# Review of Literature

# CHAPTER II

## REVIEW OF LITERATURE

Surveying the available literature concerning the problem at hand is an important part of any research Related literature survey helps to understand the techniques to be used for the selected problem study as well as to identify if there are certain gaps in the theories Studies on related problems may suggest useful and new lines of approach to the present problem (Kothari, 1990).

Effort has been made here, to compile and present the related literature available in a comprehensive manner

The available related literature has been presented under the following major heads

2 1 Quality of life

2 2 Cost of living

2 3 Financial management

2 4 Coping

### 2.1 Quality of Life

Although the quality of life is only three decades old, it has spread all over the globe and the venture has become so popular that the politicians, who previously spoke of welfare of the masses, now speak of the quality of life of the people However, the parameters of the quality of life are unspecified Researches are conducted on various aspect of life, with the admission that the manifestations of life and of the immanent life processes denote an infinite but enumerable field of concerns Therefore the quality of life is treated as an all-inclusive notion of life and living

"It can hardly be denied that there are greatly differing needs and concepts of quality of life in a global context

Quality of life refers to not only the state of well-being of people but also to characteristics of the environments like working conditions, atmosphere, etc (Davis, 1945)

The early studies in the 1960's, QoL was associated with the term 'social indicator', which included economic growth, education, health and welfare During the last two decades, QoL research has been extended to include not only social indicators, but also family life, psychological or subjective well-being, happiness, and life satisfaction Social indicators refer to objective measurements of life and perceptions of well-being refer to subjective measurements of life In other words, QoL is a concept that constantly fluctuates back and forth between the subjective side of life and the objective Therefore, QoL refers to the living conditions of subjective and objective measurements

When social scientists, economists, medical doctors, philosophers, ecologists and journalists define "quality of life", there would probably be a lot of different descriptions The definition greatly depends on one's own experiences, profession and circumstances

Due to their complex field of study, home economists have a holistic approach to the term "quality of life", as they view this term from the point of view of family and household-related action and everyday culture of the individual The quality of life is determined by social, economic, ecological and other basic conditions, by the living environment and the associated lifestyle and by personal and social values

In the past, quality of life has been assessed by an individual's command over economic possessions Economists have always operated on Pigou's dictum that "there is a clear presumption that changes in economic welfare indicate changes in social welfare in the same direction, if not in the same degree" Abramovitz, (1959) In other words, economic growth and rising incomes are positively associated with social welfare or life satisfaction.

Results of a study, comparing concerns of people in several developed and developing nations, indicate that concern with personal economic matters far outweigh other concerns Cantril and Roll, (1965)

In his "motivation pyramid", Maslow, 1965 depicted those needs that have a significant impact on the "quality of life", such as the securing of basic needs, such as sufficient food, housing, etc financial and job security, social recognition, being loved, prestige to self-realization For some people, quality of life can mean independence, individuality, freedom and possession, while others may see health and good human relationships as the most important criteria determining the quality of life Social indicators such as health, education, job, income, leisure time and family are used to assess the quality of life of the population in individual countries Above all, these indicators describe the quality of social life However, social life cannot be viewed separately from individual life Different groups of persons attach a different importance to factors determining the quality of life For example, children and young people consider other factors determining value essential than adults or elderly people

The quality of life is primarily determined by the securing of our basic needs such sufficient and healthy food and the creation of home in which family members feel comfortable and can relax Other basic needs are health, work, income, leisure time and recreation, human relationships and, last but not least, an opportunity to realize personal hobbies and interests These basic needs are met very satisfactorily in some parts of the world, while in others they are not met satisfactorily at all Just think of the living situation of many people in developing countries. "Quality of life" is also fundamentally influenced by life goals, lifestyles, standards of life and religious and cultural values people consider important

Everyday competencies are needed in order to secure the existence of families, e g to save or accurately utilize resources (work, time and money), to avoid debts and to obtain an additional income also through support by the household, e g through home-economic services Home-economic competency and professionalism obtained through home-economic education, training and extension service is one of the most valuable resources

Human resources are probably the most important resources of the individual and society Human resources are defined as the totality of competencies of all members of a society Requirements are the development of social life competencies (vital resources), the imparting of professional competencies (labour resources) and, last but not least, social competency Professional and social competency must be considered a prerequisite for an active lifestyle Professional education and training promote the development of human resources (Sheldon and Land, 1972).

There is no doubt that economic security is necessary to one's sense of well-being National opinion polls on the hopes, fears and regrets of the American public indicate that over the period surveyed, 1941 to 1971, the worries that people had were most often related to economics Erskine, (1973) Financial insecurity and inability to make ends meet were uppermost in people's minds The proportion of people satisfied with their life has increased with rising income

Quality of life has been defined as a person's sense of well-being, his satisfaction and dissatisfaction with life, or his happiness or unhappiness An individual's sense of well-being or welfare may be determined by his overall perceived satisfaction with experiences in a variety of life domains The domains include those which are most fundamental and personal, such as family, and those which are more impersonal, such as community

Hafstrom and Dunsing (1973) asked homekmakers about their satisfaction with their present standard of living, but they defined it as "the things you have and the way you are living now" Clearly, this would be considered level of living in the Davis definition

The research of Halfstrom and Dunsing (1973) used both objective variables (income, homemaker's occupational status, and housing tenure) and subjective variables (perceptions of income adequacy, family's financial situation compared to five years earlier, spouse attendance at recreation group meetings, and who mainly makes the decision on number of children wanted, and satisfactions with housing and marriage) to determine influences on homemaker's satisfaction with level of living Both types of variables were significant Their subjective variables as a set explained significantly more variance than did the objective variables as a set

Hafstrom and Dunsing (1973) had interviewed homemakers about their satisfaction with their present standard of living, operationally defined as the things they had and the way they were living then Here, income, occupational status and housing tenure were used as the objective variables and perceptions and satisfactions towards various domains of life were the subjective variables

Yuchtman (1974) created a dependent variable called satisfaction with standard of living and family income was chosen as an independent variable and came out with positive relationship between the two

The creation of resources, the right handling of resources (time, money and technologies) and the securing of jobs and incomes are important so that both individuals and society can afford "affluence" and can contribute to a sustainable welfare development (ensured pensions, health insurance, retirement insurance) However, reality looks different in many countries. In many Western countries people have meanwhile become aware that they have been living beyond their means for a long time and can no longer finance a lot of things Job losses and thus income losses are resulting in a noticeable increase in poverty. Many Families are becoming indebted as a result of living beyond their financial means The decrease in household competency (lacking cooking ability, household management, etc ) results in a greater strain on the household budget (e g eating outside more often, expensive convenience products, utilization of services ) This development is referred to as "new poverty" and decline in quality of life In order to secure the affluence of individuals, Families and society, home-economic education and consultation are necessary

**Unemployment and New Work Distribution**

No other topic is of greater concern to people today than the worry about their jobs The globalization of markets and the change from an industrial to an information and service society will also continue to drastically change the labour market in future and will render many traditional professions superfluous The job counsel is turning at a rapid pace The industrial world of workers and employees is disintegrating; jobs for life are disappearing and telework and part-time jobs will become more and more widespread in future

In relation to quality of life, work and employment play an important role as they must be considered prerequisites for creating basic living conditions, productivity and affluence Work at least facilitates personal contentment and self-realization Work is more than a means of creating affluence Work has an intrinsic value and to a certain degree expresses the nature of man "We are what we do" One thing is certain – New criteria for evaluating and quantifying the level of affluence and new methods of measuring paid and unpaid work, such as housework and family work is needed A new work distribution will be needed and new fields of work will have to be developed There will be an increase in jobs in the service sector, such as nursing of old people and home-economic services New fields of work will emerge in the production of sustainable energy resources environmental protection and new technologies (Campbell, 1976)

As studied by Campbell et al (1976) the relationship between family income and their index of well-being which was a composite measure indicated satisfaction with quality of life The sub domains were satisfaction with standard of living and satisfaction with savings and investments and both were found to have positive relationship with quality of life

In recent years, quality of life and its components have been the focus of research in a wide variety of disciplines and on an international level According to Campbell, Converse and Rodgers (1976), one of the important dimensions or domains Of quality of life is level of consumption However, research concerning the relationship between consumption level and other determinants of quality of life often has been limited to combining consumption level with other variables to form a finance index or domain This is in keeping with the assumption that family income, standard of living (actually level of consumption by definition), and savings are the elements that make up the financial security domain of life quality (Metzen, Williams, et al. 1980,)

The studies that have compared measures of life satisfaction in countries at various levels of economic development have found the highest sense of wellbeing in those countries with highest per capita income (Campbell, 1981).

Findings from these studies indicate that objective and subjective indicators of quality are not necessarily related, Milbrath, (1982)

Davis and Davis, (1982) emphasized the highlighting results as, vandalism, noise, quality of housing, interaction with neighbours, public transportation and health services as related to overall life satisfaction

Focusing on the factors related to satisfaction with financial situation, Davis and Helmick (1983) had come out with interesting results Through a composite measure, reflecting satisfaction with wealth, satisfaction with financial security and satisfaction with level of consumption as dependent variables, regularity in timing or flow of income was found significant at the 0 05 level The study covered the range of last five years and the financial conditions of the families were found remaining the same during that period

Rudd (1983) found significance between satisfaction with level of consumption and a combined measure of income and savings

Ackerman and Paolucci (1983) found both objective and subjective measures of income adequacy to explain variation in each of three satisfaction with life quality measures. Again, subjectively-measured adequacy accounted for more of the variance in satisfaction of the three life quality measures than did objectively-measured adequacy

When satisfaction ratings were studied by Mammen (1983) the quality of house was found to be most significantly associated with wife's satisfaction Further, finance domain was also an important aspect

Ackerman and Paolucci (1983) used data from the Survey Research Center of the University of Michigan in attempting to estimate the extent to which income adequacy was related to satisfaction with perceived overall life quality

Gandotra (1983) in her study on management problems and practices of home makers with disabled member in the family, found that stress increases for financial management when a family has disabled member Stress is caused due to its related expenses To cope with the same, savings were curtailed and family members had to cut on their luxuries To provide education to the disabled, low income families used state government facilities

In her study of job satisfaction/stress and coping styles of educated, gainfully employed mothers, Kapoor (1984) found that seeking guidance and counseling was most preferred coping style among this group

Malik (1985) focused on non participation in gainful employment, familial and social barriers and standard on living, in her study on stress and coping styles of unemployed educated married women Findings of her study revealed that since no conscious ccoping behavior was adopted, shouting and talking to husband were the ways adopted for reducing stress

The objective and perceived neighbourhood quality was also considered as important domains to study quality of life (Connerly and marans, 1985)

Currie and Thacker, (1986) came out with the conclusion that family life and social networks are frequently related to life quality evaluations In relation to community quality of life

Through a combination of productive, consumer and human resources, we can achieve the standard of living that corresponds to our set of values and concepts of life Furuseth and Walcott (1990) identified "predicative standard of living" as a measurable quantity for the assessment of the standard of living This predicative standard of living comprises scientifically justifiable standards or objectives of household-related action which are economically feasible, socially accepted and culturally desired Economically feasible means that we can afford our needs without getting into debt (this applies to both private Families and the national household) Socially accepted means that it would be foolish to recommend a "healthy nutrition" without alcohol consumption and smoking to our society as a predicative lifestyle as this would not be accepted by society Culturally desired means that actions must be in accordance with important sets of values of a society target group

After World War II, every country in the world tried all possible efforts to pursue economic development and improve the life of the people However, quick economic development does not necessarily upgrade the quality of life concomitantly, since it has brought a number of troubles to the life of the people, such as environmental pollution, over concentration of population, family crisis, etc (Tahlin, 1990)

'Community quality of life' gained popularity as the term in 1996 that aimed at developing and implementing a process by which communities could come to understand their strengths and identify their needs Along with the emphasis on income, knowledge and technology, education, health, leisure, public safety and legal system, housing, transportation etc

The quality of life has to do with the question of meaning and the giving of meaning He had identified the impact of religions and religious sects, value systems, culture, life style and education on the quality of life He emphasized upon the need for finding out a right balance between family, work, personal time and health Another criterion highlighted was to have time to be creative and innovative, to cultivate relationships and to grant one's body, mind and soul, the necessary rest

Snigdha (1991) in her study of perceived leadership style in relation to role stress and coping styles found that avoidance coping style was predominantly used by the managerial population

A common attempt to delimit the field of concern with QoL is by attending to the living conditions of the people The attempt has made the field of inquiry more and more visible, but has not foreclosed its limits Mukherjee, (1989) Bubolz and Sontage (1993) pointed out that QoL of human beings is defined in terms of the extent to which basic needs are met and values are realized It is synonymous with well-being, from both objective and subjective standpoints

Community well-being oriented studies have covered health related issues as well Putnam (1993) has identified a number of community factors that seem to influence the health and well-being of individuals As studied by Bracht, (1990) and Labonte, (1993) health and social services exist at a community level and their availability may have obvious health effects

According to Lincoln, (1995) the quality of life must also be discussed and viewed in connection with the "art of living" The question of the "art of living" is always raised by those for whom life is no longer self-evident, irrespective of culture and epoch This question is chiefly raised when people are no longer convinced of traditions, conventions and standards and increasingly adopt an ego cult Relationships break up, interrelations disintegrate and the individual is confronted with situations which are totally unfamiliar to him History offers various examples of such a loss of orientation and the ensuing search for meaning, i e for quality of life and knowledge of life Knowledge of life is not the science of life but knowledge of how life can be lived comfortably (living competencies) Knowledge, perception, sensitiveness and experience have a crucial impact on how we organize our lives (Raphael et al 1996)

All over the world, home economists endeavour to support people in implementing and protecting their basic needs and thus to create a quality of life through research, education and advisory services Home economics deals with questions concerning food, health, hygiene, consumer education and consumer behaviour Home economics deals with a proper management of large Families such as hospitals, homes for older people, care-centers, restaurants, etc and, last but not the least, with the introduction of home-economic competency and home economic aspects into industry and the production of goods (Bartley and others, 1997)

## 2.2 Cost of Living

For the Indian economy, the National Sample Survey had been conducting studies on income and expenditure of Families with different income levels and also the cost of living It also periodically undertakes studies on savings and investment by these Families Zaveri, (1974) had examined the impact of inflation on the incomes of income tax payers and their responses and accompanying adjustments to inflation Major conclusion of his study was, inflation causes substantial erosion of purchasing power He had also analyzed the rate of growth in pre tax income, the effect of changes in general price level and the changes in income tax liability

Shridhar, (1978) had studied the changes in distribution of income and consumption expenditure by different sections of the population in an inflationary context Accordingly, inflation in India has hurt mainly the poor Given their levels of poverty, even marginal falls in their consumption are of serious consequence Even the public distribution system affords only partial protection to the urban poor

Gopal Krishna, (1985) and Satya Paul, (1988) have also examined the household consumption and disparity in level of living They had used total consumption expenditure and per capita consumption expenditure as a criteria to indicate disparity in levels of living They had considered the Engel ratios or budget shares of selected goods such as food – as welfare indicators Jain and Minhas, (1991) had attempted to construct rural and urban consumer price indices by commodity groups They have been constructed to meet a persistent demand from the research community The official consumer price indices for industrial workers (CPIIW) Non-manual employees (CPINM) & agriculture labourers are available only for some broad aggregates Besides, as their nomenclature indicates, these indices are based on the consumption patterns of only certain section of rural or urban population As such they cannot depict the consumer price movements of different commodities over time for the entire rural or urban population of any state or Indian union as a whole

The consumer price index numbers, also known as cost of living index numbers, are generally intended to represent the average change over time in the prices paid by the ultimate consumer of a specified basket of goods and services The need for constructing consumer price indices arises because the general index numbers fail to give an exact idea of the effect of the change in the general price level on the cost of living of different classes of people, since a given change in the level of prices affects different classes of people in different manners Different classes of people consume different types of commodities and even the same type of commodities are not consumed in the same proportion by different classes of people For example, the consumption pattern of rich, poor and middle class people varies widely Not only this, the consumption habits of the people of the same class differ from place to place For example, the mode of expenditure of a lower division clerk living in Delhi may differ widely from that of another clerk of the same category living in, say, Mumbai The consumer price index helps us in determining the effect of rise and fall in prices on different classes of consumers living in different areas The construction of such an index is of great significance because very often the demand for a higher wage is based on the cost of living index and the wages and salaries in most countries are adjusted in accordance with the consumer price index (Allen, 1975)

It should be carefully noted that the cost of living index does not measure the actual cost of living nor the fluctuations in the cost of living due to causes other than the change in the price level, its object is to find out how much the consumers of a particular class have to pay more for a certain basket of goods and services in a given period compared to the base period To bring out clearly this fact, the Sixth International Conference of Labour Statisticians recommended that "the term cost of living index' should be replaced in appropriate circumstances by the terms 'price of living index', 'cost of living price index', or 'consumer price index'" At present, the three terms, namely, cost of living index, consumer price index and retail index are in use in different countries with practically no difference in their connotation

It should be clearly understood at the very outset that two different indices representing two different geographical areas cannot be used to compare actual living cost of the two areas A higher index for one area than for another with the same period is no indication that living costs are higher in one than in the other All it means is that as compared with the base periods, prices have risen in one area than in another But actual costs depend not only on the rise in prices as compared with the base period, but also on the actual cost of living for the base period which will vary for different regions and for different classes of population

**Utility of the Consumer Price Indices**

The Consumer Price Indices are of great significance as can be seen from the following

(1) The most common use of these indices is in wage negotiations and wage contracts Automatic adjustments of wage or dearness allowance component of wages are governed in many countries by such indices

(2) At governmental level, the index numbers are used for wage policy, price policy, rent control, taxation and general economic policies

(3) The index numbers are also used to measure changing purchasing power of the currency, real income, etc

(4) Index numbers are also used for analyzing markets for particular kinds of goods and services.

**Construction of a Consumer Price Index**

The following are the steps in constructing a consumer price index

(1) Decision about the class of people for whom the index is meant It is absolutely essential to decide clearly the class of people for whom the index is meant, i e , whether it relates to industrial workers, teachers, officers, etc or to all the teachers taken together Along with the class of people it is also necessary to decide the geographical areas covered by the index Thus in the example taken above it is to be decided whether all the teachers living in Delhi are to be included or those living in a particular locality of Delhi

(2) Conducting family budget enquiry Once the scope of the index is clearly defined, the next step is to conduct a family budget enquiry covering the population group for whom the index is to be designed The object of conducting a family budget enquiry is to determine the amount that an average family of the group included in the index spends on different items of consumption While conducting such an enquiry,

therefore, the quantities of commodities consumed and their prices are taken into account. The consumption pattern can thus be easily ascertained. It is necessary that the family budget enquiry amongst the class of people to whom the index series is applicable should be conducted during the base period. The Sixth International Conference of Labour Statisticians held in Geneva in 1946 suggested that the period of enquiry of the family budgets and the base periods should be identical as far as possible.

The enquiry is conducted on a random basis. By applying lottery method some families are selected from the total number and their family budgets are scrutinized in detail. The items on which the money is spent are classified into certain well-accepted groups, namely

(i) Food

(ii) Clothing

(iii) Fuel and Lighting

(iv) House Rent

(v) Miscellaneous

Each of these groups is further divided into sub-groups. For example, the broad group 'food' may be divided into wheat, rice, pulses, sugar, etc. The commodities included are those which are generally consumed by people for whom the index is meant. Through family budget enquiry, an average budget is prepared which is the standard budget for that class of people. While constructing the index, only such commodities should be included as are not subject to wide variations in quality or to wide seasonal alterations in supply and for which regular and comparable quotations of prices can be obtained.

(3) Obtaining price quotations. The collection of retail prices is a very important and, at the same time, very tedious and difficult task because such prices may vary from place to place, shop to shop and person to person Price quotations should be obtained from the localities in which the class of people concerned reside or from where they usually make their purchases. Some of the principles recommended to be observed for cost of living indices are described below :

(a) The retail prices should relate to a fixed list of items and for each item, the quality should be fixed by means of suitable specifications

(b) Retail prices should be those actually charged from consumers

(c) Discount should be taken into account if it is given to all customers.

(d) In a period of price control or rationing, where illegal prices are charged openly, such prices should be taken into account along with the controlled prices

The most difficult problem in practice is to follow principle (a) i e , the problem of keeping the weights assigned and qualities of the basket of goods and services constant with a view to ensuring that only the effect of price change is measured. To conform to uniform qualities, the accepted method is to draw up detailed descriptions or specifications of the items priced for the use of persons furnishing or collecting the price quotations (Pollak, 1989).

Since prices form the most important component of cost of living indices, considerable attention has to be paid to the methods of price collection and to the price collection personnel Prices are collected usually by special agents or through mailed questionnaire or in some cases through published price lists The greatest reliance can be placed on the price collection through special agents as they visit the retail outlets and collect the prices from them However, these agents should be properly selected and trained and should be given a manual of instructions as well as manual of specifications of items to be priced Appropriate methods of price verification should be followed such as 'check pricing' in which price quotations are verified by means of duplicate prices obtained by different agents or 'purchase checking' in which actual purchases of goods are made

After quotations have been collected from all retail outlets, an average price for each of the items included in the index has to be worked out Such averages are first calculated for the base period of the index and later for every month if the index is maintained on a monthly basis The method of averaging the quotations should be such as to yield unbiased estimates of average prices as being paid by the group as a whole This, of course, will depend upon the method of selection of retail outlets and also the scope of the index

In order to convert the prices into index numbers, the prices or their relatives must be weighted The need for weighting arises because relative importance of various items for different classes of people is not the same For this reason, the cost of living index is always a weighted index While conducting the family budget enquiry the amount spent on each commodity by an average family is ascertained and these constitute the weights Percentage expenditures on the different items constitute the 'individual weights' allocated to the corresponding price relative and the percentage expenditure on the five groups constitute the 'group weight' (Gupta, 1998)

Methods of Constructing the Index

After the above mentioned problems are carefully decided the index may be constructed by applying any of the following methods

(1) Aggregate Expenditure Method or Aggregative Method, and

(2) Family Budget Method or the Method of Weighted Relatives

1. **Aggregate Expenditure Method.** When this method is applied the quantities of commodities consumed by the particular group in the base year are estimated which constitute the weights The prices of commodities for various groups for the current year are multiplied by the quantities consumed in the base year and the aggregate expenditure incurred in buying those commodities is obtained In a similar manner the prices of the base year are multiplied by the quantities consumed in the base year and the aggregate expenditure incurred in buying those commodities is obtained In a similar manner, the prices of the base year are multiplied by the quantities of the base year and aggregate expenditure for the base period is obtained The aggregate expenditure of the current year is divided by the aggregate expenditure of the base year and the quotient is multiplied by 100 Symbolically,

$$\text{Consumer Price Index} = \frac{\Sigma P_1Q_0}{\Sigma P_0Q_0} \times 100$$

In the denominator $P_0$ is base year prices and $Q_0$ is base year Quantity and $\Sigma P_0Q_0$ is total expenditure evaluated at base year prices

In the numerator $P_1$ is current year prices and Qo is base year quantity and $\Sigma P_1Q_0$ is total expenditure at current year prices

This is in fact the Laspeyre's method This method is the most popular method for consumer price index

**2. Family Budget Method** :When this method is applied, the family budgets of a large number of people for whom the index is meant are carefully studied and the aggregate expenditure of an average family on various items is estimated These constitute the weights The weights are thus the value weights obtained by multiplying the prices by quantities consumed (i e poqo) The price relatives for each commodity are obtained, these price relatives are multiplied by the value weight for each item and the product is divided by the sum of the weight Symbolically,

$$\text{Consumer Price Index} = \frac{\Sigma PV}{\Sigma V}$$

where,

$$P = \frac{P_1}{P_0} \times 100 \text{ for each item, } V = \text{value weights, i e } P_0Q_0$$

Accurately measuring prices and their rate of change, inflation, is central to almost every economic issue There is virtually no other issue that is so endemic to every field of economics. Some examples include aggregate growth and productivity, industry prices and productivity, government taxes and spending programs that are indexed to inflation, budget deficits and debt, monetary policy, real financial returns, real wages, real median incomes and poverty rates, and the comparative performance of economics (Diewert, 1983)

In mid-1995, the Senate Finance Committee of U S A , pursuant to a Senate Resolution, appointed an Advisory Committee to study the Consumer Price Index (CPI) The CPI Commission concluded that the change in the Consumer Price Index overstates the change in the cost of living by about 1 1 percentage points per year, with a range of plausible values of 0 8 to 1 6 percentage points (Boskin et al , 1996) That is, if inflation as measured by the percentage change in the CPI is running 3 percent, the true change in the cost of living is about 2 percent This bias might seem small, but when compounded over time, the implications are enormous Over a dozen years, the cumulative additional national debt from overindexing the budget would amount to more than $1 trillion

The implications of overstating inflation for understating economic progress are equally dramatic Over the last quarter-century, average real earnings have risen, not fallen, and real median income has grown, not stagnated. The poverty rate would be lower Because the CPI component price indexes are inputs into the national income accounts, an overstated CPI implies that real GDP growth has been understated (Boskin and Jorgenson, 1997)

**The Consumer Price Index**

Why are changes in the cost of living so hard to measure ? There are literally millions of goods and services available in modern market economies A single supermarket may contain 30,000 differently priced items and a WalMart store over 40,000 New products are being introduced all the time and existing ones improved, while others leave the market Relative prices of different goods and services change frequently, for example, in response to technological and other factors affecting costs and quality, which leads consumers to change their buying patterns As we have become richer, demand has increasingly shifted to services away from goods, and to characteristics of goods and services such as enhanced quality, more variety and greater convenience Technology and entrepreneurship provide these characteristics But all these factors, plus others, mean a larger fraction of what is produced and consumed in an economy is harder to measure than decades ago when a larger fraction of economic activity consisted of a smaller number of easier to measure items such as hammers and potatoes (Braith Wait, 1980)

Defining what information one would need and how to use it to obtain an overall summary measure of the level and/or change in consumer prices requires various assumptions and procedures The first question to answer is "What is the domain of consumer expenditures to be covered ?" The CPI program focuses on consumer expenditures on goods and services out of disposable income. Hence, it excludes non-market activity, broader quality of life issues, and the costs and benefits of most government programs It also excludes saving, which is invested to finance future consumption Hence, when the forward price of future consumption changes relative to current consumption, for example, when returns available to savers improve because of market forces, deregulation, tax law changes or financial product innovation (such as the widespread availability of low-cost mutual funds), no direct account is taken in the CPI

Second, one has to define the commodities and services the prices of which one wants to measure, how to measure them, how to collect data on them, over what span of time and at what interval, where and when to collect the data, and how to aggregate them into one or several overall summary statistics At each of these levels, various judgements and assumptions must be made to make practical headway Some of the Commission's suggested improvements deal with various of these assumptions such as the use of fixed weights (Jorgenson and Slenick, 1983)

**Whose Cost-of-Living Index ?**

The first issue is usually identified by asking "Whose cost-of-living index?" a question that actually contains two subquestions "How many cost-of-living indexes ?" and "Tea or Coffee ?" The first subquestion is whether we should have different indexes for different groups-rich and poor-, vegetarians and non-vegetarians, elderly and nonelderly, urban and rural, taxpayers and nontaxpayers When a single price index must be constructed to represent the experience of a heterogeneous group and rich, vegetarian, elderly, urban taxpayers are a heterogeneous group-whose experience should the index represent? More specifically, if we are to have a single official price index to adjust taxes and transfers, whose experience should that index represent ? These questions can be asked in the context of both cost-of-living indexes and fixed-weight indexes

The theory of "group indexes"-indexes intended to reflect the experience of a heterogeneous population-specifies the set of plausible answers Group indexes can be viewed as aggregates of individual indexes For example, a group cost-of-living index can be thought of as a weighted average of Families' cost-of-living indexes and a group fixed-weight index as a weighted average of Families fixed weight indexes There are at least two other approaches One defines a group index as some percentile of the distribution of household indexes, perhaps the median Another defines a group index in terms of a Bergson-Samuelson social welfare function, the resulting index, the "social cost-of-living index" (Pollak, 1981), appeals to economists on theoretical grounds, but it seems unlikely that the Boskin Commission intends BLS to produce an official index that depends on specifying a social welfare function

The second research issue involves recognizing that for most goods consumers face a distribution of prices rather than a single price Thus, they often find it worthwhile to search for lower prices At least when discussing price indexes, however, economists almost always proceed as if the "law of one price" holds so that the price distribution facing the consumer collapses to a point. With very few exceptions-the published literature appears to consist of three papers Baye (1985), Anglin and Baye (1987), and Reinsdorf (1993)-economists have ignored the implications of price dispersion and search for the cost-of-living index would depend on the wage rate (because of search costs) and on the consumer's risk preference as well (because the outcome of search is stochastic)

The role of the wage rate deserves emphasis Most discussions of the cost-of-living index assume that the consumer's preferences are such that goods are separable from leisure and other uses of time When the law of one price holds, this standard but implausible separability assumption enables us to define a "subindex" for goods that depends on goods prices, but not on the wage rate. When the consumer faces a distribution of prices, however, the wage rate (or some other measure of the value of the time the consumer allocates to search) must enter the subindex for goods because it is a determinant of search costs Consumers with different wage rates adopt different search strategies and, hence, evaluate alternative price distributions differently Because the price-distribution cost-of-living index depends on characteristics such as location and wage rates that differ across consumers, it is more sensitive to consumer heterogeneity than the conventional law of one price cost-of-living index This reasoning suggests, for example, that one-earner and two-earner Families will evaluate price distributions differently

## 2.3 Financial Management

For financial management practices, the focus of research in past had mainly been on the attitudes and practices towards money management Desai (1967) had conducted cross sectional study with four income groups The study aimed at reflecting necessity for budget making, record keeping and savings. Further the feeling of adequacy of income was an added parameter Half of the respondents from total sample had expressed inadequacy of income Budget making, record keeping and savings were not significantly related to personal and familial variables According to Desai's findings, conscious money management practices were not followed by the families

Dhingra (1967) had studied savings from the angle of practices and opinion of the families and had identified that most of the families opined about savings as essential and followed the practice of setting aside money for some purpose like higher education of children old age security and to meet emergency Similar findings were obtained by Saikia (1979) in the study regarding time and money management practices of home makers

As far as expenditure patterns were concerned, Sumitra (1963), Desai (1967), Lasha Kumari (1974) and Saikia (1979) studied expenditure pattern of low and middle income groups on different household items Desai (1967) and Lasha Kumari (1974) revealed that of all the items of expenditure the highest percentage of families income was spent on food and related expenditure Other items of expenditure, in order of importance were, clothing, education, housing, miscellaneous, health and recreation Lasha Kumari's (1974) findings were supporting the findings by Bhatnagar (1973) about income expenditure ratio According to the findings, higher the income, greater were, the eating out practices and expenditure on readymade food The share on vegetables, ghee and oil too was raising with the increase in income level

Sinha (1977) conducted a comparative study of money expenditure on selected ceremonies by two Hindy communities and found that the savings was in form of ornaments and savings accounts with Banks Similar were the findings by Gupta (1980) regarding major investment area as saving schemes with the banks

Studying managerial process in Action Thomas (1979) came across added dimension, that of identifying the forms of savings. The preferred forms in order were compulsory deposits with nationalized banks, insurance, provident fund and post office savings account To keep cash on hand was also preferred by many families

Gandotra (1983) found that as a part of financial management, families with disabled member has to curtail on their savings as well as their luxuries Similar were the findings of a study on time and money management practices by mothers of arthopaedically handicapped children

Few dimensions of family life are as important, yet as difficult, as the management of family financial resources The difficulties increasingly faced by families are evidenced by higher debt loads, mortgage foreclosure rates, and bankruptcy filings By December, 1985, consumer installment credit had grown in real terms by over 40% since 1980, outstripping the 30% increase in real disposable income during the same period (U S. Bureau of the census, 1986)

Of course, family financial difficulties and relationship problems are often interrelated Financial matters have long been one of the most widely reported causes of family discord (Bryant, 1986) Almost 80% of young couples who divorce by age 30 report that financial problems were a primary cause of their divorce (Ulrichson & Hira, 1985). Their study reported that there were substantial differences in the patterns of finance handling in the early stage of marriage that predict divorce status 10 years later. Couples who remained happily married had wives who were more involved in handling various areas of family finance than did divorced couples. But the causality is not so straightforward as to suggest that lack of effective money management causes relationship problems. Disagreement about money occurs in families at all income levels (National Farm Survey on Financial Stress, 1985), and financial problems may be only a symptom or a result of other family problems that existed long before a financial crisis (Ulrichson & Hira, Op. cit).

Much of the literature on family financial management is descriptive in nature, including extensive discussion of what families should do in managing their financial resources. Despite the importance of effective financial management in families' lives, relatively little empirical research has focused on what families actually do. Even less research has focused on whether the prescribed financial management practices are effective in producing positive results for families. Here is one of the aspects of family financial management

Family cash flow management is the planning, implementing and evaluating practices of families involved in allocating their flow of income. These activities, some cognitive and others overtly observable behavior, occur in the relatively short time period and are universally engaged in by families (albeit with varying frequency and effectiveness)

Most descriptive examinations of family cash flow management have focused on the frequency or extensiveness of planning behaviour, the existence of a written budget, or record-keeping and account management Most of these studies find that families engage in little systematic financial management behavior Godwin and Carroll (1986) found that families, on average, recommended financial management behaviors As measured by Beutler and Mason (1987), fewer than 10% of families had high budget formality scores, including keeping written plans and records of expenditures, reviewing expenditures and using a planning horizon of one year or more Almost 20% of their families never engaged in any of these practices and reported planning horizons of one day or less Mullis and Schnittgrund (1982) found that fewer than one fourth of families engaged in formal budgeting Titus, Fanslow, and Hira (1989), using an index of 10 items, reported that families' average proficiency in financial planning behaviors was 54 on a 100 point scale

However, when the tasks of cash flow management are disaggregated, there typically is considerable variability in the proportions of families who report various activities For example, in Godwin and Carroll's (1986) study, fewer than one third of families reported that they had a written budget, a household inventory, a list of all credit cards, or explicit financial goals for the next year But a majority of families reported that they discussed some financial goal within the past 3 months, kept monthly records of expenditures, saved a specific amount of money each pay period, and kept monthly records of expenditures, saved a specific amount of money each pay period, and kept all financial information in a fixed place in the home Similarly, Titus et al (1989) reported that around two thirds of families estimated future household income and expenses, reviewed and evaluated their spending habits, and had financial goals, but fewer than 20% of families used written plans as part of a review of their finances

Family Financial Management Who Does It?

Another frequently asked question is who does the various financial management tasks in families Decidedly different answers to this question have been found depending on how and of whom this question is asked Early studies (e g Ferber, 1973) reported that the most common arrangement is for wives to be the "family financial of fleer", at least as it relates to the implementation of routine tasks of handling money, paying bills, and allocating income In more recent studies, particularly those using global measures, there has been a marked increase in the number of families who report that both spouses jointly handle the family finances For example, Dollar, (1983) reported that in almost three fourths of couples, there was joint responsibility for financial decision making Accordingly, joint responsibility for most money management tasks was reported by a large majority of couples, regardless of life cycle stage The only exception was that wives in most families reported taking responsibility for paying regular bills It was observed that 59% of the couples were jointly responsible for financial decision making and implementation However, when Abdel-Ghany and Nickols, (1984) separately analyzed financial management decision and implementation tasks, they found that husbands tended to handle the implementation tasks, such as paying bills, balancing checkbooks, and reconciling financial accounts, whereas wives were more involved in decision tasks, such as policy decisions concerning the methods of savings, the number and ownership of checking accounts, and the system of budgeting

Of more interest than the descriptive questions of what families do and who does it regarding family money management is the issue of the consequences for families of more extensive and effective financial management The central objective of family financial management is to improve the family's financial well-being One possible outcome of better management is improved objective financial status (e g higher net worth, higher levels of liquid savings, a lower debt/asset ratio (Marlowe, 1981) One proof of the independent flow management would be that such practices results over time in effectiveness of more extensive cash flow management and such practices would result over time in better financial status, independent of any increase in financial well-being that would have occurred without having engaged in such practices Of course, the ceteris paribus condition is difficult to meet; few studies have attempted to disentangle the independent effect of financial management behavior on objective financial wellbeing Those studies that have done this have reported that more extensive financial management is positively related to objective financial wellbeing Beutler and Mason (1987) found a modest positive relationship between families' budget formality and their net worth, even after such factors as family income, household size, age, and education of the household head were controlled Families who had written financial plans, written record-keeping systems, and who had planning horizons of up to a year reported significantly higher net worth than other families Hefferan, (1982) examined five aspects of family financial management and found that two specific practices, families' having explicit financial goals and their usage of credit cards, were significantly related to their level of financial assets In the Titus et al (1989) study, financial planning behavior was positively related to families' net worth, after income, age, and household size were controlled All else equal, families had higher net worth when they estimated their household income and expenses, calculated their net worth regularly, reviewed and evaluated their spending, expressed explicit financial goals, and had relatively concrete plans to achieve those goals

Another outcome of families' cash flow management is the subjective financial well-being of families or their level of satisfaction with their current financial situation A few studies have examined the relationship between the financial management behavior of families and their level of satisfaction with their finances Some studies have found mixed results (e g , Godwin & Carroll, 1985, Shepard, 1984, Mueller and Hira, 1984) For example, Godwin and Carroll (1985) found a positive relationship between the extensiveness of financial management behavior and husbands' satisfaction, but not wives' satisfaction, whereas Shepard, (1985) found the opposite (i.e , more extensive financial management positively influenced women's satisfaction but was not significantly related to men's) Several research works studying married college students, found no relationship between their satisfaction with their finances and budgeting and record keeping of expenditures The only practice which was related to their satisfaction was record keeping of checks In their study of Japanese families' financial management practices and satisfaction, Mueller and Hira (1984) found two behaviors – having retirement plans and less frequent arguing about money—to be positively related to spouses' satisfaction with their financial situation

Rosenfeld, (1982) analyzed the effect of family resources, demands, and perceptions on the financial satisfaction of both spouses, even when such factors as family income and net worth were included Spouses' aspirations for the future were also strongly related to their satisfaction with their current financial status Bryant (1986) studying influences on spousal satisfaction with savings, found that, regardless of the objective situation of the family's income or net worth, couples' feelings about the importance of savings and their values regarding financial security were strongly predictive of their satisfaction This research suggests that families' subjective financial well-being is more strongly related to their attitudes and perceptions rather than any observable management behavior or their objectively measurable financial status

Textbooks may have some positive consequences for today's families, however these results should be accepted skeptically Research to date has been limited and characterized by conceptual and methodological shortcomings Most of the studies cited are cross-sectional and vary widely in the rigor and detail of methods We have little knowledge of why some families engage in more extensive financial management behavior than others We have little detailed information about what types of management behaviors are most effective for what types of families in various financial situations Factors other than those studied, such as the family members' human capital, time horizon, or attitudes toward risk, may be responsible for both their financial behavior and their objective and subjective well-being In sum, several research questions of importance to practitioners working with families on their financial management remain unanswered

## 2.4 Coping

Although the concept of family stress has been utilized with considerable frequency in both clinical and research literature, it has continued to remain elusive and is frequently used without explicit definition In many investigations, at least one of three aspects of "family stress" is identified, although consensus on definitions does not exist. Most commonly, stressors are defined as those life events or occurrences of sufficient magnitude to bring about change in the family system (Hill, 1949). Stress is not seen as inherent in the event itself, but rather is conceptualized as a function of the response of the distressed family to the stressor and refers to the residue of tensions generated by the stressor which remain unmanaged. Crisis refers to the amount of incapacitatedness or disorganization in the family where resources are inadequate (Hill, 1949, Burr, 1973).

Hill's (1949) formulation of A Bond C-x, covered major stressor events that introduces need for coping. A, the event and related hardships, interacting with B, the family's crisis meeting resources, interacting with C, the definition the family makes of the event-produce x, the crisis.

Hill (1949) had provided a model depicting stressor event. The independent variable, stressor event was visualized as forcing the family to adapt its regenerative power to combat with stress. The factor governing the regenerative power was identified as family's vulnerability to stress and family adaptability.

Perception, Hill's (1958) C factor, appears to take on an added dimension when analyzed in the context of coping. The normative and non-normative events included perception as a critical factor in determining the severity of the stressor event and whether or not the family experienced a crisis. In contrast, perception, as part of family coping behaviors, includes the "meaning" the family attaches to the stressful situation (Gottman, 1979). The difference between events which eventually leads to breakdown or dysfunction may depend upon the presence or absence of explanations which help the family to make sense of what happened, why the event happened, and how one's social environment can be rearranged in order to overcome the undesirable situation Social meaning also renders stressful situations less irrational, less unacceptable, and more understandable in the context of the situation in which they occur. Therefore, an analysis of coping has to take into account the different types of meaning construction which render the family capable of carrying on with its normal life pattern after the impact of the stressor event (Lazarus, 1979)

INDIVIDUALS AND ORGANISATIONS CANNOT REMAIN in a continuous state of tension Even if a deliberate and conscious strategy is not adopted to deal with stress, some strategy is adopted, for example, to level the conflicts and stress to take care of themselves This is also a strategy, although the individual or the organization may not be aware of this. This is called avoidance coping strategy.

The word coping has two connotations in literature The term has been used to denote the way of dealing with stress, or the effort to 'master' conditions of harm, threat, or challenge when a routine or automatic response is not readily available (Lazarus, 1974)

The different approaches to the study of coping have been pursued by various investigators On the one hand some researchers (e g , Byrne, 1964, Goldstein, 1973) have emphasized general coping traits, styles or dispositions, while on the other (e g , Cohen and Lazarus, 1973, Katz, Weiner, Gallagher and Hellman, 1970, Wolf and Goodell, 1968) some investigators have preferred to study the active ongoing strategies in a stress situation.

Coping traits refer to a disposition to respond in a specific way in situations that are stressful Coping traits are thus stable characteristics of persons that transcend classes of situation. Copying style implies a broader, more encompassing disposition. Trait and style are fundamentally similar ideas. Trait and style refer to a characteristic way of handling situations, they are stable tendencies on the basis of which inferences are drawn about how an individual will cope in some or all types of stressful situations A person's coping style or disposition is typically assessed by personality tests, not by actual observation of what the person says or does in a particular stress situation

Family stress might refer to the family's response to such events, which in many cases involves indices of the emotional state of family members, interpersonal conflict, or financial hardships (Simmons et al., 1973)

Coping refers to efforts to master conditions that tax or exceed adaptive resources (Monat and Lazarus, 1977) The term coping has been used to denote the way of dealing with stress, or the effort to master conditions of harm, threat or challenge when a routine or automatic response is not readily available Lazarus (1974) has emphasized the key role of cognitive processes in coping activity and the importance of coping in determining the quality and intensity of emotional reactions to stress

Traditionally, family stress have been viewed as a deleterious situation to be contrasted with the smooth operation of the family unit. Predictably, the traditional approach to the study of family stress has been to document the numerous psychological, interpersonal, and social aberrations in the family's response to stressors and related hardships Most investigations appear to be shifting away from this dysfunctional emphasis to an interest in accounting for why some families are better able to endure hardships over the life span This recent emphasis, which views stress as prevalent, but not necessarily problematic, has led to an increasing interest in coping (Moos, 1977)

Coping research in the family field has depended upon and drawn heavily from cognitive psychological theories (Haan, 1977), as well as from sociological theories (Pearlin and Schooler, 1978, Antonovsky, 1979).

There appear to be three ways in which coping can be a source of additional hardship. The first is by indirect damage to the family system. The family member may choose to make a change in the use of family resources which may place the family units in a disadvantaged position For example, the General Mills study of health (1979) reported that in order to cope with inflation, 75 percent of the single parent families were cutting back on health related items (medical care, dental care, etc.) Nearly half of all families studied (48 percent) expected to do this. This coping strategy may create greater health risks for the family and its members in the future The second source of harm is direct damage to the family system. Family members may choose to abuse alcohol as an effort at personal coping which may also bring about additional hardships which may ultimately interfere with family life and contribute to interpersonal conflict The third way in which coping may increase the risk of family difficulties is by interfering with additional adaptive behaviors that could help to preserve family life For example, parents' refusal to accept the diagnosis of having a child with a chronic illness is likely to delay the development of other coping strategies and retard the family's natural process of moving on and establishing meaningful life around the child

Although there are many ways to classify coping responses (Moos and Billings, 1982) most approaches distinguish between strategies that are active in nature and oriented toward confronting the problem, and strategies that entail an effort to reduce tension by avoiding dealing with the problem

Pareek (1983) has proposed two types of coping strategies which people generally use in order to handle stress, i e dysfunctional and functional copying styles Lazarus (1975) has suggested a classification of coping processes which emphasises two major categories, namely, direct action and palliative modes. Direct action includes behaviours or action which when performed by the organism in the face of a stressful situation is expected to bring about a change in stress causing environment The palliative mode of coping refers to those thoughts or actions whose purpose is to relieve the organism of any emotional impact of stress There is no clear consensus as to which coping strategies or modes of coping are most effective Coping may either take the form of avoiding the situation (reactive strategy), i e dysfunctional style, or confronting and approaching the problem (proactive strategy), i e functional style.

Gupta and Murthy (1984) studied role conflict and coping strategies among Indian women

The coping strategy that was the most popular amongst the respondents was personal role re-definition This strategy was significantly associated with low role conflict and high satisfaction with coping Reactive role behaviour methods on the other hand were associated with high role conflict and low satisfaction with coping The qualitative data also indicated that 'Adjustment' and 'Compromise' were the most commonly used and successful methods of coping

Some studies of coping strategies were also done on groups of students Caplan, Naidu and Tripathi (1984) examined how patterns of coping and defense, as well as their main effects, influence wellbeing Using a cross-sectional survey design, a questionnaire was administered to 207 university students facing the stress of annual examinations in

India The analysis indicated that coping was generally and positively correlated with positive affects (such as satisfaction) whereas defense was primarily and positively correlated with somatic complaints and negative affects Regarding patterns of coping, mobilization to take action was associated with negative affect when the coping mechanism of problem diagnosis was relatively low When the diagnosis was relatively high, mobilization was associated with either no change of improvement in it Coping and defense , but not their combinations, buffered certain effects of poor fit on indicators of well-being The similarities and difference between these findings and those investigators suggest that coping may buffer the effects of stressors on oil-being only when stressors are subjectively controllable.

Kaur and Murthy (1986) also studied the coping strategies of the managerial personnel organizational levels in a public sector. The results indicated a significant difference in the coping strategies adopted by individuals working at different organizational levels Avoidance strategies were predominant at the junior levels and approach strategies were predominant at the senior level The defensive style was used to the maximum by the junior management personnel, impunitive by the middle management personnel, and intropersistive by the senior/top management There was a positive and significant relationship between role stress and avoidance strategies, between role stress and externality, and between externality and avoidance strategies Organisational role stress is negatively and significantly associated with approach strategies

As pointed out by Boss (1987), the main determinant of why some families cope while others fall into crisis is the meaning that the event holds for the family and the individuals within it The extent to which constructive interpretations result in adequate coping depend on the degree of support provided by the internal and external contexts

Singh (1988) conducted a study which examined the modifying effects of coping strategies (avoidance and approach) which employees adopt to deal with their organizational role stress on the relationship between perceived role stress and mental health. The efficacy (magnitude as well as direction) of the two modes of coping in modifying the effect of perceived role stress was also tested. The sample comprised 300 employees of supervisory cadre of the Life Insurance Corporation of India The results indicated that employees' experienced stress arising from various inadequacies in their job had an adverse effect on their mental health. Employees who experienced high role stress manifested more symptoms of hysterical neurosis, phobic anxiety and somatic concomitants of anxiety

Coping behaviours were studied in relation to appraisal of academic and personal stressors as controllable-uncontrollable, and challenging-threatening in 258 college students by Mehta (1989)

Ahmad, Bhatt and Ahmad (1990) studied stress and coping strategies among executive technocrats and collected data to examine whether there is any difference in the coping styles of male and female technocrats on Role PICS The sample consisted of 100 executive technocrats-60 males and 40 females The results indicated that the total sample scores were higher for the approach style than for the avoidance style The executive technocrats used intropersistive style as the dominant style for coping followed by defensive and extra persistive styles A difference was observed in coping style of male and female technocrats While men used a defensive style more often than women, females largely used the approach style for coping It was also found that none of the demographic variables-age, number of dependents, income, drinking/smoking habits, health of the individual-had a significant bearing on the strategies used for coping with stress

The finding also revealed that the avoidance coping strategy enhanced mental health, whereas the approach coping strategy attenuated the severity of mental health While the avoidance strategy adopted by the employees to deal with their organizational role stress enhanced the positive relationship between role stress and mental ill health, the approach mode of coping had a buffering effect on the relationship between role stress and mental ill health

Family stress theory can be applied to critical work events that negatively affect the family Stress theory studies the phenomenon of family coping, which is the management of a stressful event by the family Boss (1987) "Coping refers to efforts to master conditions of harm, threat or challenge when a routine or automatic response is not readily available" (Monat and Lazarus, 1977)

Burr (1973) through modified model of Hill, depicted the family as a reactor to stress and as a manager of resources within the family system The active processes of family adaptation involving coping strategies within the family as well as in transactions with the community have received limited attention in both research and theory building (McCubbin, 1979) However, there is a mounting belief among researchers and family clinical workers that understanding how families cope with stress is just as important as understanding the frequency and severity of life changes and transitions themselves

Studies have not examined fully the matter of coping as a source of stress (Croog, S H , 1973; Skinner, D.A , 1980)

Cognitive coping strategies refer to the ways in which individual family members alter their subjective perceptions of stressful situations. This perspective focuses on the individual family member and his or her psychological states and subjective experiences as the dominant factors determining coping behavior External influences and situations are taken into account through their impact on internal motivational and emotional states The family member responds to the stress in a passive but reactive posture Sociological theories of coping have emphasized a wide variety of actions directed at either changing stressful conditions or alleviating distress by manipulating the social environment

Four basic hypotheses have been suggested in the limited number of family-oriented coping studies conducted in the seventies. Coping behaviors will . (1) decrease the presence of vulnerability factors (e g , emotional instability of a family member is a vulnerability factor which may need attention in the face of stressors) (Pearlin and Schooler, op cited, Boss et al , 1979), (2) strengthen or maintain those family resources (e g , family cohesiveness, organization, adaptability) which serve to protect the family from harm or disruption (Adams, 1975), (3) reduce or eliminate stressor events and their specific hardships, and (4) involve the process of actively influencing the environment by doing something to change the social circumstances (McCubbin et al , 1976, Pearlin and Schooler, op cited) .

These investigations have revealed that the family strategy of coping is not created in a single instance, but is progressively modified over time Because the family is a system, coping behavior involves the management of various dimensions of family life simultaneously : (1) maintaining satisfactory internal conditions for communication and family organization, (2) promoting member independence and self-esteem, (3) maintenance of family bonds of coherence and unity, (4) maintenance of some efforts to control the impact of the stressor and the amount of change in the family system which facilitates organization and unity and promotes individual growth and development.

Certainly we have much in common with the behavioral scientists and their efforts to examine coping on an individual level; and we have benefited from their work. At this point in time, family research efforts to bridge the two bodies of research (individual and family) to render clarity to the concepts, propositions, and hypotheses at both the individual and the family systems levels seems to be a formidable task and remains a challenge for future research and theory building (Krauss, M.W., 1988).

The review of related literature for the present study revealed that urban families are constantly striving for the attainment of desired standard of living. Inflation hits the families by reducing their purchasing power. Researches have been conducted on money management practices adopted by families with specific type of composition. Yet, effect of inflation on the cost of living of families across income classes has not been studied. Compared to studies on emotion based on coping strategies, that on problem based coping strategies are very few, especially in relation to the financial aspects.

Various domains affecting quality of life are studied but the financial domain is the area, which has not been explored much. Hence, the investigator was motivated to study the collective effect of price rise, cost of living, families' financial management and coping strategies on the quality of life of urban families belonging to different income classes.