and the minimum value 2. Thus, it can be concluded that majority of the respondents pay good attention to ‘clarity of objectives’ as a dimension of personal finance management.

5.2.4.4 Family Financial Objectives

The dimension ‘Financial Objectives’ was measured using the statements ‘ The most important financial objectives of my life comprise of building a house, education of my children, marriage of my children and retirement planning’ and ‘Personal finance to me is more about family finance’. The responses of the respondents varied from ‘strongly agree’ to ‘strongly disagree’

Table 5.2.4.4 (a) Family Financial Objectives

| Statements | Mean | Std. Deviation | Variance |
|--|------|----------------|----------|
| The most important financial objective of my life comprise of building a house, education of my children, marriage of my children and retirement planning. | 3.74 | .736 | .542 |
| Personal finance to me is more about family finance | 3.87 | .860 | .740 |

It can be observed from the table 5.2.4.4 (a) that the mean score for the statement ‘personal finance to me is more about family finance’ has the highest mean score (3.87). This is a clear indication that in India, personal finance is viewed from the family’s angle rather than an individual’s angle. Similarly the statement ‘The most important objective of my life comprise of building a house, education of my children, marriage of my children and retirement planning’ has a mean score of (3.74). This indicates that the respondents clearly agree to the fact that setting financial objectives to them is involving the major decisions of their family.

Table 5.2.4.4(b) Family Financial Objectives

| Dimension of personal finance | Minimum | Maximum | Mean | Std. Deviation | Variance |
|-------------------------------|---------|---------|--------|----------------|----------|
| Financial Objectives | 2.00 | 10.00 | 7.6067 | 1.47159 | 2.166 |

Table 5.2.4.4 (b) shows the aggregate score of ‘Financial objectives’ which constituted of the two statements whose individual scores have been provided in the Table 5.2.4.4 (a) above. It can be seen from the Table 5.2.4.4 (b) that the mean score of the respondents is 7.60, where the maximum value is 10 and the minimum value 2. Thus, it can be concluded that majority of the respondents pay good attention in framing ‘financial objectives’ for their family as a dimension of personal finance management

5.3 Section III – Financial Well Being

Financial well being has been operationalised in terms of six dimensions namely: present financial well being, financial behaviours, investment decisions, risk tolerance, financial stressors and life cycle goals. Perceived Financial Well Being refers to the distinctive features associated with one’s financial situation and ability to meet normal monthly living expenses. The adapted version of the scale developed by Prawitz et al, 2006 was used to measure this dimension. Financial behaviours are operationalised as identifying, analysing and implementing practices to allocate and distribute income to meet expenses and financial goals. The scale developed by (Joo, 1998) was utilized for the same. Investment decisions was operationalised as investment opportunities related to stock and bonds, and processing knowledge to be a successful investor. The scale developed by (Grable, 2000) was used to measure this construct. Risk tolerance was operationalised as the level of risk aversion, with respect to investing, safety and returns. The scale developed by (Grable, 2000) was used for the same. Financial stressors was

operationalised as events in the life course, which can increase stress levels, like decrease in income, serious illness, residence shift, purchase of vehicles etc. The adapted version of the scale developed by (Joo & Grable, 2004) was used for the measurement. Life cycle goals was operationalised as major financial decisions arising out of life cycle changes, comprising of decision to build own house, education and marriage of children, social obligations etc.

5.3.1 Present financial well being

The dimension ‘Present Financial Well Being’ was measured using seven statements whose responses varied from ‘Strongly Agree to Strongly Disagree’. Five out of the seven questions were reverse coded in the scale. The questions which were reverse coded were “*I often want to go out to eat, go for a movie etc but don’t go because I can’t afford it; I often worry about being able to meet my normal monthly living expenses; I often feel that my income is just enough to meet my expenses only; I am stressed about my personal finances in general; I experience high level of financial stress.*” These items were reverse coded as it would have a negative impact on financial well being. The other two items included in the scale were “*I am satisfied with my present financial situation, I am confident that I can find the money to pay for a financial emergency*”

Table 5.3.1 (a) Present Financial Well Being

| Statements | Mean | Std. Deviation | Variance |
|---|------|----------------|----------|
| I often want to go out to eat, go for a movie etc but don't go because I can't afford it. | 3.88 | .676 | .458 |
| I am satisfied with my present financial situation. | 3.95 | .582 | .338 |
| I often worry about being able to meet my normal monthly living expenses. | 3.78 | .585 | .343 |
| I often feel that my income is just enough to meet my expenses only. | 3.80 | .561 | .314 |
| I am stressed about my personal finances in general. | 3.76 | .575 | .330 |
| I experience high level of financial stress. | 3.89 | .622 | .387 |
| I am confident that I can find the money to pay for a financial emergency | 3.88 | .600 | .360 |

It can be observed from the table 5.3.1 (a) that the mean score for the statement 'I am satisfied with my present financial situation' has the highest mean score (3.95), followed by 'I experience high level of financial stress' with a mean score of (3.89), followed by 'I often want to go out to eat, go for a movie etc but don't go because I can't afford it' and 'I am confident that I can find the money to pay for a financial emergency' with a mean score of (3.88), it clearly indicates that the respondents have scored equally on the aspects related to financial stress and satisfaction. To get a better idea of their present financial situation, the aggregate score were calculated which is provided in the table 5.3.1(b) below.

Table 5.3.1 (b) Present Financial Situation

| Dimension of Financial Well Being | Minimum | Maximum | Mean | Std. Deviation | Variance |
|--|----------------|----------------|-------------|-----------------------|-----------------|
| Present Financial situation | 21.00 | 35.00 | 26.9550 | 2.57047 | 6.607 |

Table 5.3.1 (b) gives the detailed statistics for the dimension ‘Present Financial Situation’. The measured values were observed with a mean of 26.95, standard deviation 2.57 and variance 6.60. The mean value indicates that majority of the report to be satisfied with their present financial situation.

5.3.2 Financial Behaviours

In the present study the respondents’ financial behaviour was examined using five point Likert type questions, where the responses ranged from ‘Strongly Agree to Strongly Disagree’. Three items were used to measure financial behaviour of respondents. The following items were used “*I set money aside for savings, I set money aside for retirement, I make regular plans to reach my financial goals*”

Table 5.3.2 (a) Financial Behaviours

| Statements | Mean | Std. Deviation | Variance |
|--|-------------|-----------------------|-----------------|
| I set aside money for savings | 3.58 | .903 | .815 |
| I set money aside for retirement | 3.36 | .874 | .764 |
| I make regular plans to reach my financial goals | 3.44 | .899 | .808 |

Table 5.3.2(a) indicates that among the financial behaviours practiced by respondents, 'setting aside money for saving' gets the highest mean score of (3.58). This implies that the respondents are actively engaged in savings, followed by 'making regular plans to reach financial goals' with a mean score of (3.44). It is interesting to note that setting aside money for retirement scored the lowest among the three.

Table 5.3.2 (b) Aggregate score of Financial Behaviour

| Dimension of Financial Well Being | Minimum | Maximum | Mean | Std. Deviation | Variance |
|--|----------------|----------------|-------------|-----------------------|-----------------|
| Financial Behaviour | 3.00 | 15.00 | 10.3733 | 2.37558 | 5.643 |

Table 5.3.2 (b) indicates the detailed statistic regarding the aggregate score of Financial Behaviour, where the score ranges between a minimum value of 3 to a maximum value of 15. The mean score of the respondents is 10.37, which indicates that majority of the respondents practice good financial behaviours.

5.3.3 Investment Decisions

The dimension investment decision was measured using the following statements, 'Making money in stocks and bonds is based on luck', 'I lack the knowledge to be a successful investor' and 'Investing is too difficult to understand'

Table 5.3.3(a) Investment Decisions

| Statements | Minimum | Maximum | Mean | Std. Deviation |
|--|---------|---------|------|----------------|
| Making money in stocks and bond is based on luck | 1 | 5 | 2.59 | 1.009 |
| I lack the knowledge to be a successful investor | 1 | 5 | 2.72 | .973 |
| Investing is too difficult to understand | 1 | 5 | 2.87 | .978 |

It can be observed from Table 5.3.3 (a) that respondents score low on the investment decisions. It can be seen that the statement ‘investing is too difficult to understand’ has the highest mean score of (2.87), with a standard deviation of .978, which clearly indicates that the respondents have low understanding about investment decisions.

Table 5.3.3 (b) Aggregate Score of Investment Decisions

| Dimension of Financial Well Being | Minimum | Maximum | Mean | Std. Deviation | Variance |
|-----------------------------------|---------|---------|--------|----------------|----------|
| Investment Decisions | 3.00 | 15.00 | 8.1800 | 2.62343 | 6.882 |

Table 5.3.3(b) indicates the detailed statistic of investment decision. It can be seen that the mean is (8.18), with a minimum value 3 and maximum value 15, which clearly indicates that the respondents have low understanding about investment decisions.

5.3.4 Risk Tolerance

Risk tolerance was measured using the following statements ‘*In terms of investing, safety is more important than returns*’, ‘*I am more comfortable putting my money in a bank account than in the stock market*’, ‘*When I think of the word ‘risk’ the term ‘loss’ comes to mind immediately*’

Table 5.3.4 (a) Risk Tolerance

| Statements | Mean | Std. Deviation | Variance |
|--|------|----------------|----------|
| In terms of investing safety is more important than returns | 2.11 | .838 | .702 |
| I am more comfortable putting my money in a bank account than stock market | 2.10 | .856 | .733 |
| When I think of the word ‘risk’ the term ‘loss’ comes to mind | 2.28 | .880 | .774 |

Table 5.3.4 (a) indicates that the respondents are risk averse as the individual scores in each of the statements ranges between 2.10 to 2.28.

Table 5.3.4 (b) Aggregate score of Risk tolerance

| Dimension of Financial well being | Minimum | Maximum | Mean | Std. Deviation | Variance |
|-----------------------------------|---------|---------|--------|----------------|----------|
| Risk Tolerance | 3.00 | 15.00 | 6.4867 | 2.28295 | 5.212 |

It can be observed from Table 5.3.4 (b) that the mean score is (6.48), with a minimum value of 3 and maximum value 15. This statistic clearly indicates that majority of the respondents under the study are risk averse.

5.3.5 Financial Stressors

In the present study, financial stressors were measured using the following items, “*Any decrease in my income will cause financial stress to me, Serious illness to my health will cause problems in my employment, Medical treatment is a financial concern for my family, Moving from one residence to another can cause financial stress, Purchase of a new vehicle can cause financial stress*”

Table 5.3.5 (a) Financial Stressors

| Statements | Mean | Std. Deviation | Variance |
|---|------|----------------|----------|
| Any decrease in income will cause financial stress to me | 1.99 | .658 | .432 |
| Serious illness to my health will cause problems in my employment | 2.07 | .658 | .433 |
| Medical treatment is a financial concern for my family | 2.59 | .931 | .867 |
| Moving from one residence to another can cause financial stress | 2.11 | .636 | .404 |
| Purchase of new vehicle can cause financial stress | 2.11 | .564 | .318 |

Table 5.3.5 (a) indicates that respondents consider medical treatment as a major financial stressor with a mean score of (2.59), followed by residence change and vehicle purchase with mean score (2.11) each. The next financial stressor is caused due to serious illness (2.07) and finally decrease in income causes the least financial stress with a mean score of (1.99).

Table 5.3.5(b) Aggregate Score of Financial Stressors

| Dimension of Financial Well Being | Minimum | Maximum | Mean | Std. Deviation | Variance |
|--|----------------|----------------|-------------|-----------------------|-----------------|
| Financial Stressors | 5.00 | 15.00 | 10.8733 | 1.77083 | 3.136 |

Table 5.3.5 (b) indicates that majority of the respondents have financial stressors as the mean score is 10.87, with a minimum of 5 and maximum 15.

5.3.6 Life cycle goals

Four items were used to measure, life cycle goals and their responses Varied from ‘Strongly Agree to Strongly disagree’. *“Building my own house is / was the biggest financial concern for me, Education of my children consumes a large portion of my income, marriage of my children is a major reason for my financial planning, Social obligations force me to accomplish my financial objectives.*

Table 5.3.6 (a) Life Cycle Goals

| Statements | Mean | Std. Deviation | Variance |
|---|-------------|-----------------------|-----------------|
| Building my own house is / was the biggest financial concern | 3.73 | 1.004 | 1.007 |
| Education of my children consumes a large portion of my income | 3.45 | .884 | .782 |
| Marriage of children is a major reason for my financial planning | 3.50 | .949 | .902 |
| Social obligations force me to accomplish my financial objectives | 3.44 | .859 | .737 |

It can be observed from Table 5.3.6 (a) that building a house is the biggest financial objective of majority of respondent with a mean score of (3.73), followed by marriage of children with a mean score of (3.50) and followed by education of children (3.45) and finally social obligation with a mean score of (3.44).

Table 5.3.6 (b) Life Cycle goals

| Dimension of Financial Well Being | Minimum | Maximum | Mean | Std. Deviation | Variance |
|--|----------------|----------------|-------------|-----------------------|-----------------|
| Life Cycle Goals | 4.00 | 20.00 | 14.1167 | 3.11436 | 9.699 |

Table 5.3.6 (b) details the statistic relating to the life cycle goals. It can be seen that the mean value is (14.11) and the maximum value is 20 and the minimum value is 4. The mean score gives a clear understanding that life cycle goal form an important dimension of financial well being.

5.4 Section IV- Quality of life

Quality of life was measured using WHOQOL- BREF developed by WHO. The World Health Organisation (WHO) defines quality of life as, “*Quality of life is defined as individuals' perceptions of their position in life in the context of the culture and value systems in which they live and in relation to their goals, expectations, standards and concerns*”. This definition reflects the view that quality of life refers to a subjective evaluation which is embedded in an environmental, social and cultural context.

It covers four domains – Physical health, Psychological, Social relationships and Environment. The scale consisted of 26 questions,

which after the review with the experts were further brought down to 24 questions. The two deleted items were excluded because of inappropriateness to the Indian audience. Thus the scale finally had 24 questions whose responses ranged from ‘Strongly Agree to Strongly Disagree’

5.4.1 Physical Health

The dimension of physical health has been measured using the following statements ‘Physical pain prevents me from doing what I need to do’ and ‘I need medical treatment to function in my daily life’.

Table 5.4.1(a) Physical Health

| Statements | Mean | Std. Deviation | Variance |
|--|------|----------------|----------|
| Physical pain prevents me from doing what I need to do | 3.15 | 1.022 | 1.044 |
| I need medical treatment to function in my daily life | 3.38 | 1.033 | 1.067 |

Table 5.4.1 provides the detailed statistic of the dimension Physical health. It can be seen that the statement ‘I need medical treatment to function in my daily life’ has a higher mean score (3.38) than the statement ‘Physical pain prevents me from doing what I need to do’ with a mean score of (3.15). This implies that medical treatment is an important aspect of physical health. Both the statements have a fairly good mean score, which implies that moderately majority of the respondents feel that physical health is a important dimension of quality of life.

Table 5.4.1(b) Aggregate Score of Physical Health

| Dimension of Quality of life | Minimum | Maximum | Mean | Std. Deviation | Variance |
|-------------------------------------|----------------|----------------|-------------|-----------------------|-----------------|
| Physical Health | 2.00 | 10.00 | 6.5267 | 1.83163 | 3.355 |

It can be observed from Table 5.4.1 (b) that the mean score of Physical health is 6.52, where the maximum value is 10 and the minimum value is 2. The standard deviation and variance for the dimension is 1.83 and 3.35 respectively. Thus, it can be concluded that majority of the respondents feel that physical health is a important dimension of quality of life.

5. 4.2. Psychological Aspects

The dimension of psychological aspects has been measured using the following statements, ‘I am very satisfied with my Quality of life’, ‘I enjoy my life’, ‘I feel that my life is meaningful’, ‘I am able to concentrate well’, ‘I feel safe in my daily life’, ‘I have a very healthy physical environment’, ‘I have enough energy for my everyday life’ and ‘I do not have negative feeling such as blue mood, depression etc’

Table 5.4.2 (a) Psychological Aspects

| Statements | Mean | Std. Deviation | Variance |
|--|------|----------------|----------|
| I am very satisfied with my Quality of life | 3.64 | .792 | .627 |
| I enjoy my life | 3.81 | .841 | .707 |
| I feel that my life is meaningful | 3.83 | .847 | .718 |
| I feel safe in my daily life | 3.75 | .839 | .705 |
| I have a very healthy physical environment | 3.64 | .829 | .688 |
| I have enough energy for my everyday life. | 3.66 | .827 | .684 |
| I do not have negative feelings such as blue moods, depression etc | 3.61 | .797 | .636 |
| I am able to concentrate well | 3.73 | .833 | .693 |

Table 5.4.2 (a) provides individual Mean, Standard deviation and Variance of the individual statements constituting psychological aspects connected with quality of life. It can be observed from the table that the statement ‘I feel that my life is meaningful’ has the highest mean score of (3.83), followed by ‘I enjoy my life’ (3.81), ‘I feel safe in my daily life’ (3.75), ‘I am able to concentrate well’(3.73), ‘I have enough energy for my everyday life’(3.66), ‘I am very satisfied with my quality of life’(3.64), ‘I have a very healthy physical environment’(3.64), and ‘I do not have negative feelings such as blue moods, depression etc’ with the lowest mean score (3.61). It can be concluded from the mean score that majority of the respondents feel that their life is meaningful and assert that they enjoy life. But when it comes to their quality of life, physical environment etc the score decrease. The respondents have scored the least with regard to feelings of negative state like depressions etc, which indicate that respondents are worried about negative feelings.

Table 5.4.2 (b) Aggregate Score of Psychological Aspect

| Dimension of quality of life | Minimum | Maximum | Mean | Std. Deviation | Variance |
|------------------------------|---------|---------|---------|----------------|----------|
| Psychological Aspect | 8.00 | 40.00 | 29.6800 | 5.75495 | 33.119 |

Table 5.4.2 (b) details the statistical score of psychological aspect of quality of life. The mean value is 29.68 and the minimum value is 8 and maximum value 40. Thus it can be concluded that majority of the respondents are satisfied with their psychological aspect of quality of life dimension.

5.4.3 Social Relationships

This dimension was measured using the statements ‘I am satisfied with my capacity to work’, ‘I am satisfied with myself’, ‘I am satisfied with my personal relationships’, and ‘I am satisfied with the support I get from my friends’

Table 5.4.3 (a) Social Relationships

| Statements | Mean | Std. Deviation | Variance |
|---|------|----------------|----------|
| I am satisfied with my capacity to work | 3.83 | .722 | .521 |
| I am satisfied with myself | 3.84 | .738 | .545 |
| I am satisfied with my personal relationships | 3.85 | .763 | .582 |
| I am satisfied with the support I get from my friends | 3.83 | .788 | .621 |

Table 5.4.3 (a) indicates the statistics of the statements covered in the dimension of social relationship. It can be seen that the statement ‘I am satisfied with my personal relationships’ has the highest mean score of (3.85). All the statements under this dimension have similar mean scores

which indicate that social relationship is valued much among the sample group.

Table 5.4.3 (b) Aggregate score of Social Relationships

| | Minimum | Maximum | Mean | Std. Deviation | Variance |
|----------------------|---------|---------|---------|----------------|----------|
| Social Relationships | 4.00 | 20.00 | 15.3433 | 2.72908 | 7.448 |

Table 5.4.3 (b) shows the aggregate score of social relationship dimension, which has a mean score of 15.34, Standard Deviation 2.72 and variance 7.44. The minimum value is 4 and the maximum value is 20. This indicates that majority of the respondents give due importance to social relationships.

5.4.4 Environment

The statements used to measure the environment dimension of quality of life included ‘I have enough money to meet my needs’, ‘I can easily access information needed in my daily life’, ‘I have time for leisure activities’, ‘I am satisfied with my sleep’

Table 5.4.4 (a) Environment

| Statements | Mean | Std. Deviation | Variance |
|---|------|----------------|----------|
| I have enough money to meet my needs | 3.43 | .908 | .824 |
| I can easily access information needed in my daily life | 3.55 | .879 | .772 |
| I have time for leisure activities | 3.48 | .893 | .798 |
| I am satisfied with my sleep | 3.59 | .893 | .797 |

It can be inferred from Table 5.4.4 (a) that majority of the respondents assert that they are satisfied with their sleep, with a mean score of (3.59), followed by the ease of access of information needed in daily life (3.55), time for leisure activities (3.48) and enough money to meet needs (3.43). Thus, it can be concluded that respondents are satisfied with their sleep and access to information, but score less on time for leisure activities and money to meet needs.

Table 5.4.4 (b) Aggregate score of Environment

| Dimension of Quality of life | Minimum | Maximum | Mean | Std. Deviation | Variance |
|-------------------------------------|----------------|----------------|-------------|-----------------------|-----------------|
| Environment | 4.00 | 20.00 | 14.0433 | 3.18146 | 10.122 |

Table 5.4.4 (b) indicates the aggregate score of environment dimension of quality of life. It can be seen from the table that the mean score of the variable is 14.04, maximum being 20 and minimum 4. The standard deviation is 3.18 and variance is 10.12. It can be concluded from the mean score that environment plays a significant role describing the quality of life.

Part I summary

The analysis for the present study has been divided into two major parts. The first part dealing with the preliminary analysis for the study and the second part dealing with model estimation. The present Part focused on the preliminary analysis, which was further divided into four sections. The first section of this Part I detailed about the respondents demographic profile using frequency and percentage analysis and by providing charts

and graphs wherever necessary. The second section of the Part I detailed about the independent variable of the study i.e. personal finance management, which was measured both objectively and subjectively. The first hypothesis of the study aimed at finding out the relation between personal finance management and significant demographic and socio economic variables of the study. To test this hypothesis, ANOVA and T-test were run and significant analysis were reported. Thus the objective assessment of the variable was completed. In order to measure the subjective aspects connected with personal finance management, Mean score, Standard Deviation and Variances were calculated for the statements used in the instrument to measure personal financial management.

The third section of Part I dealt with the mediating variable for the study i.e. Financial Well Being. The variable was operationalised in terms of six dimensions namely, present financial well being, financial behaviours, investment decisions, risk tolerance, financial stressors and life cycle goals and Mean scores, Standard deviation and Variances for each of the statements were calculated and reported.

The fourth section of Part I dealt with the dependent variable for the study i.e. Quality of life. It was measured in terms of four dimensions namely physical health, psychological health, social relationships and environment. The Mean score, Standard deviation and Variances for each of the statements were calculated and reported.

The findings of the present chapter, indicates that personal finance management is significantly influenced by many of the demographic and socio economic variables and also provide evidence that the statements used to measure these variables are fitting well with the conceptualization. Further, analysis integrating the variables under study has been provided in the second part of the chapter, highlighting on model estimation and further hypothesis testing.

PART –II

5.5 Model Estimation Overview

The initial step for model estimation was done through checking the empirical validity of the conceptual model. This was done in various stages. First, aspects related to handling missing values and testing the assumptions of normality were performed. Second measurement models related to each construct were tested through confirmatory factor analysis (CFA). During this stage, unidimensionality, reliability, convergent and discriminant validity of the study constructs were measured. Third, the measurement model was tested for confirmation using path analysis. The data was used to test the various hypothesis formulated. The steps are detailed in the following sections.

5.5.1 Stage 1: Preliminary Data Examination

5.5.1.1 Data Screening Prior to Model Estimation and Testing

Prior to the estimation and testing of the proposed model, the study confirmed the absence of data coding errors (Churchill, 1979). A visual inspection of the data was carried out to identify extreme values,

which might cause some serious problems during estimation, no such values were found during the inspection. In addition to these, a detailed check with the objective of diagnosing missing values was carried out. During this process, it was found that around 5% of cases contained missing values. The study followed a list-wise deletion approach to handle missing values. This is considered to be a better method when the number of missing values is not too high (Hair et al., 2011).

5.5.1.2 Descriptive statistics of variables

There are three variables of interest in this study. Personal finance management (PFM) measures an individual's financial management. PFM is measured using four dimensions, named as Financial Planning (FP), Family budgeting (FB), Clarity of Objectives (CO) and Financial Objectives (FO). The second variable for the study is Quality of life (QOL), which has four dimensions, Physical Health (PH), Psychological Environment (PE), Social Relationships (SR) and Environment (E). These two variables form the basic focus of this research. Financial Well Being (FWB) is the mediating variable in the hypothesised relationship between personal finance management and quality of life. FWB is measured with six dimensions named as: Perceived financial well being (PFWB), Financial Stressors (FS), Investment Decisions (ID), Risk Tolerance (RT), Financial Behaviours (FB), and Life Cycle Goals (LCG). The table 5.2 below shows the descriptive statistics of the variables under study.

Table 5.5.1.2 :Descriptive Statistics of the variables

| Variable | N | Mean | Median | SD |
|-----------------------------------|-----|------|--------|------|
| Personal Finance Management (PFM) | 600 | 3.45 | 3.53 | .565 |
| Financial Well Being (FWB) | 600 | 3.21 | 3.08 | .232 |
| Quality of Life (QOL) | 600 | 3.62 | 3.77 | .573 |

Maximum value possible for all variables is five. Mean and median values of all data distributions are different, but still fairly close. This indicates that the distribution of variables in all cases is almost normal. A detailed assessment of normality is presented below.

5.5.1.3 Testing of Multivariate Normality

Prior to testing the proposed model, the study confirmed the most important assumption behind SEM, i.e., normality assumption. It is essential to test the issue of normality in SEM, because the violation of this assumption can create inflated chi-square statistics, biased critical values and influences in standard errors (Hair et al., 2011). The analysis results supported that the data follow normality assumption. Normality of data is assessed graphically by histogram and normal Q-Q plot for the three variables under study. After this initial assessment, Skewness and kurtosis values of distributions are computed for each variable and the analysis is presented below.

Personal Finance

Personal Finance scores of the respondents are represented by the above histogram. A normal curve is also plotted for the distribution. Eyeballing the normal curve plotted for the data indicates that the data is distributed normally. Q-Q plot of the data is given in the Figure 5.1 below which also takes us to the same conclusion.

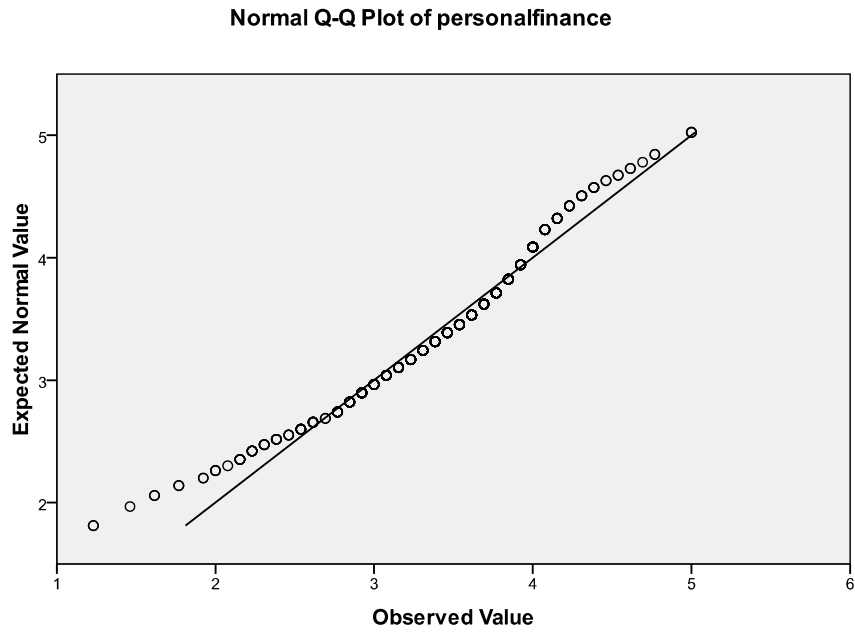


Fig 5.1 : Normal Q-Q plot of personal finance management

Financial Well Being

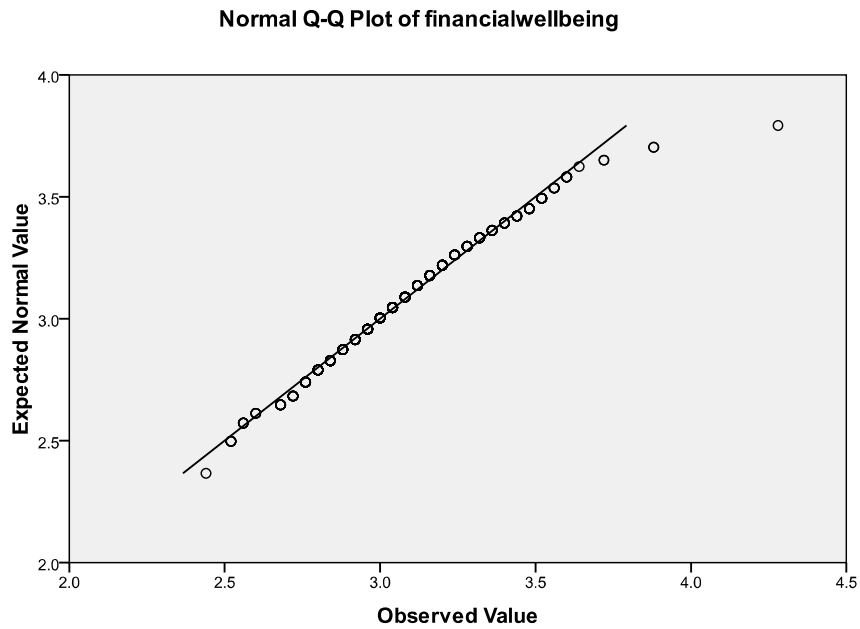


Fig 5.2 : Normal Q-Q plot of Financial Well Being

Normal Q-Q plot of the data also confirms the same observation about the distribution of the variable.

Quality of life

Normal plot drawn for the data shows a normal curve. The Q-Q plot for the data also indicates a normal distribution.

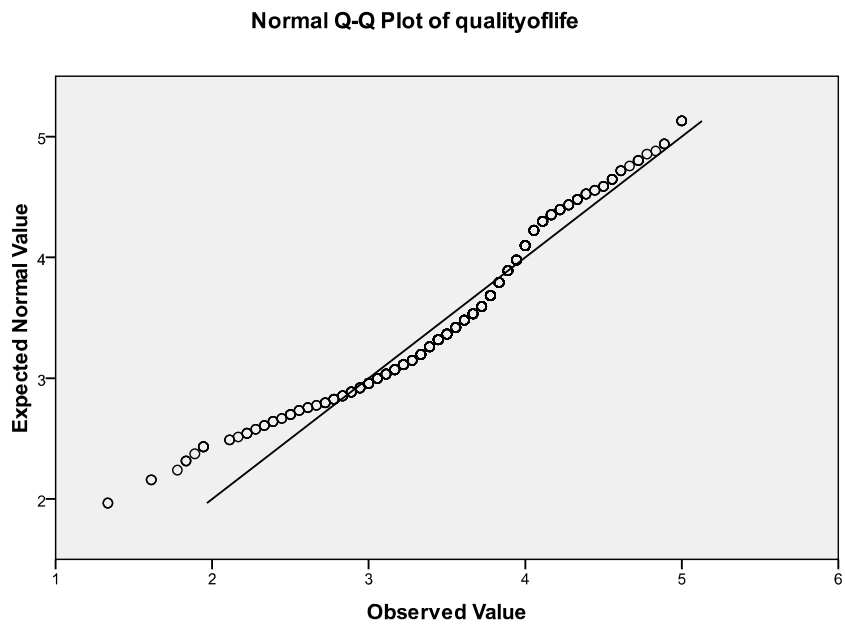


Fig 5.3 : Normal Q-Q plot of Quality of Life

The above analysis indicates that the variables are normally distributed across the sample.

5.5.1.3.1 Analysis of Normality of Data (Skewness and Kurtosis)

The previous section dealt with investigation of data distributions by histograms plotted with normal curve and normal Q-Q plot as a preliminary step for exploring the distribution of data. More stringent analysis of normality of data was explored for skewness, kurtosis and their Z scores. These methods are generally regarded as a more accurate test of normality assumptions.

Skewness, Kurtosis and Z score of the variables under study are provided in the table below:

Table 5.5.1.3.1 : Z scores for Skewness and Kurtosis

| | Mean | Std. Deviation | Skewness | | Kurtosis | |
|-----------------------------|------------|----------------|------------|-------|------------|-------|
| | Statistics | Statistics | Statistics | Z | Statistics | Z |
| Personal finance management | 3.45 | .5654 | -.695 | -.996 | 1.072 | 1.002 |
| Financial well being | 3.08 | .232 | -.164 | -.536 | .057 | .098 |
| Quality of life | 3.62 | .5730 | -.935 | -.952 | 1.894 | 1.903 |

As it can be seen from the table 5.3 above, all variables have skewness values less than 1. Similarly, kurtosis values are also negligible. Z values for skewness and kurtosis are examined next for evidence of normal distribution. Z value above +/- 1.96 for either skewness or kurtosis indicates non-normality for $\alpha = .05$ (Corder & Foreman, 2009). By this

criterion, it must be concluded that the variables under study are normally distributed.

5.5.1.4 Identifying Underlying Dimensions of personal finance management, financial well being and quality of life.

In order to determine the underlying dimensions of the variables under study, exploratory factor analysis (EFA) with Principal Component Analysis with Varimax rotation was used. This technique serves to identify dimensions that explain most of the variation among variables. To determine the suitability of factor analysis, data was examined to ensure the assumptions were met.

Factor analysis is not known to make strict assumptions about data distributions. Multivariate normality assumption is also not required as principal component analysis is based on principal axes and exploratory factor analysis is known to be robust against violations of normality (Floyd & Widaman, 1995). However, sampling adequacy measures and correlation among items are routinely scrutinised to assess suitability of data for performing factor analysis. Kaiser-Meyer-Olkin (KMO) and Bartlett's Test of Sphericity are the common measures in this regard. KMO is computed for assessing the sampling adequacy for principal component analysis. A minimum value of 0.5 indicates sampling adequacy for factor analysis (Kline, 1994). Bartlett's Test of Sphericity tests correlation among the items of the scale. It tests the hypothesis that the correlation matrix of all items is an identity matrix, indicating that there is no correlation among these items. Significance at ($p < .01$) rejects the above hypothesis and confirms correlation. The study deal with three different constructs namely, personal finance

management, financial well being and quality of life. Separate reliability and factor analysis were carried out for each of the measures of the constructs. Reliability analysis and items purification were done before performing factor analysis in keeping with the recommendations in literature (Churchill, 1979). The following table 5.4 shows the factor loadings of the variables, KMO and Bartlett's Test of Sphericity and Cronbach's Alpha value under study:

Table 5.5.1.4 : KMO & Bartlett's Test of Sphericity and factor Loadings

| Variable | KMO & Bartlett's Test Of Sphericity | Factor Loadings | Cronbach Alpha |
|--|-------------------------------------|-----------------|----------------|
| Factor Analysis 1 | | | |
| F1: Personal Finance Management | KMO=.884 | | .901 |
| 1. Financial Planning | $\chi^2=4232.488$ | | |
| • Increase income | $p=.000^*$ | .772 | |
| • Decrease expenditure | | .798 | |
| • Investment planning | | .796 | |
| • Tax planning | | .796 | |
| • Retirement planning | | .817 | |
| 2. Family budgeting | | .769 | |
| • Family Budgeting | | .771 | |
| • Financial Accounts | | .797 | |
| • Compare expenditure | | .722 | |
| • Non recurring expenses | | .899 | |
| 3. Financial objectives | | .854 | |
| • Family finance | | | |
| • Financial objectives of life | | .866 | |
| 4. Clarity of objectives | | .854 | |

| | | | |
|--|-------------------|------|------|
| • Short term objectives | | | |
| • Long term objectives | | | |
| Factor Analysis 2 | | | |
| F2: Financial Well Being | KMO=.886 | | .715 |
| 1. Perceived Financial Well being | $\chi^2=9267.133$ | | |
| • at out | $p = .000^*$ | .828 | |
| • Satisfied financial situation | | .859 | |
| • Monthly living expenses | | .856 | |
| • Income enough for expenses | | .877 | |
| • Stressed about personal finances | | .877 | |
| • Financial stress | | .876 | |
| • Confident to pay Rs.500000/- | | .851 | |
| 2. Financial stressors | | | |
| • Decrease in income | | .687 | |
| • Serious illness to health | | .797 | |
| • Medical treatment | | .776 | |
| • Residence shift | | .782 | |
| • Purchase of new vehicle | | .728 | |
| 3. Life Cycle Goals | | | |
| • Building my own house | | .805 | |
| • Education of children | | .821 | |
| • Marriage of children | | .790 | |
| • Social obligation | | .791 | |
| 4. Risk Tolerance | | | |
| • Safety more important | | .876 | |
| • Bank account safer than stock market | | .869 | |
| • Risk and loss | | .835 | |
| 5. Financial Behaviours | | | |
| • Set money for saving | | .878 | |
| • Set money for retirement | | .885 | |

| | | | |
|-------------------------------------|----------------|------|------|
| • Make regular plans | | .864 | |
| 6. Investment Decisions | | | |
| • Stocks and bond | | .781 | |
| • Knowledge for successful investor | | .890 | |
| • Investing difficult to understand | | .885 | |
| F3: Quality of life | KMO =.939 | | .923 |
| 1. Psychological environment | $X^2=8258.245$ | | |
| • Qol | $p =.000^*$ | .720 | |
| • Enjoy life | | .791 | |
| • Life meaningful | | .795 | |
| • Concentrate well | | .744 | |
| • Daily life | | .802 | |
| • Physical environment | | .766 | |
| • Everyday life | | .667 | |
| • Negative feelings | | .726 | |
| 2. Environment | | | |
| • Money for needs | | .807 | |
| • Information | | .798 | |
| • Leisure activities | | .870 | |
| • Sleep | | .809 | |
| 3. Social relationships | | | |
| • Capacity to work | | .790 | |
| • Myself | | .795 | |
| • Personal relationships | | .823 | |
| • Friends | | .811 | |
| 4. Physical Health | | | |
| • Physical pain | | .885 | |
| • Medical treatment | | .865 | |

*Significant at 0.001% ($p < .01$)

As shown in the table 5.5.1.4, It can be ascertained that, for all the three variables the KMO measure (.884, .886, .939) were well above the mandatory minimum of 0.5. Further, the *chi-square* value for personal finance management ($X^2= 4232.488$, $p=.000$), financial well being ($X^2= 9267.133$, $p=.000$) and quality of life ($X^2=8258.245$, $p=.000$) and Bartlett's test of sphericity is significant at .01($p<.01$). Therefore the suitability of the present data set for factor analysis is confirmed. Principal component analysis on personal finance management with Varimax rotation resulted in the extraction of four components with Eigen values greater than one. Factor loadings of 0.4 or higher were taken as significant loadings considering the sample size of the study (N=600). As per the guidelines in Hair et al. (1998), significant factor loadings for a sample size of 120 and 150 are .50 and .45 respectively, i.e., smaller samples require larger factor loadings.

Therefore, it was decided to consider .4 as the cut-off value for the factor loadings. After conducting the factor analysis, the items with factor loading of less than .4 were deleted. The deleted items were: *'Financial freedom is very important for me', I practice personal finance to fulfil my family's objectives and not my personal objectives and priority based spending plan.* Thus, the initial scale which consisted of 16 items was reduced to 13. The four dimensions for personal finance management extracted were named as financial planning, family budgeting, clarity of objectives, and financial objectives. These four factors account for 27.61%, 21.13%, 13.43%, and 13.07% of the total variance respectively. That is almost **75.25 %** of total variance in

personal finance management. This percentage of variance explained by the factor structure is more than 50%, which is considered acceptable (Hair et al., 1998).

With respect to the financial well being variable, after deleting items with less than .4 factor loadings six dimensions were extracted from EFA,. The items which were deleted were, *'In meeting my financial objectives my family members and relatives support me at all times, I follow weekly or monthly budgets, I pay credit card bills in full and avoid finance charges, I spent more than I have, I compare in more than one shop when purchasing an expensive item, I have financial trouble because I do not have enough money'*. The six dimensions extracted were named as perceived financial well being, financial stressors, investment decisions, risk tolerance, financial behaviours and life cycle goals. These six factors account for 26.93%, 16.19%, 11.21%, 8.48%, 6.05% and 5.18% of the total variance respectively. That is almost **74.07%** of variance in financial well being.

With respect to quality of life after deleting items with less than .4 factor loadings four dimensions were extracted from EFA. The items which were deleted were, *'I am happy with my appearance, I am satisfied with my ability to perform daily activities, I am satisfied with my access to health services, I am satisfied with my transport, I am very satisfied with my health'*. The four dimensions extracted were named as physical health, psychological environment, social relationships, and environment. These four factors account for 29.70%, 18.50%, 18.33%, and 9.19% of the total variance respectively. That is almost **75.74%** of variance in quality of life.

5.5.2 Stage II: Measurement Model Assessment

After preliminary examination of the data, the study carried out a measurement model analysis. This analysis focused on the relationship existing between the latent variables and their manifest or observed variables. The objective of this stage was to assess the validity and reliability of the measures used to represent the hypothesized constructs. The validity of the measures shows the extent to which the scale used measures what it is supposed to measure. The reliability of the scale measures the extent to which the scale is consistent, i.e., the extent to which the measures are free from random error. In fact, unless the study confirms the validity and reliability of the scale, then any assessment of the hypothesized relationship between constructs will be misleading. Therefore, the assessment and confirmation of measurement model validity should precede the detailed analysis of structural analysis of the proposed model.

The study conducted measurement model testing through confirmatory factor analysis (CFA) using AMOS 21.0.

In the hypothesized model, the study considered three latent factors, namely personal finance management, financial well being and quality of life. All these latent constructs were measured using a total of 56 manifest or observed variables. In a measurement model analysis, these all manifest variables are assumed to be influenced by a unique unobserved error. Each error is uncorrelated with other errors, and also these errors are uncorrelated with the latent variables.

Separate CFA was run for each of these factors which are hypothesized as second order constructs. Two-stage approach has been used in literature for reflective higher order constructs (Agarwal & Karahanna,2000). The CFA result of all the three constructs is depicted in the following sections.

The CFA was carried out in four stages, comprising of a) Examination of offending estimates, b) Examination of Unidimensionality, c) Examination of convergent validity d) Examination of reliability and e) Examination of Discriminant validity.

The factor personal finance management (PFM) consist of four dimensions namely financial planning (FP), family financial budgeting (FFB), clarity of objectives (COB) and family financial objectives (FFO). All these latent constructs were measured using a total of 13 manifest or observed variables. In a measurement model analysis, all these manifest variables are assumed to be influenced by a unique unobserved error. Each error is uncorrelated with other errors, and also these errors are uncorrelated with the latent variables.

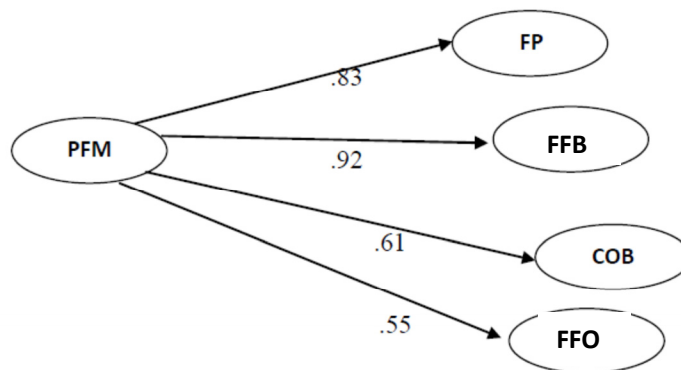


Fig 5.4 showing the standardised path coefficients of personal finance management

The factor financial well being (FWB) is measured using six dimensions, which are named as perceived financial well being (PFWB), financial stressors (FS), investment decisions (ID), risk tolerance (RT), financial behaviours (FIB) and life cycle goals (LCG). All the latent constructs were measured using a total of 25 manifest or observed variables.

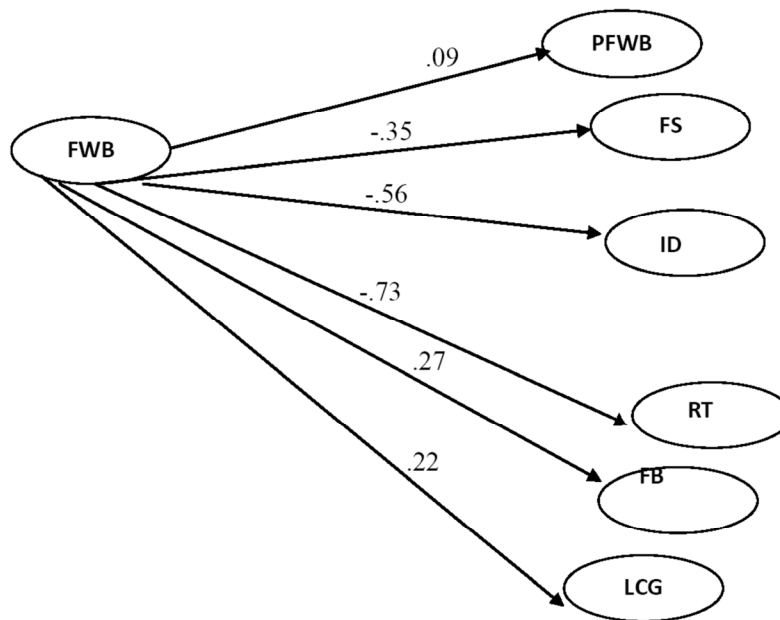


Fig 5.5 : showing the standardised path coefficient of financial well being

The next factor, quality of life (QOL) consist of four dimensions namely, physical health (PH), psychological environment (PSYE), social relationships (SR) and environment (EN). All these latent constructs were measured using a total of 18 manifest or observed variables.

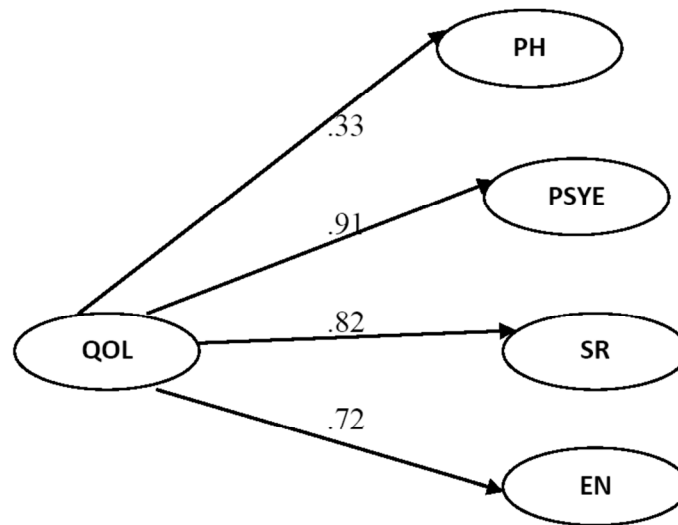


Fig 5.6 : showing the standardised path coefficients of quality of life

The above variables form the interest of study. Separate CFA was run for the three variables individually. The stages through which CFA was carried out is detailed in the sections below:

5.5.2.1 Examination of Offending Estimates

In measurement model analysis, the study first examined the offending estimates. Offending estimates are coefficients that exceed the minimum acceptable limit (Hair et al., 2011). The common forms of offending estimates that appear in measurement model are: negative error variance, standardized loading of the manifest variables exceed 1, and high standard errors for the estimated coefficients (Reisinger and Turner, 1999). These offending estimates must be examined carefully before evaluating the model results. From the results, it was found that there

were no offending estimates of any kind. Therefore, it was recommended to proceed with the analysis of the measurement model.

5.5.2.2 Examination of Unidimensionality

Anderson and Gerbing (1988) state that establishment of unidimensionality is an important task for theory testing and development. This measure helps to establish that each set of alternative indicators has only one underlying trait or construct in common.

It is generally acknowledged that exploratory factor analysis (EFA) is insufficient to prove unidimensionality. Therefore, it is advisable to further investigate and confirm this property of the construct using CFA. A possible evidence of potential threats to unidimensionality using CFA is to check the matrix of standardized residuals. An absolute value of standardized residual above 2.58 shows lack unidimensionality or the model does not satisfactorily estimate the relationship between a given pair of variables (Anderson & Gerbing, 1988; Joreskog & Sorbom, 2001). Modification indices above five may also be another sign of potential threats to unidimensionality (Anderson and Gerbing, 1988). The examination of both standardized residuals and modification indices shows no potentially problematic cases for each of the variables. Therefore, the study confirmed that there were no potential threats to unidimensionality.

5.5.2.3 Examination of Convergent Validity

Convergent validity of the scale is captured through the measure of average variance extracted (AVE) of each construct. It indicates the

construct's variance explained by all its indicators together. If this measure is more than 0.5 (i.e., 50 % of the variance explained), one can consider convergent validity as established (Fornell & Larcker, 1981). An AVE of 0.5 signifies that 50% of the construct's variation is explained by its measurement block consisting of all indicators. AVE values of all constructs were found to be higher than 0.5, thus confirming the convergent validity of the constructs shown in the table 5.5 below.

Table 5.5.2.3 : AVE and CR of variables under study

| <i>Variable 1: Personal Finance Management</i> | | | | | | |
|--|-------------------------------|----------------------|-----------------------|----------------------|----------------------|------------------|
| Construct | Financial planning | Financial budgeting | Clarity of objectives | Financial objectives | | |
| AVE (2 nd order level) | .512 | .526 | .684 | .718 | | |
| Composite reliability | .839 | .815 | .811 | .833 | | |
| <i>Variable 2: Financial Well Being</i> | | | | | | |
| Construct | Perceived financial wellbeing | Financial stressors | Investment decisions | Risk tolerance | Financial behaviours | Life cycle goals |
| AVE (2 nd order level) | .721 | .537 | .689 | .685 | .679 | .613 |
| Composite reliability | .947 | .823 | .868 | .867 | .864 | .863 |
| <i>Variable 3: Quality of life</i> | | | | | | |
| Construct | Physical Health | Psychological Health | Social relationships | Environment | | |
| AVE (2 nd order level) | .610 | .511 | .634 | .502 | | |
| Composite reliability | .755 | .892 | .874 | .801 | | |

Steenkamp & Van Trijp (1991) stated that a good overall fit of the model also gives enough evidence of convergent validity, as this is the case in this study, the results which are shown in the table below:

Table 5.5.2.3.1 Summary of fit indices of measurement model

| Indices | Acronym | General rule of thumb | Model indices (PFM) | Model indices (FWB) | Model indices (QOL) |
|--|-------------|---|------------------------|-------------------------|-------------------------|
| Absolute/Predictive fit indices | | | | | |
| Chi –square,DF | χ^2 | Lower value shows good model fit | 202.928,61 (p=.000) | 477.178,269 (p=.000) | 565.736,131 (p=.000) |
| Ratio of chi- square to DF | χ^2/df | Ratio of χ^2 to $df \leq 2$ or 3 | 3.32 | 1.774 | 4.31 |
| Akaike Information criterion | AIC | Smaller the better; good for model comparison | 262.928 | 589.178 | 645.736 |
| Expected cross validation index | ECVI | Smaller the better; good for model comparison | .439 | .984 | 1.078 |
| Comparative fit indices | | | | | |
| Normed fit index | NFI | >0.95 for acceptance | .95 | .90 | .90 |
| Incremental fit index | IFI | >0.95 for acceptance | .96 | .95 | .92 |
| Comparative fit index | CFI | >0.95 for acceptance | .96 | .96 | .92 |
| Parsimonious fit indices | | | | | |
| Parsimony–adjusted NFI | PNFI | Very sensitive to model size | .74 | .82 | .77 |
| Parsimony–adjusted GFI | PGFI | The closer to 1 the better, though typically lower than other indexes and sensitive to model size | .64 | .77 | .69 |
| Other | | | | | |
| Goodness of fit index | GFI | ≥ 0.95 Not generally recommended | .94 | .94 | .90 |

| | | | | | |
|---|----------------|---|----------------------------|----------------------------|----------------------------|
| Adjusted GFI | AGFI | ≥ 0.95 Performance poor in simulation studies | .92 | .93 | .87 |
| Root mean square residual | RMR | Smaller, the better; 0 indicates perfect fit | .02 | .04 | .03 |
| Indices | Acronym | General rule of thumb | Model indices (PFM) | Model indices (FWB) | Model indices (QOL) |
| Standardized RMR | SRMR | ≤ 0.08 | .04 | .06 | .07 |
| Root mean square error of approximation | RMSEA | < 0.06 to 0.08 with confidence interval | .06 | .04 | .07 |

5.5.2.4 Examination of Reliability

After confirming the unidimensionality and convergent validity, reliability of the scale has been examined, arguing that a construct can exhibit good reliability even if it does not satisfy convergent validity criteria (Steenkamp and van Trijp, 1991). Cronbach's (1954) coefficient is considered to be a good measure of reliability.

Table 5.5.2.4 Descriptive Statistics, Reliability and Validity.

| Construct | Item (summary) | Mean (SD) | CFA Lod. | CR | AVE |
|--|--|-----------|----------|------|------|
| Variable 1: Personal Finance Management | | | | | |
| Financial planning | Plan to increase income | 3.38(.90) | .63 | .839 | .512 |
| | Plan to decrease expenditure | 3.45(.86) | .68 | | |
| | Make investment planning | 3.29(.89) | .76 | | |
| | Make tax planning | 3.34(.86) | .74 | | |
| | Make retirement planning | 3.26(.89) | .76 | | |
| Financial budgeting | Practice family budgeting | 3.47(.85) | .65 | .815 | .526 |
| | Maintain family financial accounts | 3.36(.91) | .70 | | |
| | Compare income and expenditure with budgeted | 3.23(.90) | .82 | | |

| | | | | | |
|---|--|------------------|-------------|-----------|------------|
| | Plan for non recurring expenses | 3.20(.89) | .71 | | |
| Clarity of objectives | Clarity regarding short term financial objectives | 3.76(.75) | .77 | .811 | .684 |
| | Clarity regarding long term financial objectives | 3.53(.86) | .85 | | |
| Financial objectives | Personal finance to me is family finance | 3.74(.73) | .73 | .833 | .718 |
| | Objectives of life | 3.87(.86) | .95 | | |
| | | | | | |
| Variable 2: Financial well being | | Mean (SD) | CF A | CR | AVE |
| Perceived financial well being | I often want to go out to eat, go for a movie etc, but don't go as I can't afford it | 3.40(1.03) | .84 | .947 | .721 |
| | I am satisfied with my present financial situation | 3.45 (1.02) | .84 | | |
| | I often worry about meeting my monthly expenses | 3.31 (.93) | .86 | | |
| | I often feel that my income is not enough | 3.22 (.95) | .87 | | |
| | I am stresses about my personal finances | 3.24 (.92) | .88 | | |
| | I experience high level of financial stress | 3.43 (1.00) | .85 | | |
| | I am confident that I can find money to pay for a financial emergency | 3.35 (1.00) | .82 | | |
| Financial stressors | Any decrease in my income will cause financial stress to me | 3.74 (.95) | .71 | .530 | .849 |
| | Serious illness to my health will cause problems in my employment | 3.64 (.94) | .79 | | |

| | | | | | |
|----------------------|---|-------------|-----|------|------|
| | Medical treatment is a financial concern for me | 3.43 (.92) | .76 | | |
| | Moving from one residence to another can cause financial stress | 3.55 (.94) | .73 | | |
| | Purchase of a new vehicle can cause financial stress | 3.60 (.86) | .71 | | |
| Investment decisions | Making money in stocks and bonds is based on luck | 2.59 (1.00) | .72 | .868 | .689 |
| | I lack the knowledge to be a successful investor | 2.72 (.97) | .88 | | |
| | Investing is too difficult to understand | 2.87 (.97) | .88 | | |
| Risk tolerance | Safety is more important than returns | 2.11 (.83) | .84 | .867 | .685 |
| | I am comfortable putting my money in bank account than stock market | 2.10 (.85) | .87 | | |
| | The word risk brings the term loss into my mind | 2.28 (.88) | .77 | | |
| Financial behaviours | I set money aside for savings | 3.58 (.90) | .84 | .864 | .679 |
| | I set money aside for retirement | 3.36 (.87) | .86 | | |
| | I make regular plans to reach my financial goals | 3.44 (.89) | .77 | | |
| Life cycle goals | Building my house is/was the biggest financial concern | 3.73(1.00) | .81 | .863 | .613 |
| | Education of children consumes a large portion of my income | 3.45 (.88) | .79 | | |
| | Marriage of my children is a major reason for my financial planning | 3.50 (.95) | .76 | | |
| | In meeting my financial objectives my family supports me at all times | 3.44 (.85) | .79 | | |

| Variable 3: Quality of life | | | | | |
|------------------------------------|--|------------|-----|------|------|
| Physical health | Physical pain prevents me from doing what I want to do | 3.15(1.02) | .66 | .755 | .610 |
| | I need medical treatment to function in my daily life | 3.38(1.03) | .89 | | |
| Psychological health | I am satisfied with my quality of life | 3.77(.80) | .76 | .892 | .511 |
| | I enjoy my life | 3.81(.85) | .81 | | |
| | I feel that my life is meaningful | 3.82(.85) | .84 | | |
| | I am able to concentrate well | 3.73(.83) | .83 | | |
| | I feel safe in my daily life | 3.75(.84) | .86 | | |
| | I have a very healthy physical environment | 3.64(.83) | .82 | | |
| | I have enough for my everyday life | 3.67(.82) | .77 | | |
| | I do not have negative feeling such as blue mood, depression etc | 3.71(.89) | .74 | | |
| Social relationships | I am satisfied with my capacity to work | 3.38(.72) | .86 | .874 | .634 |
| | I am satisfied with myself | 3.84(.73) | .89 | | |
| | I am satisfied with my personal relationships | 3.85(.76) | .90 | | |
| | I am satisfied with the support I get from my friends | 3.83(.78) | .84 | | |
| Environment | I have enough money to meet my needs | 3.43(.90) | .84 | .801 | .502 |
| | I can easily access information needed in my daily life | 3.55(.87) | .88 | | |
| | I have time for leisure activities | 3.48(.89) | .86 | | |
| | I am satisfied with my sleep | 3.59(.89) | .83 | | |

As it is evident from the table 5.5.2.4 above the Cronbach's alphas for the hypothesized constructs are above Nunnally's(1970) 0.70 threshold, suggesting adequate reliability. In addition to the assessment of reliability using Cronbach's Coefficient Alpha, the study also analyzed composite reliability (also known as construct reliability) value for each latent variable. The Table 5.5.2.4 above shows composite reliability values for each of the components, which exceed Bagozzi and Yi's (1988) 0.60 threshold. Thus it provides further support for the constructs' reliability.

5.5.2.5 Examination of Discriminant validity

Discriminant validity of scales used in a model is established by checking whether the square root of AVE of a construct is greater than the inter-construct correlation between the construct concerned and other constructs present in the model (Fornell & Larcker, 1981). In the following paragraphs, discriminant validity of the measurement model is assessed at construct-level.

Table 5.5.2.5 : CR, AVE and MSV Scores of the Variables

| | CR | AVE | MSV | MaxR(H) |
|---------------------------------------|-----------|------------|------------|----------------|
| Social relationships | 0.928 | 0.763 | 0.557 | 0.931 |
| Financial_planning | 0.898 | 0.637 | 0.468 | 0.957 |
| Family_budgeting | 0.861 | 0.608 | 0.468 | 0.967 |
| Clarity_objectives | 0.796 | 0.662 | 0.275 | 0.971 |
| Financial_objectives | 0.832 | 0.714 | 0.240 | 0.976 |
| Perceived financial well being | 0.948 | 0.723 | 0.141 | 0.984 |
| Financial_stressors | 0.849 | 0.530 | 0.320 | 0.985 |
| Invt_decisions | 0.869 | 0.690 | 0.184 | 0.987 |
| Risk_tolerance | 0.865 | 0.683 | 0.184 | 0.988 |
| Financial_behaviours | 0.867 | 0.685 | 0.221 | 0.989 |
| Long term goals | 0.864 | 0.614 | 0.320 | 0.989 |
| Pysical_health | 0.742 | 0.590 | 0.102 | 0.990 |
| Psychological environment | 0.936 | 0.648 | 0.557 | 0.991 |
| Environment | 0.913 | 0.725 | 0.421 | 0.992 |

Table 5.5.2.5.1 : Inter construct correlations (Discriminant validity checks)

| SOCIAI | FP | FB | CB | FINOBJ | PFWB | FS | ID | RT | FBE | LCG | PHYH | PSY | ENVT |
|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| 0.874 | | | | | | | | | | | | | |
| 0.296 | 0.798 | | | | | | | | | | | | |
| 0.279 | 0.684 | 0.780 | | | | | | | | | | | |
| 0.297 | 0.464 | 0.524 | 0.813 | | | | | | | | | | |
| 0.335 | 0.384 | 0.490 | 0.433 | 0.845 | | | | | | | | | |
| 0.330 | 0.032 | 0.019 | 0.123 | 0.051 | 0.850 | | | | | | | | |
| 0.067 | 0.200 | 0.138 | 0.097 | 0.186 | -0.279 | 0.728 | | | | | | | |
| 0.033 | 0.082 | 0.058 | 0.013 | 0.030 | 0.225 | -0.210 | 0.831 | | | | | | |
| -0.181 | -0.080 | -0.058 | -0.200 | -0.150 | -0.023 | -0.193 | 0.429 | 0.826 | | | | | |
| 0.187 | 0.470 | 0.388 | 0.364 | 0.247 | 0.103 | 0.222 | -0.058 | -0.225 | 0.828 | | | | |
| -0.044 | 0.159 | 0.158 | 0.041 | 0.200 | -0.309 | 0.566 | -0.213 | -0.076 | 0.072 | 0.783 | | | |
| 0.269 | -0.067 | -0.074 | 0.084 | 0.024 | 0.319 | -0.183 | 0.133 | -0.014 | -0.038 | -0.249 | 0.768 | | |
| 0.746 | 0.315 | 0.312 | 0.316 | 0.355 | 0.369 | 0.037 | 0.029 | -0.212 | 0.221 | -0.063 | 0.295 | 0.805 | |
| 0.581 | 0.225 | 0.189 | 0.321 | 0.219 | 0.375 | 0.014 | 0.046 | -0.165 | 0.236 | -0.047 | 0.311 | 0.649 | 0.851 |

The Table 5.5.2.5.1 above reports the analysis of discriminant validity at the construct level for the first stage model. Square root of AVE values of every construct is compared with inter-construct correlations of all constructs. The diagonal entries in the above table 5.5.2.5.1 (in bold letters) are the square root of AVE values of the constructs. These are greater than any inter-construct correlations as shown. Therefore it is concluded that the measurement model at the construct order level possesses discriminant validity.

5.5.3 Stage III: Test of Hypotheses

The hypotheses proposed for the study were tested by checking the statistical significance of coefficients for each hypothesized path. First, the examination of the model fit indices indicated adequate Goodness-of-fit ($\chi^2/df=2.069$, GFI = 0.85; RMSEA = 0.04, RMR = 0.05, NFI= 0.85, and CFI = 0.92). Second, the hypotheses test results (See Tables 5.10 below) found support ($p < 0.05$) for all the hypothesized paths. In order to establish the relationship between personal finance management, financial well being and quality of life, three hypotheses were formulated. They were as follows:

- H2:** Personal Finance Management positively influences Quality of life
- H3:** Personal Finance Management positively influences financial well being
- H4:** Financial Well Being (FWB) mediates the relationship between Personal Finance Management (PFM) and Quality of Life(QOL)

Personal Financial Management had a positive influence on Quality of life ($\beta = 0.257$, $p < 0.05$) in support of H2. Personal finance management has a positive influence on Financial Well Being H3 and was found statistically significant ($\beta = 0.55$, $p < 0.05$).

Table 5.5.3 : Structural model Assessment

| Parameter | Unstandardise d Estimate | Standardise d Estimate | Std. Error | P Value | Hypothesis |
|----------------|-----------------------------|------------------------------|---------------|---------|------------|
| PFM → QOL (H2) | .116 | .257 | .039 | .003 | SUPPORTED |
| PFM →FWB(H3) | .158 | .558 | .048 | .001 | SUPPORTED |

The fourth objective of the study was to test the mediating role of financial well being on personal finance management and quality of life. The hypothesis formulated for the study was as under:

H4: There is a mediating influence of financial well being on personal finance management and quality of life.

5.5.3.1 Test of Mediation

In this study in order to find the mediation effect of financial well being on personal finance management and quality of life, the test of mediation was done in AMOS 21.0 with bootstrap method. The study used 1000 bootstrap sample at 95% confidence interval. The result of the mediation test is summarized in the following table :

Table 5.5.3.1 Summary of Test of Mediation

| Path | Standardized Direct Effect | Two tailed Significance | Standardized Indirect Effect | Two tailed significance |
|---------------|-------------------------------|----------------------------|------------------------------------|----------------------------|
| PFM→FWB → QOL | .257 | .003 | .133 | .000 |

It can be seen from the tables 5.5.3.1, that the standardized direct effect between the independent variable (PFM) and the dependent

variable (QOL) is 0.257 ($p=.003; <.05$) and is significant. The effect of this relationship was reduced with the introduction of the mediating variable (FWB), which is depicted through the standardized indirect effect. The standardized indirect effect bringing all the three variables is 0.133 ($p=.000; <.05$). This clearly indicates that, there exists a mediating influence of financial well being in the relationship between personal finance management and quality of life. Thus the hypothesis four (H4) can be accepted.

A summary of the fit indices of structural model is given in table 5.5.3.2 below:

Table 5.5.3.2: Summary of Fit Indices of structural model

| Indexes | Short hand | General rule of thumb | Model indices |
|---|-------------|---|------------------------------|
| Absolute/ Predictive Fit Indices | | | |
| Chi-square | χ^2 | Lower value shows good model fit | 3034.623, 1467 ($p = 0.0$) |
| Ratio of Chi-square to df | χ^2/df | Ratio of χ^2 to $df \leq 2$ or 3 | 2.069 |
| Akaike Information Criterion | AIC | Smaller the better; good for model comparison | 3292.623 |
| Expected Cross-Validation Index | ECVI | Smaller the better; good for model comparison | 5.497 |
| Comparative Fit Indices: Comparison to a baseline(independence) or other model | | | |
| Incremental Fit Index | IFI | >0.9 for acceptance | 0.92 |

| | | | |
|---|-------|---|------|
| Comparative Fit Index | CFI | > 0.9 for acceptance | 0.92 |
| Parsimonious Fit Indices | | | |
| Parsimony-Adjusted NFI | PNFI | Very sensitive to model size | 0.81 |
| Parsimony-Adjusted GFI | PGFI | The closer to 1 the better, though typically lower than other indexes and sensitive to model size | 0.78 |
| Others | | | |
| Goodness-of-Fit Index | GFI | Value \geq 0.80 suggest good fit | 0.86 |
| Adjusted GFI | AGFI | Value \geq 0.80 | 0.83 |
| Root mean Square Residual | RMR | The smaller the better; 0 indicates perfect fit | 0.05 |
| Standardized RMR | SRMR | \leq 0.08 | 0.06 |
| Root mean Square Error of Approximation | RMSEA | <0.06 to .08 with confidence interval | 0.04 |

The summary of the fit indices indicates that there is excellent model fit to the structured model conceptualised.

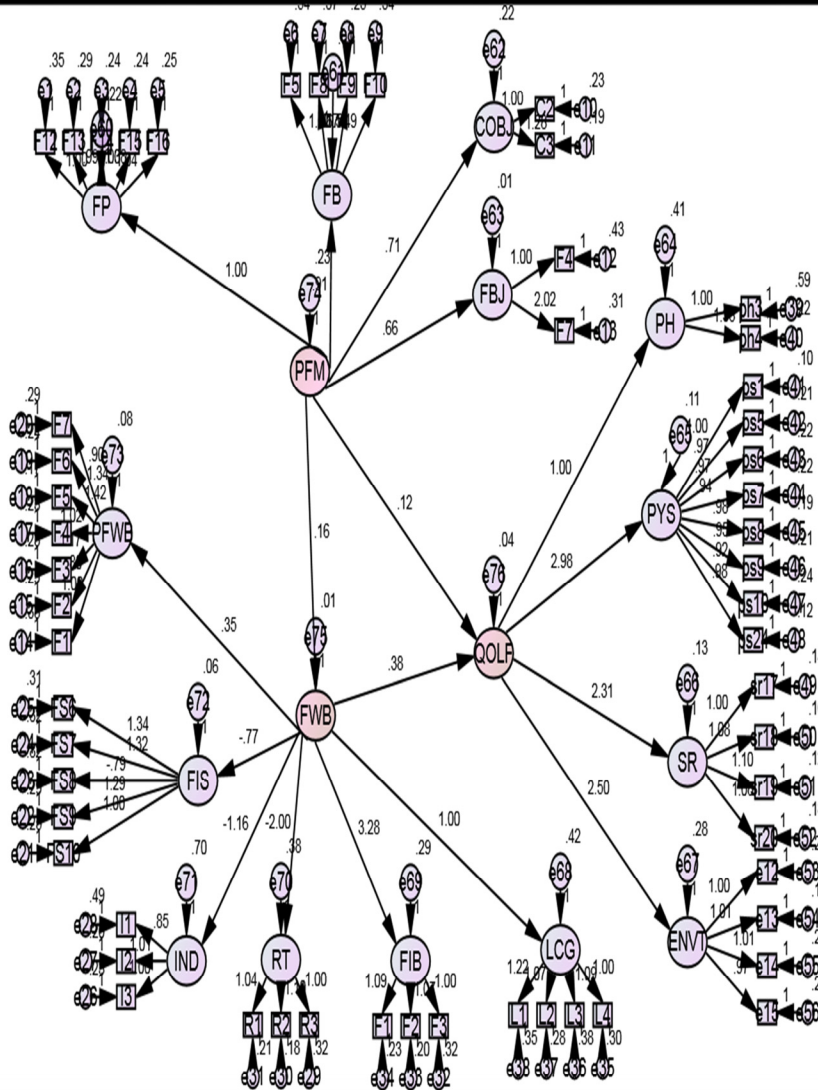


Fig.5.7 : The structural model: Unstandardised path coefficient and R²

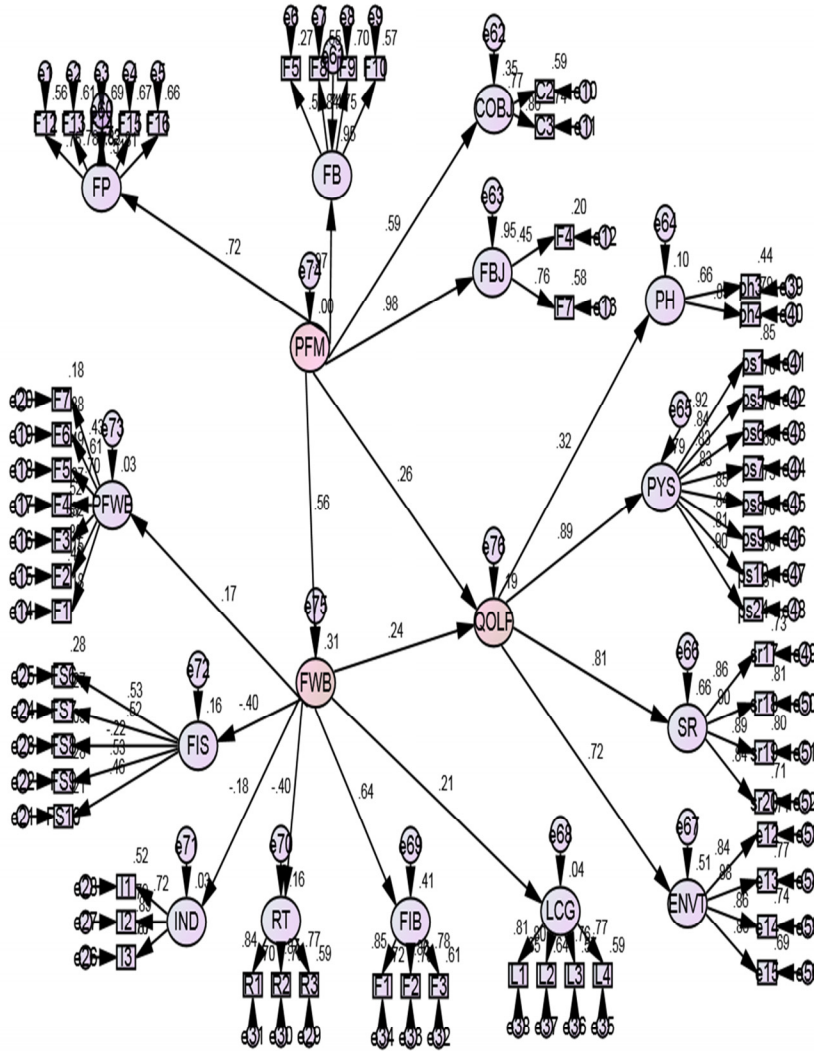


Fig 5.8 ; The structural model: Standardised path coefficients and R²

5.6 Chapter summary

This Chapter provided a detailed overview of the results of model testing and validation process. It first details the characteristics of the sample included and its demographic properties. During the second part, an EFA was carried out to verify the dimensionality of the conceptualized constructs. Later on using CFA, the validity and reliability of these constructs were confirmed. Finally, using SEM the model testing and validity confirmation was done, which was supportive of the conceptual model proposed in conceptual model development section. In Chapter 6, the study will discuss the study findings, as they relate to the three research objectives central to this study.

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DISCUSSION, CONCLUSION AND IMPLICATIONS

- 6.1 *Overview of the study*
- 6.2 *Discussion of findings*
- 6.3 *Research implications*
- 6.4 *Limitations of the research*
- 6.5 *Recommendations for further study*
- 6.6 *Chapter summary*

This chapter is divided into five sections. Section I provides an overview of the entire study carried out. Section II summaries the findings of the study based on the objectives formulated. Section III describes the theoretical and managerial implication of the study. The section IV discusses the limitations of the study and finally Section V concludes with recommendations for further research.

6.1 Overview of the study

One of the most enduring discussed and argued upon topic on subjective well being concerns the association between happiness and income (Lucas & Schimmack, 2009). A large amount of studies have been conducted in this area to find the association of income on happiness or well being, and in fact there are two schools of thought, one which

insists that there exist a positive association between income and well being and the other which stresses that there exists a negative association between income and well being. Cummins (2000) in his study assert that, there exists an intimate relationship between personal wealth and Subjective Well Being (SWB) . Kokko and Pulkkinen (1998); Schulz and Decker (1985) find that income explains variation in SWB. The absolute argument advanced by Veenhoven (1988, 1991) states that income helps individuals meet certain universal or common needs and therefore that, income at least at lower levels, is a cause of subjective well being. Myers and Diener (1995) in their study report that the correlation between wealth of nation and social indicators of life is so high that one might often wonder whether to consider any other factor to assess quality of life other than wealth.

The above mentioned studies discuss on the varied influence of money or income on a person's subjective well being. A wide variety of studies have also tried to study the role of financial management in determining one's well being or quality of life. For example, Headey and Wooden (2004) and Headey et al. (2008). Numerous studies have been conducted on the international front discussing the importance of personal finance management and its influence on quality of life but very few attempts have been made to study this phenomenon in the Indian context. Personal finance management in the Indian context is entirely different and in this study the researcher has made an attempt to integrate the dimensions of personal finance management in the Indian setting and empirically test the relationship between personal finance management financial well being and quality of life.

Thus, the study focuses to find the influence of personal finance management on quality of life and financial well being, and to determine if, financial wellbeing mediates the relationship between personal finance management and quality of life.

6.2 Discussion of findings

The first objective of the study focused on assessing the influence of various socio economic factors on personal finance management (PFM), since PFM constitutes the independent variable of the study. The next objective of the study was to investigate the relationship of personal finance management on quality of life and financial well being of state government employees working in Kerala. The study also tried to explore the factors influencing financial well being and personal finance management in the Indian context. Further the study also tested the mediating role of financial well being on personal finance management and quality of life. The study primarily is based on data collected through questionnaire survey among the state government employees working in various departments in Kerala. Analysis of the data was carried out employing appropriate statistical methods including Structural equation Modelling. The summary of findings as per the data analysis and interpretation are presented below followed by detailed discussions of these findings.

1. Type of family structure, number of employed members, income of spouse, income from other sources, type of accommodation, asset position, ancestral property received by spouse, savings and investment and liabilities had a significant influence on personal finance management.

2. Personal Finance Management has a positive influence on quality of life of the employees in Kerala.
3. Personal Finance Management positively influences Financial well being of employees in Kerala.
4. Financial well being mediates the relationship between personal finance management and quality of life.
5. Financial Planning, Family budgeting, Clarity of objectives and Family Financial objectives have a positive influence on personal finance management.
6. Perceived financial well being, financial behaviours and life cycle goals have positive influence on financial well being.
7. Financial stress, investment decisions and risk tolerance have a negative influence on financial well being.
8. Physical health, Psychological aspects, Social Relationships and Environment has a positive influence on quality of life.

6.2.1 Socio – Economic Factors and Personal Finance Management

In the literature, many studies explore the relationship between subjective well-being and a variety of socio-economic and demographic characteristics. Age, health status, marital status, labour force status,

income and gender consistently exert a statistically significant influence on subjective well-being. In the Indian context, personal finance management finds a significant place in an average salaried individuals life (Wilson, 2006). Further the socio economic conditions existing in India are entirely different from that existing in other parts of the world. Various studies conducted in India reinforce the importance of socio economic factors on personal finance management. For example Antony (2008) and Joy (1997) opined that 'type of family structure', 'spousal income', 'ancestral property received' & 'asset position' are significant factors influencing financial management at the individual level. In similar lines, Joo and Grable (2004) assert that 'saving and investments' and 'liabilities' are important components in personal financial management. The conclusion and findings of the present study are in consensus with the findings in the above studies.

6.2.2 Personal Finance Management and Quality of life.

The present study reveals that personal finance management and quality of life are positively related. This means that higher the level of personal finance management higher will be the quality of life. These results are in consensus with the findings of the previous research relating to financial management and quality of life. (Gray, 2013; Brown & Gray, 2016).

In the past two decades, well-being has become an important theme in economics and, consequently, there has been an exponential increase in the number of economic studies concerned with overall life satisfaction and psychological well-being. In the economics literature, two

main fields of analysis have developed: one area concerned with the overall level of well-being in an economy; and another concerned with the determinants of well-being at the individual level. Several studies have explored the relation between household financial situation and well being. The majority of studies report a strong inverse relationship between debt and well-being, which initiates the necessity of personal finance management, which would help to reduce or manage debt of individuals and thereby help in increasing quality of life or well being. Since majority of the studies in this area are conducted abroad or internationally, there are a large number of studies which has used BHPS (British Household Panel Survey) to explore the relationship between debt and psychological well being. For example, Nettleton and Burrows (1998) and Taylor et al. (2007), and also, Brown et al. (2005) use the BHPS to compare the impact of different types of debt on well-being. One area of an individual's life that could potentially have a dramatic impact on their level of well-being is their household's financial situation (Gray, 2013). For the last 20 years, developed countries have noticed a substantial increase in the level of household debt. For example, in Australia, the level of household debt has increased at a significantly faster rate than household income. It was ascertained that that the on an average the ratio of household debt to disposable income was increasing at one and a half times faster than the disposable income by 2006. This phenomenon has been seen across the developed world, with similar situations displayed in Britain, the USA and Germany amongst many others. The conditions in India are even similar, the latest reports of (RBI, January 2018) report that personal loans in India have increased from

around 20% of total credit in 2010 to 21% in 2016 to forming more than 24% of credit by January 2018. This calls for effective personal finance management in all parts of the world.

Another area which has attracted a large amount of attention in the existing literature, is the relationship between income and well-being. For example, Ferrer-i-Carbonell and Frijters (2004), Ferrer-i-Carbonell (2005), Clark and Oswald (1996) and Winkelmann and Winkelmann (1998) amongst many others, explore this relationship. Amongst other things, the axioms of classical utility theory suggests that more is always preferred to less and, as a result, increases in income would therefore be desirable for individuals. As a result, it is expected that increases in income will be associated with higher levels of wellbeing. Arguably, however, income is not the most appropriate measure of a household's monetary resource. For example, following a permanent income argument, households who have a high level of net wealth, but low income, could potentially smooth their well-being in times of low income by drawing upon their wealth. This means that households with low income could still potentially record high levels of well-being. This emphasizes that there is a need to analyze both monetary and subjective measures to get a clear understanding of the issue. However, Bridges and Disney (2010) and Wildman (2003) argue that such subjective measures will contain information beyond that contained in the financial measures and thus is a better measure to analyze the variable. In the present study the researcher has used both the subjective and objective measures to analyze personal finance management and its impact on quality of life of the respondents. There have been evidences from the literature, which suggests that personal financial planning has a deep rooted influence on

an individual's life. Gray (2013) state that saving regularly increases the probability of reporting the highest level of psychological well-being. Focusing on the relationship between debt and psychological well-being, Brown et al. (2005) find that the presence of outstanding credit, at either the household or individual level, has a negative impact on psychological well-being. He further explains that an increase of 10% in outstanding credit requires a 7% increase in monthly income for the average individual or alternatively, an 18% increase in savings. Reading and Reynolds (2001) report that that worries about debt are strongly related to depression with worries about debt being the strongest predictor of depression of any of the socio-economic independent variables. The above stated literature is a clear indication that personal finance management has a significant impact on the quality of life or well being of the individuals and a proper financial management will definitely help to improve our overall well being and quality of life.

6.6.3 Personal finance management, financial well being and Quality of life

Personal finance management is intended to provide a situation which enhances the financial well being of the individuals and thereby helps in improving their quality of life. In the well-being literature, it is believed that an individual's overall life satisfaction comprises of a variety of domain specific satisfactions, such as job, health, housing and leisure satisfaction. In addition, an individual's satisfaction with their financial position constitutes one of these domains. The findings of Van Praag et al. (2003) reveal that domain specific characteristics and behaviors contribute to specific domain satisfactions and, in turn, these domain

satisfactions influence overall life satisfaction. In the existing literature, several studies support this theory and have presented evidence that financial satisfaction is an important determinant of overall life satisfaction, for example, Easterlin (2006), Layard (2005) and Van Praag and Ferrer-i-Carbonell (2007). In addition, the analysis by (Gray, 2013) suggests that it is the subjective financial position, not the household's monetary financial position, which influences overall life satisfaction. Despite these findings, research on the determinants of financial satisfaction and subjective financial position is relatively sparse, and in particular, in the context of the impact of the household's level of assets and debt.

The majority of existing research relating to financial satisfaction focuses on the impact of income, see for example, Hsieh (2001), Hsieh (2004), Vera-Toscano et al. (2006), Xiao et al. (2009), Rao and Barber (2005) and Danigelis and McIntosh (2001). Income is consistently reported to have a positive, but moderate, impact on financial satisfaction. However, income is arguably not the most appropriate measure of the household's financial resources. In addition to income, the head of household's financial satisfaction is potentially determined by the household's level of assets and debt. Assets and properties owned by individuals are expected to be positively related to financial satisfaction, whereas debts are likely to have a detrimental impact on financial satisfaction.

A small number of studies consider the relationship between household assets, debt and net wealth and financial satisfaction, however, the research remains relatively limited. For example, Headey and Wooden (2004) explore the relationship between household net worth and financial satisfaction in Australia and find that net worth is as important as income as a determinant of financial satisfaction. Similarly, Headey et al. (2008) find that net wealth and income have similar impacts on the levels of financial satisfaction across the Netherlands, Germany, Hungary and Britain. Both Hansen *et al.* (2008) and Plagnol (2011) separate the household's net wealth into its constituent parts of assets and debt, and explore if a differential relationship with financial satisfaction is observed. Both Hansen et al. (2008) and Plagnol & Scott(2011) find that financial satisfaction is positively related to the level of household assets whilst inversely related to total debt. However, there are still several potential limitations with the analysis presented in the existing literature. The analysis carried out in the present study emphasises the importance of personal finance management in determining one's financial well being and quality of life. There is only limited number of studies which have analysed the impact of financial welling or satisfaction on the life satisfaction. Majority of the studies focus on the impact of income on financial satisfaction. Joo and Grable (2004) develop a framework to analyse the potential determinants of financial satisfaction. The study initially outlines potential factors which influence financial satisfaction and then tests the direct and indirect effects of these factors. The existing empirical literature indicates that several demographic and socio-economic characteristics influence financial satisfaction, these factors include, gender, marital status, education, ethnicity, age, income and home ownership. In addition, Joo and Grable (2004) suggest that

variables which capture financial stressors and stress, financial behaviours, financial solvency, financial attitudes, including risk attitudes, and financial knowledge are all potential determinants of financial satisfaction. Joo and Grable (2004) employ path analysis to determine the impact of demographic and socio economic variables on financial satisfaction. In the present study the researcher has adapted the Joo and Grable model to explain financial well being. The analysis presented in Joo and Grable (2004) indicates that education, financial knowledge, risk tolerance, financial behaviours and stress levels have direct impacts on financial satisfaction. In particular, higher levels of financial knowledge, solvency, and displaying better financial behaviours, such as saving and paying off all bills on time, are positively related to financial satisfaction whereas education, financial stress levels and levels of risk tolerance are inversely related to financial satisfaction. The study reveals that financial stressors are inversely related to financial well being. Similarly risk tolerance is negatively related to financial well being. Gray (2013) assert that an individual's financial behaviours and financial variables all have significant impacts on financial satisfaction. Saving and budgeting both exert positive impacts on financial satisfaction. In contrast, not paying off credit card bills or making late payments on credit cards have detrimental effects on financial satisfaction. Similar findings were found by the researcher in the current study.

The analysis reveals that family budgeting influence personal financial management the most with a variance of .92, followed by financial planning .83, clarity of objectives .61 and family financial objectives.55.

With regard to financial well being it is ascertained that financial stressors (-.35), investment decisions (-.56), and risk tolerance (-.73) are negatively related to financial well being. While financial behaviours .27, life cycle goals .22 and perceived financial well being .09 are positively related to financial well being.

With respect to quality of life, the dimension which greatly affects the quality of life is psychological environment .92, followed by social relationships .82, environment .72 and finally physical health .33. All these findings are coherent with the literature support stated above.

The literature stated above helps us to analyse the dimensions through which personal finance management, financial well being and quality of life have been studied and the importance of personal finance planning in determining one's quality of life.

6.3 Research implications

This study has major implications for (a) family and consumer sciences professionals, (b) financial counselors and planners, (c) employers, (d) workers, (e) financial education providers, (f) researchers in other areas, and (g) policymakers. The information derived from this study can help family and consumer science professionals in future research efforts. Conceptualisation of the meaning of personal financial wellness and the measures of personal financial wellness in this research provide information and knowledge about personal financial wellness. These conceptualisations and measures can be utilized in other areas of family and consumer sciences, such as marriage and family therapy and nutrition and health. This research provides a conceptual model for future

research designs in personal financial wellness, financial well-being, and economic well-being. The results of the study reveal that personal finance management has a major impact on our financial well being and quality of life. Individuals who reported to have high personal finance management, reported to have better quality of life. Or in other words, personal finance management was positively related to quality of life as hypothesised in the study. The findings of this research implies that there is need to provide better financial education both at the workplace and household level, which in turn would enhance the quality of life of the people. Indian being a land of varied culture and tradition, has various aspects related to personal finance management and an average individual spends his entire life, fulfilling the obligations of his family. All throughout his life the importance of personal finance management cannot be disregarded. The findings of this research is an eye opener to the average salaried employee, to take effective financial management steps, to ensure that he attains a better quality of life both physically (objectively) and psychologically (subjectively). Financial planners and counsellors can acquire useful information from this research. The findings of the research suggest that financial stressors are negatively related to financial well being, which in effect reduces the quality of life or general well being of the individuals or particularly the households. Financial counsellors and planners may wish to develop educational programmes and / or counselling strategies in financial stress management. This research has implications for workers or employees too. The employees may compare their personal financial wellness status and stress levels with that of their counterparts. The level of the subjective perception and the behavioural assessment of the four domains of personal finance in this research— financial planning, family budgeting, clarity of objectives and

family financial objectives may provide useful information to workers regarding which areas of their personal finance may need to be changed. Financial education providers can take insights from this research regarding what to be included in financial education programme to be provided to employees in an organisation. Researchers in other areas may obtain useful information from this research. This research provides valuable information in the areas of stressors and employee assistance programs. The financial stressors in this research underscore the need for additional research to examine financial stress and its impact on personal life, as well as work life.

6.4 Limitations of the research

The present study established a personal finance model, and its relation to financial well being and quality of life. But it must be acknowledged that the scope of the study was limited to state government employees working in Kerala. The characteristics and behaviours of other group of employees could be different from this sample, therefore replications of the study with diverse group of workers is needed.

In this research emphasis has been given to the subjective perception of financial planning and well being, while the objective assessment has been left out, as there have been numerous studies on the same. The objective assessment measures could be taken into consideration combined with the subjective measures to generalize the findings appropriately.

One of the recognizable limitations of the current study is that the research was not designed as a longitudinal study. The study is designed in such a way as to test and validate the conceptual model at a single point in time using cross-sectional data. To have more confidence and understanding, the model should be tested using longitudinal data. It will help the researcher to understand significant statistical change in a single population over an extended period. Nevertheless, the current study advances personal finance management relationship through a novel model that integrates financial well being that ultimately leads to quality of life.

6.5 Recommendations for further study

The current study provides another step in confronting the complex challenge associated with the process of personal finance management and its relationship with quality of life or well being. Specifically the study offers a framework to better understand the relationships between personal finance management, financial well being and quality of life. More focused research is needed to study the relationship between personal financial problems and financial well being and quality of life. Research can also be conducted on the area of personal financial management and its impact on job productivity and outcomes, because an individual's finance management has an influence not only on his family life but also on his work life. Replications of the study to include more financial ratios are needed. Due to the nature of the survey method, gathering accurate financial information is difficult. This research delimited the data collection on objective financial measures to a categorical amount of each measure. Therefore, future research that

includes financial ratios is needed. For example, the income-to-debt ratio instead of monthly credit payments may be included in future research. More research can be conducted to analyze the impact of financial education on the financial well being of the individuals, and its overall impact on quality of life.

6.6 Chapter summary

The primary goal of this study undertaken, was to contribute to the existing literature relating to the areas of personal finances and individual well-being. Due to the current economic conditions and an increasing interest in measures of well-being from policy makers, fully understanding the relationship between the household's financial position and well-being has never been more relevant. The policy reforms and deregulation of the banking and financial sector in India has brought about a noteworthy change in the composition of household finance, all across India. These reforms to the financial aimed to promote competition and reduce barriers to entry to the banking sector, increased the number of financial products available for households to invest in and also increased the ease at which it is possible to obtain credit and accumulate debt.

The concept of well-being has received considerable interest from a variety of academic fields in recent decades, as well as from a wider public audience. It is currently being introduced as a measure of a country's development, with a view to it being used in conjunction with more traditional measures, such as GDP. The analysis presented in this thesis explores a variety of topics relating to personal finances and well-being in the Indian context. Consequently, objective of this study was to

develop and test an empirical model that could measure personal finance management relationships and its impact on quality of life. Following a diverse methodological approach, the study developed the model of personal finance management. This model was developed and tested for reliability and validity, incorporating the qualitative tradition of grounded theory followed by a quantitative method of structural equation modeling. The study provided a comprehensive approach for analyzing the dynamic relationship between personal finance management, financial well being and quality of life.

India being a land of varied culture and tradition has various aspects related to personal finance management.

An average salaried individual spends his entire life fulfilling the desires of his family. Moreover, it is assumed that its ones dharmic duty to fulfill the desires of his family. So it is safe to assume that for an average Indian, personal finance management is an area that cannot be disregarded.

The role of personal finance management in enabling an average salaried employee, accomplish all these goals and to be free of the eternal cycle is pivotal. The results of the study reveal that personal finance management has a major impact on our financial well being and quality of life.

It can be concluded that, the research findings highlight the need to provide better financial education both at the workplace and household level, which in turn would enhance the quality of life. The research is an

eye opener to the average salaried employee, to take effective financial management steps, to ensure that he attains a better quality of life both physically (objectively) and psychologically (subjectively) and more importantly instills a sense of responsibility for the fulfillment of life goals to attain self actualization.

In conclusion, the finding of this study offers a wide range of theoretical and practical contributions.

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Annexure I
Survey Questionnaire

Dear Sir/ Madam,

This survey is being conducted as part of my doctoral research work at School of Management Studies, Cochin University of Science and Technology, to understand Personal Finance management in the Indian context and its relation to Financial Well Being and Quality of Life. the results of the study will be analysed and used as part of my PhD thesis. Your anonymity is absolutely guaranteed. I would be immensely grateful if you spare a few minutes to fill up the questionnaire.

Thank you.

Please **tick** the word abbreviation that is appropriate for your situation in the following statements.

SD: Strongly Disagree, D:Disagree, N/D: neither agree nor disagree, A: Agree, SA: strongly Agree

| | <i>SD</i> | <i>D</i> | <i>N/D</i> | <i>A</i> | <i>SA</i> |
|---|-----------|----------|------------|----------|-----------|
| Building my own house is/was the biggest financial concern for me. | | | | | |
| Education of my children consumes a large portion of my income. | | | | | |
| Marriage of my children (especially daughters) is a major reason for my financial planning. | | | | | |
| In meeting my financial objectives my family members and relatives support me at all times. | | | | | |
| Social obligations force me to accomplish my financial objectives. | | | | | |
| Any decrease in my income will cause financial stress to me. | | | | | |
| Serious illness to my health will cause problems in my employment. | | | | | |
| Medical treatment is a financial concern for my family | | | | | |
| Moving from one residence to another can cause financial stress | | | | | |
| Purchase of a new vehicle can cause financial stress | | | | | |
| I set money aside for savings. | | | | | |
| I set money aside for retirement | | | | | |
| I make regular plans to reach my financial goals | | | | | |
| I follow weekly or monthly budgets | | | | | |
| I pay credit card bills in full and avoid finance charges | | | | | |
| I spent more money than I have | | | | | |
| I compare in more than one shop when purchasing an expensive item | | | | | |
| I have financial troubles because I do not have enough money | | | | | |

| In terms of investing, safety is more important than returns. | <i>SD</i> | <i>D</i> | <i>N/D</i> | <i>A</i> | <i>SA</i> |
|---|-----------|----------|------------|----------|-----------|
| I am more comfortable putting my money in a bank account than in the stock market | | | | | |
| When I think of the word “risk” the term “loss” comes to mind immediately | | | | | |
| Making money in stocks and bonds is based on luck | | | | | |
| I lack the knowledge to be a successful investor. | | | | | |
| Investing is too difficult to understand | | | | | |
| I experience high level of financial stress | | | | | |
| I am satisfied with my present financial situation | | | | | |
| I often worry about being able to meet my normal monthly living expenses | | | | | |
| I often feel that my income is just enough to meet my expenses only | | | | | |
| I am confident that I can find the money to pay for a financial emergency that cost above Rs.50000 | | | | | |
| I often want to go out to eat, go for a movie etc but don't go because I can't afford it. | | | | | |
| I am stressed about my personal finances in general. | | | | | |
| Financial freedom is very important for me | | | | | |
| I have clarity regarding my short term financial objectives | | | | | |
| I have clarity regarding my long term financial objectives | | | | | |
| The most important financial objectives of my life comprise of building a house, education of my children, marriage of my children and retirement planning. | | | | | |
| Personal finance to me is more about family finance | | | | | |
| I practice personal finance to fulfil my family's objectives and not my personal objectives | | | | | |

Annexure

| | <i>SD</i> | <i>D</i> | <i>N/D</i> | <i>A</i> | <i>SA</i> |
|--|-----------|----------|------------|----------|-----------|
| I practice family budgeting | | | | | |
| I maintain family financial accounts | | | | | |
| I compare income and expenditure with budgeted one | | | | | |
| I plan for non recurring expenses | | | | | |
| I have a priority based spending plan | | | | | |
| I plan to increase income | | | | | |
| I plan to decrease expenditure | | | | | |
| I make investment planning | | | | | |
| I make tax planning | | | | | |
| I make retirement planning | | | | | |
| I am very satisfied with my quality of life | | | | | |
| I am very satisfied with my health | | | | | |
| Physical pain prevents me from doing what I need to do | | | | | |
| I need medical treatment to function in my daily life | | | | | |
| I enjoy my life | | | | | |
| I feel that my life is meaningful | | | | | |
| I am able to concentrate well | | | | | |
| I feel safe in my daily life | | | | | |
| I have a very healthy physical environment | | | | | |
| I have enough energy for my everyday life | | | | | |

| | <i>SD</i> | <i>D</i> | <i>N/D</i> | <i>A</i> | <i>SA</i> |
|--|-----------|----------|------------|----------|-----------|
| I am happy with my appearance | | | | | |
| I have enough money to meet my needs | | | | | |
| I can easily access information needed in my daily life | | | | | |
| I have time for leisure activities | | | | | |
| I am satisfied with my sleep | | | | | |
| I am satisfied with my ability to perform daily activities | | | | | |
| I am satisfied with my capacity to work | | | | | |
| I am satisfied with myself | | | | | |
| I am satisfied with my personal relationships | | | | | |
| I am satisfied with the support I get from my friends | | | | | |
| I am satisfied with the conditions of my living place | | | | | |
| I am satisfied with my access to health services | | | | | |
| I am satisfied with my transport | | | | | |
| I do not have negative feeling such as blue mood, depression etc | | | | | |

1. How long have you been practising financial practices?

< 5 yrs

5-10 yrs

>10yrs

2. What are the reasons for practicing it?

(Please rank your preference as 1,2,3 etc)

a) Helps for easy assessment of financial position

b) Easier attainment of financial freedom

c) Freedom from financial problems

- d) Better utilisation of financial resources
- e) Helps in the attainment of financial objectives

3. Please indicate the preference in which you would allocate your resources to meet your financial objectives

(please rank 1, 2, 3 & 4)

- a) Building a house
- b) Marriage of children
- b) Education of children
- d) retirement planning

Personal information

- 1. Age : Below 30 yrs 31 to 40 yrs
41 to 50 yrs Above 51yrs.
- 2. Gender : Male Female
- 3. Marital status : Single Married
- 4. Type of family: Nuclear Joint
 - a) No. of occupants : 2 3 4 5 6 & above
 - b) No. of employed members: 1 2 3 4 & above
- 5. Educational qualification: Undergraduate Graduate
Postgraduate Professional
- 6. Designation & group :
- 7. Yrs of service : Below 5 yrs 5-10 yrs
11-15 yrs 16-20 yrs
Above 20yrs

8. Monthly income from salary:

9. Monthly income of spouse:

| | | | | | |
|-----|----------------|-----------------|-----------------|-----------------|-----------------|
| Nil | Below 20000 | 20000- 40000 | 40000- 60000 | 60000- 80000 | 80000& above |
| | | | | | |

10. Income from other sources

| | | | | |
|--|----------------|-----------------|-----------------|----------------|
| Income from business, Agricultural income, income from investments, miscellaneous | Below 10000 | 10000- 15000 | 15000- 20000 | Above 20000 |
|--|----------------|-----------------|-----------------|----------------|

11. Are you a house owner? Yes No

12. Total Asset position including ancestral property

| Details | Below 50 lakhs | 50 L- 1 Crore | Above 1 Crore |
|---|-------------------|---------------|------------------|
| Vehicles, furniture, white goods(TV, mixer, washing machine etc) Land, Agricultural land, House, gold, bank deposit, business | | | |

13. Value of ancestral property received by spouse

| | | |
|----------------|-------------|----------------|
| Below 10 lakhs | 10-20 lakhs | Above 20 lakhs |
|----------------|-------------|----------------|

15. Savings and investments

| Savings and investments | |
|---|--|
| PF, insurance, shares etc, bank saving, chitties, post office saving , kissan vikas patra, others etc | Nil <input type="checkbox"/> <5 lakhs <input type="checkbox"/> 5-10lakhs <input type="checkbox"/> > 10 lakhs <input type="checkbox"/> |

15. Investment in properties

| Investment in properties | |
|--|--|
| Land, building, gold or silver, investment in business, others | Nil <input type="checkbox"/> <10lakhs <input type="checkbox"/> 10-15lakhs <input type="checkbox"/> >20 lakhs <input type="checkbox"/> |

16. Details of liabilities

| Details of liabilities | |
|---|--|
| Housing loan, vehicle loan, education loan, other loans | Nil <input type="checkbox"/> <10Lakhs <input type="checkbox"/> 10-20L <input type="checkbox"/> >20 Lakhs <input type="checkbox"/> |

17. Details of annual expenditure

| Details of expenditure(Annual) | |
|---|---|
| Food, clothing, rent, repairs to house, education expenses, conveyance, medical expenses, entertainment, social obligation, miscellaneous etc | Below 100000 <input type="checkbox"/> 2-3 lakhs <input type="checkbox"/> 4-5 lakhs <input type="checkbox"/> Above 5 lakhs <input type="checkbox"/> |

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LIST OF PUBLICATION

Publications:

1. Co- authored journal article titled “Personal Finance Management and Life time Goals: An Empirical Analysis.” in the journal titled “Zenith International Journal of Multidisciplinary Research” Volume. 8, Issue 6, 2018, pages: 160-170, ISSN: 2231-5780.
2. Co- authored journal article titled “Personal Finance Management and Well Being among Government Employees in Kerala.” in the journal titled “International Journal of Current Engineering and Scientific Research” Volume. 4, Issue 12, 2017, pages: 66-75, ISSN: 2393-8374.
3. Authored journal article titled “Measuring Price Consciousness among Management Graduates in Kerala.” in the journal titled “International Journal of Innovative Research in Science, Engineering and Technology” Volume. 4, Issue 6, 2015, pages: 3980-3987, ISSN: 2319- 8753.

Conference Paper Presentations:

1. “Validation of Personal Finance Schedule with Reference to Cross Cultural Differences” presented at International conference on “Trends and Challenges in Global Business Management” on 22- 23 November, 2013, organized jointly by Sree Narayana Gurukulam College of Engineering & Bonfring International and Pearson.

2. “ Paradigm Shift in the forms of money and its influence on personal finance management” presented at National Conference on “Banking and Finance” on 26th April, 2013 held at Bharata Mata Institute of Management, Kochi

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