MAJOR RESEARCH PROJECT IN COMMERCE

Title	:	**Inter Linkages Between Financial Capability, Positive Well Being and Behavioural Characteristics Among BPL Households Belonging to Socially &Economically Backward Classes And Minorities in Kerala.**
Sponsoring Agency	:	**University Grants Commission, New- Delhi**
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Executive Summary

Problems like illiteracy, malnutrition, ill health of family members, debt burden, loan over dues, lack of proper shelter, non availability of money in times of need, lack of savings, ignorance about financial products and services meant for them, irregular income etc make the lives of poor very complex and will compel them to think and behave in a manner different from those who are financially well-off. All most all the problems cited above stems from the poor quality of income flow, financial indiscipline and lack of knowledge and skills regarding money management. Studies have already been established that higher level of financial capability of households enables them to improve the standard of living and wealth holdings. Financial capability can be broadly defined as having the knowledge, skills and attitudes to make informed judgments and effective decisions regarding the use and management of money. Researchers have identified different components of financial capability like, making ends meet, keeping track, planning ahead, choosing products and staying informed.

Financial well-being is the most important element of overall well-being that that makes a life worthy of living. Financial well-being entails having "control over one's finances day-to-day and month-to-month, having the capacity to absorb financial shocks, being on track to meet financial goals, and having the financial freedom to make choices that allow one to enjoy life."The poor people face broad challenges like lack of employment of opportunities,

irregularity of income, low level of education, indiscipline in life as well as deficiency in financial capability. The members of BPL households were reliant on income from day to day labour working for local entrepreneurs, farm owners, rich households and on employment guarantee programs of government. Despite having ownership in tiny house property and some animals, these households did not own other productive assets. They were active in informal financial markets, and had a relatively high level of debt at the baseline. Thus poverty has negative impacts on the households' financial lives. In addition, those living in relative poverty and with milder forms of financial stress might also experience deterioration in well-being because they are lacking of necessities for living a decent life and always anticipate feelings of inferiority, low self-esteem, and deprivation. People living in poverty run the risk of being socially and financially excluded, and making it difficult to live up to expectations. Experiences of low social status position might cause psychological illness.

The study focused on how financial capability and behavioral characteristics of the poor affects their financial well being. 760 sample respondents were selected on a multi stage random sampling based on the priority ration card holders in Kerala accessed from the Directorate of Civil Supplies, Govt. of Kerala. The study found that:

People belonging to different age groups differ significantly in respect of all the five components of financial capability. Hence age has a significant effect on the level of financial capability of BPL households in Kerala.It is very clear that the capacity of the people below the age of 35 to control their day to day expenses was significantly lower than that of all other age groups.Post hoc analysis reveals that as people gets older their capacity to make a living within their income improves.In respect of planning ahead and keeping track on savings the younger age (up to 36) households had significantly lower average score than all other upper age groups. People in the active household financial management phase (36 to 50) were having significantly better capacity in choosing financial products.

Male and female do not differ significantly in their average level of financial capability. Financial capability of BPL households with different educational backgrounds and hailing from different social classes differ significantly. It is clear that the level of education and social classes to which households belongs have individual as well as collective effect on their financial capability.Individuals with higher educational background have better financial capability than

others. More clearly, households with college level and technical educational back-grounds have better financial capability.

Average level of financial capability of households from SC and ST category do not differ significantly.The average level of financial capability of households from OBC differs significantly from that of all other social classes. Their level of capability is above SC&ST and below the level of OEC.

Households belonging to OEC category have the highest level of satisfaction in controlling their household expenses. Almost all social communities are found to be similar level of satisfaction in this respect. The expectation regarding the capacity to absorb financial shock in future is below the normal level. People are not confident in managing contingencies involving money. Considering the level of education, only the households with college level educational qualification had the normal capacity to manage financial shocks in future. There is not much difference between social classes in this respect.

There are some people in all age groups who feel that they are not at all in track to meet their financial goals. At the same time some others have high level of confidence in this regard. Individuals from 36 to 65 do have normal level of satisfaction regarding their ability to meet the financial goals.

People feel that they are not so good in their financial freedom to enjoy life. Not even a single social community was having an average exceeding 3. Education wise classification of households indicates that households with college level education were satisfied to a certain extent in their financial freedom to enjoy life.People with college level education had the highest level of financial well being. The financial well being of individuals with different educational back-ground differ significantly, indicating the fact that individuals with higher level of education within an income class tend to have better financial well being.

As the intensity taking drinks increases, the financial wellbeing tend to decrease considerably. Those who are not taking drinks do have the highest average level of well being and vice versa. There is no scope for doubting a link between financial well being of the individuals and their intensity of taking drinks.

Drinking habit of the head of the house, impulsivity in decision making and financial capability had significant influence on the financial wellbeing of the BPL households. Drinking habit and impulsivity in decision making are negatively influencing the dependent variable and capability is positively influencing.

Conclusion

Financial well-being of households represents the level of confidence of people in their present and expected future financial status and security. Financial capability definitely has an impact on the level of well being of households. Since the BPL households are already in a problem of low income, low level of wealth and poor living conditions, normally they tend to have limited expectations regarding their future financial status. The understanding about the need for various financial products and services and the expectations regarding the role to be played by the government in times of crisis can also influence their well being. The level of involvement of people in self help groups and micro credit activities have a positive influence on the financial capability and in turn the capability is positively impacting the positive well being of the people. Hence, mechanism of self help groups and micro credit should be strengthened to improve the capability and financial well being of poor households in Kerala. But the greatest challenge is the negative impact of alcoholism of the head of the house and impulsive decision making on the well being. This issue deserves at most importance, hence should be addressed immediately by the local governments and non governmental agencies.