



ISSN: 0976-3031

Available Online at <http://www.recentscientific.com>

CODEN: IJRSFP (USA)

International Journal of Recent Scientific Research  
Vol. 9, Issue, 3(H), pp. 25171-25177, March, 2018

**International Journal of  
Recent Scientific  
Research**

DOI: 10.24327/IJRSR

## Research Article

### A STUDY ON PERSONAL FINANCE OF GULF RETURNEES WITH SPECIAL REFERENCE TO ALANALLUR GRAMAPANCHAYTH, PALAKKAD (DT)

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DOI: <http://dx.doi.org/10.24327/ijrsr.2018.0903.1805>

#### ARTICLE INFO

##### Article History:

Received 15<sup>th</sup> December, 2017  
Received in revised form 25<sup>th</sup>  
January, 2018  
Accepted 23<sup>rd</sup> February, 2018  
Published online 28<sup>th</sup> March, 2018

##### Key Words:

Personal finance, financial planning,  
Gulf returnees.

#### ABSTRACT

Personal finance is the science of earning, spending, saving and investing of money based on objectives and maximizing the wealth of the family with a view to generate adequate returns, achieving financial freedom and ensuring the happiness of the family. Personal finance deals with the lifelong financial aspect of the family. It involves the way in which a person gets his income and the way in which he spends it or saves it for future use. It also includes the amount and pattern of savings and investments, management of assets, liabilities, ancestral properties and consumer durables. Thus, on the one side, personal finance demands a thorough evaluation of the available resources of the family by all the means, and on the other side the most beneficial utilization and protection of the same to maximize the earning capacity and welfare of the family.

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#### INTRODUCTION

Personal finance is the financial management which an individual or a family unit performs to budget, save, and spend monetary resources over time, taking into account various financial risks and future life events. When planning personal finances, the individual would consider the suitability to his or her needs of a range of banking products (checking, savings accounts, credit cards and consumer loans) or investment private equity, (stock market, bonds, mutual funds) and insurance (life insurance, health insurance, disability insurance) products or participation and monitoring of and- or employer-sponsored retirement plans, social security benefits, and income tax management.

##### Personal Financial Planning Process

The key component of personal finance is financial planning, which is a dynamic process that requires regular monitoring and re-evaluation. In general, it involves five steps:

1. **Assessment:** A person's financial situation is assessed by compiling simplified versions of financial statements including balance sheets and income statements. A personal balance sheet lists the values of personal assets (e.g., car, house, clothes, stocks, bank account), along with personal liabilities (e.g., credit card

debt, bank loan, mortgage). A personal income statement lists personal income and expenses.

2. **Goal setting:** Having multiple goals is common, including a mix of short- and long-term goals. For example, a long-term goal would be to "retire at age 65 with a personal net worth of \$1, 000, 000," while a short-term goal would be to "save up for a new computer in the next month." Setting financial goals helps to direct financial planning. Goal setting is done with an objective to meet specific financial requirements.
3. **Plan creation:** The financial plan details how to accomplish the goals. It could include, for example, reducing unnecessary expenses, increasing the employment income, or investing in the stock market.
4. **Execution:** Execution of a financial plan often requires discipline and perseverance. Many people obtain assistance from professionals such as accountants, financial planners, investment advisers, and lawyers.
5. **Monitoring and reassessment:** As time passes, the financial plan is monitored for possible adjustments or reassessments.

Typical goals that most adults and young adults have are paying off credit card/student loan/housing/car loan debt,

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investing for retirement, investing for college costs for children, paying medical expenses.

### **Personal Finance Principles**

Personal circumstances differ considerably, with respect to patterns of income, wealth, and consumption needs. Tax and finance laws also differ from country to country, and market conditions vary geographically and over time. This means that advice appropriate for one person might not be appropriate for another. A financial advisor can offer personalized advice in complicated situations and for high-wealth individuals, but University of Chicago professor Harold Pollack and personal finance writer Helaine Olen argue that in the United States good personal finance advice boils down to a few simple points:

- Pay off your credit card balance every month, in full
- Save 20% of your income
- Maximize contributions to tax-advantaged funds such as a 401(k) retirement funds, individual retirement accounts, and 529 education savings plans
- When investing savings:
  - Don't attempt to trade individual securities
  - Avoid high-fee and actively managed funds
  - Look for low-cost, highly diversified mutual funds that balance risk vs. reward appropriately to your target retirement year
- If using a financial advisor, require them to commit to a fiduciary duty to act in your best interest
- Advocate for government social insurance programs

The limits stated by laws may be different in each countries; in any case personal finance should not disregard correct behavioral principles: people should not develop attachment to the idea of money, morally reprehensible, and, when investing, should maintain the medium-long term horizon avoiding hazards in the expected return of investment.

### **Personal Financial Planning**

“Personal financial planning is the process of managing your money to achieve personal economic satisfaction. This planning process allows you to control your financial situation”. [Kapoor, *et al.*, 2004]

Personal financial planning allows individuals and families to achieve their personal financial goals more easily. Although most people do not have the same goals, similar financial principles are required in order to facilitate goal achievement. By following effective financial planning, individuals can get most of their money in terms of both satisfaction and material goods.

“The real purpose of managing money is to establish an objective of providing financial security well being for the future.” [Mittra, 1977].

### **Statement of the Problem**

The present study entitled as “a study on personal finance of gulf returnees in Alanallur Grama Panchayth” is mainly focusing on identifying the spending and saving habits of gulf returnees in Alanallur grama panchayath. The majority of gulf returned keralites is facing a number of problems like inadequacy of income, lack of savings and investments and

uncertainty about the future. Their income has decreased drastically on their return from the gulf, but the cost of living increased. In other words, many of the gulf returned Keralites are struggling hard to make both ends meet. In this context, it is proposed to find out whether the gulf returned Keralites had personal financial planning during the gulf period, and what was the nature of their incomes, expenditures, savings and investments.

### **Objectives of the Study**

The primary objective of the study is to find out whether the gulf returnees in alanalloor grama panchayath had financial planning during gulf period, and what was the nature of their incomes, expenditures and investments.

### **Secondary Objectives**

1. To find out how was their income and expenditure before going to gulf, during the gulf period and after return.
2. To find out what was their motive for migration to gulf countries.
3. To find out whether they were satisfied with the life conditions during gulf period.
4. To find out whether they had any financial planning during the gulf period.
5. To find out the financial planning could maintain their standard of living after their relocation.
6. To analyze the investments in insurance products by the gulf returnees.

### **Research Methodology**

The study is both descriptive and analytical in nature. It is descriptive with regard to the theoretical concepts and socio-economic background of the gulf-returnees in Alanallur grama panchayath. It is analytical in the sense that it interprets and analyses the primary data to arrive at conclusions.

### **Population and sample size**

The universe of the study was limited to the gulf-returnees in Alanallur grama panchayath. No exact figures were available as gulf-returnees. The present sample of 100 gulf returnees was collected at random from 23 wards.

### **Sources of data collection**

Both primary and secondary data were collected for the study. The secondary data was collected from books, periodicals, articles, working papers, published and unpublished reports and documents. Primary data for the study was collected with the help of questionnaire. The questionnaire was administered to the respondents by means of personal interviews.

### **Tools for data collection**

The tools used for the study are questionnaire, personal interviews etc.

### **Tools for data analysis**

Statistical and mathematical tools like percentage tables, chart and other statistical tools were used for data analysis.

**Scope of the study**

The scope of the study was limited to the personal financial planning of the gulf returnees in Alanallur grama panchayath. The study covered the following aspects:

1. Personal financial planning of the respondents during the gulf period.
2. Their income, expenditure, an investment pattern.
3. Relationship between income and expenditure.
4. Relationship between personal financial planning and investments of the respondents
5. Adequate protection or insurance taken by the respondent.
6. Financial management of the respondents during gulf period, before going to gulf and after return.
7. Present situations of the gulf returnees in Alanallur grama panchayath

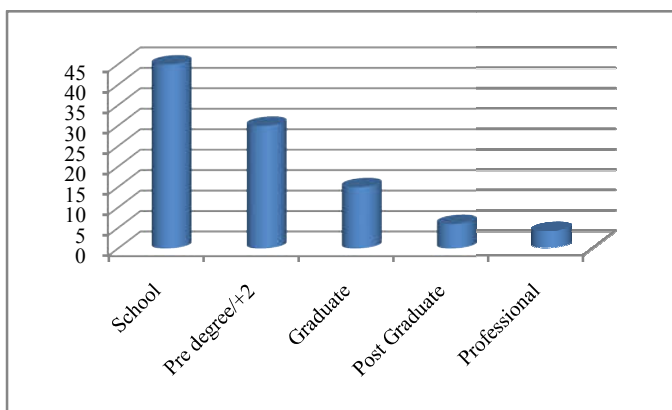
**Limitations of the study**

1. The area of the study was limited to Alanallur grama panchayath.
2. Only those who had returned from the gulf after 2001 were selected for the study.
3. Data relating to financial matters was collected by means of personal interviews and hence, have their limitations.

**DISCUSSIONS AND RESULTS**

**Table 1** Education Qualification of Respondents

Education Qualification	Number of respondents	Percentage
School	45	45
Pre degree/+2	30	30
Graduate	15	15
Post Graduate	6	6
Professional	4	4
Total	100	100



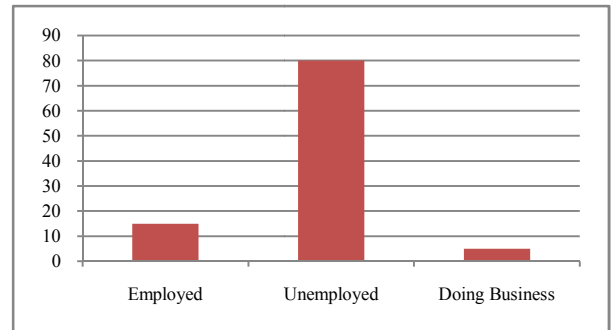
**Chart 1** Education Qualification of Respondents

**Interpretation**

An education wise segmentation shows that 45% of the gulf returnees have only completed basic schooling followed by pre-degree/+2 holders with 30%. Hardly 6% of the gulf returnees were post graduates and only 4% possessed professional qualification. It reveals that many of the returnees have acquired only school education.

**Table 2** Status before Going to Gulf

Status	Number of respondents	Percentage
Employed	15	15
Unemployed	80	80
Doing Business	5	5
Total	100	100



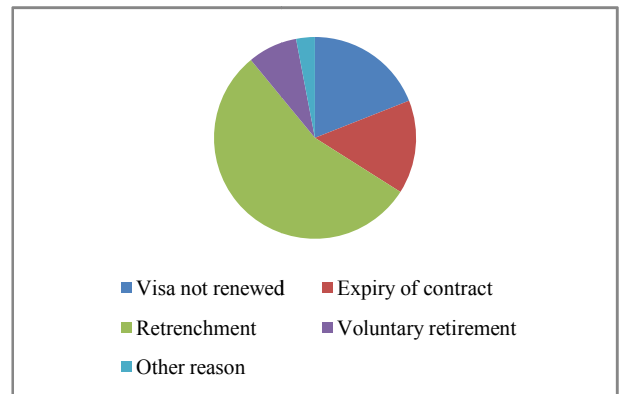
**Chart 2** Status before Going to Gulf

**Interpretation**

From the above table and graph it is clear that 80% of respondents are unemployed before going to gulf. Even though there have 10% employed people and the other 5% are doing business.

**Table 3** Reason for Return

Reason	Number of respondents	Percentage
Visa not renewed	19	19
Expiry of contract	15	15
Retrenchment	55	55
Voluntary retirement	8	8
Other reason	3	3
Total	100	100



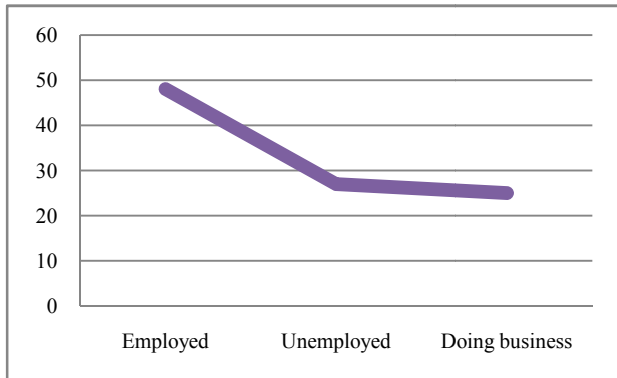
**Chart 3** Reason for Return

**Interpretation**

It is clear from the table and graph that more than half of the respondents are revert to home country due to retrenchment. 19 % of the respondents did not renew their visa and 15% of the respondent's contract expired.

**Table 4 Present Status**

Status	Number of respondents	Percentage
Employed	48	48
Unemployed	27	27
Doing business	25	25
Total	100	100



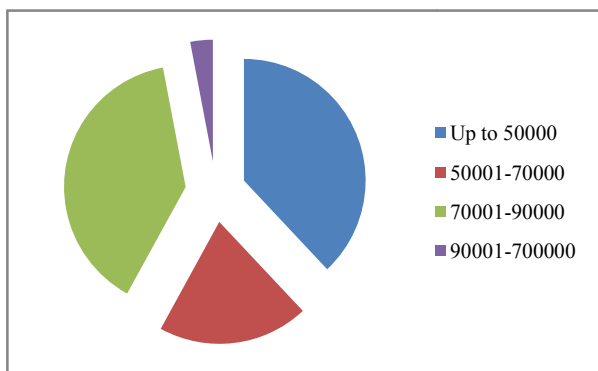
**Chart 4 Present Status**

**Interpretation**

The present employment status of gulf returnees indicates that 48% of the respondents are employed, 27% were engaged in business. But 25% belongs to unemployed category.

**Table 5 Present Annual Income of Respondent**

Income	Frequency	Percentage
Up to 50000	38	38
50001-70000	20	20
70001-90000	39	39
90001-700000	3	3
Total	100	100



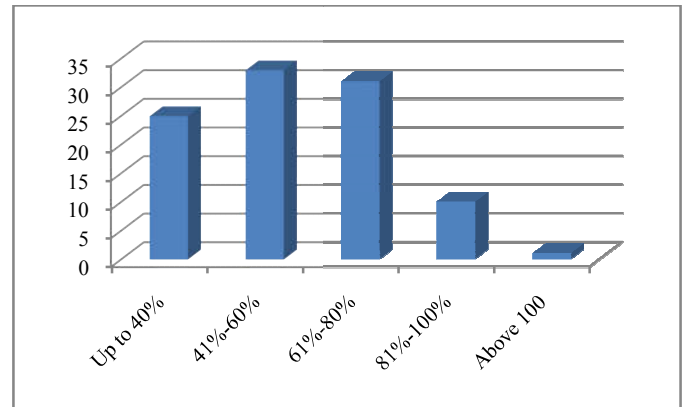
**Chart 5 Present Annual Income of Respondent**

**Interpretation**

The above pie diagram depicts the present annual income of respondent. 38% of respondent says that they have income up to 50000. Only 3% have 90001-700000 income.

**Table 6 Present Annual Expenditure to Total Annual Income**

Expenditure	Frequency	Percentage
Up to 40%	25	25
41%-60%	33	33
61%-80%	31	31
81%-100%	10	10
Above 100	1	1
Total	100	100



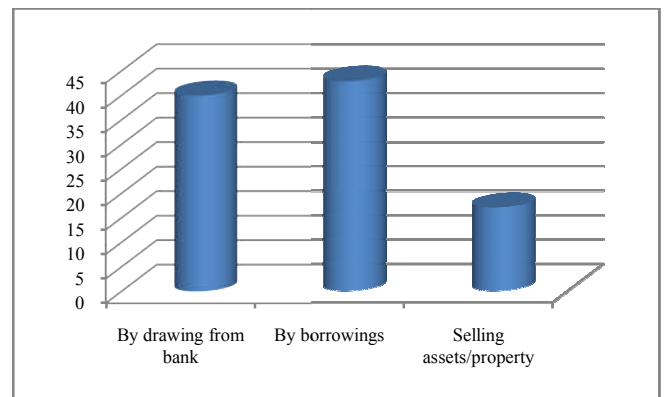
**Chart 6 Present Annual Expenditure**

**Interpretation**

The above table and diagram shows major respondents (33%) spent 41%-60% of their income. Where only 1% of the respondents spent above 100% of their income.

**Table 7 Sources of Income for Meeting the Financial Deficiency**

Source of finance	Frequency	Percentage
By drawing from bank	40	40
By borrowings	43	43
Selling assets/property	17	17
Total	100	100



**Chart 7 Source of Finance**

**Interpretation**

The above table and diagram shows the sources income for meeting the financial deficiency of respondents. 17% of the respondents sell their assets/property for meeting financial deficiency where as rest of the respondents arranges income from borrowing (43%) and from banks (40%).

**Table 8 Respondent's financial status due to employment abroad**

Opinion	Frequency	Percentage
Yes	89	89
No	11	11
Total	100	100

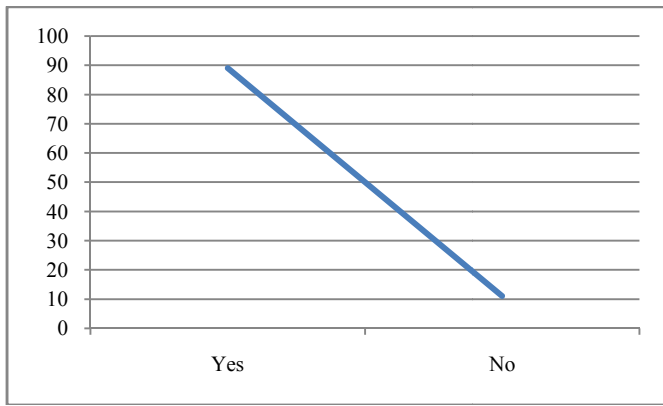


Chart 8 Financial Status

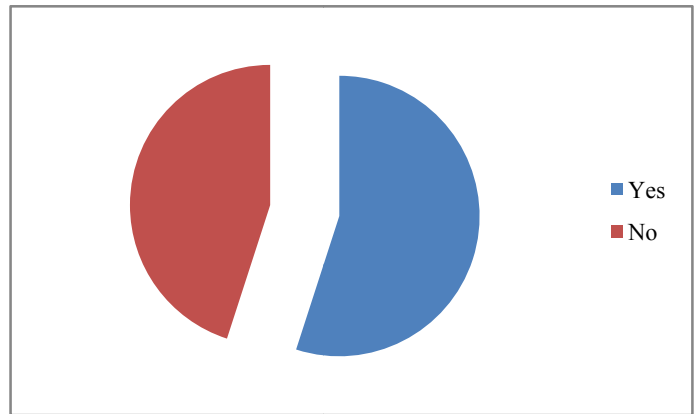


Chart 10 Accounts of income and expenditure

**Interpretation**

The above line diagram depicts that whether there have any increase in the financial status due to respondent's employment in abroad. Majority of respondents (89%) of the respondents opined that they feel change in the status due to employment in abroad.

**Table 9** Opinion regarding financial control

Opinion	Frequency	Percentage
Yes	78	78
No	22	22
Total	100	100

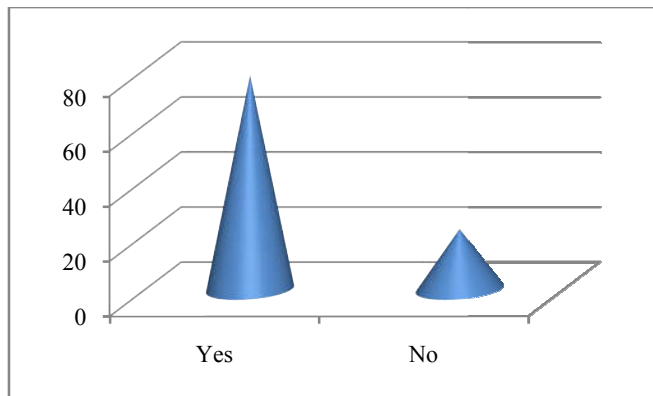


Chart 9 Opinion regarding financial control

**Interpretation**

The above table and diagram shows the opinion regarding respondent's financial control. Majority (78%) of them opined that they have financial control. But 22% of them did not have any financial control.

**Table 10** Maintain accounts related to income and expenditure of respondents

Opinion	Frequency	Percentage
Yes	55	55
No	45	45
Total	100	100

**Interpretation**

The above table and diagram indicates that 55% of the gulf returnees maintain accounts related to income and expenditure. On the other hand, 45% of the gulf returnees have not yet maintained accounts related to income and expenditure.

**Table 11** Financial plan for future

Opinion	Frequency	Percentage
Yes	78	78
No	22	22
Total	100	100

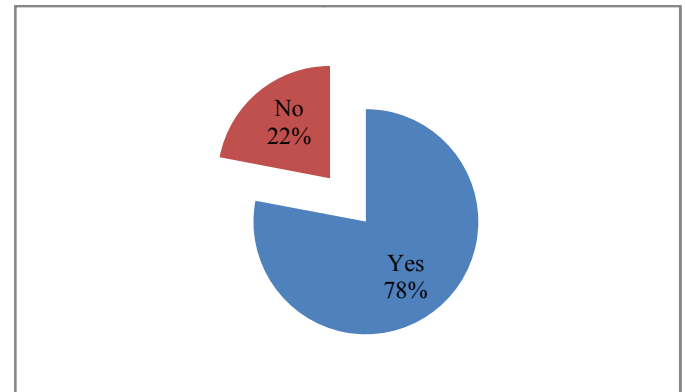


Chart 11 Financial plan for future

**Interpretation**

The above table and diagram shows that 78% of the gulf returnees having financial plan for future while 22% of the gulf returnees do not have financial plan for future, at this point of time.

**Table 12** Insurance policy used

Insurance policy	Frequency	Percentage
Life insurance policy	79	79
Non life insurance policy	11	11
No insurance policy	10	10
Total	100	100

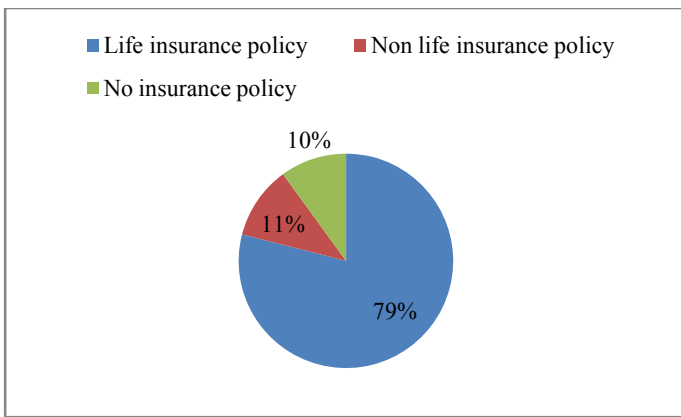


Chart 12 Insurance policy used

**Interpretation**

The above pie diagram shows the usage of insurance policy among gulf returnees. 79% of gulf returnees use life insurance policy. Non-life insurance policy used by 11%. But 10% of gulf returnees do not use any insurance policy.

**Table 13** Types of life insurance policy

Type of policy	Frequency	Percentage
Term Life Insurance	43	43
Whole Life Insurance	52	52
Endowment Plan	4	4
Unit Linked Plan	1	1
Total	100	100

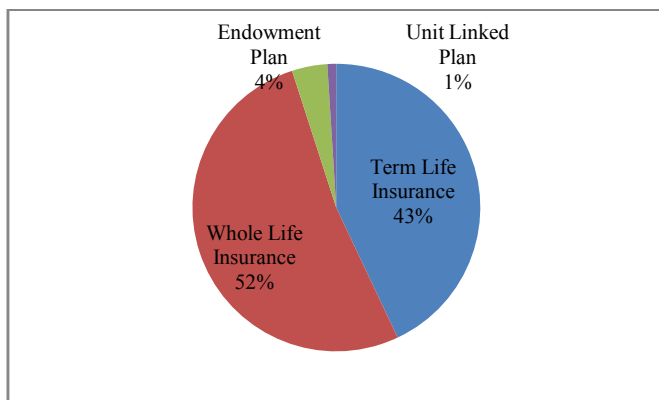


Chart 13 Types of life insurance policy

**Interpretation**

The above table and diagram presents the type of life insurance policy chooses by the gulf returnees. 52% of gulf returnees choose whole life insurance policy and 43% choose term life insurance policy. Endowment plan taken by 4% and unit linked plan taken by only 1% of gulf returnees.

**Findings**

- Low educated people also get high and steady income was the main reason behind the large migration to gulf countries.
- Most of the respondent’s return to their home country due to retrenchment.
- Majority of the respondents have employment presently. But majority of them does not satisfied with the present income.
- There is a rasp abnormality in the expenditure habit of the respondents in 3 different periods. I.e. before

going to gulf, during the gulf period and after return. During the gulf period majority of the respondents’ annual expenditure was on the hike.

- Many of them agree that their life conditions during gulf period were well pleased.
- More than half of the gulf returnees did not have any financial planning during gulf period.
- The respondents, who follow the financial planning, can maintain their standard of living even after relocation.
- More than half of the gulf returnees make up financial deficiencies by drawing from bank.
- Major part of the respondents does not have any budget for financial control.
- Many of the respondents do not maintain any accounts related with income and expenditure.
- More than half of the gulf returnees have financial plan for future.

**Suggestions**

From the study it has been found that many of the respondents did not have any proper knowledge about financial planning. Personal financial planning allows individual and families to achieve their personal financial goals more easily. Therefore it is suggested that they have to be properly educated with regard to personal finance. Let’s look at some practical suggestions that can help the gulf returnees take their financial planning to the next level and put them on the right path to a more financially secure future.

- Set a budget is the starting point for every other goal in your life.
- Make savings part of your monthly budget.
- Reallocate investments.
- Debt management is just as much about avoiding future debt and looking for areas to cut back spending or at least, spend smarter.
- Review insurance coverage on a regular basis to ensure that the amounts of coverage are still consistent with your original needs and intent.
- Review your credit report regularly and keep an eye on your credit score.
- Spend on experiences, not things.

**CONCLUSION**

“A study on personal finance of gulf returnees in Alanallur grama panchayath” was an attempt to analyze the financial planning of the gulf returnees in Alanallur grama panchayath. It is to be noted that income from the gulf countries boost up the development of our country. But many of NRI’s revert due to various reasons. The main reason behind the collective migration to our home country is the new rules and regulations imposed by the gulf countries. It is important that their problems are to be focused. Gulf returnees are struggling to figure out their goals and finances for coming years. Unfortunately, many respondents will not achieve their financial goals next year or even get started, leaving their future financial security up in the air. The gulf returnees can solve the financial problem themselves to an extent. This is

possible only if they are more educated with the financial planning.

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### How to cite this article:

Ranjith Karat and Nitha TK.2018, A Study on Personal Finance of Gulf Returnees with Special Reference To Alanallur Gramapanchayth, Palakkad (DT). *Int J Recent Sci Res.* 9(3), pp. 25171-25177.  
DOI: <http://dx.doi.org/10.24327/ijrsr.2018.0903.1805>

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