A Theoretical Study of Family Resource Management

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Abstract: Family resource management has a fundamental role in helping meet and alter the increasing complexities faced by the families. In this way, this article attempts to describe the theories of family economic management. To solve the economic problems we need to improve the economic status of families who fail to manage their budget, which results in high debt levels and a lack of personal savings. The implication of this study arises from the fact that there has been little research carried out on the family economic status. Theoretically, the findings of this study enrich the knowledge concerning family economic and management functions.
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Introduction

Family economics is now a honourable and growing field (Becker, 1965). Economic status and family are among the most widely used terms in the field of family economics and household management. Family resource management has a fundamental role in helping meet and alter the increasing complexities faced by the families. Household management is the process of using the resources to attain its goals through planning and taking the steps necessary to meet these goals. A crucial part of the management process is the allocation of resources for the appropriate goals (Deacon & Firebaugh, 1988). In other words, management is the process of using what one has to get what one wants. Resource recognition is the realization of the skills, talents, and materials that the household possesses (Goldsmith, 1996; Hallman, 1990). The management process involves thinking, action, and results. Although household management is practical, it is not necessarily simple. It becomes complex because the choices of the individuals and the family are constrained by limited resources. Each individual has his or her own resource, attitudes, talents, and skills that are brought to bear on situations. Management, therefore, has to be viewed within the context of the greater life environment, which is constantly changing (Goldsmith, 1996). Household management consists more than merely the economic management of resources to produce a high standard of living through consumption. The management process begins with a problem, need, want, or goal, which has to be identified. Once identified, the individual or family moves to the second step, which is the clarification of values. The third step involves identifying the available resources. Deciding, planning, and implementing are in the fourth step of the process. In the fifth step, the goals are accomplished or fulfilled and the process as a whole is evaluated. Then, the information returns to the system and enables the individual's overall management knowledge and ability to grow (Goldsmith, 1996). Each person has his or her own management style, or way of making decisions and acting. Various factors including history, biology, culture, personality, and technology influence the individual's management style. But the field of resource management is even broader than these influences suggest (Goldsmith, 1996). Life management, on the other hand, encompasses all the decisions a person or family will make, and the way their values, goals, and resources affects their decision-making. It includes all the goals, events, situations, and decisions that make up their lifestyle. Life management, thus, is a holistic approach that looks at management as a process that evolves over an entire life span (Goldsmith 1996).The study of household management is a combination of theory, concepts, technique, research, and practice. There is not only one management theory or framework; instead, management is an interdisciplinary field that borrows concepts and theories from related disciplines (Goldsmith 1996). Much of a household's decision-making shaped by the environmental settings in which the family functions. These environments either constrain this decision-making or offer opportunities for the family. Because the physiological and the psychological makeup of the family members differ, so do as the environments in which they interact, it becomes essential to view decision-making from an ecological perspective (Paolucci et al., 1977).

Family Resource Management

Family resources are the means for satisfying our needs and reaching our goals.

-Money, salary, rent, interests from savings bank account etc.
-House for living and working.
-Time, like an hour a day, month etc.
-Energy to do work.
-Knowledge, skills and abilities for doing our work, like sewing, driving,
swimming, etc.
-Material goods like household equipments, car etc.
-Community facilities like park, hospitals, roads, bus etc.

The resources possessed and utilized by persons are called human resources. Non-human resources are external to individuals, but they can be possessed and utilized by them (Home Science 2010).

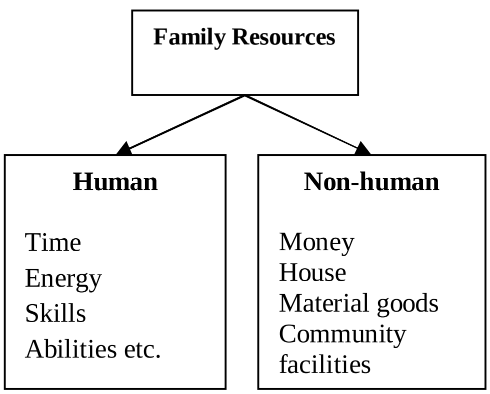

Figure 1: The family resources

Family structural-functional theory

This theory provides a foundation for understanding relationships between family and health care systems (Friedman, 1998; Pratt, 1976).The family is a basic social unit that meets both individual and societal needs and interacts with other societal institutions. Family structure includes family composition, size, and roles. Function refers to why the family exists, which is to meet the needs of both individuals and society. It is through the family structure that family functions occur. Within the context of family structural and functional theory, a more specific understanding of the relationships among family economics, quality of life, and changes in the health care system is provided by an economic approach to families. Becker's treatise on the family (1991/1993) is a seminal work on the economic perspective of the modern family. Higher divorce rates, lower birth-rates, single-parent households, working mothers, and increased life span led Becker to reformulate traditional economic theories regarding the function of the family in society. Traditional economic theories typically focused on men as income-earners and women as homemakers and non-participants in the labour force. Becker analyzed the effects of women's participation in the labour force on the division of labour in both the market and the household.

One model in Becker's treatise concerns the allocation of energy (or effort) among various household and market activities. According to Becker, "firms buy a package of time and effort from each employee, with payment tied to the package rather than rendered separately for units of time and effort" (p.65). This premise explains lower earnings by women who are usually the primary persons responsible for childrearing and household duties. For example women earn less when less energy is available for the labour force because of sick children require mothers' care at home, or the inability to work required hours due to childcare needs. This premise also explains the affect of illness on family economics (Backer 1991/1993).

Economic Organization of the Household

The economic organization of the household is the main approach of the economic family. It has described by Bryant in 1990. Bryant synthesized various threads of research and scholarly works regarding economics of the family into a single text on the subject. According to Bryant the family is considered a household, a smaller unit of the larger society, that forms to pursue the goals of "satisfaction seeking" (p.1) and "increasing the well-being of their members" (p.2). Bryant uses the concepts of well-being and satisfaction interchangeably with utility, which he defined as preferences a household has for goods and services for meeting goals. He states, "The household's preferences reflect its likes and dislikes, its views as to what will increase and what will decrease its well-being, its goals if you will" (p.17). The economic organization of the family refers to the size, structure, and composition of the household as well as the patterns of resource use and of activities pursued by the household "(pp.5-6).

Circumstances in the broader social environment also affect the available resources of a household to achieve the goal of well-being. According to Bryant (1990) conditions of both inside and outside the household determine the amounts and kinds of resources possessed by the household. The productivities of each resource in the activities pursued and the satisfaction the household receives from the activities. The conditions inside and outside the household change, thus the patterns of resource use and of activities pursued by the household change (Bryant, 1990). In this model and in Becker's model management practice is viewed as an investment in human capital. Income and earning potential is increased when people practice management and getting better result than the past. On the other hand, a person who has less management knowledge tend to have lower financial resources comparing to those with higher knowledge. To summarize, Becker's and Bryant's family economic theories are based on the assumptions that human behaviour is goal directed, and humans make rational choices concerning how goals are met. Families form to pursue the goal of satisfaction of its members. Income is a resource available to use on goods and services needed by a family to achieve its goals, including the health, educate and economic objectives of family members.

Family Financial Management

Effective financial management as defined by Schnittgrund and Baker (1983) combines financial management practices and outcome results such as the type of budget used, the frequency of saving, and the frequency of financial management problems in the family. Research shows that consumers believe financial management practices like budgeting and saving is valuable (Godwin & Carroll, 1986; Mullis & Schnittgrund, 1982; Schnittgrund & Baker, 1983). However, most studies relating to financial management practices identify the audience using recommended financial management practices rather than the results of using the practice.

Characteristics of those who adopt recommended management practices have been the topic of previous research. Beutler & Mason (1987) studied factors associated with using formal budget planning. They found that young, married, and well-educated households with high demand on available resources were more likely to adopt the practice of written budgets. Level of income did not significantly affect the practice of written budgets. Level of income did not significantly affect the practice of budgeting. Most families who budgeted their money, compared to families who did not budget, believed that they could increase their satisfaction with financial management by planning expenditures (Mullis & Schnittgrund, 1982). Rosenfield and Neese-Todd (1993) showed that most aspects of the quality of satisfaction with financial status are related to the individual's perception of their control over finances (Rosenfield & Neese-Todd, 1993). Women, more often than men, view themselves as powerless and lacking essential resources to be able to make changes in their lives (Burman, 1994). Even though financial management practices have been proven to increase net worth and satisfaction with financial resources, there is evidence of resistance and failure of consumers to adopt such practices (Beutler & Mason, 1987; Davis, 1988; Godwin & Carroll, 1986; Schnittgrund & Baker, 1983) suggests that even affluent households do not see the balance sheet as a useful financial tool. Davis (1987) found that lack of time and knowledge were the two reasons most often given for not using recommended practices of budgeting, record keeping, comparing records to the budget, and preparing a balance sheet. The need for budgeting financial resources and wise use of credit are most often felt by those with low incomes or who are in debt (Davis, 1987). To encourage adoption of financial management practices, Walker, Tremblay and Parkhurst (1984, p.429) recommend that educational programming be inexpensive, uncomplicated, and readily accessible (Walker et al., 1984).

Steps in the management process

According to the literature review from previous studies, there are four steps of management. To achieve our goals with limited resources, we have to follow a systematic method. Management involves the following steps:

- Planning
- Organizing
- Controlling
- Evaluating

Step 1: Planning

The first step in management consists of thinking in advance of what needs to be done i.e., planning. A simple way to plan is to make a list of all the things that need to be done (Resource Management 2010). It means both to assess the future and make provision for it" (Fayol, 1949, p. 43)".

Step 2: Organizing

Organizing involves assembling resources and fixing responsibilities Fayol (1949) enumerates the managerial duties of organizations that must be realized through personnel. Fayol considers the functional components of organizations along with the constituent personnel, and discusses the ideal conditions required of each in considerable detail.

Step 3: Controlling

It has consists of the ongoing, routine verification of plan implementation, instructions issued, and principles. Controlling applies to all processes. Its purpose is to identify weaknesses and problems such that they can rectify and recurrences prevented.

Step 4: Evaluating

The evaluation helps to understand the weaknesses and mistakes so that it is checked and will not be repeated in future. This is also called looking back or "feedback"(Home Science 2010).

Engel Curve Analysis

In Engel curve analysis, the choice of a functional form is based on both economic and statistical considerations (Prais & Houthakker, 1971) . The simplest of these is linear. Theoretically, this is a plausible relationship because in a complete system of demand equations linearity satisfies the adding up criterion (Phlips, 1983) that the sum of the one at all income levels (Phlips, 1983; Prais & Houthakker, 1971) In statistical analysis, the fit of linear Engel curves has been found to be poor (Phlips, 1983), leaking economists to use other functional forms. From a theoretical point of view, this functional form is not desirable because it violates the adding-up criterion (Deaton & Muellbauer, 1980). However, the tradition of household budget analysis has been to choose functional forms on the basis of statistical fit (Deaton and Muellbauer, 1980). The double- logarithmic form is useful in expenditure studies because the income elasticity of expenditures for the good in question can be read directly from the income coefficient. Estimation of this functional form is appropriate for broadly defined expenditure categories like clothing (Dardis, Derrick, & Lehfeld, 1981a, 1981b; Wagner & Hanna, 1983), in which all or most households report expenditures during the survey period. Consequently, by utilizing the concept of wants, Engel devised a classification method that enabled him to empirically measuring the impact that particular wants have on consumption over a range of observed income. He did so by classifying expenditures into the want for nourishment, clothing, accommodation, heating and light, household goods, spiritual education (education and entertainment), public safety, health and recreation and personal services (Engel 1857:6). Engel did not create a separate category for travel and trade, reasoning that these types of expenditures are not end purposes in themselves, but that they were done for other purposes, e.g. expenditure on travel contributed to either work or pleasure (Engel, 1857).

Therefore, those wants whose expenditure is left at the lowest level of observable income can be understood to be the most urgent. In turn, he reasoned that a rough approximation for public welfare can be attained by investigating how much of the consumer budget is dedicated the want for nourishment, which appeared to be the most basic want (Engel 1857:50).

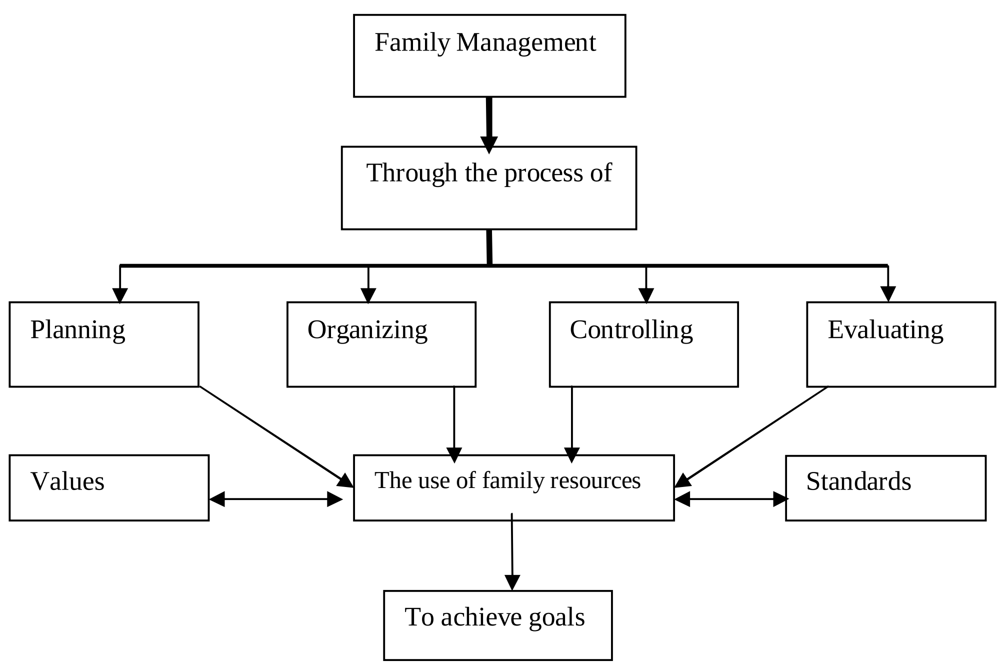

Figure 2: The processes of family management (Home Science, 2010)

Table 1: Classification of Expenditure Categories

Wants	Relevant expenditures
Nourishment	Daily nourishment from meals and beverages, spices, stimulants
Clothing, linen,..	Clothing and shoes of all kinds
Housing	Shelter, furniture, household appliances
Heating and lighting	Wood, heating, lighting via candles, oil and gas
Appliances for work	Tools, machines, mechanical instruments; crockery and vessels etc;
Intellectual education	Tuition,; worship; scientific equipment, literary and artistic production
Public safety	Legal protection; administration; police; state defence; care for the poor etc.
Health, recreation,	Medical treatment and pharmaceutical expenses, bathing;
Personal service	Personal services attained from use of domestic servants of all kinds.

Source: (Engel, 1857)

Conclusion

One of the most important reasons for researchers to study family economic status is that any community development in all dimensions starts with the family. Theoretically, the findings of this study will enrich the knowledge concerning family economic and management functions. The most important implications of this study is that researchers and practitioners can able to develop effective programmes for families, especially in economic aspects.

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