

Money Management in Low Income Households

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Abstract—This research explores the crucial topic of money management in low-income households, providing insights into the financial literacy levels and participant characteristics of those enrolled in programs specifically designed to address this group. We examine the spectrum of financial access, ranging from banked to unbanked, marginalized to empowered, in recognition of the complicated financial environment low-income families must navigate. Through an analysis of the interactions among financial literacy, education, and financial service accessibility, this study seeks to provide insights into policies that support low-income households' economic empowerment. The effect of financial literacy on low-income households. Low-income people's access to conventional financial services, loans, and mortgages. Difficulties low-income families have saving money. Elements affecting the allocation of home duties and money management. The contribution of financial education to enhanced financial literacy and proficiency. The frequency and effects of mental budgeting on managing household finances. The study's conclusions highlight how critical it is to improve low-income households' financial literacy, expand their access to traditional financial services, and encourage sensible money management techniques. We can endeavor to lessen economic inequalities and enhance the general financial well-being of vulnerable communities by tackling these issues.

Index Terms—Financial Literacy, Low-Income Households, Financial Access, Financial Services, Economic Empowerment, Savings Challenges, Money Management, Financial Education, Mental Budgeting, Financial Inclusion, Economic Inequality, Social Equity, Financial Behavior, Household Duties, Financial Decision-Making, Financial Knowledge, Economic Disparities, Financial Resilience, Financial Well-Being, Financial Disparity.

I. INTRODUCTION

Although financial management programs for low-income individuals have increased in recent years, little is known about the financial literacy levels of

participants in these programs. This study examined financial literacy and participant characteristics of participants in a large financial management program for low-income individuals. (Khan et al., 2008,)

When low-income families qualify for financial assistance, it is common to separate families into banked and unbanked. However, a continuum that includes banked, formerly banked, unbanked, marginalized, banked, and unbanked better describes the ways in which low-income people access various financial services. (MCKEAN & LESSEM, 2005,)

Financial literacy and financial education play an important role in preserving wealth, shaping people's attitudes, behaviors and decisions, and ultimately affecting their financial and health situations. Acquiring financial skills begins with parental guidance and example, which teaches children the basics of saving and managing money for the first time. (Spader, 2012,)

Low-income families are families whose income is lower than the majority of families in the area. In Malaysia, low-income families have a monthly income of less than RM4,500. The savings problem of low-income families is rarely discussed. Because how can these low-income families save when they only have enough money to cover their basic needs? But despite limited research, there is evidence that low-income families can save money. This study aims to determine the savings types of low-income families. According to the research, low-income families benefit from this. The method used in this study is multinomial logistic regression. The results of the study show that class, family size, number of earners, family savings, and the family's higher education knowledge are factors that affect the savings of low-income families. This research shows that low-income families face many challenges that make it difficult to

save, including low income, limited spending, and a lack of financial resources and financial knowledge. (Mohd, 2023,)

II. REVIEW OF LITERATURE

A variety of financial services, including checking and savings accounts, ATMs, credit cards, check cashing, bill payment, and borrowing money, are available to low-income people through banking and non-banking entities. Programs that encourage bank account access and financial knowledge are beneficial and required. These programs provide access to traditional financial services including credit and mortgages. It must be remembered that financial education and bank accounts alone have limited potential for significantly improving the long-term financial prospects of the bulk of these households given the high levels of economic hardship and low levels of savings. However, worker development projects should include financial education and access activities as a core element. (MCKEAN & LESSEM, 2005)

Money management involves the practice of overseeing one's income, expenditures, savings, and investments. This practice is crucial for shaping an individual's overall quality of life, their relationships, and mental well-being. Effective money management helps prevent overspending, reduces the risk of falling for financial scams, and helps manage financial debt. Money management skills can vary among different groups within the population, such as age, marital status, gender, education level, personality traits, and cultural influences. Research has revealed a strong connection between inadequate money management behavior and various negative outcomes, including high levels of personal and household debt, insufficient emergency savings, unhealthy financial choices, inadequate retirement planning, and challenges in managing assets. Peng et al. found that undergraduate students often face significant financial responsibilities and challenges related to budgeting, earning income, saving, managing debt, and paying bills. This highlights the importance of imparting financial knowledge and skills during the university years as a foundation for responsible financial behavior later in life. To address this, financial education programs have been introduced to enhance the financial knowledge and skills of undergraduates.

Studies have demonstrated that higher levels of financial literacy significantly contribute to making responsible financial decisions. However, it's important to note that money management behavior is not solely determined by financial knowledge; it is also deeply influenced by economic, social, and psychological factors that shape people's financial choices. (Sachitra et al., 2019)

Both the conventional economic model and the theory of bargaining offer insights into how financial management and the division of household responsibilities occur among partners in a household. We conducted an extensive internet survey involving Dutch household partners to assess several predictions related to task allocation. The distribution of household chores was primarily influenced by factors such as the employment status of the partners, the wife's educational level, and the number of children in the household. This underscores the importance of social class dynamics and life stage in shaping how household responsibilities are shared. Interestingly, the wage rates of the spouses did not have a significant impact on how household tasks were divided. Regarding financial management, the responsibility for financial matters was fairly evenly split between household partners. The husband's involvement in financial management was positively linked to his wage rate but negatively associated with the wife's educational level, which aligns with the principles of bargaining theory. Additionally, the wife's educational attainment was positively correlated with the quality of financial planning in the household. Conversely, factors such as the wife's employment, maintaining separate accounts, and the number of children in the household had adverse effects on financial planning. The study also identified several associations, although it did not establish causality. For instance, when the husband had a greater role in paying bills, it was negatively correlated with the household's ability to meet financial obligations, the husband's discretionary spending, and the frequency of financial disagreements. Furthermore, effective financial planning was positively associated with the household's ability to meet financial commitments and frequent discussions about financial matters between spouses. Conversely, it was negatively associated with the spouses' inclination to spend money freely, underscoring the

importance of psychological factors in understanding financial management within households. (Antonides, 2015)

This study addressed the financial management of a selected group of low-income urban households in Hugo, Oklahoma, in November 1964. This study was developed after reviewing key documents, including research studies and interviews with Oklahoma State University faculty members. The sample included Hugo households with: (1) annual income of \$3,000 or less, (2) married couples living together, and (3) two or more children under age 18 living together.

The results of this research appear to fulfill the objectives stated in Chapter 1 as follows. The overall goal is to learn more about financial management for low-income families. The small goals that make up the general goal are:

1. Identify the characteristics and needs of low-income families as presented in current literature and research.
2. Determine the amount, source and form of income.
3. Describe some of the financial controls available
4. Identify where customers use credit and the problems they encounter while using it.
5. Determine whether there may be a relationship between: a. Financial management and education levels of husbands and wives. B. Financial management and the age of husband and wife. C. The woman's secondary income status and income and use of credit.

Number of children in the household and loan usage per household. Two-thirds of the 111 families surveyed have incomes between \$2,000 and \$3,000, and more than three-quarters receive all or part of their income. Almost one fifth of income comes from healthcare. More than four-fifths of households have a fixed income. Households with regular income tend to have higher incomes than those with seasonal income. (HALL, 1965)

The general financial knowledge level of the survey participants is low. When the survey was filled by the respondents, they felt that they had not updated their knowledge regarding various savings/investments and needed education or information on converting their income into useful income. Most people don't have a monthly budget; Not collecting cash can lead to a lack of confidence in managing financial needs. People do not have enough knowledge about various financial products. Therefore, only good knowledge and better

financial planning can lead to choosing a better investment plan. This can be done by providing strong financial education in middle and high schools, which indicates progress towards educational success (Umamaheswar et al., 2020,).

Mental budgeting and financial management in a sizable cross-section of the Dutch population. The findings revealed that mental budgeting was a prevalent practice, and its prevalence could be attributed to factors such as general education, the presence of savings goals, financial literacy, one's time perspective, and their overall financial circumstances. Furthermore, mental budgeting, in conjunction with the impact of financial standing, one's time orientation, and financial knowledge, was positively linked to factors like maintaining a comprehensive view of expenses, managing current accounts effectively, and overall household financial management. (W. Fred van Raaij & I. Manon de Groot, 2011)

In the context of developing countries, it is argued that the process of learning financial literacy is too complex and rigid to be effective in helping people without education know how to make decisions. It will also be very expensive. These challenges suggest that the effectiveness of financial interventions depends on many aspects of the educational delivery form. We contribute research data that financial impact (simple or traditional) is most appropriate and effective in improving financial outcomes, especially for low-educated and low-income people. Overall, we found that gathering financial information was as effective as financial education in improving financial test scores, low-income attitudes, and empowering women. The results presented in our study add to recent evidence on the effects of financial education, which often yields mixed results. We found that both treatment groups in our intervention improved financial test scores. We support women's relationships through a work cycle where women have the opportunity to challenge their partner's decision. (Islam et al., 2023)

III. NEED FOR STUDY

The importance of this study is rooted in the pressing need to understand and address the financial challenges faced by low-income households. These families represent a vulnerable segment of the

population, often struggling to make ends meet, and their financial well-being significantly impacts their overall quality of life. The following points emphasize the critical need for this research:

Low-income households often lack access to financial education and resources. This knowledge gap hinders their ability to make informed financial decisions, potentially leading to debt, financial instability, and limited access to economic opportunities.

A significant proportion of low-income individuals and families remain underbanked or unbanked, limiting their access to crucial financial services like savings accounts, loans, and mortgages. Addressing this gap is essential for fostering financial inclusion.

Low-income families face unique challenges when it comes to saving money. Limited resources, fluctuating incomes, and essential expenses make saving a daunting task. Understanding these challenges is crucial for developing targeted solutions.

The division of household responsibilities and financial decision-making within low-income families is a complex dynamic. Examining the elements affecting these areas can shed light on potential interventions to improve financial stability.

The contribution of financial education to enhanced financial literacy and proficiency is a vital aspect of this study. By identifying the impact of educational programs, we can advocate for their expansion and improvement.

The study explores the concept of mental budgeting and its effects on household financial management. Understanding how individuals perceive and manage

their finances can inform strategies for responsible money management.

The study aims to provide insights into policies that can support the economic empowerment of low-income households. These policies may encompass financial education initiatives, improved access to traditional financial services, and strategies to reduce economic disparities.

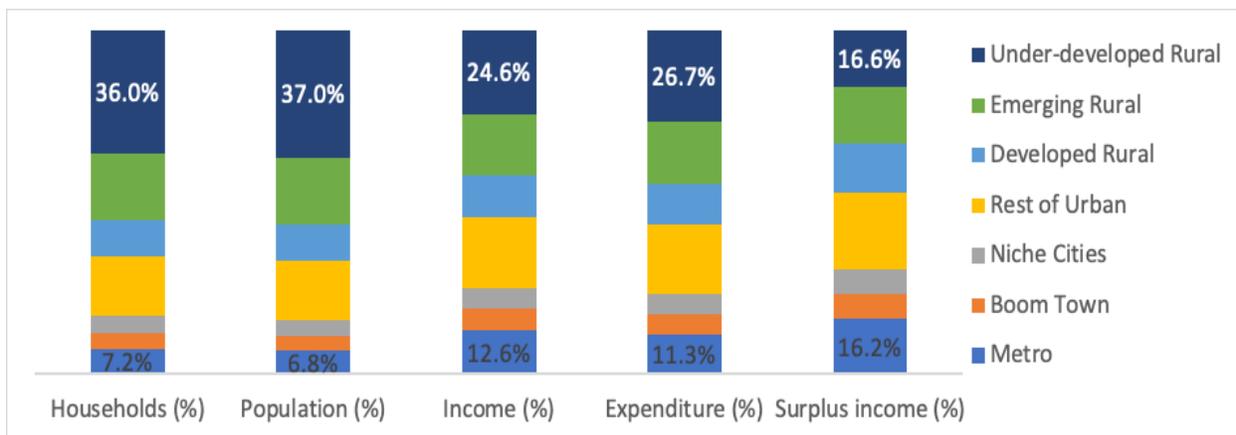
In essence, this research serves as a call to action. It emphasizes the urgent need to improve the financial literacy, access to financial services, and money management skills of low-income households. By addressing these issues, we can work towards reducing economic inequalities, enhancing financial well-being, and ultimately improving the overall quality of life for these vulnerable communities. This study is a crucial step toward fostering economic inclusion and social equity.

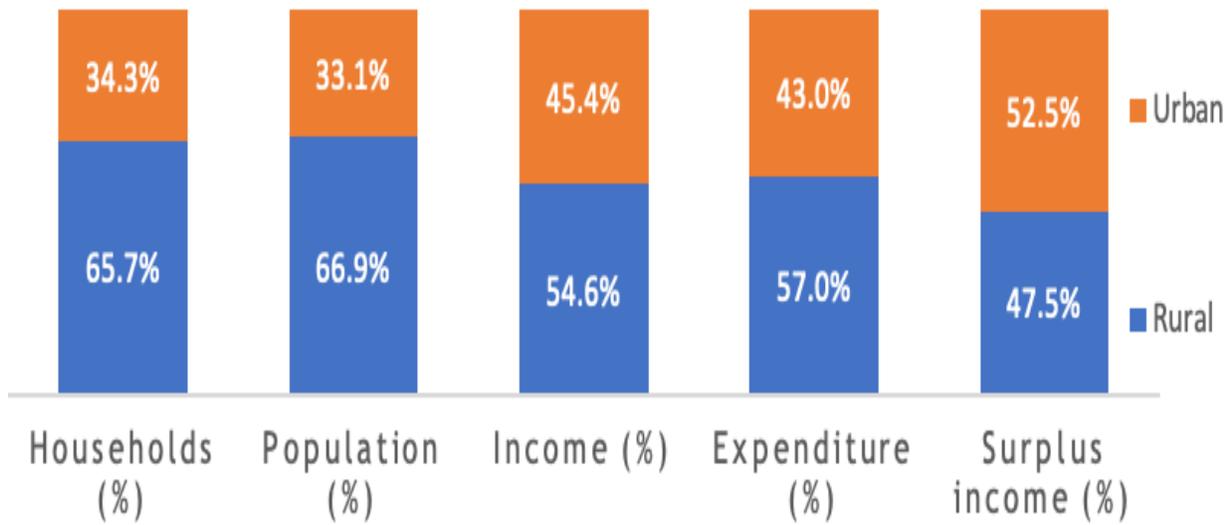
IV. RESEARCH METHODOLOGY

This research was conducted during the months of September and October in the year 2023. The data collected for the research was cited from secondary sources, the data was collected from multiple well renowned articles and journals . This research is qualitative and quantitative research study. We have analyzed and summarized the data for better understanding of our research. The data is with reference to multiple countries

And cultures. We studied the lifestyle, income, expenditure and pay parity between developed and developing nations, genders.

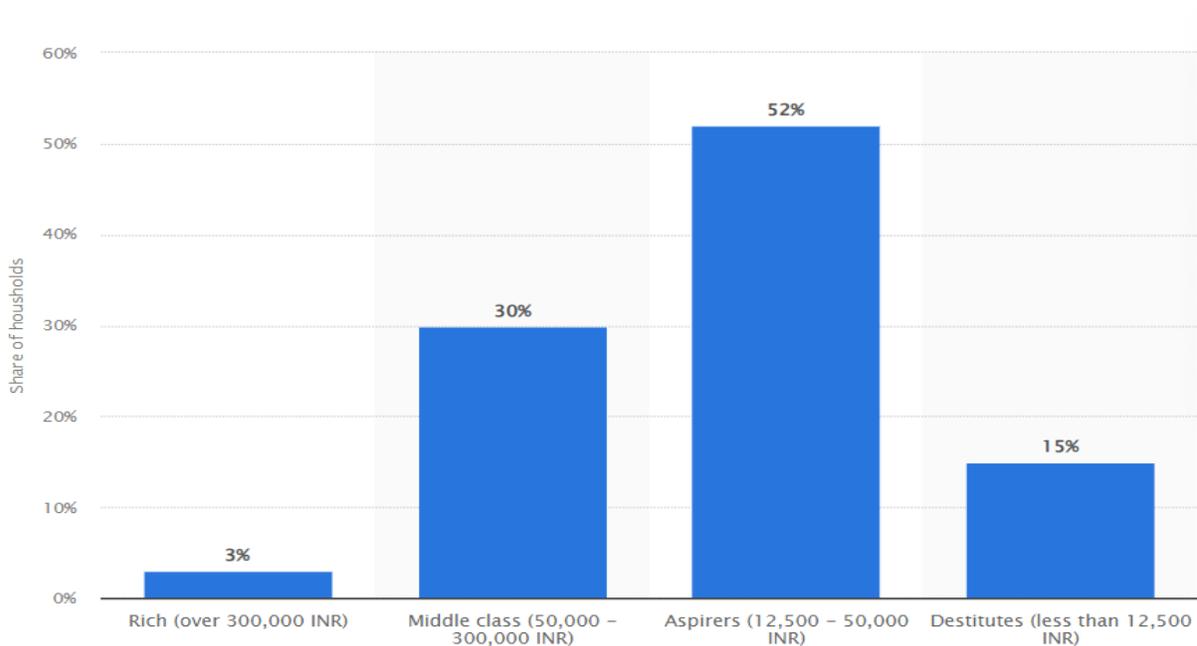
V. RESEARCH AND ANALYSIS





India's economy may be among the fastest expanding in the world, but it is also among the most susceptible to economic disparity, suffering greatly from it. During the past three decades, there has been a noticeable disparity between the rich and the poor. The wealthy keep getting richer at an accelerating rate,

while the poor are struggling more than ever to make ends meet. Women and children are primarily impacted by the growing disparities in the economic structure. This is a plea for the nation's social system, which prioritizes universal access to high-quality healthcare and education, to be strengthened



Households with low index scores were less likely to report learning from any of these sources for each practice: investing, credit management, saving, and cash flow management. Regarding cash-flow management, for instance, 46 percent of respondents

with low index scores said they had learned from personal experience, compared to 63 percent of respondents with medium index scores and 73 percent of respondents with high index scores.

Learning experience or preference	Cash-flow management index			Credit management index			Saving index			Investment index		
	Low	Medium	High	Low	Medium	High	Low	Medium	High	Low	Medium	High
<i>Learned "a lot" or a "fair amount" about financial topics from:¹</i>												
Personal financial experience	46	63	73	38	67	76	50	69	81	52	73	86
Friends and family	33	40	44	31	42	45	32	45	46	36	46	44
Media ²	26	36	38	24	33	42	27	37	41	29	39	42
High school or college course	22	13	20	14	14	24	14	19	23	15	19	25
Course outside school	13	14	18	11	13	22	11	15	23	11	18	25
Employer	14	21	22	17	19	23	16	22	23	17	24	19
Internet	8	10	13	4	9	16	5	11	18	6	13	19
<i>Most important way learned about personal finances:</i>												
Personal financial experience	38	42	53	34	51	49	47	51	47	49	47	51
Friends and family	18	25	20	25	21	20	21	22	20	22	22	17
Media ²	8	13	11	8	11	12	10	10	13	8	11	16
High school or college course	8	6	5	6	6	5	7	5	5	6	4	6
Course outside school	3	5	5	2	3	6	2	4	6	2	6	5
Employer	3	6	5	3	5	5	3	5	6	4	6	3
Internet	1	1	2	4	2	2	1	2	2	1	2	2
Nothing	2	2	0	...	1	0	2	0	0	2	0	...
No response	18	...	0	18	0	...	7	1	1	4	2	...
<i>Effective ways to learn to manage money:¹</i>												
Media ²	65	69	73	54	73	74	65	73	75	65	74	78
Video presentation	64	66	63	58	62	67	62	66	63	62	65	66
Informational brochures	62	63	68	56	67	68	61	68	69	65	67	69
Internet	48	53	58	41	48	66	44	57	62	47	58	64
Informational seminars	46	47	55	44	52	55	48	53	55	47	54	59
Formal courses at a school	56	51	54	45	53	55	52	55	52	54	53	52

VI. CONCLUSION

The problem of economic inequality persists in a world where economies are expanding quickly; in nations like India, it is especially severe. The gap between the rich and the poor has widened dramatically over the last three decades, with the wealthy increasing richer while the less fortunate find it difficult to survive. Not everyone is impacted by this economic imbalance equally; women and children are disproportionately affected. In order to solve this urgent problem and create a more fair future, our social systems must make universal access to high-quality healthcare and education a top priority.

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Although saving money is a universal financial challenge, low-income families find it especially difficult because of their limited resources. Our research has shown that low-income families can save money in spite of these obstacles. We can create focused strategies to encourage savings and strengthen financial resilience among these families by identifying characteristics such as class, family size, number of earners, family savings, and knowledge of higher education within these households.

We have looked at the influence of mental budgeting on household financial management in addition to financial literacy. It has been noted how common mental budgeting is and how it is impacted by general education, savings objectives, financial literacy, and overall financial circumstances. Gaining knowledge about the function of mental budgeting can help one develop practical money management techniques.

Programs for financial education are essential for closing the knowledge gap and addressing the financial difficulties faced by low-income households. These courses can give participants the abilities and information required to successfully manage their financial lives. But it's important to understand that financial behavior is heavily influenced by social,

psychological, and economic factors in addition to knowledge.

As this study comes to an end, it is clear that low-income households have particular financial difficulties that call for specialized solutions. We can significantly reduce economic disparities and improve the overall financial well-being of vulnerable communities by promoting sensible money management practices, increasing financial literacy, and increasing access to traditional financial services. Policymakers, educators, and advocates who support low-income households in their quest for economic stability and financial security will find great value in this research.

VII. NEED FOR STUDY

Research on low-income households is necessary for many reasons, as it highlights important socioeconomic and policy issues.

Here are some key reasons to conduct research on low-income households: Understanding poverty: Research helps understand the dynamics of poverty and the factors that lead to a deprivation economy.

This understanding is important for policymakers to develop effective programs and strategies to combat poverty.

Social Inequality: Low-income households are often disproportionately affected by social and economic inequality.

Research can reveal disparities in income, education, health care and opportunity, which in turn can inform efforts to reduce inequality.

Economic and Financial Vulnerability: Low-income households are more vulnerable to financial shocks, such as unexpected medical expenses or job loss.

Understanding how they manage their finances and cope with economic instability is important for designing safety nets and financial education programs.

Education and skills development: Research can identify barriers to education and skills development in low-income communities.

By understanding these barriers, it is possible to create targeted interventions to improve educational outcomes and employment prospects.

Health and Well-Being: Low-income households often face challenges related to access to health care, nutrition, and housing.

Research can evaluate the impact of these factors on the overall health and well-being of individuals and communities.

Social services and support: Research can evaluate the effectiveness of social support programs such as food assistance, housing subsidies, and child care in improving the lives of low-income families.

In short, studying low-income households is critical to combating poverty, inequality and the well-being of significant segments of the population.

It provides the data and information needed to develop more effective policies, programs and interventions to improve the lives of low-income individuals and communities.

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