

Middle Class Families Financial Planning Towards Future Challenges

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ABSTRACT:

Middle class people normally saves their entire life time income for its own retirement, healthcare, purchase and renovation of houses, marriages and providing best higher education to their children in India and abroad. Middle class people focus on saving, because that saving play virtuous role to overcome all future challenges of middle class families. To improve the financial soundness of middle class family government also announced various schemes and they are Pradhan Mantri Jan Dhan Yojana (PMJDY), Sukanya SmridhiYojana (SSY), Pradhan Mantri Jeevan Jyoti Bima Yojana (PMJJBY), Pradhan Mantri Mudra Yojana (PMMY), and Ayushman Bharat Pradhan Mantri Jan Arogya Yojana (ABPMJAY) etc. In the present study author focused on middle class families financial planning towards four major future challenges higher education in India and abroad, medical emergencies, marriages, purchase and renovation of houses.

KEYWORDS: Middle class families, challenges and financial planning of middle class families

INTRODUCTION:

Middle class people normally saves their entire life time income for its own retirement, healthcare, purchase and renovation of houses, marriages and providing best to best higher education to their children in India and abroad. It is assume that by 2030, India will move to next level in terms of growth of middle class family because by 2030, 80% of households will be middle class, up from about 50% today. It is also assume that in future middle class family will drive around 75% of spending till 2030, which will give boost to our economy. Rise in demand of middle class families leads to increase in our countries GDP, which will play tremendous role for the growth of our nation. Role of middle class society in India founds a large part of our economy. Growth of middle class in India is significantly excellent and very soon it is expected to overtake the United States and emerge as the world's second-largest middle class society.

The main focus of middle class families is on saving, because that saving play virtuous role to overcome all future challenges of middle class families. Total family income of middle class family is very limited, because of lack of skills and education etc. The condition of middle class people is not too worthy, to improve the financial soundness of middle class family government also announced various schemes and they are Pradhan Mantri Jan Dhan Yojana (PMJDY), Sukanya SmridhiYojana (SSY), Pradhan Mantri Jeevan Jyoti Bima Yojana (PMJJBY),Pradhan Mantri Mudra Yojana (PMMY), Ayushman Bharat Pradhan Mantri Jan Arogya Yojana (ABPMJAY) etc. In the present study author focused on middle class families financial planning towards four major future challenges higher education in India and abroad, medical emergencies, marriages, purchase and renovation of houses.

OBJECTIVES OF THE STUDY:

1. To find out major future challenges faced by middle class families.
2. To know the financial planning of middle class families to overcome major future challenges.
3. To know various schemes of government for middle class people.
4. To understand review of literature in the related area.

REVIEW OF LITERATURE:

Irfan Ersin and Serkan eti (2017) in their research paper specified that from the micro economic point of view, savings means that individuals are prepared for risks such as illness, unemployment and expected situations like education and retirement. Individuals smooth their expenditures because they want to be protected from risks of the future by their savings, they also want to decrease effect of their income volatility on their expenditures. Therefore, the creation of saving habits or the expansion of saving cultures contributes to the growth of the country's economy as a micro objective serves a macro goal. With this being the case, the resource deficit that is the result of lack of savings will also be reduced.

Mohini, P. V. (2015) in her thesis discovered that personal financial activities involve three main decisional areas i.e. spending, saving and sharing. Spending includes daily living expenses, for major expenditures and for recreational activities. Saving comprises of long-term financial security and sharing means to provide local and global assistance to needy. Therefore, in the present research will consider this three parameters for understanding financial planning of middle class.

Agarwal, S., Amromin, G., David, I.B., Chomsisengphet, S. & Evanoff, D.D (2010) are of the view that financial literacy increases with increase in educational level of the individuals. The study proclaimed that the respondents possessed financial literacy and that a significant relationship was derived between literacy and socioeconomic variables.

Ramakrishnan (2012) examines the relationship between financial planning & individual investment in his study. The result of the study concluded that the financial education is essential not only for individuals but also for companies and the economy. Educating financial literacy will in turn increase overall welfare.

FUTURE CHALLENGES:

In the present study the author has been focused on four major future challenges faced by middle class families and they are:

1. Higher education in India and abroad
2. Marriages
3. Purchase and renovation of houses
4. Medical emergency

FINANCIAL PLANNING AND GOVERNMENT SCHEMES:

For middle class families financial planning is one of the most important task to meet future challenges. In the present study researcher has been focused on four major future challenges which are faced by middle class families and they are higher education in India and abroad,

marriages, purchase and renovation of houses and medical emergencies. The styles of financial planning of middle class families to meet future challenges are as follows.

1. Middle class people can save their money in the banks saving account and in the form of fixed deposit, recurring deposit and corporate deposit.
2. Middle class people can invest their money in mutual fund in the form of systematic investment plan (SIP) and systemic withdrawal plan (SWP).
3. Middle class people can invest their money in stock market in the form of purchase of shares and trading in future and option.
4. Middle class people can invest their money by purchase of gold bond.
5. Middle class people can invest their money by purchase of RBI bond.
6. Middle class people can invest their money in chit fund.
7. Middle class people can save their money in public provident fund.
8. Middle class people can save their money in national pension scheme.
9. Middle class people can save their money in unit linked insurance scheme.
10. Middle class people can save their money in post office.

So, all these above investment plans are helpful for middle class families to meet their major future challenges effectively.

GOVERNMENT SCHEMES:

There are various schemes launched by government to help middle class families to overcome major future challenges, some of the important schemes are as follows:

1. Pradhan Mantri Jan Dhan Yojana (PMJDY):

PMJDY is a National Mission for Financial Inclusion, particularly to provide access to financial services such as savings and deposit accounts, remittance, credit, insurance, pension, etc. at affordable rates.

Benefits:

1. 1 lakh accident insurance cover, and Rs. 30,000 life insurance cover for those who opened bank accounts before January 26th
2. 4% interest per annum on money deposit
3. No criteria for minimum balance
4. Money can be transferred to any account in India
5. Beneficiaries can get money of government schemes directly in your bank account
6. Overdraft facility upto Rs. 5,000 is available after operating bank account for 6 months

2. Sukanya Samridhi Yojana (SSY):

Narendra Modi launched the Sukanya Samridhi scheme, under the 'Beti Bacho, Beti Padhao' campaign on 22nd January 2015. The aim of this scheme is to meet the education and marriage expenses of a girl child.

Benefits:

1. The account can be opened and operated by a parent or guardian as soon as a girl child turns 10
2. Up to 50% of the balance can be withdrawn to meet educational requirements of the girl after she turns 18
3. Money can be transferred from one authorised bank to another or from post office to any authorised bank and vice versa
4. Offers an interest rate of 8.6% and provides income tax benefits.

3. Pradhan Mantri Jeevan Jyoti Bima Yojana (PMJJBY)

Announced by Finance Minister Arun Jaitley during Budget 2015, the uniqueness of the PMJJBY is that it is a renewable insurance scheme, offering life insurance coverage of Rs. 2

lakhs on death. Two other schemes – Pradhan Mantri Suraksha Bima Yojana and Atal Pension Yojna were launched alongside it.

Benefits:

1. The death benefit will be received by the nominee
2. The cover is for one year. (From June 1 to May 31). It can be renewed every year
3. Life cover of Rs. 3 Lakhs is available at just Rs. 330 per annum.

4. Pradhan Mantri Mudra Yojana (PMMY)

Micro Units Development & Refinance Agency Ltd. (MUDRA) is a new initiative designed for non-corporate, non-form sector, micro and small enterprises whose credit needs are below Rs. 10 lakhs. This scheme was announced by the Finance Minister during the Union Budget 2016.

Benefits:

1. Mudra loans can be availed for vehicles (Commercial vehicle loan, car loan and two-wheeler loan
2. Business Installment Loan (BIL): Loan for working capital requirement, buying plant and machinery, renovating offices etc.
3. Business Loans Group Loans (BLG) and Rural Business Credit (RBC): Drop line overdraft facility and working capital loans
4. Repayment of loans is as high as 7 years

5. Ayushman Bharat Pradhan Mantri Jan Arogya Yojna (ABPMJAY)

This scheme is meant for around 10.74 million deprived households across India who falls in the database of Socio-Economic Caste Census, 2011. The households are included based on their deprivation and occupational criteria for rural and urban areas, respectively.

Benefits:

1. It provides a health cover of Rs. 5,00,000 per family on a family floater basis
2. It includes secondary and tertiary care
3. All pre-existing diseases are covered

4. Beneficiaries can seek healthcare from all empaneled private and public hospitals

Apart from these, there are several schemes that the government is implementing at grass-root level for businesses, agriculture, education and others. These are few of the initiatives that government has introduced to motivate financial planning amidst the middle class Indians. So far many middle class and lower middle class households have been benefited out of these initiatives taken up by the Indian government over the past few years. However, the benefits are not reaching to the maximum out there.

CONCLUSION:

Saving is essential for every individual to fight future challenges. But if the style of making money is not good then people may suffer in future. In the present study middle class families major future challenges are higher education in India and abroad, marriages, purchase and renovation of houses and medical emergencies. To overcome all challenges paramount planning is essential. In the study researcher explains various ways of investment plan and government schemes. If middle class people safely and wisely invest his/her money in the said above investment plan and/or government schemes will be helpful to contest their future challenges efficiently.

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