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A Study on The Role of Budgeting in Managing Personal Finances of Working Professionals

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Abstract

Budgeting plays a crucial role in managing personal finances, especially for working professionals who face increasing financial responsibilities and lifestyle pressures. This study focuses on understanding how budgeting influences financial behavior, savings habits, and investment decisions.

The research highlights that budgeting helps individuals track income and expenses, control overspending, and improve financial discipline. With rising costs of living and easy access to credit, many professionals struggle to maintain financial stability. Budgeting acts as a structured tool that ensures proper allocation of income towards expenses, savings, and investments.

The study is based on primary data collected from working professionals using questionnaires. The findings reveal that individuals who follow budgeting practices experience better financial control, higher savings, and reduced financial stress. However, challenges such as lack of discipline, impulse spending, and irregular income patterns affect effective budgeting.

In conclusion, budgeting is essential for achieving financial stability and long-term financial well-being.

Keywords: *Budgeting, Personal Finance, Financial Planning, Savings, Investment, Working Professionals*

Introduction

Concept of Personal Finances:

Personal finance is an expansive, or rather inclusive, term that involves the whole process of making management of the money resources of an individual at various life stages. It encompasses budgeting, savings, investments, borrowing, buying and planning. The personal finance, in a loose definition, is the science of personal financial life management with the purpose of achieving providing some stability, security, and prosperity in the future. But, when we consider the use of the term in a more practical manner, it is strongly related to the decisions that people make on a daily basis about their finances, such as how much money they spend, how much money they save, where they invest, how they protect their assets as well as how they plan on what to do in case of future uncertainties. The growing sophistication of our contemporary way of living has brought about the principle of financial management as more significant than ever. Previous financial weathering was restricted to minimal levels of income and spending management. In the present day, people are forced to comply with various obligations of EMIs, credit card payments, insurance fee, pensions, healthcare, life expenses and long-term financial ambitions. Consequently, personal finance has become a formal field that requires proper planning, financial consciousness, and making proper decisions.

Importance Of Budgeting in Financial Planning:

One of the most crucial personal financial planning pillars is budgeting. It is the process of creating an elaborate plan where the income will be divided into various classes of expenses, savings, and financial objectives. Budgeting gives one a feeling of direction, control, and clarity of his financial life. Fundamentally, budgeting is not simply about reduction of costs or limiting expenditures but a methodical process that will enable people to know their financial behaviour, embrace discipline and make decisions that are consistent with their long-term goals. Living in a fast and consumption-oriented world, people have a hard time keeping track of their spending and budgeting their funds. Most individuals do not realize the extent of their expenditure on the discretionary activities and unless they plan properly, this would result to excessive spending, unwarranted debts, and stress.

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Budgeting helps to remove this uncertainty whereby people are given a systematic setup whereby they are able to keep track of their cash flow, limit wastage, and make decisions. When working professionals have several obligations like EMIs, rent, transport, groceries, family commitments, long-term plans, budgeting is a very useful tool in the achievement of financial balance.

Changing Financial Behaviour of Working Professionals:

Over the past few years, the economic behaviour among working professionals has changed tremendously because of a fast transformation in the economy, technology, changing lifestyles, growing financial pressure, and social pressures. The historical financial behaviour was conditioned by the conservative spending habits, long-term savings and money management. But it is a different story in the contemporary financial environment. The emergence of digital payments, instant access to credit, online shopping, the exposure to world trends, and growing ambitions of the youth have all served to have a change in how working professionals spend their money. These behavioural changes are critical in the analysis of how budgeting can be useful in ensuring that people live in discipline and financial security. Not only personal preferences are reflected in the changing financial behaviour, but also the influence of the cultural, social, technological and economic forces on working people which simultaneously influence their behaviour.

Need For Systematic Financial Control:

One of the most essential pillars of proper personal finances management is systematic financial control. At a time when economies are more unpredictable, costs are on the rise and financial obligations are becoming weightier than ever, people need a systematic way in which they can handle their funds. Systematic financial control is the act of tracking, monitoring and controlling his or her financial activities in a disciplined, organised and consistent manner. It makes sure that the money resources are put into effective use, it reduces wastage, and financial objectives attained in the long term. Financial control is not an option but a must to working professionals who most of the time have to juggle various financial demands, like rent, EMI, bills, groceries, insurance, lifestyle costs and some emergency costs. Unless controlled in a systematic manner, even high-income earners may end up in financial tearing, debt traps, or overspending habits. It is then natural that systematic financial control will be a necessary aspect of the contemporary financial planning to guarantee stability, security, and advancement.

Review Of Literature

Various studies highlight the importance of budgeting:

- **Sharma (2020):** Budgeting improves financial discipline and reduces impulsive spending.
- **Mehta & Desai (2020):** Digital tools help young professionals manage finances better.
- **Thomas (2021):** Budgeting increases savings discipline, especially among working women.
- **Singh (2021):** Budgeting reduces financial stress and improves decision-making.
- **Kapoor & Walia (2022):** Budgeting improves financial efficiency and stability.
- **Banerjee (2022):** Lack of awareness and irregular expenses are major challenges.
- **Kannan (2023):** Budgeting supports long-term financial planning.

Overall, studies confirm that budgeting is essential for financial well-being.

Research Methodology

Statement of Problem

Many working professionals struggle with financial management due to:

- Lack of budgeting habits
- Rising expenses
- Impulsive spending
- Poor financial planning

Objectives of Study

- To study budgeting practices of working professionals
- To analyze impact of budgeting on savings
- To understand financial behavior
- To identify challenges in budgeting

Research Design

- Descriptive research design
- Data collected through questionnaires

Sample Size

- 100 respondents

Data Collection

- **Primary Data:** Survey, questionnaire
- **Secondary Data:** Books, internet, research papers

Limitations

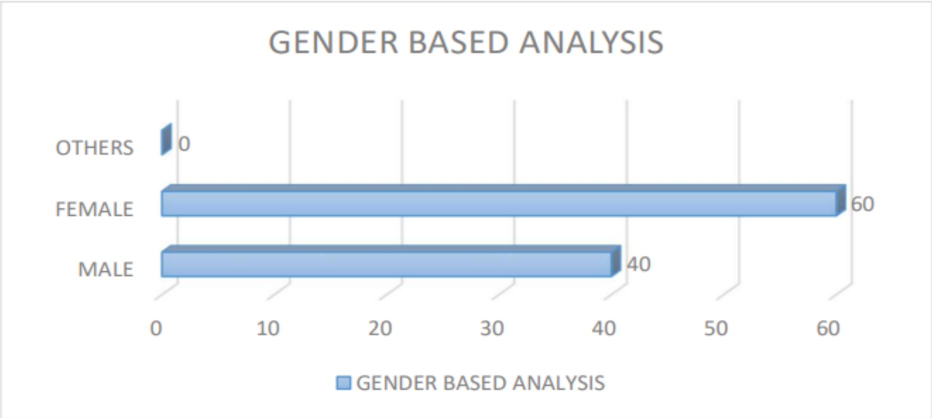
- Limited sample size
- Time constraints
- Possibility of biased responses

Data Analysis & Interpretation
Data Analysis & Interpretation
Q.1 **Gender based Analysis**:

Table No. 4.1.1

Particulars	No. of Respondents	Percentage
Male	40	40%
Female	60	60%
Other	0	0%
Total:	**100**	**100%**

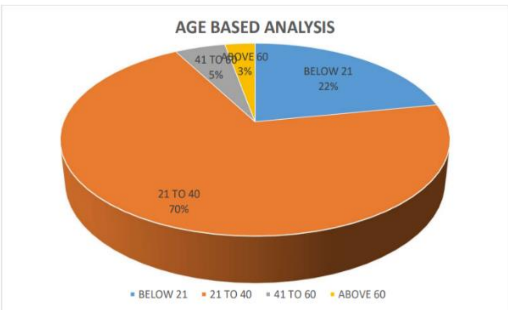
Source: (Primary Data)
Chart 4.1.1



Interpretation: The chart shows that 60% of the respondents are female and 40% are male, while none belong to the 'other' category.
Q.2 Age based Analysis:
Table No. 4.1.2

Particulars	No. of Respondents	Percentage
Below 21	22	22%
21 – 40	70	70%
41 – 60	5	5%
Above 60	3	3%
Total:	**100**	**100%**

Source: (Primary Data)
Chart 4.1.2



Interpretation: Most of the respondents belong to the age group of 21–40 years, accounting for 70%, which shows that the study is largely represented by young and middle-aged working professionals. Around 22% of respondents are below 21 years, while only 5% fall in the 41–60 age category and 3% are above 60.

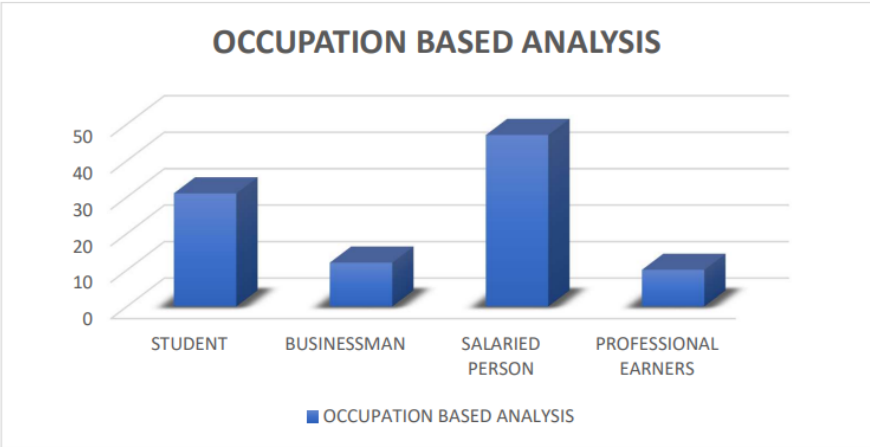
Q.3 Occupation based Analysis:

Table No. 4.1.3

Particulars	No. of Respondents	Percentage
Student	31	31%
Businessman	12	12%
Salaried Person	47	47%
Professional Earners	10	10%
Total:	**100**	**100%**

Source: (Primary Data)

Chart No. 4.1.3



Interpretation: The analysis shows that the majority of respondents are salaried individuals, accounting for 47% of the total sample. This is followed by students, who make up 31%, indicating that a significant number of young individuals were also part of the study. Businessmen constitute 12%, and professional earners account for 10% of respondents.

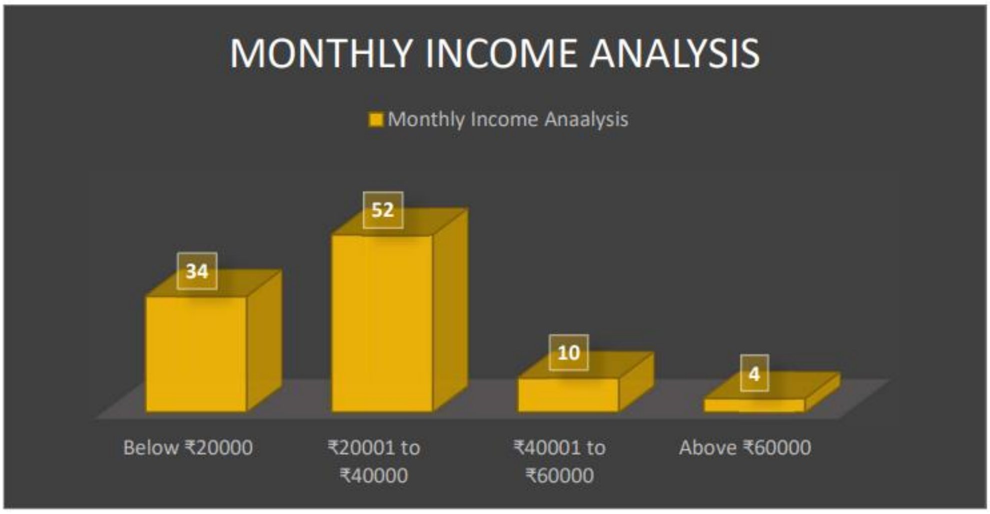
Q.4 Monthly Income Analysis:

Table No. 4.1.4

Particulars	No. of Respondents	Percentage
Below ₹20000	34	34%
₹20001 to ₹40000	52	52%
₹40001 to ₹60000	10	10%
Above ₹60000	4	4%
Total:	**100**	**100%**

Source: (Primary Data)

Chart No. 4.1.4



Interpretation: The chart depicts that a majority of the respondents fall under the income category of ₹20,001 to ₹40,000, accounting for 52% of the total sample. This is followed by 34% of respondents earning below ₹20,000 per month. About 10% belong to the income group of ₹40,001 to ₹60,000, while only 4% earn above ₹60,000.

5. Hypothesis

H1: There is a significant relationship between investment type preference and risk-return preference.

H0: There is no significant relationship between investment type preference and risk-return preference.

	Investment Type	Risk Preference
Mean	51.5	51.5
Variance	180.5	144.5
Observations	2	2
Pearson Correlation	-1.0	
Hypothesized Mean Difference	0	
df	1	
t Stat	0.0	
P(T<=t) one-tail	0.500	
t Critical one-tail	6.314	
P(T<=t) two-tail	1.000	
t Critical two-tail	12.706	

Conclusion:

The P(T<=t) one-tail value is 0.500, which is greater than the accepted significance level of 0.05. Hence, we fail to reject the null hypothesis. There is no statistically significant relationship between investment type and risk-return preference based on the provided data.

2nd Hypothesis

H1: There is significant relationship between age group and preferred type of investment.

H0: There is no significant relationship between age group and preferred type of investment.

Data ANOVA
Table

Source of Variation	SS	df	MS	F	P-value	F crit
Between Groups	2086.69	3	695.56	14.23	0.0025	4.066
Within Groups	293.25	4	73.31			
Total	2379.94	7				

Suggestions

- Promote financial literacy programs
- Encourage use of budgeting apps
- Develop habit of regular expense tracking
- Reduce unnecessary expenses
- Focus on saving before spending
- Limit use of credit cards
- Create emergency funds

Conclusion

The study concludes that budgeting is an essential tool for managing personal finances effectively. It helps working professionals maintain financial discipline, control expenses, and achieve long-term goals.

Despite its importance, many individuals fail to follow budgeting consistently due to lifestyle pressures, lack of discipline, and financial awareness. However, with proper planning and use of modern financial tools, budgeting can significantly improve financial stability.

In today's fast-changing economic environment, budgeting is not just a choice but a necessity for a secure financial future.

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Conflicts of interest

The authors declare that there are no conflicts of interest regarding the publication of this paper

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1. Research papers on personal finance and budgeting
2. Financial journals and articles
3. Online sources and websites
4. Books related to financial management