Assessment of Financial Management Strategies of Families In Etinan Local Government Area In Akwa Ibom State

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Abstract

The need for financial management in a country with rising inflation, increasing cost of living and financial uncertainty cannot be overemphasized. This study assessed the financial management strategies of families in a Local Government Area in Akwa Ibom State, Nigeria. The study was specifically hinged on three objectives which were to determine the financial management strategies employed by families, ascertain the level of response to financial management strategies by families and find out the factors militating against the implementation of financial management strategies by families in Etinan Local Government Area. The descriptive survey research design was adopted for this study and a simple random sampling technique was used in selecting 102 respondents from Etinan Local Government Council. Structured questionnaire was used to elicit information from the respondents. Data collected were analyzed using frequencies, percentages, means and ranks. Results from the findings indicated several financial management strategies (financial literacy education, budgeting, reduction of monthly bills, stop eating out, paying off debts, daily/weekly savings, investment, increasing retirement savings, additional sources of income, improvement on job skills, active insurance and banking) as being adopted with 'budgeting' ranking the highest (X=3.72) followed by 'banking' (X=3.45) and 'financial literacy education' (X=3.40). The level of responses to financial management strategies was significantly low due to a possibility of lack of interest or ignorance of the benefit of good financial management. The factors that affected the implementation of financial management strategies in order of ranking were health, size and composition of family, occupation, size of income, education of household heads and location. Based on the findings, efforts should be made to increase public awareness on the need to adopt financial management strategies so as to bring about economic growth. Also, government should create enabling environment for businesses to thrive thus creating jobs and invest in human health through active health insurance scheme to check out-of-pocket health expenditure.

Keywords: Financial Challenge, Family Finance, Sustainability, Budget,

Introduction

Family is an institution that paves the way for human progress, prosperity and development (Gas-Aixendry & Cavallotti, 2015) and also a social unit with economic, psychological, biological, legal and social aspects (Arslan, 2023) which has over time provided the environment for nurturing a well-rounded individual for future sustainable development. It is within the family setting that member garner knowledge on resource (human and material) management.

The 17 SDGs which are, no poverty; zero hunger; good health and wellbeing; quality education; gender equality; clean water and sanitation; affordable and clean energy; decent work and economic growth; industry innovation and infrastructure; reduced inequalities; sustainable cities and communities; responsible consumption and production; climate action; life below water; life on land; peace, justice and strong institution; partnership for the goals (UNICEF, 2023), all have implication on the wellbeing of the family, with money (finance) playing a crucial role in realizing most of the goals.

The role of money in the family will help to facilitate investment, enable access to basic needs thus checking hunger, promote economic growth through the creation of jobs, and address poverty. However, the role of money comes with challenges which need to be managed in order to ensure that sustainability is supported. Financial management requires an approach that touches on income and expenditure, where income brings money into a family and expenditure takes out money (Gatua, 2018). Family financial management could thus be explained as the financial control process employed to prepare oneself and family in order to build a sound financial future by budgeting, spending, saving and investment, so that the household economy is stable (Firmansyah, Julianti, Kurniawan, Widianto & Palil, 2022).

Financial management problems are common problem in present day society. Some of the problems are, lack or inadequate financial sources, lack of financial expertise, lack of monitoring and control of available funds, lack of investment planning, poor cash management, insufficient savings and high debt levels, (Jianni, Yintong & Jian, 2020). To prevent financial management problems, certain management strategies could be adopted to give positive financial results, achieve family goals and ensure sustainability (Alkeebali & Nobance, 2021; Firmanyash et.al, 2022).

Financial literacy is the possession of knowledge and understanding of financial matters entailing the knowledge of proper decision-making pertaining to certain personal finance areas like, financial planning, savings and investment (Kilimo Trust, 2020). It has a significant influence on a person's financial management. Higher financial literacy leads to a higher financial management ability such as identifying the difference between wants and needs; and low financial literacy exposes a person to making mistakes in financial allocations, resulting in poor outcomes (Firmansyah et.al, 2022).

Budgeting is crucial in families where needs are often more significant than the wants. Budgeting helps the family in managing spending to compensate for a possible future income reduction such as during retirement and for avoidance of various forms of income risk (Akash, Ullah, Islam, Nahid, Reza & Arefin, 2023). The global economic downturn requires a careful planning of family income in order to meet the basic and priority needs of the family, thus supplementing the family income is a sure financial consideration.

Supplementing family income as a strategy implies additional earnings, apart from the regular family income to meet the ever-increasing need of the family. Skills or knowledge may be utilized for the production of goods or in working to safe the family from further expenditure, family skills in sewing, gardening, providing care instead of employing can augment some expenditure, (Firmansyah et.al, 2022).

Other forms of strategies include financial savings, lending the protected money to generate interest that creates profits for the bank and its customers, banking also allows one access to money when needed and offers many services that can help one grow wealth (Turner, 2023). Savings is a part of income not used which enables one to build up financial wealth that increases in value and protects against the loss of purchasing power (Dargent, 2020). Adoption of emergency fund is a strategy that enables people to put aside money intended for use in times of distress such as payment for large or small unplanned bills or payments that are not part of the routine monthly expenses and spending will guaranty financial security. Emergency fund aims at improving financial security by creating a safety net that can be used to meet unanticipated expenses, (Kurt, 2022). This will help in debt management which is a strategic approach in handling and repaying debts. It involves alleviating financial strain, prevent accumulating more debt, and eventually attain a debt-free status, (Hero FinCorp, 2022). Adopting financial management strategies can reduce the risk and impact of financial problems that people are exposed to in present and may be exposed to in the future. Nigerians are faced with lots of financial challenges ranging from household consumption to external pressures from transportation, price fluctuations, food and financial insecurity that requires a critical investigation into financial management.

Statement of the Problem

The impact of the current Nigerian economy has been felt in various quarters including family finances. Based on observation, even with a steady income, many families remain in a constant struggle in managing their finances which leads to financial stress, debt and low quality of life. Families find it quite challenging to reduce financial stress, increase savings and achieve their planned goals and unexpected but necessary financial needs. Local Government employees who are the interest of the present study are faced with financial difficulties despite working regularly. The need for financial management cannot be over emphasized with rising inflation, increasing cost of living and financial uncertainty in the country. With proper financial management, living conditions of families could improve. However, knowledge of financial management strategies will only yield the right results and bring about sustainability if they are put to use. This study thus sought to assess the financial management strategies of families in Etinan Local Government Area (L.G.A.) of Akwa Ibom State.

Objectives of The Study

The main objective of the study was to assess the financial management strategies by families in Etinan L.G.A. The specific objectives are to:

1. determine the financial management strategies employed by families in Etinan L.G.A. of Akwa Ibom State
2. ascertain the level of response to financial management strategies by families in Etinan Local Government Area
3. find out the factors militating against the implementation of financial management strategies by families in Etinan Local Government Area

Methodology

Research Design

The survey design was adopted for this study. This is due to the appropriateness of the design in gathering information that is specific and familiar to respondents after which generalization is made on the wider population even when a sample is studied.

Population of the Study

The population of the study comprised of all married people working in Etinan L.G.A. council with a total figure of 137,000 (Office of Planning, Research and Statistics, 2024).

Sample and Sampling Procedure

A sample of 102 respondents were used for the study. A random sampling procedure was used to select the representative sample (102).

Instrument for Data Collection

A well-constructed questionnaire titled 'Financial Management Strategies of Families in Etinan L.G.A. (FMSFE) was used to gather data from the respondents. The questionnaire was structured in sections. The respondents were to choose from the response options of Strongly Agree (SA), Agree (A), Disagree (D) and Strongly Disagree (SD) which were assigned nominal values of 4, 3, 2 and 1 respectively. Section A was a 12-item statement to know the financial management strategies employed by families. Section B, with 16-item questions, to ascertain the level of response of families to financial management strategies and Section C comprised of 6 factors that could possibly hinder the implementation of financial management strategies within the family. 102 copies of questionnaires were administered to participants with the aid of three research assistants and a 100% return rate was recorded.

Data Analysis Technique

The objectives were analyzed using descriptive statistics (frequencies, percentages, means and ranks). The decision rule for descriptive statistics was that a higher frequency and a higher percentage indicates a higher incidence of the variable measured. In Ascertaining the Level of Response (LOR) of families to financial management, the summated scores of the LOR yielded scores with a range of 16 – 64 and a mid-point of 40. The mid-point (40) served as the cut-off point between low and high levels of response to financial management. Scores less than 40 represents low level of response while scores equal to or greater than 40 represents high level of response.

Results

Table 1 presents responses to financial management strategies employed by respondents in the study area. Financial literacy education had a mean rating of 3.40 and budgeting had a mean rating of 3.72. Reduction of monthly bills and ceasing to eat out had a mean rating of 3.19. Paying off debts had a mean rating of 2.90 and Daily/weekly savings had a mean rating of 2.92 Investment and Increasing retirement savings had a mean rating of 2.93 and 2.92 respectively. Additional source of income, Improvement on job skills, Insurance and Banking all had mean rating of 3.00, 3.13, 2.41and 3.45 accordingly.

Table 1: Financial Management Strategies of Respondents in Etinan Local Government Area

Financial Management Strategies	SA	A	D	SD	Mean	Rank
Financial literacy education (knowledge and understanding of financial matters)	57	33	8	4	3.40	3
Budgeting (making a list of spending plan based on income)	59	24	13	6	3.72	1
Reduction of monthly bills (reduce data usage and call time, electricity usage, cancel unnecessary subscriptions, regulate spending on transportation and walk some distances)	46	38	16	8	3.19	4.5
Stop eating out (patronize home-made foods more than eateries)	40	46	12	4	3.19	4.5
Paying off debts	29	40	27	6	2.90	10
Daily/weekly savings (etibe, osusu,)	35	35	21	11	2.92	9
Investment (crop/livestock production, rental properties, laundry business, POS operation)	26	52	15	9	2.93	8
Increasing retirement savings	28	32	28	14	2.92	11
Additional source of income (farming, operating a retail shop, hair making, sewing clothes, catering services)	39	30	27	6	3.00	7
Improvement on job skills to attract more patronage (sewing, catering services, day care)	43	37	15	7	3.13	6
Insurance	25	46	23	8	2.41	12
Banking	61	29	9	3	3.45	2

This table continue on page 124

Table 2 shows that the response to financial management strategies was 62.7% low and 37.3% high

Table 2: Level Of Response to Financial Management Strategies in Etinan Local Government Area

Levels of Response	Levels of Response Score	Frequency	Percentage (%)
Low	<40	64	62.7
High	≥40	38	37.3
Total		102	100

Table 3 shows the factors that militated against the implementation of financial management strategies. The factors were size of family income, occupation of heads of families, size and composition of the family, education of heads of families, health of family members and location of residence with respective mean ratings of 2.89, 3.28, 3.40, 2.47, 3.41 and 2.71.

Table 3: Factors Militating Against Implementation of Financial Management Strategies in Etinan Local Government Area

Factors	SA	A	D	SD	Mean	Rank
Size of family income	25	50	19	8	2.89	4
Occupation of heads of families	51	35	11	5	3.28	3
Size and composition of the family	59	29	10	4	3.40	2
Education of heads of families	32	26	18	26	2.47	6
Health of family members	58	30	11	3	3.41	1
Location of residence	21	44	22	15	2.71	5

Discussion of Findings

Several forms of financial management strategies were adopted. Topmost in popularity among the strategies was budgeting. Families adopted budgeting because of the possibility of a tradition handed down by parents when considering little things like making market list. It helps families to have clarity in their immediate spending and prevent the likelihood of possible incidence of borrowing. It is when there is a financial plan for income and expenditure of future finances that a family can be said to move towards sustainability. Within this context, budgeting could be considered an important platform where other strategies are built on. This consideration supports the view of Nadhiroh & Mukhlis (2023) that creating a budget is an important step in managing finance. Banking being another popular strategy shows the desire to put away money. This putting away, may not only be a form of saving for future use, it could be a guarantee for peace of mind of the person that is banking. The level of anxiety will be reduced if one knows that his resources are in a safe place and secured. Money as a scarce resource ought to be secured for reasons of safety from being stolen as well as for sustainability. Another consideration for banking could possibly be a consideration of the interest that may likely accrue to the banked money and other services offered by the banking industry which may lead to a possibility to financial expansion. This supports the position of Turner (2023) that banks offer added services that enhances the financial expansion of its customers.

Despite some level of positive responses to the commonly adopted strategies of financial management, the study generally indicated a low level of response to family financial management strategies which could be as a result of many factors. It could possibly be due to high cost of living, low income of families, high demands by family members, inadequate benefits, unpredictable expense and debt issues. This supports the views of Kilimo Trust, 2020 which stated that people do not adopt the management strategy of saving, due to low income, high demands, unemployment, high debts and living by faith. Another possible factor could be a lack of self will or just a poor attitude to financial management. This low response supports the low response level of a study by Nadhiroh & Mukhlis (2023) who said that respondents were aware of financial management strategies but do not do it often or they simply forget.

Factors acting against the implementation of financial management strategies which resulted in low application of the financial management strategies was majorly health. Having a challenging health situation means reduced income due to job loss or decreasing earning capacity especially for the unskilled workers. Challenging health also results in increased medical expenses which may involve using up savings, borrowing or adjusting budget to accommodate the health challenge. This may invariably affect investment plans and other areas of needs. The reality that most Nigerians pay out-of-pocket for their healthcare gives a clear imagination of the financial burden families face due to out-of-pocket health expenditure. An additional increase in size and composition of the family which entails both the number of children in a family (i.e., siblings), and how the family system is arranged, means an increase in the financial burden of families due to out-of-pocket-health expenditure.

This view supports that of Donou-Adonsou (2022) who said that poor health reduces savings by increasing either consumption or out-of-pocket medical expenses. As a follow-up on this argument, he said that an unhealthy household does not save and with no medical insurance which is supposed to cover medical expenses, an out-of-pocket medical bill will definitely set in. It can thus be conjectured that a healthy worker will earn more, save more and invest more.

Conclusion and Recommendations

Financial management is a crucial aspect in achievement of improved standard of living and sustainable development. without proper financial management, family's needs will not be met or their goals realized. The survey provided insight into the financial management strategies of families in Etinan L.G.A. which included budgeting, banking, financial literacy, not eating out, reduction in monthly bills, improvement of job skills, additional source of income, investment, daily/weekly savings among others. Low savings level, and high debt signaled poor financial management which reflected in low level of response to implementation of the financial management strategies. This low response level was as a result of some militating factors which included health and size and composition of the family. Despite the factors acting against financial management, families should endeavor to apply the strategies in managing their lean finances to ensure family stability and reduce the risk that may occur in the future.

From the results of the study, the following recommendations are made

1. Governmental and non-governmental efforts in creating awareness programmes on financial management strategies and the need to adopt these strategies to help in the effective management of family finances.
2. Government investment on human health to have accessible health insurance in order to address out-of-pocket healthcare expenditure which eats deep into the finances of families and intervention through effective financial empowerment by creating jobs as well as a conducive environment for businesses to thrive
3. Family intentionality in learning basic finance concepts and adopting a management plan that will help them achieve financial stability and security.

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