

## UNIT IV - FAMILY RESOURCE MANAGEMENT

### 28. FAMILY INCOME

Money is a very important to meet the needs of the family. Life becomes very painful, miserable and tense in the absence of money. The person is not able to meet its essential requirements in its absence. Thereby affecting his efficiency. On the contrary, the family is happy, and prosperous with adequate wealth, and if the family income is high then its level of living will be high. Every family has to do some or more financial work to earn money in order to meet the needs of the family.

Therefore, the income earned in a given period is the amount of money received as a result of economic efforts and in which other facilities such as free houses, free medical, free education, travel expenses etc. are included.

#### Definition :

According to Nickel and Darcy, 'Family income is the flow of money, goods, services and satisfaction that comes in the right of the family to meet its needs.

Money is the means of purchasing power and regulation at present. We can achieve the object or service and fulfill the requirements by regulation. We have included all the benefits and services that are received in a certain time. The income of each family is not the same.

Family income does not just mean money or cash, but it is a fraction of the total income, if any item or service such as housing, education, medical service etc. is received free, then it is also a part of family income. So, family income is the amount of money earned in a given period of time and resources, by

using it the family receives satisfaction as per their needs and desires.

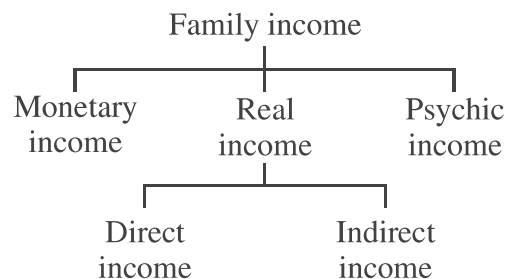
The person makes happy and rich life by satisfying the more and more necessities or in other words, the level of living of the family whose income is high is also excellent.

According to the Gross and Candle, 'Family income is the flow of money, goods, services and satisfaction, which comes in its right to fulfill the needs and desires of the family and the discharge of the responsibilities.

The purchasing power of money is the medium of power and regulation. We can achieve the object or service through regulation and only then can meet the needs of the family. Income includes all the benefits and services that are received in a certain time. People earning high fall in the category of high income and low-income earners fall into the category of low income.

#### Types of family income :

Family income is classified into three types :



**Fig. 28.1 : Family income**

## 1. Monetary Income :

Monetary income is the purchasing power in rupees during a given period of time. Money income is one of the important resource material of the family. It is said, “Money is a matter of function to accomplish four activities, a medium, a measure, a standard and store”. Some people say that “We cannot catch money, but we cannot eat without money.” According to D.H. Robertson, “Money is anything which is widely accepted in payment for goods or in discharge of other kinds of business obligations.” Money income of the family includes all the earnings which come to the family in terms of rupees, coins or notes in a specific period of time, daily, weekly, or monthly through hereditary, rent, salary, wages, gifts and lautory.

## 2. Real income :

Real income is the flow of goods, services and community facilities available for a specific period of time. According to Donaldson, “The real value of income received is the goods, services, security and well-being, that income (money) will purchase.” The concept of real income is very much important for family living. Real time consists of both producers and consumers ‘goods. Family receives these services either from their family members, friends or free services like medical services, gift, house etc.

The real income may be of two types :

### (i) Direct income :

It means a family receives different facilities without paying for them. For example, free well-furnished house, telephone at residence, vehicle for private use, hospital facilities, vegetables from kitchen garden, free accomodation etc. Public services like park, library, police management etc.

### (ii) Indirect income :

It refers to the commodities and services received by the family members on payment as define by Gross and Candle. For example, vegetables from the kitchen garden, milk from the dairy farm earn money after selling them in the market. It is income through which one can get services by spending it or earn money by selling things.

## 3. Psychic income :

This income is the flow of satisfaction derived by the family from the use of money income and real income. This income is intangible and qualitative or subjective. This income is also called as Enjoyment income, experienced over a given period of time by the proper utilization of money income and real income. We must maximize psychic income, because our ultimate goal is to derive maximum satisfaction and peace from life. It is not measurable money as defined by Nickle and Dorsey.

Real income is directly utilized so it is called direct income. Money income cannot be directly utilized, but it is used as a medium of exchange for obtaining goods and services. So it is called as Indirect income of the family. Money income is mainly based on the earning capacity of the members, but the real and psychic income depends on the skill that is exercised in management of everyday living.

### Different sources of family income :

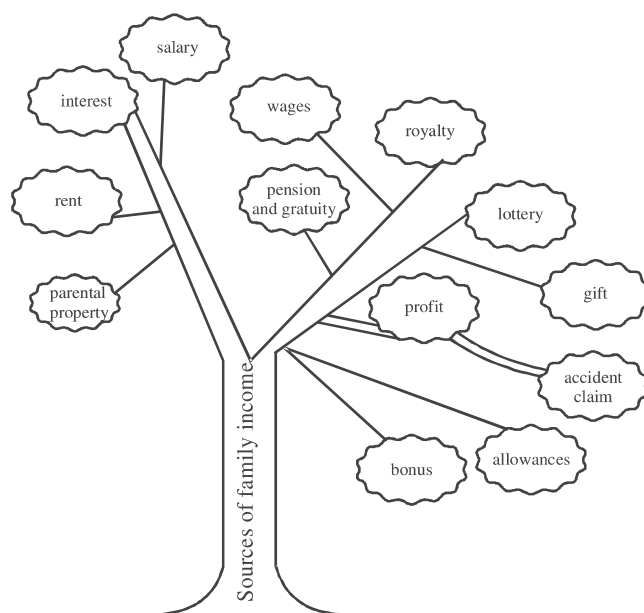


Fig. 28.2 : Sources of income

1. **Wage :** A wage is monetary compensation (or remuneration, personnel expenses, labor) paid by an employer to an employee in exchange for work done. Payment may be

calculated as a fixed amount for each task completed (a task wage or piece rate), or at an hourly or daily rate (wage labour), or based on an easily measured quantity of work done.

2. **Salary :** Mental labor has to be done with physical labor to accomplish many tasks. The income received in its return is called salary. It meets the person's skill, education, attitude of work, experience, diligence and position. It is necessary having mental skills to get more salary. Salary is usually given monthly. Salary increments are annual. Pay includes dearness allowance, house rent, travel allowance, vehicle amenities etc.
3. **Interest :** It is payment from a borrower or deposit-taking financial institution to a lender or depositor of an amount above repayment of the principal sum (i.e., the amount borrowed), at a particular rate. It is distinct from a fee which the borrower may pay the lender or some third party. It is also distinct from dividend which is paid by a company to its shareholders (owners) from its profit or reserve, but not at a particular rate decided before hand, rather on a pro rata basis as a share for the reward gained by risk taking entrepreneurs when the revenue earned exceeds the total costs.
4. **Rent :** Acquiring money through renting a house or a land is also one source of income. Rent is a source of income.
5. **Profit :** Some people invest their money as a business. They sell their produce for money. The money that is remaining after incurring all expenses is called the profit. Profit depends on the type of business and management. Profits may be low or high.
6. **Pension and gratuity :** A person receives money per month after retiring from a job which is known as pension. The amount of pension also depends on the amount of salary that the person was drawing during his job. The pension receiving by a person is 50 percent of his salary. A person also receives a fixed amount of money from the institution at the time of retirement as gratuity. This is provided at one time unlike

pension which is provided monthly. Pension and gratuity is the best source of income for old aged people.

7. **Bonus :** The employees receive an additional amount of money once in a year in various companies or corporations as a bonus. This serves as an extra income for a person which depends upon the benefit of the company. It is offered mainly during festive seasons like Diwali. For example, on Diwali festival the employee is paid additional one month salary as his bonus.
8. **Allowances :** An employee is provided various types of allowances other than salary. For example, travelling allowances, dearness allowances etc.
9. **Medical and accidental relief :** Some corporations offer relief to its employees for accidental or medical situations. This is known as medical or accidental relief.
10. **Royalty :** In publishing sector, the amount of money given to a writer depends on the sales of the published book. This is known as royalty. This amount is fixed in certain percentages between the writer and publisher before the book goes for sale.
11. **Gift :** The money received from the relatives and friends on birthdays and festivals is known as gift. It also helps to increase family income. However, it is not a continuous source of income. The amount in the gift may differ depending upon the types of festivities and nature of relatives.
12. **Lottery :** Awards in cash or kind from lottery is also a type of family income. There is a profit for both the seller as well as the buyer of lotteries.
13. **Inheritance of property :** After the death of a parent the property is transferred to their offspring or relatives. This is also a source of income.

### **Increase in family income :**

Human needs are limitless, which cannot be accomplished by his fixed income. Every person makes a financial effort to meet the different needs of his family members. A person can take help of his

family members in spare time. Nowadays women can increase the income of their families, women are no longer limited to domestic tasks. Making economic cooperation side by side, which may take the family's economic situation to greater heights and inspire a partner to adopt a higher level of living, thus creating and maintaining high family living standard.

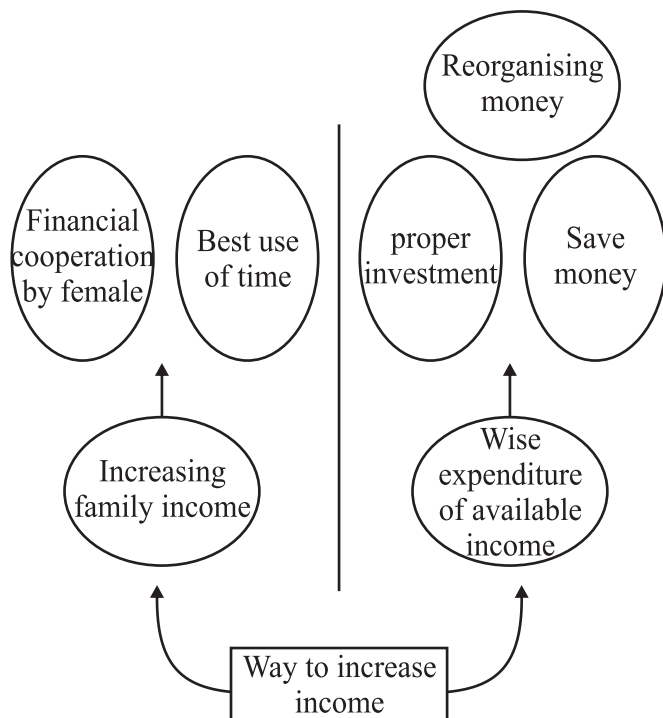


Fig. 28.3 : Way to increase income

Family life status has improved in two ways :

1. Increasing family income.
2. Wise expenditure of available income.

### 1. Increase family income :

- i) **Making economic contribution by women :** Now a days considerable change in the situation of women is seen. Along with the domestic responsibility, she is also doing job outside the house and improving the economic condition of the family. The Home Industry Department provides money, help, and training facilities to the women for earning the money to produce the different items made from milk, poultry farming, rearing of silk worms are the main

source, and the other sources such as preservation of fruit and vegetables, soap making, badi and mangodi making, tuition and stitching are used as various income generating sources.

- ii) **Best use of time :** Establish a good coordination between domestic and office work, free time can be used in other activities to earn money by accomplishing the domestic work in given time frame. Don't waste time, use best management skill for best utilization of time.

### 2. Wise expenditure of available income :

- (i) **Economic value for money :** We require money to buy every item but if money is used in the systematic manner, then only income of the family can increase. It is also important to invest money in a proper way to increase the level of economic value.
- (ii) **Money savings :** Money is a limited source on which the entire needs of the family depends. Money, even though limited, is able to meet maximum needs. One should not waste money carelessly, rather spend every rupee in a systematic way.
- (iii) **Investment of money :** Every person should save some amount of money for future. It should be saved in such a manner that we receive some interest amount from it as well. This benefit can be availed from bank, post office etc.

### Important Points :

- Human beings require money to fulfill various material needs.
- A person receives some amount of money through employment in return to fulfill his needs. This return is known as income.
- There are three types of family income: Real, Psychic and Money.
- Family income can be achieved from various sources such as salary, agriculture, pension, profit etc.

- Family income is dependent upon the education, number and abilities of the family members.
- In future, in order to increase the family income it is required to invest money, employment of women in small scale cottage industries.

### Questions :

- Choose the correct answer for the following questions :
  - Family income are of ..... types
    - 2
    - 1
    - 3
    - 5
  - Source of family income is ?
    - Tax
    - Gratuity
    - Labour
    - All of above
  - The flow of goods, services and community facilities are available for a specific period of time is
    - Real income
    - Money income
    - Family income
    - Daily income
  - Psychic income is related to:
    - Services
    - Self-satisfaction
    - Money
    - Goods
  - Income generating source is:
    - Proper use of money
    - Proper use of time
    - Cottage industries
    - All of above

- Fill in the Blanks:
  - The flow of goods, services and community facilities are available for a specific period of time is known as .....
  - The amount of money received by the writer depending on the sales of book is called .....
  - Human needs are ..... which are fulfilled within a ..... source of income.
  - ..... Is a medium for purchasing power and investment.
  - Income received through sale of goods and services is .....
- What are the types of family income? Write in brief
- Write about four main sources of family income.
- Explain about income generating sources.

### Answers :

- (i) c      (ii) d      (iii) a      (iv) b      (v) d
- (i) real/money income      (ii) Royalty  
(iii) unlimited, limited      (iv) money  
(v) indirect