

Role of Budgeting in Improving Personal Financial Discipline

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Abstract

A budget is not just a financial plan, but a guide that helps people make disciplined and thoughtful financial decisions. This study explores how budgeting supports personal financial management in today's complex economic environment. It focuses on how the budgeting influences the saving habits, debt control, spending choices and financial confidence. This article also discusses the common challenges people face while preparing and strictly follow it. By examining both its advantages and limitations, the study highlights the key conditions under which budgeting can improve personal financial stability.

Keywords: Budgeting, Personal Financial Management, Financial Discipline, Financial Stability

INTRODUCTION AND DESIGN OF THE STUDY

Managing personal finances has become quite complicated in these days as people face higher costs of living, easy availability of credit, and complex financial choices. Budgeting is often seen as a simple and practical tool that helps people track their income, control expenses, and develop better saving habits. This study aims to understand how budgeting helps individuals improve their personal financial discipline. Despite understanding its significance, many people struggle to create or consistently follow a budget in their daily lives. This has raised questions about how effective budgeting truly is in improving personal financial discipline. This article tries to explain how budgeting supports improved personal financial discipline in everyday life. Primary data are collected through a structured questionnaire to understand individual budgeting habits and financial behaviour. Secondary information is gathered from journals, books, and other published sources on personal finance. The ultimate goal of the study is to assess how effective budgeting is in encouraging responsible financial decisions and long-term financial stability.

OBJECTIVES OF THE STUDY

- To assess individuals budgeting habits and practices.
- To evaluate the Impact of budgeting

on financial stability and saving.

SCOPE OF THE STUDY

The study is limited to personal financial practices and excludes organizational or business budgeting. It examines individual budgeting behaviour across selected demographic and socio-economic factors such as age, income, education, and background. The focus is on personal financial outcomes rather than macro-economic perspectives. Data are collected from a specific sample, so findings may not be generalizable to the entire population. The study explores individuals' understanding and awareness of budgeting, including the use of traditional and digital tools. It highlights challenges faced in maintaining budgets and factors influencing successful budgeting. The research also links regular budgeting to financial discipline and long-term financial stability.

STATEMENT OF THE PROBLEM

Although budgeting is often promoted as a key to financial stability, many people still struggle to manage their personal finances effectively. Budgeting helps individuals to control spending, reduce financial stress, and work towards long term goals, yet many either do not use budgets properly or fail to stick to them. As a result, issues such as overspending, insufficient savings, rising debt, and poor financial decisions has become very common among the individuals. Even though several budgeting methods and financial planning tools are available, their impact on improving

financial outcomes varies from one person to another. The factors such as income level, financial awareness, self-discipline, and lifestyle choices plays a crucial role in determining budgeting success. This study therefore aims to clarify how effective budgeting really is in improving financial behaviour and to identify the factors that help or hinder its successful use.

RESEARCH METHODOLOGY

Data Collection

Primary Data: The primary data is collected by the questionnaire method through Google Forms.

Secondary Data: For secondary data, the related journals, articles, websites, and past thesis were referred for this project.

SAMPLE SIZE AND SAMPLING TECHNIQUE:

A Simple Random Sampling technique is used to select a representative sample from the rural consumers in Coimbatore city. 167 samples were collected from the respondents.

TOOLS USED FOR ANALYSIS:

Chi Square
Correlation
Ranking

LIMITATIONS OF THE STUDY

The area of the study is restricted within the Coimbatore city.

Only 167 respondents have been taken for the study, if the responses increase the result may differ.

REVIEW OF LITERATURE

Dr. M. Annapoorni and Dr. S. Tamizhvani (2024)¹, in their article “Financial Planning of Salaried Employees,” examined how salaried employees in Chennai plan their finances, focusing on the challenges they face and the strategies they use, including budgeting and tax-saving options. The study collected data from 125 salaried individuals through a structured questionnaire. The responses were analyzed using IBM SPSS with tools such as frequency analysis, the Friedman test, and one-way ANOVA. The findings showed that employees of various income levels face similar financial planning difficulties and they have very limited awareness about tax-saving investing schemes like ELSS and NSC. The authors suggested that improving financial literacy and encouraging the

use of tax-saving schemes which will eventually help them manage their finances more effectively.

AN OVERVIEW OF ROLE OF BUDGETING IN IMPROVING PERSONAL FINANCIAL DISCIPLINE

Budgeting plays an important role in building personal financial discipline by helping people clearly plan and manage their income and expenses. It helps the individuals to track their expenses and thereby enabling them to avoid making unnecessary expenses. When clear spending limits are set, people tend to make more prudent financial decisions and focus on essential needs. This helps them handle their finances better and reduces the chances of impulsive purchases.

Further, budgeting helps ensure long-term financial stability by encouraging regular savings and goal-based financial planning. It allows individuals to set aside money for emergencies, investments, and future responsibilities, which reduces the burden of financial stress. Regularly following a budget also improves self-control and accountability, as people monitor their progress and make adjustments when needed. By regularly tracking the expenses and preparing budget helps to strengthen the money management skills and contributes to overall financial well-being. Furthermore, budgeting builds confidence in handling financial challenges and unexpected expenses. It makes the individuals to be financially independent and responsibly manage their personal finance. By maintaining a disciplined budgeting routine, individuals can steadily work towards achieving their personal and financial goals.

DATA ANALYSIS AND INTREPRETATIONS: CHI-SQUARE ANALYSIS

Table No 1: Chi-square values-age and level of awareness about various budgeting tools or apps

H₀ : There is no association between the age and level of awareness among respondents about different budgeting tools or mobile apps available in the market.

H₁ : There is an association between the age and level of awareness among respondents about different budgeting tools or mobile apps available in the market.

	VALUE	df	ASYMPTOTIC SIGNIFICANCE (2-SIDED)
Pearson Chi-Square	23.683 ^a	12	0.022
Likelihood Ratio	27.348	12	0.007
Linear-by-Linear Association	0.099	1	0.753
N of Valid Cases	167		

Inference:

Therefore, it is concluded that there is an association between age and level of awareness among respondents regarding different budgeting tools or mobile apps available in the market.

CORRELATION

Table No 2 : Analysis of relationship between budget preparing and tracking expenses

H₀: There is no significant relationship between preparing a monthly budget and tracking income and expenses.

H₁: There is a significant relationship between preparing a monthly budget and tracking income and expenses

	Pearson Correlat ion	Sig. (2- tailed)	N	Pearson Correlat ion	Sig. (2- tailed)	N	Pearson Correlati on	Sig. (2- tailed)	N	Pearso n Correlat ion	Sig .(2- tailed)	N
prepare monthly budget	1	0	167	.253**	0.0	167	0.199**	0.010	167	0.124	0.110	167
track my income and expenses regularly	0.253**	0.001	167	1	0	167	0.514**	0.000	167	0.349**	0.000	167
review my spending patterns	0.199**	0.010	167	0.514**	0.0	167	1	0	167	0.491**	0.000	167

financial priorities	0.124	0.110	167	0.349**	0.0	167	0.491**	0.000	167	1	0	167
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** . Correlation is significant at the 0.01 level (2-tailed).

Inference:

The Pearson correlation coefficient is 0.253, and the two-tailed significance (p-value) is 0.001. Since $p < 0.01$, the correlation is statistically significant at the 0.01 level, so we reject H_0 and accept H_1 , indicating a positive, significant relationship between quality satisfaction and post-purchase financial satisfaction.

RANK ANALYSIS

Table No 3 : Analysis of socio-economic background of the study

Socio-economic background	Rank	1	2	3	4	5	Score	Mean	Rank
	Value	5	4	3	2	1			
Income Stability	No	20	48	19	58	22	487	0.190	IV
	Score	100	192	57	116	22			
Financial literacy and awareness of personal finance	No	47	32	23	33	23	521	0.204	II
	Score	235	128	69	66	23			
Level of financial responsibility within the household	No	20	41	23	59	24	475	0.186	V
	Score	100	164	69	118	24			
Number of dependents	No	25	51	22	45	24	509	0.199	III
	Score	125	204	66	90	24			
Cost of Living	No	58	32	11	48	18	565	0.221	I
	Score	290	128	33	96	18			

Inference:

From the above table it is clear that out of the total respondents for the study among various socio-economic backgrounds, most of the respondents responded that the “Cost of Living” is the most influential socio-economic factor followed by financial literacy and awareness of personal finance, number of dependents, income stability and the level of financial responsibility within the household.

FINDINGS

- The chi-square analysis shows that awareness of budgeting tools and mobile apps differs across age groups, suggesting that age plays a role in how familiar individuals are with these tools.
- The correlation analysis indicates that individuals who prepare a monthly budget are more likely to regularly track their income and expenses, highlighting a positive link between planning and financial monitoring.
- The rank analysis reveals that cost of living is

perceived as the most influential socio-economic factor affecting individuals, followed by financial literacy, number of dependents, income stability, and the level of financial responsibility within the household.

SUGGESTIONS

- **Improve Awareness Across Age Groups**

Awareness of budgeting tools and mobile apps can be increased by providing easy-to-understand, age-appropriate financial education through workshops, awareness programs, and simple digital resources that suit different comfort levels.

- **Encourage Regular Budgeting and Expense Tracking**

Individuals should be encouraged to prepare monthly budgets and regularly track their income and expenses, as these habits help improve control over finances and promote more responsible spending.

- **Address Key Socio-Economic Challenges**

As factors like cost of living and financial literacy significantly affect budgeting behaviour, efforts should focus on strengthening financial awareness and offering practical guidance to help individuals manage rising expenses more effectively.

CONCLUSION

The study concludes that budgeting plays a vital role in improving personal financial discipline and overall financial stability. The findings show that demographic factors such as age influence awareness of budgeting tools, while regular budgeting is positively linked with better tracking of income and expenses. Socio-economic factors, especially cost of living and financial literacy, significantly affect individuals' ability to manage their finances. The study also highlights the challenges people face in consistently following a budget. Despite these limitations, budgeting

emerges as an effective tool for promoting responsible financial behaviour. Overall, the research emphasizes the importance of strengthening budgeting awareness and practices to support long-term financial well-being.

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