

Topic: Home management,

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MONEY MANAGEMENT

Money plays an important role in the life of man as an instrument through which he can satisfy his physical, material and mental needs. The income and expenditure pattern of the family decides the family's standard of living and its place in the society. It also decides the economic well-being of the family and the nation.

Family Income

Family income may be defined as money or purchasing power earned by family members during a specific period of time and goods and services received or created in that time by the family eg. goods like vegetables from kitchen garden, services like doing household chores, teaching children etc.

Types of Income

There are three major types of family income. They are:

- Money income
- Real income
- Psychic income.

Money Income

This income flows into the family in the form of currency, bank draft or cheques. Money income includes all the income received in the form of money like salary

or wages, house rent, gifts, interest earned from bank deposits and other investment. Money is valued by individuals and families because of its purchasing power over goods and services like food, clothing, shelter, educational and medical expenses etc, some of which are vital for the survival of human beings.

Real Income

Apart from money income, families may also receive real income. Real income is the flow of commodities and services available to families for satisfying their needs and wants. Real income can be classified as direct and indirect.

Direct Income

It consists of those material goods and services available to the family members without the use of money. Examples are vegetables, fruits and flowers from home garden as well as other services. These services include those of the home makers who prepares food, cares for the family members, clean the house, the son who purchase things for the family and the services of the daughter who help the mother in the household activities. Employment benefits offered by employers to employees such as free housing, medical aid, free education schemes, loan facilities represent direct real income. Another source of direct income is free or social income provided by the community. Library facilities, parks, schools, fire protection, community hall, police protection are commodities and services for which families need not spent.

Indirect Income

Indirect real income consists of those goods and services available to the family involving the use or exchange of money.

Psychic Income

This is the satisfaction which people experience. It consists of the mental and emotional satisfaction received from the use of money and real income. It is subjective in nature. For realising such income, the quality of management plays a vital role.

Expenditure

Happiness of the family is secured by income use or expenditure. Expenditure provides the satisfaction of life for the members of the family. All expenditure for the household may be divided into needs and wants. The needs are those which are necessary for maintaining a healthy, efficient household which a family must take care of and there are emergencies and special demands arising occasionally. The regular monthly items of expenditure for most families include food, clothing, shelter, education, health, housekeeping, recreation. Part of the income may be set aside in the form of savings for special needs or emergencies such as marriage, education, pleasure trips or sickness and old age.

The various factors that affect one's expenditure are:

1. Income of the family.
2. Size and composition of the family.
3. Age and occupation of the family members.
4. Education.
5. Location of the house.
6. Health status of the family members.
7. Interests and abilities of the members.
8. The availability of the goods.
9. The price of goods.
10. The customs of the family.

11. The personal likes and dislikes.
12. The general consumption patterns.
13. The saving pattern of the family in the future