

1. FAMILY INCOME

1.1 Definition of Family Income

1.2 Types of Family Income

1.3 Sources of Family Income

1.4 Supplementing Family Income

Let's Discuss :

What is Family Income ?

Meaning of family income is not limited to money income, only. Family income includes money, material goods and services available to family and also the satisfaction gained by its utilization. Various sources such as salary of the family member, income from land or immovable property owned by the family, scholarships, gifts and income through virtues and skills, like expertise in singing, painting, cooking, event management etc. are the sources of family income. Even money saved through kitchen garden, use of skills of family members is part of family income.

1.1 Definition and Meaning of Family Income :

Definition :

- According to Nickell and Dorsey - "Family Income is the stream of money, goods, services and satisfactions that come under the control of the family, to be used by them to satisfy needs and desires and to discharge obligations".
- Gross and Crandall have defined family income, as "flow of money earned by the family, goods and services received or created and satisfaction received by the family members during a specific time period."

Thus, it is clear that income includes not only money in cash but also other resources

like knowledge, energy and skills, services of durable goods owned by family as well as the advantages one receives from resources of the community.

Understand the Types of Income :

1.2 Types of Family Income :

Family income is divided into following three types :

1. Money income
2. Real income
3. Psychic income

1. Money Income : Money income is in the form of currency like coins and notes, bank drafts or cheques. Every country has its specific currency. For example, 'Rupee' is the currency of India. Because of the purchasing power of money on various goods, services and other items, the said can be considered as an important non-human resource. Income in terms of money is usually received in the form of wages, salary, rent, interest, dividend or profit.

Money income is important to every individual, as :

- It is a medium of exchange
- It measures the value or worth of a commodity or service

- It is a tool to measure the standard of living of individual, families as well as a society.

2. Real Income : Defined as, “a flow of commodities and services available to family over a given period”. It includes residential accommodation, goods and services, etc. and human resources like energy, knowledge, skills, virtues and abilities of family members. Real income can be divided into two groups-

a) Direct Real Income : Material goods and services available to the family without paying money are known as direct real income. It includes ancestral property available to family, community services provided by the Government like street lighting, transportation facilities and public parks, etc. It also includes overall services rendered by family members to each other.

b) Indirect Real Income : Indirect real income means material goods and services available to the family by spending money or through some other type of exchange. Any type of paid help and services are included in indirect real income. For example, maid servants, paid education, paid hospital facilities etc.

3. Psychic Income : Satisfaction derived from consumption of material goods and money income is called psychic income. It is difficult to measure but one can perceive it. One may have enough money income or real income or both but a person may not necessarily have psychic income. If both types of income are utilised wisely and the needs of family members are fulfilled according to their priorities, said income can be earned.

Do you know :

Sources of family income :

1.3 Sources of family income :

Various sources of family income are as under :

- 1. Salary :** Monthly income earned from government, semi-government or private job is a monthly salary of the individual, which depends upon the type of job, educational qualifications and experience. In a private job, salary amount and amount of increment is not always fixed. Salary is considered as a regular and fixed source of income.
- 2. Wages :** Payment for any intellectual or physical work is called wages. It means fixed monetary returns on specific jobs. While fixing the wages importance is given to production, working hours and types of work. This source of income cannot be considered as a fixed source of income.

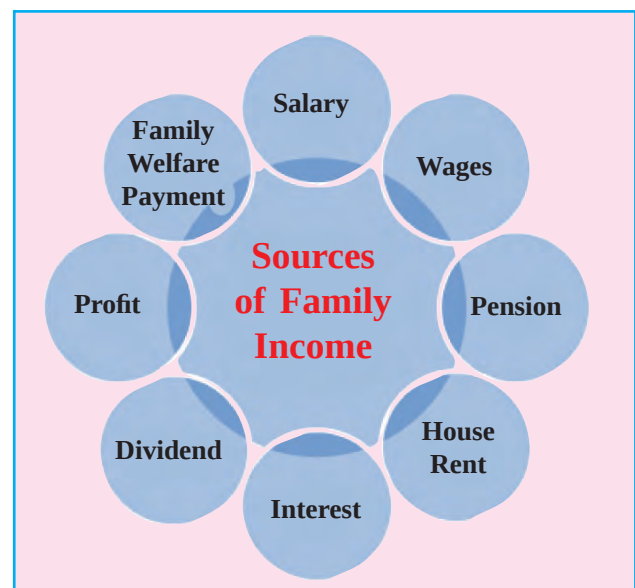


Fig. 1.1 Sources of Family Income

- 3. Pension :** Pension is the money that is paid regularly by government, management or company to an individual who has stopped working because of old age which can be termed as retirement. Retirement is unavoidable to an individual in any type of job. The period of the service always depends upon the age of the person.

Retirement age differs according to the type of job. In general, pension is calculated with reference to average of the basic pay drawn during last ten months of service. This is a good source of income after retirement.

4. **House Rent** : A house owner receives some amount per month from the tenant which is called house rent. House rent definitely is a fixed source of income. It provides financial aid. House rent depends on the locality, area and facilities provided within the house.
5. **Interest** : It is an important source of income. From the amount of money deposited in a bank, post office or in any other saving scheme, some income on capital is earned. This is known as interest. The rate of interest varies with the period of deposit. If the period of depositing the amount is longer, the rate of interest is more. If interest is calculated in compound way, financial benefits are more to the depositor.
6. **Dividend** : If a person purchases shares from a particular company, he/she can get some amount from companies profit as dividend. The dividend received, depends on profit of the company as well as number of shares a person possesses.
7. **Profit** : Running a business requires money. If a person receives some amount from his business and if it is more than the amount he/she has invested and spent, the additional amount can be considered as net profit. Net profit is the real profit as it is real financial gain of the person. Net profit differs according to the type of business. Some businesses require more capital and more physical work as compared to others. While selecting the business this should be considered.
8. **Family Welfare Payment** : A person in government, semi-government or private institution receives some extra amount,

excluding his salary as family welfare payment. Facilities provided and amount depends on type of job and seniority of the employee. Usually, financial facilities such as medical allowance, transfer allowance, recreation fund, house rent and city allowance are provided under family welfare payment.

Let's Discuss :

1.4 Supplementing Family Income :

There are two ways of supplementing family income :

- a. By increasing family income
- b. By cutting down expenditure

a. Increasing family income : Money income and real income of family can be supplemented through proper utilization of human resources like knowledge, skills, ability, capacity, and time. Additional efforts of family members play an important role in supplementing family income.

Family Income can be supplemented by following means :

1. Home scale and small-scale industry :

Small-scale or cottage industry can be started by any family or individual, who has entrepreneurial skills. Such industry supplements family income. Head of the family or any other member of the family can help in these activities. For example, cookery unit, food preservation, knitting sweaters, apparel construction, embroidery, crochet work, DTP, screen printing, boutique, beauty parlor etc. Now a day small hotels are very popular to supply meals to the working people.

Some small-scale industries like soap making, oil extraction, jewellery making, candle making, spinning cotton and silk yarn etc. can also be undertaken. Government also provides financial help to such type of small-scale industries.

2. Part-time job : Any member of the family can supplement income by taking up part-time jobs. In part-time job one has to work for few fixed hours and is paid accordingly. For example, undertaking the typing work in some office, maintaining accounts in some factory or shop, etc. In big cities, call centres are coming up where students can get employment along with their studies. Children, college students too, can earn their pocket money by taking up summer jobs during vacations.

3. Tuition or hobby classes : An educated family member can earn money by taking tuitions in his/her spare time. Some students studying for higher education can take tuitions to meet their expenses for education. Hobby classes are another popular area for generating additional income.

4. Preservation and storage of food : An individual can save time and money by purchasing cereals, spices etc. which are available at much lower rates and in bulk during the season, for the whole year. Fruits and vegetables can be preserved when these are easily available at cheaper rates which can be used for preparation of pickles, chutney, jams, squash, etc. and preserves vegetables by drying.

5. Kitchen gardening : Seasonal eatables can be grown in the courtyard or terrace of house by taking a little effort. Seasonal fruits and vegetables like lemon, guava, papaya, mango, etc. can be obtained by planting these trees. Additional money can be earned by selling surplus vegetables and fruits in the market.

6. Proper use of material resources : Available excessive material resources can be used for earning money. One or

two rooms can be rented out, if the house is bigger than required for the family. This rent will supplement the family income.

7. Proper saving and investment : An individual must save some money for financial security and to meet incidental expenses likely to occur in future. Likewise, saving can be invested in certain schemes, which pays more enhanced amounts and returns by which some monthly income can be assured and gained.

Ways of Supplementing Family Income

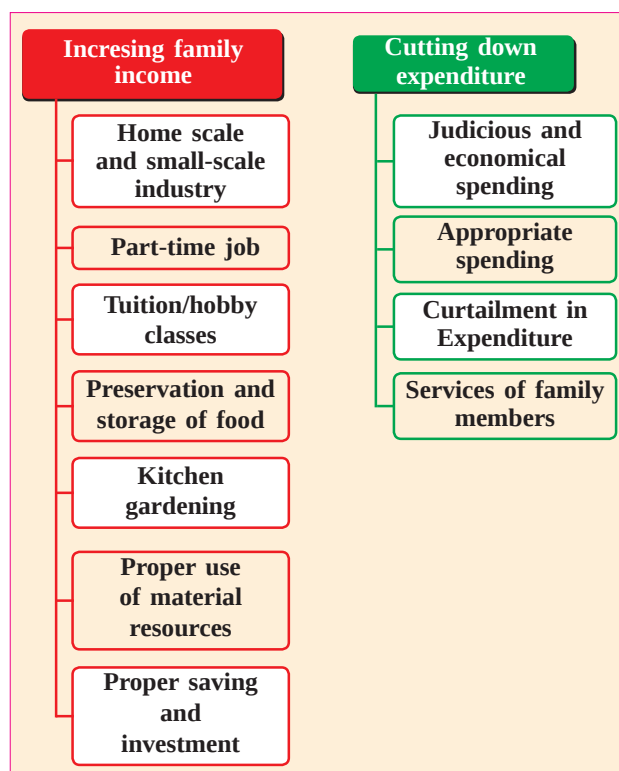


Fig. 1.2 Ways of Supplementing Family Income

b) Cutting down expenditure :

Expenditure can be reduced by proper management of income and proper use of available resources.

1. Judicious and economical spending can be helpful in cutting down expenses. At the first place money must be spent on priorities and necessities and then

on comforts and luxuries, for example, instead of having lunch in hotel and restaurant one can have packed lunch, prefer food at home, avoid frequent weekends and sharing of vehicle at workplace. One should make purchases after comparing rates at various shops.

2. Appropriate spending also leads to cutting down the expenditure. Instead of purchasing expensive items, one can always go for less expensive substitutes. For example, one may buy seasonal fruits and vegetables which are cheaper. One can reduce expenses by making purchases from wholesale or government shop.

3. Expenditure can be curtailed by making use of government facilities and

services. Money on magazines can be saved by borrowing them from a nearby public library. Making use of government hospitals, school, colleges etc. also help in saving money.

4. Services of family members also help in cutting down the expenditure. For example, if some one knows stitching, he/she may stitch cloths at home and can save the stitching charges.

Similarly, coaching children at home, fixing an electric fan or repairing of electric appliances by some family members can save money. Economic crises can be avoided by doing household jobs by the members of the family according to their work efficiency.

Can You Recall?

- Family income may be defined as money earned or purchasing power of family members during a specific period of time plus the goods and services received or created in that time by the family.
- Family income is divided into three types- money income, real income and psychic income.
- Sources of family income- salary, wages, pension, house rent, interest, dividend, profit family welfare payment.
- Supplementing family income - there are two ways of supplementing family income: increasing family income and cutting down expenditure.
- Increasing family income - home scale and small-scale industry, part-time job, tuition/hobby classes, preservation and storage of food, kitchen gardening, proper use of material resources, proper saving and investment.
- Cutting down expenditure - judicious and economical spending, appropriate spending, expenditure can be curtailed, and services of family members also help in cutting down the expenditure.

• **Objective questions :**

1) Multiple choice questions :

- In family income _____ is considered as regular and fixed source of income.
 - share
 - dividend
 - salary
 - interest
- Amount received by home-owner from tenant is termed as _____.
 - home loan
 - home income
 - house rent
 - real income
- Material goods and services available to the family without paying money is known as _____ income.
 - money income
 - real income
 - direct income
 - indirect income
- The _____ is received on profit of the company as well as number of shares a person possesses.
 - salary
 - dividend
 - interest
 - pension

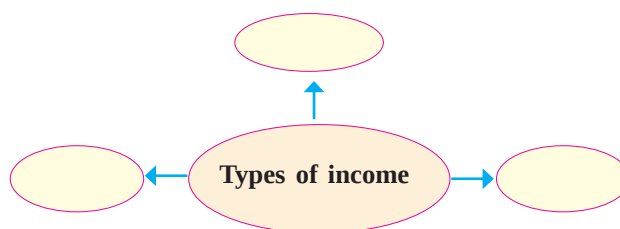
2) Identify whether the following statements are true or false :

- Money is a human resource.
- Payment for any intellectual or physical work is called wages.
- The sense of satisfaction which family members derive through use of goods and services is called real income.

- House rent is not a fixed source of income.

3) Short answer questions :

- Complete the chart :



- Complete the diagram :

$$\text{Real Income} = \boxed{} + \boxed{}$$

- How kitchen gardening helps to increase family income ?
- Give difference between : Real income and Psychic income.

4) Long answer questions :

- Discuss various ways of supplementing family income.
- Give classification of family income.

Projects / Assignment :

- Identify other supplementary sources of your family income and write a report.
- Visit any home scale industry in your society and write a report on, how it supplements family income.

