

A STUDY ON MEASURING LIABILITY MANAGEMENT BEHAVIOUR

Study is based on college Teachers in Ernakulam District

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Abstract: This study has been undertaken to investigate Liability Management Behaviour of College Teachers in Ernakulam District. CFA (Confirmatory Factor Analysis) is used to measure impact of this domain on the behaviour of college teachers in Ernakulam District. Liability Management Behaviour is measured by using the variables identified from the studies already made and opinions of financial experts. From the results it is clear that in Personal Finance Planning Liability Management has significant impact on the teachers in Ernakulam District. In the study the researcher calculated the 'Mean Percentage Score' (MPS) for measuring the liability management behaviour and compare it with demographic variables such as 'Age', 'Sex' & 'Monthly Income'.

Index Terms – Personal Finance Planning, Liability Management, Savings and Investment, Retirement Planning

1. INTRODUCTION

Personal Finance Planning Behaviour defined as any individual behaviour that is related to money management. It refers to desirable or positive behaviour, which is suggested by consumer economists as methods to improve financial well-being. Financial behaviour reflects the habits of how individual manage their finance. Xiao, J. J. (2008). Financial behaviour can be defined as any human behaviour that is relevant to money management. Financial management behaviour is considered one of the key concepts on the financial discipline. Many definitions are given with regarding to this concept, for example, Horne, & Wachowicz, propose financial management behaviour as the determination, acquisition, allocation, and utilization of financial resources, usually with an overall goal in mind while Weston, & Brigham (1981), describe financial management behaviour as an area of financial decision-making, harmonizing individual motives and enterprise goals. Grable, Park & Joo (2009), indicates that effective financial management behaviour should improve financial well-being positively and failure to manage personal finances can lead to serious long term, negative social and societal consequences.

The success of life depends on the effective Personal Finance Planning on debt management. If an individual have effective and serially adopted Personal Finance Planning on debt management, one's can succeed its life. The study made an attempt to measure the behaviour of employees in respect Liability Management.

1.1 Objectives of the study

The objective of the study is to measure whether the employees have good liability management behaviour. That means how effectively the respondents tackle the debts. And also the study measures the Liability Management Behaviour and identifies the influence of 'Age', 'Sex' & 'Monthly Income' on it.

2. RESEARCH METHODOLOGY

2.1 Population & Sample

Population of the study may include all the teachers who are working in the aided and Government colleges of Ernakulam District in Kerala. From the population 100 teachers were selected on the basis of convenient sampling method.

2.2. Sources of Data

For this study both primary as well as secondary data sources are used. Secondary source of information was collected from various books, magazines, journals, newspapers, web sites, and research projects. A detailed Questionnaire were prepared and administered on salaried employees working in Kerala to get primary data. With the help of these, personal (face to face) interviews of the respondents were performed

3. RESULTS AND DISCUSSION

The study made an attempt to measure whether the teachers have good Liability or Debt management behaviour. Amar, et al. studied how individual manage debt when they have multiple debts. An experimental study was conducted to know the debt management. Individual take debt by considering the interest rate, time period, and make minimum payment for debt to avoid surcharge and penalties.

Confirmatory factor analysis (CFA) is a type of Structural Equation Modeling (SEM), which deals specifically with measurement models, that is relationship between observed measures or indicators (e.g. Test items, test scores etc.) and the latent variables or factor. CFA is used to postulates relations between observed measures and underlying factors based on knowledge of the theory, empirical research or both and test this hypothesized structure statistically. Confirmatory Factor Analysis helps to

specify which variables load on to the dependent variable. The fitness of a measurement model is indicated through certain Fitness indexes.

The information concerning the model fit category, their level of acceptance presented in Table 4.13

Table 3.1 Recommended values of Indexes of Model fit

Name of index	Recommended value
GFI	>0.9
AGFI	>0.9
NFI	>0.9
TLI	>0.9
CFI	>0.9
RMSEA	< (.05-.08)
Normed χ^2	<3

3.1. Measurement of Liability Management Behaviour

In personal finance planning the liability management is the important concept. The individual must carefully deal with liability, otherwise life become failure. Liability management means how a person deals with debt, how track debt. Liability Management is also called Debt Management.

3.1.1 Mean Percentage Score

Liability management behaviour is a qualitative concept. Conversion of qualitative concept into quantitative terms helps the researchers to get better insight about the concept. For quantify the term respondents are asked a set of six questions in five point Likert's scale. The response are scored as 5 for strongly agree, 4 for agree, 3 for Neutral, 2 for Disagree and 1 for strongly disagree. The total score of six statements for all 100 respondents interviewed is found out. Based on these score researcher calculated the MPS for each respondent.

$$\text{MPS} = \frac{\text{Mean Score} * 100}{\text{Maximum possible score}}$$

Measurement model of Liability Management Behaviour is tested using the following hypothesis

H₀: Manifest variables LM1 to LM6 has no significant effect on Liability Management Behaviour

Liability management Behaviour is measured by using six variables. The description of variables are given in the following Table

Table 3.2 Variables for Measuring Liability Management Behaviour

S. No.	Description
LM1	Take Debt by considering Interest Rate , Time Period
LM2	Make minimum payment for debt to avoid surcharge and penalties
LM3	After minimum payment of loan, I use all available cash to pay down the loan with the highest interest rate
LM4	Try to reduce number of debts
LM5	Always pay bills on time
LM6	Purchase decision by comparing items

Table 3.3 Model fit Indices for CFA – Liability Management Behaviour

	χ^2	DF	P	Normed χ^2	GFI	AGFI	NFI	TLI	CFI	RMSEA
Liability management	78.62	30	0.000	2.621	0.961	0.906	0.987	0.905	0.987	0.025

Table 4.15 shows the result of liability management model tested. The value of the fit indices indicates a reasonable fit of the measurement model with observed data. All the attributes loaded significantly on the latent constructs.

Table 3.4 Regression Coefficients - Liability Management

Factors/ Latent Variables (Dependent Variable)	Manifest (Independent Variable)	Regression Coefficient	C.R.	P	Variance explained (%)
Liability management	LM1	0.911	37.466	<0.001	82.9
	LM2	0.729	22.640	<0.001	53.1
	LM3	0.951	45.010	<0.001	90.4
	LM4	1.079	92.853	<0.001	116.4
	LM5	0.835	29.428	<0.001	69.7
	LM6	0.883	33.944	<0.001	77.9

Table 3.4 shows the regression coefficient of the various variables used to measure the liability management. The validity of hypothesis is assed using these coefficients. If the regression coefficient has a value more than 0.4, it is treated as the variables have significant impact on dependent variable. In this case all the Manifest Variables LM1 to LM6 has regression coefficient value more than 0.4, so all these Manifest Variables have significant effect on Liability Management. Hence, the scale had Convergent validity. This indicates that all the variables such as ‘Interest rate & Time Period’, ‘Minimum payment on debt’, ‘Highest Interest Rate Debt’, ‘Highest Interest Rate Debt’, ‘Reduce Number of Debts’, ‘Pay Bills on Time’, ‘Efficient Shopping’. Have significant impact on liability management. Diagram of model tested is shown in the Figure 3.1.

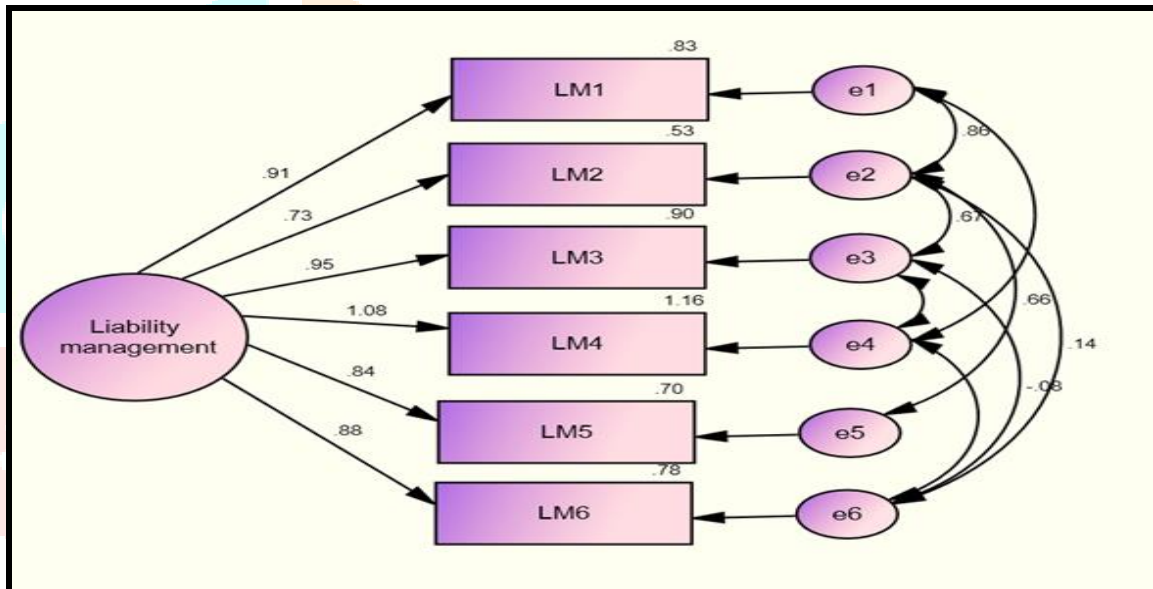


Fig. 3.1 Input model of Liability Management

In the Figure 4.13 Liability Management is a latent construct (represented by ellipse). This latent construct is measured using six questionnaire items (represented by rectangles since they are observed score). In Figure 4.13, LM1 to LM6 are the response items for the construct while e1 to e6 are their respective measurement errors.

3.2 DEMOGRAPHIC VARIABLES V/S LIABILITY MANAGEMENT BEHAVIOUR

Under this section the measurement of Liability Management is compared with three demographic variables such as age, sex and income.

3.2.1 Age v/s Liability Management Behavior

Liability Management behaviour of respondents on the basis of age is shown in the table 3.5. A one sample analysis of variance is used to test hypotheses about means when there are three or more groups of one independent variable. In this case, age was considered to be the independent variable, which included four age groups as (a)Below 30 Years, (b) 30 - 40 Years; (c)40 - 50 Years and (d) Above 50 years. So ANOVA was used to compare the mean intention scores of different age groups and the result is exhibited in the table 3.5

Table 3.5 Means, Standard Deviation and F value for Age

Variable	Age	MPS	Standard deviation	p value
Liability Management Behaviour	Below 30 Years	42.35	7.43	<0.001
	30 - 40 Years	51.00	0.00	
	40 - 50 Years	77.69	8.02	
	Above 50 years	82.00	0.00	

H1: There is no significant difference between various age groups and Personal Finance Planning Behaviour

The results of the ANOVA test depicted in Table 3.5 reveals that a statistical value of p is less than 0.05 the variables considered. That is significant difference in the mean score of age groups of employees to liability management behaviour. So reject the hypothesis H1. From the Age groups Employees, in the age group above 50 years have good liability management behaviour compared with other age groups. (Observe the highest MPS-82%).

3.2.2 Gender v/s Liability Management Behavior

The men and women think and behave differently when it comes to managing money. An independent sample Z test are often used to compare the mean scores of variables for two different groups of participants, that is, males and females. In this case gender is considered as independent variable.

Table 3.6 Means, Standard Deviation and z value for Gender

Variable	Gender	MPS	Standard deviation	p value
Liability Management Behaviour	Male	65.10	32.04	0.017
	Female	58.29	35.70	

H2: There is no significant difference between Gender and Personal Finance Planning Behaviour

The independent sample z-test results in Table 4.40 shows that significant difference exists between males and females for Personal Finance Planning Behaviour; in this case p value is less than 0.05. That is significant difference in the mean score of Gender of employees to PFPB (Value of Z=2.404 with p =0.017<0.05). So reject the hypothesis H2. By considering the gender, the Male employees have good behaviour as compared with Female employees. That means the Male employees very much concerned about personal finance planning decisions. (Observe the highest Mean score 165.10).

Monthly Income V/S Liability Management Behavior

Monthly income refers to the net salary earned by the individual after deductions. Monthly income considered as independent variable. It grouped into four, Rs 25, 000 to Rs. 50,000, Rs.50, 000 to Rs. 75,000, Rs. 75,000 to Rs. 100000 and above Rs. 100000. So ANOVA was used to compare the mean intention scores of monthly income and the result is exhibited in Table 3.7

Table 3.7 Means, Standard Deviation and F value for Monthly income

Variable	Monthly income	MPS	Standard deviation	p value
Liability Management Behavior	Rs 25, 000 to Rs. 50,000	20.32	21.04	<0.001
	Rs.50, 000 to Rs. 75,000	60.84	26.83	
	Rs. 75,000 to Rs. 100000	74.68	25.51	
	Above Rs. 100000	102.00	0.00	

H8: There is no significant difference between Monthly Income and Personal Finance Planning Behaviour

Considering the MPS of liability management behaviour, the income increases their positive behaviour towards personal finance planning also increased. That means employees have good personal finance planning behaviour when income increases. The results of the ANOVA test reveals (Value of F=232.399 with p =0.001<0.05) which implies that there exist a significant difference between variables. So it concludes that the mean score of Personal Finance Planning Behaviour differs with the Monthly Income, reject the hypothesis H10. So conduct post hoc test for identify which group of monthly income differs significantly and the result is exhibited in the Table 4.56.

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