
**INNOVATIONS AND TRENDS IN
FINANCIAL SYSTEM**

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Editors:

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Preface

This edited book '*Fedha*'—A Light in to new ways of Finance, aims to present the real picture of the research in the field of Finance in Rural Kerala. The major findings of articles in the book lead to the knowledge of real world of investment in the eyes of rural population. It involves a great effort of more than fifty research minds in different subthemes of Finance like Behavioural Finance, corporate finance and Banking services.

The expected audience of the book consists of researchers, research students, Practitioners and investors.

We would like to convey our appreciation to all the contributors including the authors of the Chapters in this book.

Our special thanks to our Head of the department Prof. Bindu T. for her continuous support and great effort to bringing the book in to fruition. We expresses here our sincere gratitude to Dr. E. Jayan principal of our institution who motivated us for this endeavour.

This book - Fedha - is to be published as part of a national seminar on Financial Derivatives and the meaning of Swahili word Fedha is FINANCE...

Foreword



It makes immense pleasure that a new academic horizon is being opened up for the enrichment and refinement of the knowledge base, offers a new realm of academic excellence to meet the challenges in the contemporary global scenario of Commerce & Management. Since it is a quality oriented endeavor in the form of a Research publication as a part of the National Seminar on 'Financial Derivatives', this can provide a valuable academic base, culture and quality among the teachers, research scholars and seekers in the concerned field. The selection of research articles pertaining to such a vibrant and dynamic area could transform the beneficiaries by a new academic experience and exposure. It is really a valuable and remarkable academic contribution of the Department of Commerce to bridge the gap to a certain extent in the related academic space. Hope that let it be a mile stone in the glorious academic path of the institution leading to the highest goal and fulfillment in the field of higher education.

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Message from Principal



“Fedha (finance) is always considered as wealth and knowledge. Here I appreciate the cordial spirit of the department of Commerce for achieving new destination.”

Dr. E. Jayan

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Personal Budgeting Practice among the Bank Employees of Palakkad District

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Introduction

Finance is major aspect that directs human activities today. As the world becomes more competitive and complex, need for finance is also increasing. The success of a Man's economic life largely depends on his ability to make finance and manage it. It is easier to make finance and spend finance. The more difficult aspect is to manage the finance. So financial management is one of the important skills that a personal has to possess now a days.

Some forty or fifty years ago, there was no much importance for financial management in one's personal life because the man has some limited needs and life was not much competitive and complex. Now as the number of economic activities is increasing, the sources of fund and application of fund is also ever increasing. A man can earn money in thousand ways and at the same time he can spend it in a sputnik speed. So man should be so careful in dealing with finance.

Financial management is the art of planning, organizing, controlling and monitoring financial resources with a view to achieve organizational goals and objective. Maintaining a financial discipline is very vital in the modern life.

One of the important ways of maintaining financial discipline in life is to maintain a Personal Budgeting System in the life. Budgeting is a technique of forecasting future inflow of finance and outflow of

finance in advance so that proper allocation of funds can be planned in the right manner. It is a usual practice in companies, firms, local authorities, institutions, and even in government practices. But how far it is happening in one's personal life is a curious question that leads to this research paper.

Personal Budgeting System is the first step in the financial planning. It refers to the activities of monitoring the future incomes and expenses, controlling the expenditure through various actions and achieving a person's personal financial goals. Personal financial goal may be ensuring a descent life, children's education and marriage, building a house, etc. all these need finance and financial management. Through personal budgeting system one can predict the future inflows of cash and future outflows of cash by forecasting the sources of fund and application of fund. The ultimate aim of this system is to enable a person to save money for future.

This study is an attempt to know the extent of personal budgeting practice among the bank employees of Palakkad district. This study also attempts to know differences in male and female employees with regard to this practice.

Review of Literature

- 1. Simone Galperti, 'A Theory of Personal Budgeting', 2016:** This study shows the tendency of consumers to use personal budgets for managing self-control problems. It concludes that there is a close link between budgeting and self control problems in consumption saving decisions.
- 2. Joseph M. Larkin & Joseph M. Ragan, 'A Young Professional, A Personal Budgeting Challenge', 2016:** The researchers did a case study on a young professional who faces a lot of financial concerns and problems. The case study proved that preparation of personal budget helps a person to live within his/her means and fulfill their financial obligations.
- 3. Amala V. Venkatasami, A Study on Budgetary Control with special reference to Coimbatore, 2015:** The study concluded that budgetary control department has the vital role in financial planning of top management. It helps to make management of affairs more efficient. The study also suggests that budgetary control is essential for all types of organizations.
- 4. Badu Daniel, Study on Budgeting and Budgetary Control at Ernest Chemist, Accra, Ghana, 2011:** This study is attempted

to study the possibility of designing an effective budgeting and budgetary control system for Ernest Chemist, a pharmaceutical company at Ghana. It concluded that budgetary system is helpful to the managers and supervisors to plan ahead of time so that they can effectively utilize the scarce resources for the realization of organizational goal.

Relevance of the Study

Finance is an integral aspect of one's life today. Proper management of finance in personal life is very important because the absence of which can lead to various financial risks like inability to repay debt, and even bankruptcy. So maintaining a proper Personal Budget that indicates future cash flows is essential to achieve one's financial goal. As the world becomes more focused on finance, it is essential to propagate the art of Personal Budgeting System among the people.

Statement of the Problem

One should have a clear idea regarding what will be his/her future probable expenses that has to be incurred and what are the various sources of income that he/she is going to earn in future. Absence of such an idea will lead to over expenditure, which is, spending more money than what he/she is actually earning. But the people around us are not practicing financial planning properly and that leads to over dependence on bank loans, inability to repay loan, etc. Here in this study, an attempt is made to find out how far the bank employees of Palakkad district follow the practice of Personal Budgeting System in their day to day affairs.

Objectives of the Study

1. To know the extent of practice of Personal Budgeting System among the Bank Employees of Palakkad District,
2. To know whether there exist significant difference in the practice of Personal Budgeting System between Male and Female Bank Employees.
3. To know whether there exist significant difference in the practice of Personal Budgeting System between Rural and Urban Bank Employees.
4. To know whether there exist significant difference in the practice of Personal Budgeting System between different age group Employees.

Hypothesis

To accomplish the objectives of the study following hypothesis have been developed.

1. There exist no significant difference in the practice of Personal Budgeting System between Male and Female bank employees,
2. There exist no significant difference in the practice of Personal Budgeting System between Urban and Rural bank employees,
3. There exist no significant difference in the practice of Personal Budgeting System between different Age Group bank employees,

Methodology and Data

The study used a descriptive and analytical research based on both primary and secondary data. The primary data has been collected from 23 male respondents and 22 female respondents. Out of 23 male employees, 10 are from rural bank and 13 are from urban area. Out of 22 female employees, 9 and 13 are from rural and urban area respectively. Sample was selected through convenient sampling method. Self constructed questionnaire was used to collect the data regarding the extent of practice of Personal Budgeting System among employees. The following statistical tools have been used to analyze the Data collected:

- Percentage Analysis
- T-Test
- One Way Analysis of Variance

Results and Discussion

Table 1
Descriptive statistics

<i>Question</i>	<i>Male Employees</i>	<i>Female Employees</i>	<i>Urban Employees</i>	<i>Rural Employees</i>
Percentage of respondents who maintains record of incomes and expense	12	31	39	9
Percentage of respondents who prepare Personal Budget of future Income and Expenses	6	11	19	1

Source: Primary Data

Table 2**Descriptive statistics****Extend of Practice of Personal Budgeting System among different Samples**

<i>Sample</i>	<i>Size</i>	<i>Mean</i>	<i>SD</i>
Male Employees	23	7.12	1.34
Female Employees	22	12.22	2.01
Urban Employees	26	15.35	2.87
Rural Employees	19	6.25	0.90
Employees between 25 to 35 age group	12	9.11	1.45
Employees between 35 to 45 age group	17	11.34	1.86
Employees between 45 to 55 age group	16	10.11	1.09

Source: Primary Data

Table 3

Test of Significance of Difference between Male and Female Bank Employees in the Mean Score of Extent of Practice of Personal Budgeting System using T-Test

<i>Sample</i>	<i>Mean</i>	<i>Standard Deviation</i>	<i>n</i>	<i>Level of significance</i>	<i>t-value</i>
Male Employees	7.12	1.34	23	0.05	-9.97
Female Employees	12.22	2.01	22		

Calculated value of t-test is 9.97 (without sign), which is greater than the table value at 5% Level of Significance with 43 degree of freedom, i.e., 2.02. Therefore, the null hypothesis is rejected and concluded that *there exist significant difference between Male and Female Bank Employees in the Mean Score of Extent of Practice of Personal Budgeting System.*

Table 4

Test of Significance of Difference between Urban and Rural Bank Employees in the Mean Score of Extent of Practice of Personal Budgeting System using T-Test

<i>Sample</i>	<i>Mean</i>	<i>Standard Deviation</i>	<i>n</i>	<i>Level of significance</i>	<i>t-value</i>
Urban Bank Employees	15.35	2.87	26	0.05	15.18
Rural Bank Employees	6.25	0.90	19		

Calculated value of t-test is 15.18, which is greater than the table value at 5% Level of Significance with 43 degree of freedom, i.e., 2.02. Therefore, the null hypothesis is rejected and concluded that *there existssignificant difference between Urban and Rural Bank Employees in the Mean Score of Extent of Practice of Personal Budgeting System.*

Table 5
Test of Significance of Difference between Different Age Group Employees in the Mean Score of Extent of Practice of Personal Budgeting System using One Way ANNOVA

Source	SS	df	MS	F
Between Group	4.22	2	2.11	3.17
Within Group	4.01	42	0.67	
Total	8.23			

Calculated value of F Distribution is 3.17, which is less than the table value at 5% Level of Significance with (2,42) degree of freedom, i.e., 3.23. Therefore, the null hypothesis is accepted and alternative hypothesis is rejected and concluded that *there exists no significant difference between different Age Group employees in the Mean Score of Extent of Practice of Personal Budgeting System.*

Findings of the Study

1. Only a few people are having the habit of maintaining the personal budget of income and expenditure.
2. There exists significant difference between Male and Female Bank Employees in the Mean Score of Extent of Practice of Personal Budgeting System.
3. There exists significant difference between Urban and Rural Bank Employees in the Mean Score of Extent of Practice of Personal Budgeting System.
4. There exists no significant difference between different Age Group employees in the Mean Score of Extent of Practice of Personal Budgeting System.

Conclusion

The study revealed that majority of the people are not interested in maintain financial discipline in their personal life. Though the practice of budgeting is prevalent in the organizational set up, it is a new concept in one’s own home. But actually budgeting is having greater importance in one’s personal life since it helps to plan one’s future

income, expenditure, savings and investment. Through budgeting, one can ensure financial independence to a great extent. So focus should be given to impart the skill of keeping financial discipline through Personal Budgeting System to the people.

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