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Assessment of managerial competence of farm families for managing financial resource

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ABSTRACT

A study was conducted on 120 farm homemakers selected randomly from five villages of dist. Ludhiana. Data were collected through interview schedule. Managerial competence was studied on the basis of homemaker's ability to undertake management process *i.e.* plan, organize, control and evaluate the use of resources for attaining family goals. The findings of the study revealed that overall managerial competence of farm families for managing their financial resource (1.24) was poor. The farm families were found to be average in planning (1.50) but poor in organizing (1.31), controlling (1.14) and evaluating (1.02) the use of their financial resources for attaining their family goals. Outcome of study suggests a dire need to teach the farm families about importance of home management and ways to exercise it to improve their current plight.

INTRODUCTION

Management plays an important role in enhancing the productivity of any system. Everyone manages, in some manner, the resources at his disposal through his/her natural and innate ability to manage. Management is a planned activity directed towards nurturing of values and satisfying the family wants. Home management is planning, organizing, controlling and evaluating the use of resources available to the family for the purpose of attaining family goals. The use made of the family resources and the extent to which family goals are realized depend in large measure on the managerial ability, interest, and leadership of the homemaker and her ability to motivate all members of the group. It is important for women to identify, develop and sharpen her skills which will effectively enable them to perform work efficiently and effectively at different managerial levels in home. But unfortunately, the scope of management skills has not been fully materialized in farm families whereas there is a lot of a reference of the enormously successful outcomes of these skills in other organized sectors. Farm women too possess a lot of dormant managerial competence which needs to be identified and stimulated so that it may be brought to the forefront for the prosperity of their homes. The majority of rural families are ignorant or feels incapacitated in fixing their future priorities as per their fluctuating income flows and get drifted in their goals owing to social expectations (Mann, 1987). The substitute of increasing resource productivity depends upon managerial competencies such as planning, resource conservation, resource substitutions and alternate uses, resource exchanges, and resource investments (Danes *et al*., 1987; Rettig, 1982). The resource substitution of time and human skills for money resources in order to maintain family goals requires more time spent in activities that increase household labour and management incomes. Household labour income is the dollar value of goods and services created within the home for the use of the household members (Andrews, 1935). Household management income is the money value of "advantages accruing to a family from wise planning, organizing, and administering its affairs or from the decision-making functions of the enterpriser at the head of the undertaking". Hefferan (1982) detects three aspects to the saving choice within a household: the decision to defer the spending of current income; the decision to save a specific amount of money; and the decision to allocate savings to a specific instrument. Household saving may also be seen as being related to: the strength of current consumption needs and the income constraints on the ability to meet those needs; the strength of future financial goals; and the household's perceived efficiency of saving as a way to meet financial goals (Strumpel, 1975). Pal and Prahalad (2007) has pointed out that resources like time, money, goods, community facilities etc. are not being effectively managed by housewives. Intelligent and ingenious homemakers seek new knowledge and ways to improve their managerial abilities and ways to improve their capabilities or even a change of family attitudes when necessary. They do not have the knowledge of alternative ways of using resources, conserving limited resources and using those which are ample and finding hidden supplies of resources.

In the rural farm household scenario of Punjab state, there is a lot of scope for promoting the plight of farm families just by enabling the homemakers to effectively manage their resources. Thus the present study investigates the managerial competence of homemakers through planning, organizing, controlling and evaluating the use of family financial resources for attainment of their family goals.

MATERIAL AND METHODS

Five villages - Dewatwal from Ludhiana-I, Isewal from Ludhiana-II, Mand Jodhewal from Samrala, Jassowal from Pakhowal, and Bains from Sudhar block of Ludhiana district of the Punjab State were selected for the study. A sample of 120 respondents from farm families comprising 24 respondents from each village was selected. Interview schedule was designed to derive information regarding level of managerial competence of homemaker based on the abilities of respondents to plan, organize, control and evaluate the use of their financial resource. Data were collected by personal interview and observation method. Their frequency of carrying out the different steps of management process (*i.e.* planning, organizing, controlling and evaluating) was measured on a three point scale *i.e.* always-3, sometimes-2 and never-1. Hence their overall and average managerial competence scores were calculated for different practices and stages of management process. The respondents were considered having managerial competence as per the following score *i.e.* poor competence level ranges from 1.00-1.39, average competence level ranges from 1.40-2.00 and good competence level ranges from 2.01-3.00. The managerial competence of respondents was interpreted on the basis of this calculated score.

OBSERVATIONS AND ANALYSIS

The salient findings from the present study have been discussed for managing financial resource under following categories:

– By spending as per budget (food, clothing, housing, education, health, entertainment and social activities)

– By effective record keeping

– By sound investment

Managing family finance by spending as per budget (Food, clothing, housing):

The stream of income should be controlled and directed to creative ends in a family living by process of managing *i.e.* budgeting. Farm families have unpredictable and seasonal income from farming so it is very important for them to prepare the budgets and spend accordingly. The data was collected about their ability to plan, organize, control and evaluate their expenses as per the budget and is presented in Table 1.

The perusal of Table 1 reveals that the respondents were not very competent in executing as per budget with competence score of 1.40, 1.16 and 1.10 in case of food expenses, clothing and housing, respectively. Food being the basic necessity was planned in the best way (2.00) as compared to clothing (1.44) and housing (1.23). The respondents were found not paying any heed to organizing the spending (1.27), controlling (1.05) and evaluating the expenses (1.01) as per the plan. It was evident through the discussion with the respondents that their fluctuating farm income forced them to adopt such lax attitude. Moreover they were found not much aware of the importance of managing their financial resource even through a mental exercise. They perceive management as an activity to be performed by professional organizations only.

Managing family finance by spending as per budget (Education, health, entertainment, social activities):

Education opens up new avenues in life if it is offered to all family members. For every individual, health is a priceless blessing in life. Entertainment is necessary to maintain relaxation in life. But this is only possible if families manage their income for this sacred purpose. The data has been presented for assessing the managerial competence of farm families in case of education, health, entertainment and social activities.

The examination of the Table 2 shows that respondents were not much capable to plan, organize, control and evaluate the spending of their income with competence score of 1.75, 1.39, 1.18 and 1.44 in education, health, entertainment and social activities, respectively. The respondents were found planning the educational needs of the family in the best way (2.25), as compared to social activities (1.76), health (1.65) and entertainment (1.35). However they were found not taking the educational decisions to conclusion because of poor academic performance of their children, lack of affordable opportunities for higher education for their children and over indulgence of children in their family profession of farming. Chronic illness of any family member forced the families to better manage on this front with a competence score of (1.94), however lack of awareness of the significance of regular health check - ups in saving subsequent major health expenses and lack of required facilities nearby resulted in poor management (1.08) of this issue. The respondents did not fore see and manage the medical emergencies (1.15) owing to their pre financial occupations with other family commitments with limited income. The respondents did not view the entertainment as a serious issue to be managed (1.18). It was found that farm families were laying overdue

Table 1 : Managerial competence score of farm families for managing their financial resources through spending as per budget (food, clothing, housing) (n=120)

Name of practice	Stage of management process				Managerial competence score
	Plan	Organize	Control	Evaluate	
Spending as per budget					
Food expenses					
Cereals	2.25	1.67	1.08	1.01	1.50
Pulses	1.75	1.42	1.07	1.00	1.31
Fruits and vegetables	1.33	1.22	1.04	1.00	1.15
Milk and milk products	2.67	1.83	1.13	1.01	1.66
Average score	2.00	1.53	1.08	1.01	1.40
Clothing					
Routine	1.17	1.07	1.03	1.00	1.06
Seasonal	1.33	1.17	1.05	1.03	1.14
Occasional	1.83	1.21	1.05	1.00	1.27
Average score	1.44	1.15	1.04	1.01	1.16
Housing					
Repair and maintenance	1.21	1.13	1.03	1.00	1.09
Utility bills	1.42	1.21	1.03	1.01	1.17
Furniture, furnishing and equipment-new purchase	1.06	1.06	1.03	1.00	1.04
Average score	1.23	1.13	1.03	1.00	1.10
Overall average score	1.56	1.27	1.05	1.01	1.22

emphasis on the social activities as they attach the level of celebration of these activities with the social prestige of the family. So they were found just been overridden by this sentiment and showing poor managerial competence in spending on celebration of marriages and other social events (1.53) and giving gifts on important occasions (1.80).

Managing family finance through effective record keeping:

Recording expenditure and other financial operations is the basis for sound financial management. Even simple records consistently and carefully kept helps to cut down unnecessary expenditure, ease the process of financing a family and claiming insurance amounts. The managerial competence score data related to managing family finance through effective record keeping presented in Table 3.

The investigation of Table 3 reveals that respondents were somewhat capable of keeping record of their current transactions (1.36), followed by record of savings (1.21), record of income from different sources (1.16), loans (1.13) and investments (1.00). They were simply not aware of the importance of record keeping so they lacked interest in maintaining records. The respondents were found to be in the habit of 'thinking to start' keeping

Table 2 : Managerial competence score of farm families for managing their financial resources through spending as per budget (education, health, entertainment, social activities) (n=120)

Name of practice	Stage of management process				Managerial competence score
	Plan	Organize	Control	Evaluate	
Spending as per budget					
Education					
School/College fees	2.33	2.21	1.78	1.00	1.83
Ancillary expenses	2.17	1.97	1.55	1.00	1.67
Average score	2.25	2.09	1.67	1.00	1.75
Health					
Regular check up	1.21	1.10	1.01	1.00	1.08
Chronic sickness	2.42	2.00	1.79	1.55	1.94
Emergency	1.33	1.23	1.05	1.00	1.15
Average score	1.65	1.44	1.28	1.18	1.39
Entertainment					
Celebrating festivals	1.54	1.42	1.21	1.00	1.29
Visiting places	1.42	1.29	1.10	1.00	1.20
Formal entertainment (watching movies etc.)	1.09	1.03	1.02	1.00	1.04
Average Score	1.35	1.25	1.11	1.00	1.18
Social activities					
Gifts on important social occasions	2.21	1.92	1.68	1.38	1.80
Giving donations	1.00	1.00	1.00	1.00	1.00
Celebration of important social occasion like marriage etc.	2.08	1.63	1.42	1.00	1.09
Average score	1.76	1.51	1.37	1.13	1.44
Overall average score	1.75	1.57	1.36	1.08	1.44

Table 3 : Managerial competence score of respondents for managing their financial resources through keeping records (n=120)

Name of practice	Stage of management process				Managerial competence score
	Plan	Organize	Control	Evaluate	
Record of current transaction	1.92	1.42	1.11	1.00	1.36
Record of investments	1.00	1.00	1.00	1.00	1.00
Record of loans	1.33	1.11	1.07	1.00	1.13
Record of savings	1.42	1.27	1.08	1.00	1.21
Record of income from different sources	1.37	1.21	1.05	1.00	1.16
Average score	1.41	1.20	1.06	1.00	1.17

Table 4: Managerial competence score of respondents for managing their financial resources through sound investment practices (n=120)

Name of practice	Stage of management process				Managerial competence score
	Plan	Organize	Control	Evaluate	
Safety of principal	1.42	1.29	1.14	1.00	1.21
Income yield from investment	1.32	1.21	1.09	1.00	1.15
Anticipated growth	1.21	1.18	1.08	1.00	1.11
Management and care required	1.18	1.12	1.06	1.00	1.09
Average score	1.28	1.20	1.09	1.00	1.14

accounts (1.41) but they were quite slow in putting this thought into practice *i.e.* to organize (1.20). They were hardly able to change to the suitable methods and practices of record keeping as per their requirement *i.e.*to control (1.06) whereas they were very casual in evaluating the reasons that why they were not able to keep records. Lack of awareness about the significance of records in family finance, lack of interest, time and fear of knowing the burden of loan were main reasons for not keeping records. Their fluctuating and uncertain income also dampened their interest in keeping records.

Managing family finance through sound investment:

Sound investment of saved money is imperative for assuring the security of principal and a regular and predictable return on it. Investments may also be done with speculative purposes. Farm families basically thrive on real estate *i.e.* land and they too, have a strong thrift for saving and investment on it so they have a lot of inclinations for investing money especially in land. The data were collected about the investment practices of the farm families, computed for calculating the managerial competence score and presented in Table 4.

The perusal of the Table 4 reveals that since the respondents were not the major decision makers about the family investments so they expressed low managerial competence in ensuring safety of principal Income (1.21), yield from investment (1.15), anticipated growth (1.11) and management and care required (1.09). It was also found during the investigation that owing to recession in the real estate economy in Punjab state since last few years, families were finding very few opportunities for selling their existing land at good prices and looking for the opportunities for expanding their land holding with cheap prices anywhere else. It was also revealed by them that the savings from agriculture business are not sufficient these days for making any sizeable investment.

Conclusion:

From the above study it was concluded that managerial competence score of farm families in managing their expense on education (1.75), social activities (1.44) and food (1.40) implied average managerial competence. It was found that farm families were poor in managing their financial resource through appropriate record keeping (1.18). The respondents were found to be planning to start keeping records (1.42) but slow in putting thought into practice *i.e.* organize (1.20), rather poor in controlling (1.09) and evaluating (1.00). The respondents were found not to be the major decision makers about the family investments so they expressed poor managerial competence in ensuring safety of principal amount (1.21), yield from investment (1.15), anticipated growth (1.11) and management and care required (1.09). Overall managerial competence score while managing investment through planning-1.28, organizing-1.20, controlling-1.09 and evaluating-1.00. The farm families have overall poor managerial competence (1.24) for managing their financial resources. The respondents adopted lax attitude in managing their financial resources because they undermine the importance of management over their family responsibilities. The respondents were incompetent in following the management process as a whole. They considered planning as management. However they were somewhat good in planning, poor in organizing the events as planned, could hardly control the happening of events as per the plan and very rarely able to evaluate the outcome of the process of managing their resources.

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