Budgeting Practices of Low-Income Households in Owerri Municipal, Imo State

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Abstract

This study focused on household budgeting practices adopted by low income households in Owerri Municipal, Imo State. Specifically the study determined: points households consider in making their budget; areas of priority in household budget; problems households face in making budgets,; and ways households could improve their budgeting practices. Survey design was adopted. Population was made up of all 1,250 registered and serving teachers in 62 private primary school teachers of the area of the study. Questionnaire was used for data collection. Mean and standard deviation were used for data analysis. Findings show eight points households consider in making budgets, including, provision of food for family; cost of children's education; family income and others. Other findings are six priority areas in household budget, including, couples set aside a part of individual income as saving; agreement for a member to commit income for investment; there is special fund set aside for shelter as priority; among others. There are also nine problems households faces in making budgets. They include lack of education on budgeting principles; irregular income discourages budgeting; and misconception about budgeting. Further findings are 14 ways of improving budgeting practices, including, among others, seeking education on effective budgeting practices; encouraging the control of appetite among members; and practicing effective communication. Based on the findings four recommendations were made.

Keywords: Practices, Prioritization, Savings, Low-income, Households, Budgeting.

Introduction

Household resources are used to meet household needs. One of the household resources is money. Often the needs of the household exceed the money available to them. This problem is especially the low income households. It is therefore necessary that households find ways of utilizing their limited income in order to meet their many

needs. One of the ways of doing this is to make budgets and apply such in their use or allocation income to needs.

A budget is a plan for spending and saving money. A household budget is the plan for future expenditures of a given household (Anyakoha 2015). It represents the first step in money management. (Hu 2017) sees it as a "strict breakdown of how a household aims to spend or allocate their income. Household budgeting has many advantages including, among others, providing the household with guidelines for financial expenditure and enabling them to reach their money management goals and live within their income (Anyakoha 2015). It is of special benefit to the low-income households where resources are often in short supply (Furnham and Argyle 2017; Bele 2017). Angeo (2019) recommended strict budgeting practices for low income households, especially those of artisans in rural Pakistan who were confronted with harsh economic circumstances. The practices should also be highly recommended for all households in Nigeria, especially those at the low-income level.

The practice of household budgeting can help low income families manage few available resources at their disposal. Household budgeting principles aim at helping families attain a sustainable living standard in the midst of scarcity (Patterson 2015; Ibrahim 2010 and Humphrey 2008). For example, Patterson (2015) and Uwa (2013) noted that families that do not pay attention to unnecessary spending, prompt buying/purchases, as well as careless and uncalculated allocation of resources

are subjected to serious crisis. Emphases have been placed on the importance of prioritization and savings in family spending patterns and budgets (Nkah, 2017; Nwoke, 2015). Bell (2015) and Brad (2019) argued that when families maintain strict budgeting principles which include savings and prioritization, they can attain high levels of living. Many low income families are unable to enjoy minimum standards of living due to their inability adopt or implement responsible consumption habits amongst their members. In Owerri, it common to find many households always struggling to make ends meet, yet they end up spending excessively on certain items that may not benefit them. Among this group of households are those who go borrowing because they usually run into financial crises probably arising from careless spending. Family members are also found at loggerheads, especially husbands and wives, over meeting household needs such as food, children's school fees and shelter. These issues draw attention to the need for proper budgeting in the management of family resources for ensuring effective wellbeing of the family. It was against this background that the researchers investigated low income households' budgeting practices towards sustainable family living in Owerri Municipal, Imo State.

Purpose of the Study
The main purpose of this study was to examine household budgeting practices adopted by low income households in Owerri Municipal, Imo State. Specifically the study determined:

(1) points households consider in making their budgets.
(2) areas of priority in household budget.
(3) problems households face in making budgets.
(4) ways households could improve their budgeting practices.

Research Questions
The study was guided by the following research questions:
(1) what are points household consider in making their budget?
(2) what are areas of priority in household budgeting?
(3) what are problems households face in making budgets?
(4) what are ways household could improve their budgeting practices?

Methodology
Design of the Study: The survey design was adopted for the study. It entailed the sampling of opinions of the respondents using questionnaire.
Area of the Study: Owerri Municipal was the area of the study. It is one of the three council areas that constitute Owerri, the capital city of Imo State, Nigeria. The area is one of the densely populated areas in the state with an estimated population of over 400,000 inhabitants (National Bureau of Statistics, 2018). The area is characterized by people high income households as well as the low-income ones. Low-income households include petty traders, artisans, single-parents and teacher in private schools. Hence it offers an ideal setting this study.
Population for the Study: The population for the study was all the 1,250 registered and serving teachers in the 62 private primary school teachers in Owerri Municipal, Imo State (Imo State Ministry of Education, 2019). This population was adjudged to be low income earners. This is because majority of them have an average income of forty thousand (₦40, 000.00) Naira per month. They also experience delays in their salary, in a city that is noted for cost of living.

Sample for the Study: The sample for the study was 260 registered and serving private primary school teachers in Owerri Municipal. This sample was determined using Krejcie & Morgan (1970) sample determination table. Ten private primary schools with high pupil enrolment and high population of teachers were purposively selected for the study. Twenty-six (26) teachers were randomly selected from each school to give a sample of 260 teachers.
Instrument for Data Collection: Questionnaire was used for data collection. It was developed through literature review based on the specific purposes of the study. It was designed on a 4-point scale of "Strongly Agree (SA)-4"; "Agree (A)-3"; "Disagree (D)-2"; and "Strongly Disagree (SD)-1". It was validated by the three Home Economics lecturers. Based on their validation the instrument was modified.
Data Collection Method: The researchers used the direct contact method to collect data from the participants with the support of 5 research assistants. Some of the items in the questionnaire were carefully to the respondents where necessary. A total of 260 copies of the questionnaire were distributed to the respondents by hand.

After three weeks only 240 copies of the questionnaire were retrieved in good conditions. This represents 92.3 percent of retrieval rate.

Data Analysis Technique: Mean and standard deviation were used to analyze the data. The cut-off mean score was 2.5. Any item with a mean score of below the cut-off mark of ($\overline{X}\leq2.5$) was regarded as disagreement while items with mean scores of the cut-off mark of 2.5 and ($\overline{X}\geq2.5$) above were regarded as agreed.

Results
The results of the study were presented in Tables 1, 2 and 4.

Points Households Consider in Making their Budget

Table 1: Mean Responses and Standard Deviation on Points Households Consider in Making their Budget

S/N	Guidelines (considerations)	$\overline{X}$	SD	RMK
1.	Provision of food for family	3.59	0.9	A
2.	Cost of children's education	3.82	1.11	A
3.	Family income	3.36	0.91	A
4.	Family size/number of people in the family	3.53	0.89	A
5.	clothing needs of family	2.46	0.94	D
6.	Cost of housing the family	3.22	1.21	A
7.	Family Savings/Investment	3.81	1.01	A
8.	Alternative sources of income for the family	3.24	1.51	A
9.	Special nutritional needs of members, eg. the sick.	2.23	1.03	D
10.	Areas of necessary allocation such as health care, transportation	2.5	0.83	A
	Grand Mean	**3.16**	**1.03**	**D**

Key: $\overline{X}$ *= Mean score;* **SD =** *Standard Deviation***; D = Disagree; A = Agree; N= 240**

Tables 1 show the mean responses and standard deviation on points households consider in making their budget. The Table shows that items Nos 1-4 and 6-8 and 10 have each mean scores of ≥ 2.5. These show that these eight items are points which the households consider in making their budgets. Also, the standard deviation ranged between 0.83 and 1.51 indicating that the respondents were not far from their opinions. The Table also shows that the highest mean score was $\overline{X}$= 3.82 (item 2), while the lowest mean score was $\overline{X}$= 32.23 (item 9).

Areas of Priority in Households Budgets

Table 2: Mean Responses and Standard Deviation on Areas of Priority in Household Budget

S/N	General Procedures	$\overline{X}$	SD	RMK
1.	Couples set aside a part of individual income as saving	2.12	1.07	D
2.	agreement for a member to commit income for investment	1.44	1.00	D
3.	buying of clothing is not made the most important things in the budget	2.92	0.96	A
4.	there is special fund set aside for shelter as priority	1.53	1.11	D
5.	children are enrolled in non-expensive\public schools	2.81	0.98	A
6.	families engage in inclusive communication	2.41	0.82	D
7.	making vacations/entertainment receive less attention	2.97	0.97	A
8.	members do not prioritize fashion consciousness	3.34	1.08	A
9.	avoiding bulk buying to save some money	3.19	0.98	A
10.	only affordable lifestyle is adopted	2.71	1.28	A
11.	clothing for children is given adequate attention	1.82	0.99	D
12.	keeping healthy environment	2.02	0.71	D
13.	special provision for education	2.14	0.80	D
	Grand Mean	**2.42**	**0.98**	**D**

Key: $\overline{X}$ = *Mean score;* **SD =** *Standard Deviation;* **D = Disagree; A = Agree; N= 240**

Table 2 shows the mean responses and standard deviation on the areas of priority in households budget of the respondents. It shows that items 3, 5, 7-10 were at agreedwith because they had mean scores of 2.5 and above (cut-off mark), while items 1, 2, 4, 6, 11-13were disagreed with because they had mean scores of less than 2.5. Also, the standard deviation ranged between 0.71 and 1.28 indicating that the respondents were not far from their opinions. The Table also shows that the highest mean score was 3.34 (item 8), while the lowest mean score was 1.44(item 2). The implication of these findings is that majority of the respondents disagreed in the suggested priority areas.

Problems Households Face in Making Budgets

Table 3: Mean Responses and Standard Deviation of on the Problems Households Face in Making Budgets

S/N	Problems	$\overline{X}$	SD	RMK
1.	lack of adequate communication	3.31	0.97	A
2.	disagreement over items in the budget	3.50	1.13	A
3.	lack of interest by some members	3.23	0.91	A
4.	misconceptions about budgeting	3.51	0.98	A
5.	inability to understand budgeting processes	3.71	0.85	A
6.	lack of education on budgeting principles	3.82	0.98	A
7.	irregular income discourages budgeting	3.72	0.85	A
8.	careless spending does not allow budgeting	3.96	0.88	A
9.	impatience in drawing a budget	3.02	0.91	A
	Grand Mean	**3.53**	**0.94**	**A**

Key: $\overline{X}$ = *Mean score;* **SD =** *Standard Deviation;* **D = Disagree; A = Agree; N= 240**

Table 3 shows the mean responses and standard deviation on the problems households face in making budgets. It also shows that all the items (1-9) were agreed with because they had mean scores of 2.5 and above (cut-off mark). The standard deviation ranged between 0.85 and 1.13 indicating that the respondents were not far from their opinions. The table also showed that the highest mean score was 3.96 (item 8), while the lowest mean score was 3.02(item 9).

Ways Households Can Improve their Budgeting Practices

Table 4: Mean Responses and Standard Deviation on the Ways Households Can Improve their Budgeting Practices

S/N	Ways to Improve Budgeting Practices	$\overline{x}$	SD	RMK
1.	seeking education on effective budgeting practices	3.11	0.99	A
2.	encouraging them on avoiding unnecessary foods expenses especially during times of limited funds	3.10	1.11	A
3.	encouraging the control of appetite among members	3.13	0.96	A
4.	practicing effective communication	3.11	0.88	A
5.	encouraging them to discontinue careless spending	3.51	0.95	A
6.	encouragement of spousal cooperation on budgeting	3.92	0.92	A
7.	teaching them the importance of budgeting	3.12	0.85	A
8.	teaching them how to cut down on expenses	3.36	0.88	A
9.	tracking income	3.22	0.91	A
10.	encourage savings	3.00	0.97	A
11.	encouraging self-discipline	4.00	1.09	A
12.	encouraging critical thinking	2.85	0.93	A
13.	teaching how to organize needs	3.85	1.01	A
14.	delegating responsibilities to members	2.89	0.91	A
	Grand Mean	**3.29**	**0.95**	**A**

Key: $\overline{X}$ = Mean score; **SD** = Standard Deviation; **D = Disagree; A = Agree; N=240**

Table 4 shows the mean and standard deviation of male and female responses on the ways households can improve their budgeting practices. The data showed that all the items (1-14) were agreed with because they had mean scores of 2.5 and above (cut-off mark). The standard deviation ranged between 0.85 and 1.11 indicating that the respondents were not far from their opinions. The table also showed that the highest mean score was 4 (item 11), while the lowest mean score was 2.85(item 12).

Discussion of the Findings
The findings on the points households consider in making their budget, show that items 1-4 and 6-8 were agreed with; they include: food is given priority in decision making; children's education is given priority; family income is considered; family size is considered; cost of housing before selection; cost of schooling is determinant of budget;

alternative income sources. These findings are indications that majority of the respondents consciously or unconsciously apply effective budgeting guidelines in their day-to-day plans. The findings are supported by earlier reports on routine family practices by Bele (2019). However, the respondents disagreed with: clothing is given less attention; food preferences of members; areas of necessary allocation. This is an indication that they may not be completely aware of family budgeting practices effectiveness.

These findings are in consonance with Atkinson (2019) who noted that families are shaped by their experiences over time. These experiences may the determinants of considerations for how to spend family resources. For, a family which has limited resources may know that there is need to enroll the children or wards in schools they can afford. Also, housing selection or choice can be done unconsciously without necessarily perceiving the act as a practice. Furthermore, it is important to know that certain basic needs are normally accorded preferences in budget or family resources allocation. Nkah(2017) had identified food, shelter, clothing and children's education as significant in drawing a family's budget. These essentials are structural issues that the family aims to address at all times.

The findings on areas of priority in households budgets reveal that the respondents agreed with items 3, 5, 7-10 which are as follows: buying of clothing is not made the most important things in the budget; children are enrolled in not-expensive schools; making vacations/entertainment receive less

attention; members do not prioritize fashion consciousness; avoiding bulk buying to save some money; only affordable lifestyle is adopted. Items 1, 2, 4, 6, 11-13 were disagreed with by the respondents as follows: couples set aside a part of individual income as saving; agreement for a member to commit income for investment; there is special fund set aside for shelter as priority; families engage in inclusive communication; clothing for children is given adequate attention; keeping healthy environment and special provision for education. These findings indicate that the respondents do not follow majority of the procedures that can help in family budgeting.

These findings are supported by Hu (2017) who noted that prioritization is a characteristic of effective budgeting system. Prioritization is the activity that arranges items or activities in order of importance and helps families to manage their resources constructively. Prioritizing family spending means making a family budget on first, the few available resources, and secondly on the most important things. This is significant for low income earners who have limited resources at their disposal. The housewife is the manager of the family resources, hence is responsible for spending wisely. With all of the things that we spend our money on in our families, how do we determine what things are the most important? Families need to know what is essential vs. what is desired. For example, Brad (2016) opined that food and shelter are some of the essentials that should take priorities in family budgets. One will

also need to decide what the items are that the family really doesn't need.

Learning how to manage expenses is significant for low income earners. Families should prioritize expenses. Some bills can be paid late, but other bills must be paid on time in order to avoid foreclosure, eviction, or property repossession. The changing realities of time and place have greatly affected the family framework all over the world (Nwoke, 2015).Economic status of a society such as economic recession has direct impact on especially families with low incomes, and this impacts negatively on family circumstances. Due to the numerous challenges confronting these families, it is noteworthy that some families need minor adjustments to get back on course and some need a major overhaul to save the family or relationships within the family. Nkah(2017) and Mohan (2019) noted that savings, which is the amount of income per time that is not consumed by economic units, is not the prerogative of rich or, and high income societies. He noted low income earners can save to avoid future financial encumbrances. Low income families may not possess the knowledge on the importance of savings. Family communication is vital for families deciding to engage in savings. This way, the low income families can overcome some the uncertainties of the future.

From research question three, the findings on the problems households face in making budgets showed that the respondents agreed with all the items, and they are as follows: lack of adequate communication; disagreement over items in the budget; lack of interest by some members; misconceptions about budgeting; inability to understand budgeting processes; lack of education on budgeting principles; unsteady income discourages budgeting; careless spending does not allow budgeting, and impatience in drawing a budget. These findings indicate that household budgeting is faced with serious impediments. The findings are in consonance with earlier studies regarding family finance management. For example, Furnham and Argyle (2017) noted that budget is a sensitive subject that breeds confusion in the home. Families can differ or show lack of interest in budget, while some other members can engage in the blame game. These are aspects that can make people lose interest in adopting budgeting practices.

However, once complete, a budget is the solid foundation with which families can manage their current income and expenses and plan for future possibilities. No doubt, many low income earners experience the problem of savings. Yet, it is important to help them understand that they can still save to secure their members. Many low income households may disagree over perceptions on savings. In fact, it has been recorded that many low income earners find it difficult to save since they have little at their disposal. However, Blind (2016) noted that the ability of low income families to save from the meager they possess will help them cope with many uncertainties. Hence, communication is essential in budgeting. This enables the involvement or consideration of the

opinions of other members of the family. In terms of money, self-awareness can help people understand where they spend their money impulsively and how to control it.

Finally, from the research q1uestion on the ways households can improve their budgeting practices, the findings revealed that respondents agreed with all the suggestions (1-14); they are as follows: seeking education on effective budgeting practices; encouraging them on avoiding unnecessary foods expenses; especially during times of limited funds; encouraging the control of appetite among members; practicing effective communication; encouraging them to discontinue careless spending; encouragement of spousal cooperation on budgeting, and teaching them the importance of budgeting. Other items are: teaching them how to cut down on expenses; tracking income; encourage savings; encouraging self-discipline; encouraging critical thinking; teaching how to organize needs, and delegating responsibilities to members. These findings are similar to the notion of Nkah (2017) and Ibe (2019) who noted that continuous education of families on the importance budgeting will address family financial issues and problems encountered by families. Communication in one's family plays an important role in managing money well. Honest conversations with a partner, if one has, one can help to avoid conflict about money. And involving children in planning and budgeting can make it easier to achieve savings goals together (Ibrahim, 2010).

Basic money management is about meeting one's family everyday expenses, handling unexpected bills and saving for the future. It can put one in control of his/her money, which helps families avoid stress and feel more secure. The importance of budgeting to families cannot be over-emphasized. For example, budget will tell one whether one is currently spending more or less than they earn. If one is currently spending more, it can help to sit down together as a family and think about where they can save money. And if they are already spending less than they earn, they can look at how to save and how to use they savings.

One way to avoid crisis in resource allocation in the budget is identifying essentials. The absence of this can cause friction in family relationship. For example, food is a basic need of man. Food management is a broad process that involves the proper oversight of food selection, preparation, presentation, and preservation to ensure family food safety (Bell, 2015). Hu (2017) and Brad (2016) noted that food insecure individuals such as those in low income families engage in certain strategies to acquire food or manage their resources. These dietary and resource management behaviors are associated with more healthful dietary intake may indirectly improve food security status (Ali, 2001; Brother, 2019). Adoption of these behaviors and indirect improvement of food security status may ultimately lead to improved overall health and decreased risk of chronic diseases. With improved food security status, these at-risk populations can continue to engage in lifestyles that promote beneficial health outcomes and diminish the risk of negative health

outcomes associated with food insecurity. For example, when pregnant women and children's foods are prioritized, they have access to nutritious foods which help to evert several diseases and ailments associated with poor feeding. However, until families are enlightened on these basics, they may not be able adopt effective practices towards family finance.

Conclusion

This study has revealed the extent of budgeting practices adopted by families in Owerri Municipal, Imo State. Specifically the study determined: guidelines (considerations) household follow in making their budget; general procedures they adopt in making budgets; problems they face in making budgets, and the ways they can improve their budgeting practices. The findings showed that some families do not practice safe budgeting practices, or have limited knowledge or awareness on its importance that will ensure the promotion of responsible consumption for sustainable living standards. The study revealed the need for adequate and continuous education of families towards this regards. This is significant in helping these families attain sustainable living standards. Family is the microcosm of the larger society.

Recommendations

Based on the findings of this study, the following recommendations were made:

1. Interests groups and stakeholders such as religious groups (especially churches), community based organizations, socio-cultural groups such as youth and women wings, and relevant governmental should embark on continuous enlightenment and education of household members on the importance of family budgeting.

2. Specifically, enlightenment and sensitization programmes should be carried out for low income earners or families on the need for effective budgeting which will promote sustainable living for its members.

3. The enlightenment/education programmes for members of households should be focused on these sensitive areas to avoid ambiguity.
   a) guidelines for making their budget;
   b) procedures to adopt in making budgets;
   c) and ways they can improve their budgeting practices.

4. Amongst all, effective communication amongst members in the family, and especially couples should be encouraged.

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