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# Financial Management Strategies Adopted By Selected Families In Makurdi Metropolis, Benue State In The Face Of Economic Challenges

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***Abstract:*** ***The study investigated financial management strategies adopted by selected families in Makurdi Metropolis, Benue State in the face of economic challenges. The study was guided by three research questions. Survey research design was used. Sample size was 250 heads of families. Financial Management Strategies for Families in Coping with Economic Challenges Questionnaire (FMSFCECQ) was used as the instrument for data collection. Data were analysed using mean and standard deviation. Results show that financial management strategies families adopt to cope with economic hardship in Makurdi metropolis include living within the family's means, prioritization of spending, tracking and reduction of expenses, strict monitoring of expenses and avoiding arbitrary spending among others. Sources of raising additional income families adopt to cope with economic hardship in Makurdi metropolis include farming for subsistence and sale, savings from cutting down on luxury goods and services, creating savings from opportunity gains, and setting up of small business ventures among others. It was also established that irregular payment of salaries, inadequate knowledge of financial management by families, and high level of dependency among others poses threat to efforts of families. Recommendations include among others; advocacy campaign to popularize knowledge and proper understanding of home management, and financial literacy campaigns.***

***Keywords: Financial management, Strategies, Families, Economic challenges***



## I. INTRODUCTION

The management of finances is an indispensable activity at organizational, governmental and household levels. Finance as a matter of fact is the pivot upon which almost all activities revolve. According to Van Horne & Wachowicz (2001) financial management deals with the acquisition, financing, and management of assets with some overall goal in mind. In the same vein Akinsulire (2010) asserts that the finance function centres on the management of funds, raising and using them effectively. It therefore covers all functions concerned in attempting to ensure that the financial resources are obtained and used in the most effective way to secure attainment of the desired objectives. Nguyen, and Tran (2012) states that financial management is mainly concerned with the effective funds management. Financial management is therefore concerned with all the strategies and actions that shape the planning, budgeting, coordinating, directing, and control of the receipts of funds, and their disbursement and utilization for the purpose of attaining an individual or organization's objective.

Rothwell and Sultana (2013) maintained that a prerequisite for sound financial management is the possession of certain level of knowledge about economics and the workings of financial systems generally referred to as financial literacy or financial knowledge. Being financially literate would mean that an individual would benefit from a palette of abilities and attitudes such as a comprehension of money management concept, knowledge of financial institutions and attitudes which enable effective and responsible management of financial affairs (Albeerdy & Gharleghi, 2015). Jariah, Husna, Tengku and Rahimah (2012)

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stated that financial illiteracy can contribute to inefficient management of financial resources.

The essential elements of a financial management system begins with a good internal control system that will safe guard the assets, promote operational efficiency and encourage adherence to established policies. Such a system would include checks and balances, a good system of recording that will ensure the capturing of all financial transactions in a useful manner. It will include a good budgeting system and fund management system as well as periodic financial review (Adora, Agba & Olajide, 2010; Sanusi, 2009).

The process of raising money and its utilization takes place at the household or family level to satisfy the basic needs of an individual and that of his household. Financial management in the household involves controlling and tracking expenditures and revenues (Ana & Juracy, 2015). In other words, financial management by household deals with raising of funds and management of family or individual spending, and utilization, in order to achieve the desired objectives. Granbois, Rosen and Acito (1986) suggested five primary measures of family financial management to include budget which is determined at the beginning of a spending period; savings policy; surplus funds policy for funds left over after the payment of bills and other obligations; special accounts, and credit transactions analysis.

At the heart of financial management in the household is family financial resources and the needs of the family usually represented in the expenditures incurred. Financial resources are required to implement household programmes and activities. But as financial resources are scarce, prudent financial management is imperative. Ugomma and Ochai (2015) state that family financial resources could take the form of physical cash, bank credits, allowances and discount received among others. Family expenditures which may be summed into the basic needs of the household (food, shelter, and clothing) may turn to exalt pressure on the financial resources. Another important phase in family financial management involves record keeping and financial control functions; also emphasis is placed on the maintenance and generation of appropriate accounting information in a more unique individualistic manner.

The importance of family financial management is at the front burner now than ever before owing to the current economic challenges. Oladeji and Adeniji (2015) state that for a long time, Nigerian families have been in poverty and hardship arising from economic and political instability. Numerous issues and challenges arise in society and have over the ages continued to impact the family. Such concerns include hunger, poverty, unemployment or loss of jobs (Sonye & Kparevzua, 2017). Fox and Suzanne (2000) maintained that economic challenges or hardship can be the product of inability to meet financial obligations, the uncertainty of income sources, the instability of employment, the inadequacy of earnings to meet the needs and desires and/or confusion in the general economy due to recession, unemployment, or poverty rates.

The economic challenges being witnessed by families presently is traced from the economic recession of year 2016 in Nigeria. However, in Makurdi Metropolis, Benue State the current economic hardship is worsened by the persistent non payment of civil servants salaries, continued annihilation of the people by Fulani herdsmen. The civil servants and the farmers' population are hard hit in their major source of livelihood. This has drastically affected the entire economy of not only Makurdi metropolis but Benue State at large. This calls for families to adopt effective financial management strategies to cope with the effect of economic hardship.

## A. STATEMENT OF THE PROBLEM

Nigeria entered into economic recession recently. Although, the country is said to be out of recession, economic hardship has continued to bit harder. The rate of inflation and unemployment is still high while hunger has stressed families to a breaking point. The rate of inflation and unemployment is currently put at 13.34 and 18.8 percent respectively (NBS, 2018). There are therefore increased cases of petty stealing, arm robbery, withdrawal of children from school due to lack of money to pay school fees and inability to meet other household needs. The ability of families to carefully and systematically adopt financial management strategies to meander through the current economic challenges is very essential. It is in view of this that the researcher investigates into financial management strategies families in Makurdi metropolis adopt to cope with economic hardship.

## B. OBJECTIVES OF THE STUDY

The primary objective of this research is to examine the financial management strategies adopted by families to cope with economic challenges in Makurdi metropolis. The study specifically;

- ✓ identified financial management strategies families adopted during economic hardship in Makurdi metropolis.
- ✓ identified sources of raising additional income families adopt to cope with economic hardship in Makurdi metropolis.
- ✓ identified challenges faced in implementing financial management strategies to cope with economic hardship in Makurdi metropolis.

## C. RESEARCH QUESTIONS

The following research questions guided the study.

- ✓ What are the financial management strategies families adopt to cope with economic hardship in Makurdi metropolis?
- ✓ What are the sources of raising additional income families adopt to cope with economic hardship in Makurdi metropolis.
- ✓ What are the challenges faced in implementing financial management strategies to cope with economic hardship in Makurdi metropolis.

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## II. METHODOLOGY

### RESEARCH DESIGN

The survey research design was used to generate data from a population comprising of households in Makurdi metropolis.

### SAMPLE AND SAMPLING TECHNIQUE

The researchers carried out a pilot study covering 100 people. In the pilot study 80 of those sampled representing 80% or 0.8 were returned. These figures formed the basis for the sample size determination using Godden (2004) formula for a population that is more than 50,000 which yielded a sample size for the study of 250. Simple stratified random sampling was used for the distribution of the questionnaire to head of families. Out of the 250 questionnaires administered, 214 (86%) were returned.

### INSTRUMENT FOR DATA COLLECTION

The instrument used in data gathering was Financial Management Strategies for Families in Coping with Economic Challenges Questionnaire (FMSFCECQ). The questionnaire was divided into sections A - D and covered all the objectives. The study adopted a 5 point likert scale with Strongly Agree (SA) – 5points; Agree (A) – 3points; Strongly Disagree (SA) - 2points and Disagree (D) – 2point, and undecided (UD)–1point.

### VALIDATION AND RELIABILITY OF THE INSTRUMENT

The instrument for data collection was validated by an expert each in Home Economics from the University of Agriculture, Makurdi and Department of Economics, Benue State University, Makurdi after which correction was made on grammar, length of items, face and content validation. All ambiguous items were removed or rephrased appropriately. The reliability of the instrument was established using cronbach Alpha and .80 was taken as significant for the instrument.

### METHOD OF DATA ANALYSIS

Descriptive method of data analysis was used in analyzing the research questions. Specifically, the research questions were analyzed using frequencies, percentages, means and standard deviation.

## III. RESULTS

The results of data analysis are presented below.

| Level | No of Respondents | Percentage (%) |
|---|---|---|
| School Cert./Undergraduates | 50 | 25 |
| Graduates | 90 | 45 |
| Post graduates | 60 | 30 |
| **Total** | **200** | **100** |

*Source: Field survey, 2017*

*Table 1: Educational Attainment of Respondents*

Table 1 show that 25% of respondents are secondary school certificate holders and undergraduates, 45% are graduates and 30% possesses postgraduate education. The educational attainment of the respondents is considered important here because it is a common belief that the higher one's educational attainment, the better one's appreciation of issues. It is therefore, right to say or assume that there is a positive correlation between educational attainment and objectivity. This is because one's power of judgment becomes sound and sharper with education. Although this assertions or assumptions have no empirical support and can be an area of research, they are made here for the purpose of this study. The table indicates that 100% of the respondents are literate enough to appreciate the subject matter of the research.

| Impact of Autism | Mean | Std. | Dec. |
|---|---|---|---|
| Prepare and follow budget | 3.48 | 1.44 | Accepted |
| Track and reduce expenses | 3.85 | 1.17 | Accepted |
| Prioritise spending | 4.31 | 0.91 | Accepted |
| Live within your means | 4.31 | 0.91 | Accepted |
| Track actual spending | 3.48 | 1.44 | Accepted |
| Strict monitoring of spending | 3.85 | 1.17 | Accepted |
| Regularly compare actual spending with budget | 3.48 | 1.44 | Accepted |
| Avoid arbitrary spending | 3.85 | 1.17 | Accepted |
| Strictly monitor sources of income | 3.48 | 1.44 | Accepted |
| Manage loans wisely | 3.48 | 1.38 | Accepted |
| Analyse and discuss deviations from budget | 3.48 | 1.44 | Accepted |

*Table 2: Financial Management Strategies Families adopt during Economic Challenges in Makurdi metropolis*

The table 2 shows respondents view on financial management strategies adopted by families in Makurdi metropolis to cope with economic recession. The mean response to each question shows that living within your means and prioritization of spending with a mean of 4.31 each is the highest financial management related strategy. This is followed by tracking and reduction of expenses, strict monitoring of expenses and avoiding arbitrary spending with a mean of 3.85 each. The standard deviation of the financial management strategies ranges from 0.91 to 1.44 indicating low variation in the responses among the respondents.

| Sources of raising income | Mean | STD | DEC |
|---|---|---|---|
| Borrow only from very low interest sources | 4.27 | 0.46 | Accepted |
| Setting up a small business venture | 4.09 | 1.15 | Accepted |
| Engaging in poultry farming | 4.18 | 1.05 | Accepted |
| Farming for subsistence and sale | 4.55 | 0.80 | Accepted |
| Creating savings from opportunity gains | 4.41 | 0.50 | Accepted |
| Engaging in meaner jobs | 4.14 | 0.89 | Accepted |

| | | | |
|---|---|---|---|
| Putting in more hours at gainful work | 4.27 | 1.08 | Accepted |
| Self execution of certain jobs to avoid spending | 4.36 | 0.90 | Accepted |
| Savings for using low cost transport system | 4.32 | 1.04 | Accepted |
| Savings from cutting down on luxury goods & services | 4.45 | 0.80 | Accepted |

*Table 3: Sources of raising additional income families adopt to cope with economic hardship in Makurdi metropolis*

The table 3 shows respondents view on sources of raising additional income families adopt to cope with economic hardship in Makurdi metropolis. The mean response to each question show that farming for subsistence and sale has a mean of 4.55, savings from cutting down on luxury goods and services is followed with a mean of 4.45, creating savings from opportunity gains has a mean of 4.41 among the sources of raising funds while setting up of small business venture is the least with a mean score of 4.09.The standard deviation ranges from 0.50 to 1.15, this indicates low variation among the respondents view on the sources of raising income.

| Challenges | Mean | Std | Dec. |
|---|---|---|---|
| Inadequate knowledge of financial management | 4.14 | 0.89 | Accepted |
| Irregular payment of salaries | 4.18 | 1.05 | Accepted |
| Poverty | 3.48 | 1.44 | Accepted |
| Inadequate incentives for agricultural development | 3.48 | 1.44 | Accepted |
| High level of dependency | 4.09 | 1.15 | Accepted |
| Pressure from children | 3.85 | 1.17 | Accepted |
| Lack of understanding from family members | 3.48 | 1.44 | Accepted |

*Table 4: Challenges faced in implementing financial management strategies to cope with economic hardship by families*

The table 4 shows respondents view on challenges faced in implementing financial management strategies adopted to cope with economic hardship by families in Makurdi metropolis.. The mean response to each question shows that irregular payment of salaries with a mean of 4.18 is the highest challenge. This is followed by inadequate knowledge of financial management by families with a mean of 4.14 and high level of dependency with a mean of 4.09. The standard deviation of the intervention programmes ranges from 0.89 to 1.44 indicating low variation in the responses among the respondents.

## IV. DISCUSSION

From the analysis, the results of the study revealed that financial management strategies families adopt to cope with economic hardship in Makurdi metropolis include living within the families means, prioritization of spending, tracking and reduction of expenses, strict monitoring of expenses and avoiding arbitrary spending among others. This agrees with Sonye and Kparevzua (2017) who found out that financial management strategies families can adopt include cutting out luxury items, cutting back on vacations, purchase of locally manufactured goods and postponing purchase of non-essential items. On another pedestal families were found concentrating on basic needs such as food, clothing, shelter, education and transportation among others (Ogbonne, 2017). Onyebueke and Eze (2017) opined that families should also learn to live within their present income, reduce spending and be self-employed. Similarly, Ugomma and Ochai (2015) found out that the ways of managing family financial resources to cope with economic challenges include financial budget and prudent financial planning. It is assumed that families that tend to plan their finances for the long run can manage their household finances better, since they anticipate costs and expenses in relation to their budget, which improves their ability to make predictions (Ana & Juracy, 2015). The centre for Personal Financial Education (2004) emphasised that the key to successful financial management is to develop and follow a personal financial plan.

Rajina, Ezat, Al Junid and Moshiri (2011) found that budgeting and financial records keeping are absolutely essential for successful financial management. Australian Securities and Investments Commission (2017) in stressing the importance of budget in household financial management note that the best way to take control of your household finances is to do a budget. This is a simple tool that helps you understand the money you receive and spend. In addition to budget preparation it is important to analyse and discuss deviations from budget within the family especially couples since those who discuss together on how to handle their finances do have a better understanding. Couples who make financial budgets and spend money together are more financially adjusted than those who live the other way round (Igbo & Dabu, 2015). Ashton (2006) opined that in the home, money management between husband and wife should be on a partnership basis, with both parties having a voice in decision- and policy-making.

From the analysis of table 3 it was established that sources of raising additional income families adopt to cope with economic hardship in Makurdi metropolis include farming for subsistence and sale, savings from cutting down on luxury goods and services, creating savings from opportunity gains, and setting up of small business ventures among others. Ifabiyi and Banjoko (2018) maintained that many people have to go back to farming in order to be food secured and as a source of livelihood. Others operate a small scale business, engage in life style changes by looking for cheaper alternatives and prioritize spending. Seonglim, Myung-Hee and Montalto (2000) opined that if households intend to achieve their financial goals, they have to save. It should be noted that future goals can be reached by running a positive surplus in family budgeting, that is, keeping expenditures below income. Rothwell and Sultana (2013) maintained that prudent management of cash flows and savings are important for at least two household functions. These include ensuring more disposable income for investment of resources in ways that promote development as well as buffer against unexpected financial shocks and mitigating family stress. The act of saving, by making regular deposits into a savings instrument, may be an important mechanism for acquiring productive assets (Leckie, Hui, Tattrie, & Cao, 2010).

On challenges faced in implementing financial management strategies adopted to cope with economic hardship by families in Makurdi metropolis it was established that irregular payment of salaries, inadequate knowledge of financial management by families, and high level of dependency among others poses threat to efforts of families. Ogbonne (2017) opines that in most African setting, helping extended family members is considered obligatory and any attempt to do otherwise could have a negative outcome on the wellness of the family. This creates more challenges to household while trying to implement financial management strategies to cope with economic hardship. Hilgert and Hogarth (2003) opined that lack of knowledge about principles of financial management and financial matters could explain why some families do not follow recommended financial practices.

## V. CONCLUSION

It is evident that families now face great economic stress which might lead to some emotional breakdown in the family. Most families are tackling the situation headlong by adopting effective financial management strategies to mitigate the hardship. They have also established sources of raising additional income to supplement the major ones. However, there is no smooth sail in the implementation of these strategies owing to certain peculiar challenges. No doubt families will continue to survive economic hardship due to the adaptation of effective and efficient financial management strategies.

## VI. RECOMMENDATIONS

- ✓ Advocacy campaign should be established to popularize knowledge and proper understanding of home management, so that people are properly informed on the kind of strategies to adopt to survive economic hardship. The media can play an important role in educating the families.
- ✓ Financial literacy. There is need to educate families to better manage their income and expenses and plan their budgets. A lack of knowledge and skill in dealing with budget issues, interest, investments, loans and other banking services eventually lead people to make errors that may have serious consequences for their financial situations.
- ✓ Public policies should be developed to educate and encourage household financial planning, in a way that improves saving habits. Educational campaigns on the benefits of reserving resources for future needs – for emergency situations could help families increase their surplus, thereby minimizing the actual trend of difficult financial situations.
- ✓ Urgent steps must be taken by the Federal Government of Nigeria to stop the killings in Benue by Fulani militia herdsmen to allow tens of thousands of farmers displaced to go back to their farms. The absence of the farmers in their duty post is a sign of impending food insecurity that will further exacerbate economic hardship in Benue State. This will create further challenges in financial management efforts of families who are already overstretched.

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