

A Brief Study on Family Budget Preparation Habit

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ABSTRACT

The term Budget has originated from the French word 'budget' which means a 'leather bag' or 'simply bag'. In 1733 the British Finance minister Sir Robert Walpol was mocked of when he took out his budget related papers from a 'leather bag' in parliament. Few days later, a book called the 'The Budget Open' was published which again mocked at the finance minister Robert Walpol. From that time onwards the term 'Budget' become popular and was used for all estimated income expenditure details of the Government. Gradually the term spread all over the common wealth nations.

Introduction:

Government of India, (Finance Ministry) annually estimates its income and expenditure to run the country. Budget of Government gives an estimate of income of the government from different sources and the expected expenditure on different areas. State and local governments also prepare budget for the estimation of income and distribution of expenditure.

Family budget is prepared by the head or deputy head of the family keeping in view their income and expenditure. The economic condition is more balanced of those families who prepares budget and controls their expenditure.

Objectives of the study-

1. To know family budget preparation habit of different income groups of family.

2. To know the number of families properly control their expenses according to their budget.
3. To know some beneficial methods to control family expenses by preparing budget.

Research Methodology-

40 families of Raipur were selected randomly for the of present study. These 40 families comprise 10-10 families each from high income class, high middle income class, lower middle income class and low income class. Percentage and graphs have been use for analysis.

To collect the data for this study interviews of the head or the subhead of the families were taken directly or through cell phone. Since the sample size is limited and data had to be secret, these tools were used.

Analysis

For the study, data were collected from the family heads or subheads of the 40 families. After analysis of their answers, of interviews following facts were found.

1. It is found that 9 out of 10 families of high income group donot prepare family budget regularly. The low income group donot prepare family budget whereas, in high middle income group and lower middle income group, 40% and 50% of families respectively prepare their budget regularly.
2. When the families those who do not prepare budget were asked about not trying to make budget, 40% of these families prepared budget for few months but were unable to continue this practice whereas 60% of the families didn't make budget but in specified conditions they prepared oral budget or prepared list of the lump sum expenses.
3. It is found by the analyzing the answers of the interviewers that among the budget preparing group, 70% of families donot prepare it regularly or properly. These families just keep an account of their daily expenses. Budget is not just accounting the expenses of the house. By the family budget it is estimated that how much will be the earning in a specific period? (if income is not fixed) and what will be the expenses in different heads? How much has to be kept as contingency fund? How much money from the income whould be saved? etc. After interval of days it should be reviewed that the expenses are according to the budget or not. If actual expenses is near about the estimated expenses then there is no needs of detail analysis. If the deviation is significant then detail analysis is needed and has to be

followed from time to time. It requires to be analyzed whether the actual expenses tally with the estimated budget continuously/regularly.

4. According to interview it was revealed that 60% of the families who make budgets donot properly follow it. But some families not only prepare budget but also follow it properly i.e. do the budget controlling properly. Some of the methods are as follows by them:-

Budget Control by Monthly Income

High income family class deposits a fixed amount in post office or other monthly income plan for different head of expenses, The interest obtained from these deposit is spent on allotted heads of expenses. If the interest amount is not sufficient for any specific head of expenses then for the related expenses extra amount is deposited post office on other monthly income plan. In this way the accounting of larger expenses takes place automatically. The other expenses are paid from the regular income. This method is possible only if sufficient certain amount is available for investment.

Budget Control by Modern Banking Facility

This method is adopted by a high income class families where, banking facility is available near their residence and mobile banking is also availed. They have a separate account for the payment of their expenses in which time to time a major part of their income is deposited. Most of the payment is made by cheque, due to which the accounting of the lump sum expenses takes place automatically and at the end of every month by taking out the bank statement the review is made and budget for the next month is prepared. By this method the cash balance can also be known by internet and mobile Banking facility. This method is appropriate for those families which have mobile & internet banking facility or a bank nearby their residence.

Budget Control by Democratic method

The interviewer found that this method is adopted by the low- middle income class families. In this method all the family members are participated for payment of any expense and budget. In this method the major family members know the detail sources of income and heads of expenses. The responsibilities of collection of income and payment of different expenses are given to different members of the family. By this the member renders better services at low cost. In abnormal conditions

all the major family members discuss the situation and the take decision. In this way democratic method is used for budget application.

Budget Control by envelope method

This method is adopted by the low middle income class families. In this method family makes budget and for different heads of expenses the allotted amount is kept in different envelopes. The details of allotted amount and the payment amount are written on the envelope. If the allotted amount is less for any special item then the money of contingency fund is used. If less money is used on any head of expense from the allotted amount then excess amt is kept in contingency fund envelope and a brief information is mentioned on both the envelopes and this is used for preparing fort coming budget. In this method the accounting is more therefore requires time and labour both.

Budget Control by Daily Allowance

In the interview a simpler method has been observed in which after deciding the major expenditure (which are of permanent nature) for everyday expenses, an amount is allotted for expenses and expenses are tried to be paid by it. If the allotted amount is found to be excess or less then according to their future income, the forthcoming amount of budget of various heads of expenses are increased or decreased. By this method there is regular control over everyday expenses by analysis of

Conclusion-

From the above facts and analysis of data following conclusion are drawn-

1. Most of upper and low income families group don't prepare budget. The family budget preparation habit is almost nil.
2. Those families who donot prepare budget agree with the fact that by the preparation of formal budget they can get control over their expenditure to the some extent.
3. Most of the families do not prepare budget and apply it but they just maintain the account of their expenditure only. They do not review over their actual expenditure.
4. Few families have a controlled system over them budget which have been mentioned on this research paper. This can be applied by other families as per their convenience

5. Family budget preparation habit is mainly found in low middle income group.
6. Various budget control methods of family budget are observed like monthly. Income Deposits method, Availing modern Banking Facilities method, Democratic method, preparing different envelopes method, Daily Allowance method etc.

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