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A STUDY ON UNDERSTANDING FINANCIAL INSECURITY OF INDIAN FAMILIES WITH REFERENCE TO ERNAKULAM DISTRICT

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ABSTRACT

Financial insecurity is the state of being insecure in relation with financial matters of an individual. The study was conducted to identify the reasons that trigger financial insecurity, to test the association between levels of financial knowledge and financial insecurity using Chi-Square testing and to find out ways through which financial insecurity can be tackled. Data for the study has been collected from both primary and secondary sources. Area of the study is limited to the respondents of Ernakulam district with the sample size of 100. Data collected has been analyzed and presented in the form of tables, pie chart and bar-graphs. The study concludes by identifying unmanageable debt, unemployment, rising cost of living and poor financial planning as the reasons that trigger financial insecurity among families. The Chi-Square Test proves that there exists a significant association between levels of financial knowledge and financial insecurity. The potential ways through which financial insecurity can be tackled include diversifying sources of income, financial counseling, setting up emergency funds, and strengthening financial networks and community groups.

KEYWORDS: Financial insecurity, Financial Instability, Indian Families, Financial Counseling, Financial stress.

1. INTRODUCTION

Starting from all our day to day activities to saving for future, money plays an active role in our lives. The world is in such a state that we cannot imagine a world without money. Incomes of families are usually spent on food, clothing, shelter, medicine, personal care and other related expenses. Financial distress occurs when there is an inability to pay for bills and debts. Insecurity means a state of being insecure, a feeling of tension and anxiety. It is a common feeling experienced by individuals at any point in their life. Financial insecurity is a state of mind or the anxiety individuals feel about their financial situation. It arises when people are unable to meet their current financial needs and obligations. Unexpected financial emergencies can leave anyone stressed. Whether it is a job loss, an accident or medical expense, a sudden change in your financial situation can make you restless. Financial insecurity is the perception that your lifestyle has or will change dramatically as a result of

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sharp decline in income or increased indebtedness. Students might have seen their parents struggling to make ends meet, or you yourself might have experienced the same.

Peace of mind and a happy life is all what we cherish for. Financial tensions, stress, instability all leads to an unpleasant atmosphere in the family. It is therefore the need of the hour to address the issue. The journey should move from being insecure to secure and from being instable to stable. Such problems are commonly seen in the society as well as in families and are of great social importance. The study therefore focuses on gaining deep insights into the concept of financial insecurity.

2. STATEMENT OF THE PROBLEM

As money is used to meet various needs, a situation of insufficiency arises leading to delayed payments, default and accumulation of debt. Stress, tensions and anxiety are common among families. Anxiety, difficulty in sleeping, short temper, loss of appetite, solitude and restlessness are often witnessed as effects of insecurity in Indian families. It is certain that such a situation would affect the mental health of individuals and would become worse if not tackled properly. The study thereby focuses on identifying the reasons that trigger financial insecurity, its association with levels of financial knowledge and to find out ways to tackle it.

3. OBEJECTIVES

- To identify the reasons that trigger financial insecurity in Indian families.
- To test the association between levels of financial knowledge and financial insecurity.
- To find out ways to tackle financial insecurity.

4. LITERATURE REVIEW

Ramona Nasr, Nada Nasr, Chadia Haddad, Samantha Abisaab, Sara Abou Ibrahim, Joanne Karam, Abir Abdel Rahman (2024) in their study they investigated the impact of financial insecurity on mental well-being and stress levels of parents in Lebanon. Their findings show significant correlation between high levels of parental stress and factors like age and lower education levels.

Vagner F Rosso, Lucia Munz, Pascual Jesus (2024) mentions that financial stress interferes in the workplace by lowering employee health, commitment and performance. Insecurity increases work-family-conflict and deviant behavior.

Thangaraj Ravikumar, Mali Sriram, Girish S, R Anuradha, M Gnanendra (2022) explains the stepwise logistic regression. Its results exhibited that financial stress and financial literacy have an insignificant impact on financial insecurity perceptions of the street vendors of Bangalore, India.

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Nancy Kong, Shelly Phipps, Barry Whatson (2021) points out that even after controlling current family income and employment status, parents may have legitimate feelings of economic insecurity and these may be detrimental for their children. When economically insecure, parents tend to report fewer positive interactions with their children.

Taryn W Morrissey, Yun Cha, Sharon Wolf, Mariam Khan (2020) states that families who experience sharp decline in income may change their spending habits and have trouble paying bills. Households with fewer resources are more likely to cut food expenditures.

5. METHODOLOGY

- Primary data collection: Using a self-structured questionnaire.
- Secondary data collection: Websites, reports, online data bases inclusive of research articles.
- Tools for data analysis: Pie chart, bar graph, tables, and Chi-Square test for hypothesis testing.
- Population and sample size: Population includes families residing in Ernakulam District, Kerala, out of which 100 samples were collected (N=100).
- Sampling method used: Convenience sampling (non-probability sampling)

6. HYPOTHESIS

$\boldsymbol{H_0}$**:** There is no association between levels of financial knowledge and financial insecurity.
$\boldsymbol{H_1}$**:** There is significant association between levels of financial knowledge and financial insecurity.

7. LIMITATIONS

The scope of the study is limited to Ernakulam district only. As the sample size is limited, it may not depict the point of view of the whole. Any biased or false information provided by the respondents may affect the study. There may be a common way of responding as the data is collected from a single place only.

8. DATA ANALYSIS AND INTERPRETATION

a. Reasons that trigger financial insecurity in Indian families- includes unemployment, rising cost of living, unmanageable debt and poor financial planning. Out of which, rising cost of living is found to be the major reason that trigger financial insecurity. The same is depicted in the pie chart (figure.1) shown below. (Source: primary data)

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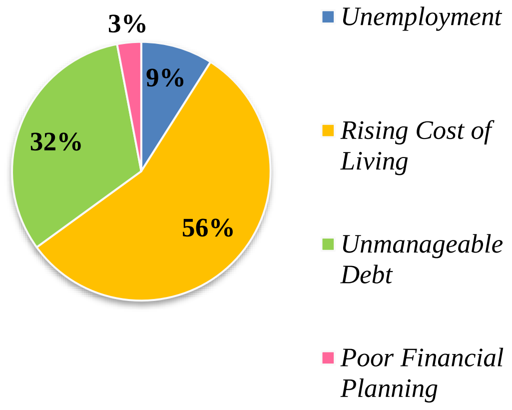

Figure.1 Reasons of financial insecurity in indian families

b. Chi-Square Testing- was done to test the association between levels of financial knowledge and financial insecurity. $\boldsymbol{H_0}$**:** There is no association between levels of financial knowledge and financial insecurity. $\boldsymbol{H_1}$**:** There is significant association between levels of financial knowledge and financial insecurity.

OBSERVED FREQUENCY TABLE (Table.1)

Financial Knowledge/ Financial Insecurity	Insecure	Secure	Total
Low	30	10	40
Medium	25	15	40
High	3	17	20
Total	58	42	100

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EXPECTED FREQUENCY TABLE (Table.2)

Financial Knowledge/ Financial Insecurity	Insecure	Secure	Total
Low	23.2	16.8	40
Medium	23.2	16.8	40
High	11.6	8.4	20
Total	58	42	100

Expected values calculated using the formula Eij = (Row Total * Column Total) / Grand Total

- **Chi-Square value = 20.26**
- **Critical value = 5.99**

[Degrees of freedom: (r-1) (c-1) = 2
Significance level = 0.05]

Interpretation: Since calculated Chi-Square value (20.26) is greater than the critical value (5.99), we reject the null hypothesis and the alternate hypothesis is accepted. Thus, there exist a significant association between levels of financial knowledge and financial insecurity. Higher the level of financial knowledge, lower is financial insecurity.

c. Ways through which financial insecurity can be tackled- includes diversifying sources of income, financial counseling, setting up emergency funds and strengthening financial networks and community systems, out of which diversifying sources of income was found to be the best way possible to tackle financial insecurity. The same is depicted in the bar graph (figure.2) as shown below. (Source: primary data)

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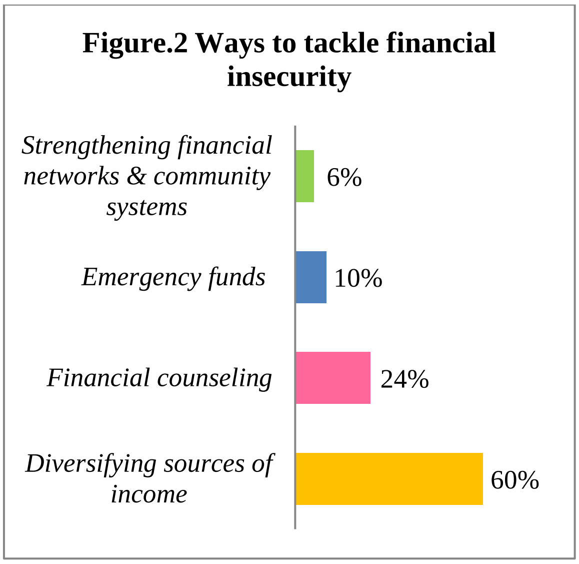

9. CONCLUSION

The study focused on financial insecurity and addressed the three objectives set with clear data analysis. It was found that there exist a significant association between levels of financial knowledge and financial insecurity. An individual with low financial knowledge experienced high financial insecurity in the family and vice-versa. The reasons that trigger financial insecurity include unemployment, unmanageable debt, rising cost of living and poor financial planning. Rising cost of living which emerged as the main reason for financial insecurity is an issue that is to be taken care of.

The possible ways through which financial insecurity can be tackled include diversifying sources of income, financial counseling, setting up an emergency fund and strengthening financial networks and community support. Diversifying sources of income is found to be the best way to tackle the situation of being financially insecure. Having an amount of income coming from a back-up source is always helpful, as it doesn't create panic and serious tensions in Indian families.

10. FUTURE SCOPE

As the Chi-Square test indicates the significant association between levels of financial knowledge and financial insecurity, the study can be conducted further in areas relating to the effect of financial literacy as well. Financial literacy helps in informed decision making and is essential to maintain financial stability. Therefore, the role and importance of financial literacy on insecurity can be further studied and explored.

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