MONEY MANAGEMENT, RISK AND INVESTMENT BY HOUSEHOLD

Dr. L. Prabha1, L. Vibhooshana2, D. Rooba3, A. Swathi4.

1,2,3,4Department of B.Com (Professional Accounting), PSGR Krishnammal College for Women, Coimbatore.

ABSTRACT:-

Money management is the process of expense tracking, investing, budgeting, banking and evaluating taxes of one's money which is also called investment management. Money management is a strategic technique to make money yield the highest interest-output value for any amount spent. Spending money to satisfy cravings (regardless of whether they can justifiably be included in a budget) is a natural human phenomenon. The idea of money management techniques has been developed to reduce the amount that individuals, firms, and institutions spend on items that add no significant value to their living standards, long-term portfolios and assets. Money management is key to improving or maintaining your financial situation. Each of us has our own particular relationship to money. Some want as much of it as possible and devote significant time and energy to its pursuit. Others prefer to live simply on minimal resources. Perhaps most of us fall somewhere in the middle, wanting to live comfortably without sacrificing the quality or balance of our lives. No matter what you want your money to do for you, learning the basics of money management will help you make it happen.

Key Words : Money Management , Investment ,Portfolios

I. INTRODUCTION

Money Management- “Money management is the process of expense, tracking, investing, budgeting, banking and evaluating taxes of one's money which is also called investment management. Money management is a strategic technique to make money yield the highest interest-output value for any amount spent”. Some different types of money management are budgeting, banking and saving, paying taxes, investing, managing debt, retirement planning and estate planning. There are five overall principles to managing the financial transactions of sponsored research funds. Policies and procedures within Research Accounting Services have been developed in support of these principles. The five principles are consistency, timeliness, justification, documentation, and certification.

The transactions must always be handled in a very consistent manner. Especially the policies and the procedures have to be established in order to address the similar types of transaction in a routine manner. Transactions must be handled within a reasonable period of time consistent with time frames outlined for federal agencies and a private sponsor. There must be a reason for the transaction that supports the project's goals, and adheres to guidelines outlined by federal agencies, a private sponsor.

Sufficient documentation to support the transaction must exist. The documentation must be retained, organized, and complete enough to stand up to an audit. Transactions must be approved; it must carry all the correct authorizing signatures.

STATEMENT OF THE PROBLEM: -

Money management is a very essential part of the household and in the domestic form how do they manage money, in this study the various aspects of that are covered. Initiated to know importance given to money management ,best investment pattern selected by household and who is the bread earner of the family and manages the earnings for their future endeavour.

SCOPE: -

This study covers an analysis of money management by the household. The study takes into account various expenditure and frequency of expenditure by different age groups. It also aims to seek their preferred areas of
investments. It seeks to find out the risks and difficulties faced by the household in their money management. The study aims to find out the reason behind their choices.

**OBJECTIVES OF THE STUDY:** -
1. To observe and analyse the proportion investment, expenditure and income earned
2. To understand the most opted type of investment among the group And Analysing the reason for their choices
3. To evaluate their options and risks and pros in each investment

**II. RESEARCH METHODOLOGY**

**RESEARCH DESIGN:**
Research design is the basic plan which guides data collection and analyses the phrase of the project. It is the framework that specifies the type of information to be collected procedures. At the stage of analysis and interpretation process to arrive at the solution and recommendation.

**METHODS USED FOR COLLECTING THE DATA**
- **PRIMARY DATA:** -
  
The primary data is collected in the form of questionnaires and later the data are scrutinized into a summary format.
- **SECONDARY DATA:** -
  
The secondary data is used for the collection of comparative statements in the form of reviews in the reference with the books and journals.

**TOOLS USED FOR ANALYSIS**
- Percentage Analysis
- Chi-square test

**Percentage Analysis:**

It refers to a special kind of ratio, percentages are used in making comparison between two or more series of data and percentages are used to describe the relation. This helps to know the highest and lowest percentage level and it allows a meaningful comparison interpretation.

**Chi-square Test:**

A family of probability distribution differentiated by their degree of freedom used to test a number of different hypotheses about variance, proportion and distributional goodness of it.

\[ \text{Chi-square Test} = S \frac{(O-E)^2}{E} \]

Degree of freedom = \((R-1) \times (C-1)\)

Whereas,
- \(E\) – Expected Frequency
- \(R\) – Number of rows
- \(C\) – Number of columns
- \(O\) – Observed frequency

**LIMITATIONS OF THE STUDY:** -
- The data collected is limited due to the time constraint
III. REVIEW OF LITERATURE

Warren Buffett in one of his documentaries, admonished prospective investors to embrace his highly esteemed "frugality" ideology. This involves making every financial transaction worth the expense:

1. avoid any expense that appeals to vanity or snobbery

2. always go for the most cost-effective alternative (establishing small quality-variance benchmarks, if any)

These techniques are investment-boosting and portfolio-multiplying. There are certain companies as well that offer services, provide counselling and different models for managing money. These are designed to manage grace assets and make them grow.

Harris, Michael (May 2002) once traders become so enamoured with complicated formulas and statistics, they forget these are not ends themselves, but tools that should serve the goal of determining why, when and how much to buy or sell. They often associate complexity with intelligence, taking comfort in multi-layered strategies or indicators intended to bring predictability and order to trading. Ironically, such traders might overlook the obvious lessons sophisticated analysis can teach them about market behaviour and end up getting lost in a blizzard of numbers.

Dr. Kapil Sharma on a comparison of Investment risk perception between lay investors and experts in Indian market (May-Aug 2012) assessed in their research, experts and non-experts have different perceptions and understandings about risk communication programs designed to re-educate consumers. However, this approach is likely to be successful in an environment where individual consumers distrust regulations and other experts. The ultimate objective of risk communication in personal financial services should therefore be to establish a procedure whereby lay investors become involved in the two-way process of the management and communication or risk.

<table>
<thead>
<tr>
<th>S.NO</th>
<th>INCOME RANGE</th>
<th>NO. OF RESPONDENTS</th>
<th>PERCENTAGE</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Below 7,50,000</td>
<td>38</td>
<td>50.7</td>
</tr>
<tr>
<td>2</td>
<td>7,50,000-12,50,000</td>
<td>18</td>
<td>24</td>
</tr>
<tr>
<td>3</td>
<td>12,50,000-15,00,000</td>
<td>7</td>
<td>9.3</td>
</tr>
<tr>
<td>4</td>
<td>Above 15,00,000</td>
<td>12</td>
<td>16</td>
</tr>
<tr>
<td>TOTAL</td>
<td></td>
<td>75</td>
<td>100</td>
</tr>
</tbody>
</table>

INTERPRETATION:

The above chart depicts the Income level of the respondents and it is apparent that out of 75 respondents, 38 of the respondents earn less than 7.5 lakhs per year, 18 of the respondents earn Rs. 7.5 lakhs to Rs.12.5 lakhs per year, 7 of the respondents earn Rs.12.5 lakhs to Rs.15 lakhs per year and 12 of the respondents earn above Rs.15 lakhs per year.

Majority of the respondents earn less than 7.5 lakhs per annum.

ORDER OF RANK GIVEN BY THE RESPONDENTS FOR EACH TYPE OF INVESTMENTS
The above table depicts the rank given by the respondents for each type of investment. From the above calculations we have derived the order of preference by the respondents. As a result, 1st preferred - deposits is in banks, while the 2nd preferred is mutual funds, shares and stocks, 3rd preferred is gold and gold bonds, 4th preferred is national pension scheme, 5th preferred is real estate, 6th preferred is chit funds and the last (7th) preferred is public provident funds.

**TYPE OF INVESTMENT BY THE RESPONDENTS**

<table>
<thead>
<tr>
<th>S.NO</th>
<th>TYPE OF INVESTMENT</th>
<th>NO. OF RESPONDENTS</th>
<th>PERCENTAGE(%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Long term</td>
<td>40</td>
<td>53.6</td>
</tr>
<tr>
<td>2</td>
<td>Mid Term</td>
<td>30</td>
<td>40.6</td>
</tr>
<tr>
<td>3</td>
<td>Short Term</td>
<td>5</td>
<td>5.8</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td>75</td>
<td>100</td>
</tr>
</tbody>
</table>

**INTERPRETATION:**

The above chart depicts the preferred type of investment of the respondents, whether Long term, Mid term or Short Term and it is apparent that out of 75 respondents, 40 of the respondents prefer Long term investment, 30 of the respondents prefer Mid term investment and the rest 5 of them prefer Short term investment. Majority of the respondents prefer Long term investment.

**FINDINGS OF THE STUDY**

- Most of the respondents are between the age of 18-25 and majority are female.
- Majority of the respondents have the qualification of an undergraduate.
- They tend to spend on clothes and accessories occasionally.
- Most of the respondents go for vacation once in a while.
- About 69.3% of people wish to save today for a secure future.
- The majority belong to nuclear families.
- Most of the people's income range is below 7,50,000.
- The chi-square test shows the relationship between the income level of the respondents and type of investments they prefer.
- The chi-square test shows the relationship between the family size of the respondents and risk of return.

**SUGGESTIONS**
Money Management is an essential part of the household, it includes the wise investment of money considering the risk.

Taking into account the type of investment a lot of people prefer deposits in bank as it is safe and secure whereas a very few prefer public provident fund because they aren’t well aware about it and the next least preferred is chit funds as people fear about the frauds that happen related to chit funds and the private companies involved in it.

Taking into consideration of the problems and difficulties faced the main problem that people feel they face is changes in rate of return and the least faced is due to political changes and government policies, the rate of return is considered a main problem because a 3% more return can double the wealth, it is better to plan for consistent return for a long period.

### IV. CONCLUSION

Investment plan is that it can allow you to reach your goals and live your life. Plus, making fewer decisions in the investment process reduces the chances that decision fatigue from a lack of willpower will ruin your plan by making unforced errors. Every investment is inherently connected with risk. Its existence and diversity among various types of investments is one of the driving forces behind the development of the capital market. The risk has also caused emergence and development of alternative investments. From the response of our respondents we found that not many are aware about the different types of investments available in the market and the advantages and disadvantages of them.

### REFERENCES:

1. Think and grow rich by NapoleonHill
2. the total money makeover by Daveramsey
3. Smart women finish rich by DavidBach
5. https://jwm.pm-research.com/