

How do the people of Tenancingo and Pilcaya spend their money?

¿En qué gastan su dinero las personas de Tenancingo y Pilcaya?

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Abstract

One of the serious issues today is that people spend more than their income, so the objective of this study is to investigate the behavior of the citizens of Pilcaya Guerrero and Tenancingo, Mexico with respect to their personal expenses and make a comparison between them in order to find differences and similarities as well as areas of opportunity in education and financial literacy. Based on this context, the research hypothesis arises: People who do not have financial education, do not properly manage their money which leads them to make unnecessary expenses. For the verification of the hypothesis a quantitative methodology of descriptive, explanatory and correlational cut was used, using as a technique for data collection surveys of closed questions Likert type, with a non-probabilistic sample and convenience sampling, which were applied through forms in Google forms, and then analyzed with descriptive and correlational statistical techniques in the SPSS program. The results obtained show that 3 out of 10 people save, and only 2 out of 10 people make unnecessary purchases, but despite the fact that few people make unnecessary purchases they do not know about financial education because more than 85% have misconceptions about the basic concepts of finance, so the hypothesis is rejected, because even though they do not make unnecessary expenses they do not know how to manage their money and therefore try not to overspend.

Financial education, Personal spending, Financial literacy, Tenancingo, Pilcaya

Resumen

Una de las cuestiones graves en la actualidad es que las personas gastan más de lo que perciben de ingresos, por lo que el objetivo de ese estudio es indagar en el comportamiento de los ciudadanos de Pilcaya Guerrero y Tenancingo, México con respecto a sus gastos personales y realizar una comparación entre los mismos para poder encontrar diferencias y similitudes además de áreas de oportunidad en temas de educación y cultura financiera. Con base a este contexto surge la hipótesis de investigación: Las personas que no poseen educación financiera, no administran adecuadamente su dinero lo que los lleva a realizar gastos innecesarios. Para la comprobación de la hipótesis se utilizó una metodología cuantitativa de corte descriptivo, explicativo y correlacional, utilizando como técnica para la recolección de datos encuestas de preguntas cerradas tipo Likert, con una muestra no probabilística y muestreo por conveniencia, los cuales fueron aplicados por medio de formularios en Google forms, para después analizarlos con técnicas de estadística descriptiva y correlacional en el programa SPSS. Los resultados obtenidos muestran que 3 de cada 10 personas ahorran, y tan solo 2 de cada 10 personas realizan compras innecesarias, pero pese a que pocas personas realizan compras innecesarias no conocen de temas de educación financiera debido que más del 85% tienen ideas erróneas acerca de los conceptos básicos de las finanzas por lo que se rechaza la hipótesis, porque a pesar de que no realizan gastos innecesarios no saben cómo administrar su dinero y por eso tratan de no gastar de más.

Educación financiera, Gasto personal, Educación financiera, Tenancingo, Pilcaya

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Introduction

In Mexico, the culture of saving has not been able to consolidate because families have not been familiar with this habit of the most fundamental for life in the long, medium and short term. Therefore, in the last decade has focused on the mismanagement that is done with the money, because most Mexican families do not prioritize their expenses, do not account for them, or budget them.

All the above is presented as a result of the little financial information that exists to invest their money, ie, people are not used to have their capital in any investment for not knowing how or for fear of losing it resulting in little interest in the subject of investment funds being this in the future a magnet of great repercussions leading them to the extreme case of a large indebtedness by poor financial education.

Therefore, this research aims to investigate the behavior of citizens with respect to their personal expenses in the municipalities of Pilcaya, Guerrero and Tenancingo, Mexico, where in the first section concepts and theories that help to substantiate the hypothesis put forward in this work are addressed. In the second section, the research design for the verification of the hypothesis will be presented, to then explain the results obtained and give rise to the discussion and conclusions of this.

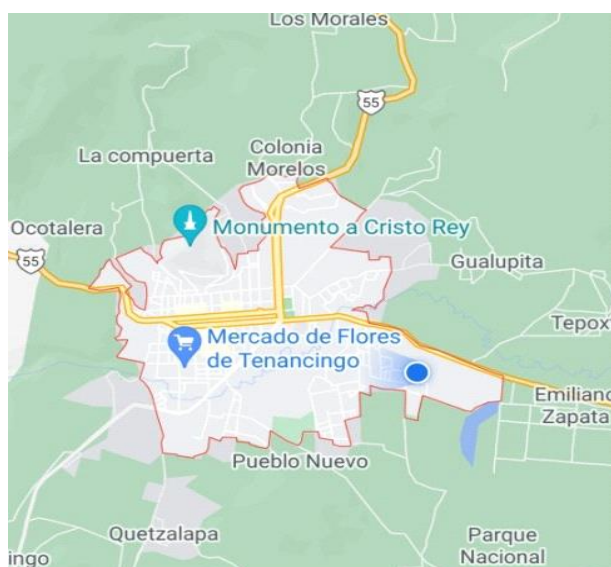


Figure 1 Map of municipality of Pilcaya, Gro.
Source: Pilcaya, Guerrero. Google Maps (2021)

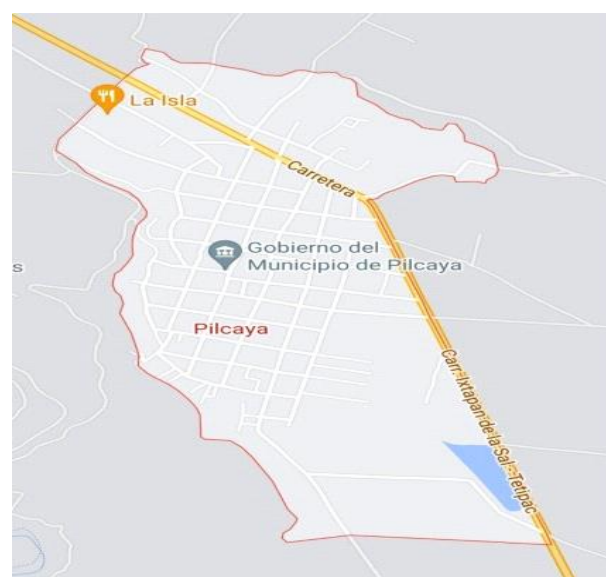


Figure 2 Map of municipality of Tenancingo, Edo, Mex
Source: Tenancingo, Edo.Mex. Google Maps (2021)

Literature review

Financial education

According to the Organisation for Economic Co-operation and Development (OECD) defines Financial Education as: "the process by which individuals acquire the knowledge, skills, and attitudes necessary to become financially literate. a better understanding of financial concepts and products and develop the skills necessary to make informed decisions, assess financial risks and opportunities, and improve their well-being". Also Bansefi (2017) tells us that:

"Financial education is a process of developing skills and attitudes that, through the assimilation of comprehensible information and basic tools for resource management and planning, allow individuals to make personal and social decisions of an economic nature in their daily lives and to use financial products and services to improve their quality of life under conditions of certainty".

Characteristics:	IMPORTANCE:
- Develops skills.	- Improve the quality of life.
- Transmits knowledge.	- Knowing how to take care of and yield the money in an adequate way.
- Raises the level of well-being	- Stability and better development of the patrimony.
	- Benefit to the markets.

History

According to Henao, Oscar, Córdoba L. and José Fernando (2017):

"Consumption is an increasingly acute feature of modern societies. The effects of consumption have been one of the main subjects of interest throughout the history of economic thought. Consumption is the economic activity closely linked to the satisfaction of needs".

Consumerism is one of the symbols of contemporary society, which is why we talk about the consumer society. New behaviors have developed, where we consume appliances, clothing and technological accessories, aimed at improving the quality of life and status, ensuring us more leisure time. However, more money is necessary for it, and therefore part of society lives according to work, work and work to enjoy consumption.

COVID-19 Pandemic Income of Individuals

It is imperative to talk about the implications of Covid-19 on household finances in Mexico. In that sense, it is worth asking ourselves: how financially prepared are Mexicans to face Covid-19? Who could be most affected? and, of course, what have been the effects of Covid-19 on Mexicans' finances so far?

The pandemic has affected 100% of the population; in the economic aspects it is reflected in the expected fall of the GDP, the increase of unemployment, the turbulences in the financial markets, the fall of the prices of the raw materials as in the case of the quotations of the oil due to the fall of the demand of the hydrocarbon, the devaluation of the emergent currencies, the closing of companies, the fall in the consumption, the increase of poor and deaths by hunger, the increase of the public expense, the fall of the tributary and not tributary income among other affectations.

The ultimate impact on household income in the COVID-19 contingency will depend on the speed of recovery of the Mexican economy and the actions taken both to prevent the pandemic and to boost the economy during and after the pandemic. The sum of social alienation and the lack of a single census of beneficiaries or people in informal employment make this a monumental challenge.

Faced with a complex scenario, where uncertainty prevails, both health and economic, experts recommend maintaining, as far as possible, financial health. This factor is fundamental in the starting situation, according to González-Páramo, for two reasons:

- First, because, although increased uncertainty always leads to an instinctive increase in our savings rate as a precautionary measure, in many cases these savings will be low because they will be based on a reduced income.
- The second is because our ability to plan financially for the future (e.g., to pay for children's education or to afford retirement) is much more complex in a context of health and economic uncertainty.

To strengthen finances and meet these challenges, a minimum of financial literacy is necessary. A knowledge that, as Helen Gibbons explains, should emphasize four points: "Diversify savings, maintain a level of debt that is manageable, review personal finances more frequently and use technology for financial control".

Methodology

The research project used several approaches due to the great need for information that was required, such as descriptive, explanatory and correlational research, which involve detailed observation of the previously selected populations (municipality of Tenancingo and Pilcaya) to explain the type of behavior they have according to various factors such as the socio-economic environment, their financial education and their index of consumer behavior. For the testing of the hypothesis it was decided to start from a causal research design because the project is of quantitative approach, which requires evidence to know the main causes of the behavior of people based on their money they perceive so data were collected through the technique of electronic surveys where the type of sample used was non-probabilistic, convenience sampling since two municipalities were studied, which were: Pilcaya, Gro and Tenancingo, Edomex, where in the first according to INEGI data (2020), has 3599 inhabitants in its entirety and in Tenancingo around 11000 inhabitants of an age range of 18- 30 years, but due to contingency issues it was only possible to contact inhabitants of the center of the municipalities so a small representative sample was achieved to inquire into their behavior as consumers, because they are two different regions and therefore have different lifestyles, customs and their economic activities in which they perform different.

The surveys that were applied for Tenancingo correspond to 143 people of an age range of 18 - 30 years, while for Pilcaya, having a smaller population than the previous site, it was applied to 82 people of an age range of 25 - 30 years, these surveys were applied by means of Google Forms due to the current conditions due to the COVID-19 contingency.

All the above, served to expose the degree of association between the variables and test the hypothesis: since questions were asked to know the degree of study, savings accounts, saving habits, expenses, purchases, economic activities in which they perform, socioeconomic level among others.

Results

The following are the results obtained from the survey applied to the sample of inhabitants of Pilcaya and Tenancingo:

The inhabitants who answered were of an age range of 18-30 years old where their academic level is professional and others are engaged in studying or working. Only 76 of the 76 people are financially independent while the rest still need or depend on someone else. 64.9% of people do not depend on them financially.

People do have the habit of saving a part of their income, but they also sometimes spend it unnecessarily, 36.9% of people do save but 20.4% do not know how to manage their money. 83 of the people are motivated to save to buy something they like while only 22 people are looking for their old age. It was very sad to observe that more than 76% of the surveyed population has debts but they consider that getting into debt is bad if it exceeds their capacity to pay. 67.1% of those surveyed consider that it is bad to get into debt if they exceed their capacity to pay.

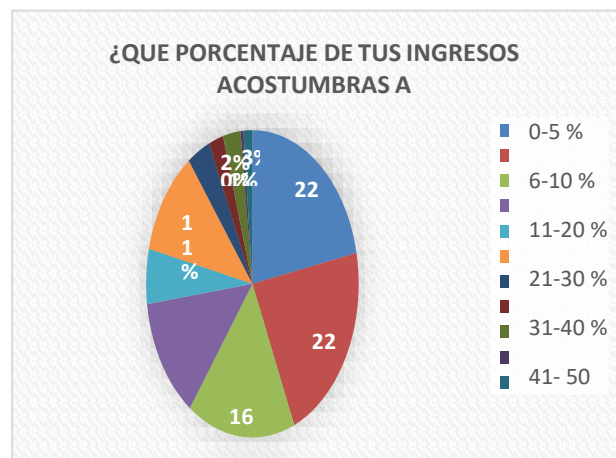
However, 28.4% consider that sometimes it is necessary to get into debt for different reasons, such as debts to pay for their children's education or for some illness. 47.1% if they had an economic emergency equal to what they earn or receive for the month, they would pay for it with their savings, which indicates that a little less than half are concerned about saving in case of an emergency.

Only 33.8% invest, the other part of the population does not know about the subject or distrusts financial institutions. 11.1% usually save 51 to 50% of their income, most of them only save 0 to 5% of their income, which is not ideal to be able to save a favorable amount for their retirement or an emergency. 57.3% of the population does not have debts or if they do, they pay 0 to 5% monthly, which is a low percentage. Most of the population prefers to keep their money at home; they are unaware of the risk involved in keeping it at home or simply due to misinformation and lack of confidence in keeping it in a financial institution.

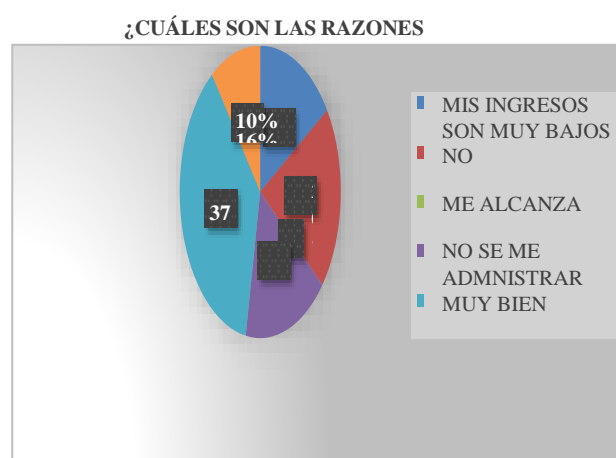
They do not keep track of their budget, 16% keep track of their budget in a mobile application, 50.7% sometimes have long term financial goals and strive to obtain them, this indicates that they mostly do it for vacations, starting a business but very few do it for their retirement. 45.3% of the population does not have an account, insurance, or credit and only 24.9% compare banks, financial institutions to contract a bank account or insurance.

Much of the people do not know how to calculate their payment capacity, they only try not to spend more than they can, this indicates that they do not have a broad financial knowledge, however they try not to have debts. 85.8% think that setting up a budget is useful to organize their expenses. 57.8% believe that the key to managing a credit card is not to exceed the credit line. 56% of the population does not take out loans or credit.

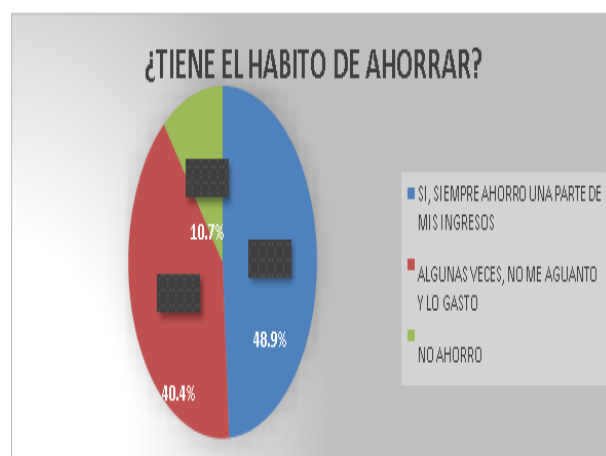
Below is a series of graphs of the key questions from the survey:



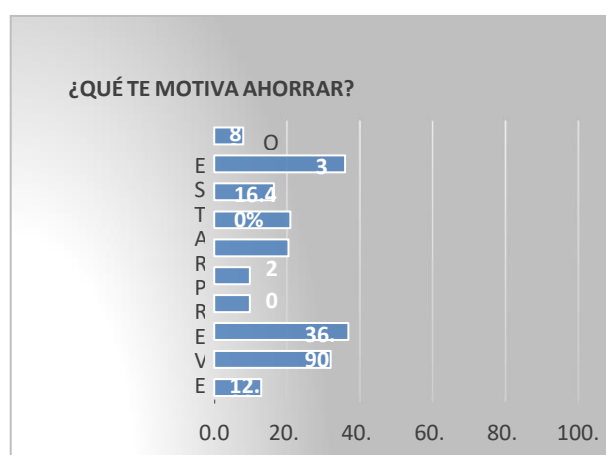
Graphic 1 Percentage of income used to save
Source: Own elaboration



Graphic 2 Reasons not to save
Source: Own elaboration



Graphic 3 Percentage of income used to save
Source: Own elaboration



Graphic 4 Savings motivation
Source: Own elaboration

	Correlation	Results	Analysis
Variables	What do you do?		
AGE	.202**	Positive correlation	Age may correspond to the profession and/or trade of the individual.
Do you have the habit of saving?	0.032	Positive correlation	The profession and/or trade is a determining factor in savings habits.
What motivates you to save?	-0.083	Negative correlation	The profession and/or occupation does not influence the motives for saving.
What are the reasons why you do not save?	0.006	Positive correlation	The profession and/or trade determines the reasons why people do not save
What percentage of your income do you usually save?	-0.093	Negative correlation	There is no relationship between the profession and/or trade with the percentage of savings.

	Age		
What are the reasons why you don't save? save?	0.0905014	Positive correlation	Age can influence savings
	Academic level		
What are the reasons you don't save?	0.050	Positive correlation	Academic level responds to the reasons for not saving
What percentage of your income do you usually save?	0.062	Positive correlation	Academic level influences the percentage of income to be saved

Table 1 Simple view of a data correlation in the SPSS statistical program with Pearson's coefficient
 Source: Own elaboration based on results of the SPSS analysis

To measure the significance level of Person's correlation and test the hypothesis, a significance level of .05, which is ideal in social science research according to various researchers, so it was shown that people who have a higher academic level (professional level), manage their money properly because the profession and/or trade is a determinant for saving habits, If the person is a professional, he/she has a tendency to save, given that if he/she does not have a remunerated profession and/or trade, it directly influences the reasons why he/she does not save, all this positively related to the academic level, since the higher the academic level, the greater the knowledge that will influence the use of some financial practices, such as saving and investment.

Discussion

The results of this study clearly show that the age range had a significant influence on the respondents' response to the electronic survey, given the culture and environment in which the respondents live. Respondents in the 18-30 age range tended to be more open about financial literacy and personal finance topics while those in the 41-60 age range were more closed and skeptical about the survey for fear of misuse of the information provided.

All the above, because in the results obtained in the surveys it was observed that a percentage of 84.4% of young adults with an age range of 18-30 years old answered the form, which caused a considerable bias, since the remaining 15.1% corresponds to the different categories of life (31-60 years old) whose answers left different concerns and interests about their behavior in the topic of financial education and personal finance.

Therefore, it is intended that in future research, in order to obtain more information about the remaining age ranges, a qualitative approach will be added in which the activities to be carried out would be an in-depth interview to complement the case study.

Conclusion

In relation to the above, one of the objectives of the research was to analyze and identify whether the citizens of the municipalities of Tenancingo, State of Mexico and Pilcaya, Guerrero have knowledge about financial concepts such as savings, investments, credits and savings funds, which resulted in that, in general people have notions of these terms, as well as some people have that kind of financial services either because of their work, for some need and/or impulse, among other aspects of the socioeconomic environment of the aforementioned municipalities.

On the other hand, at the moment of carrying out this study the mentioned municipalities of the region were chosen, because their customs and behaviors of the population were varied by the geographic zone, the amount of inhabitants that conform it and in turn the socioeconomic environment that surrounds them being this determinant as far as the application of the surveys since for Pilcaya, Guerrero being a more traditionalist area, the thinking of its inhabitants tend to be more reserved in terms of money-related issues, while for Tenancingo, located in the State of Mexico, being considered a city, its economic activities and behaviors are different and according to age, they responded without any problem to the form. In addition, when analyzing the data, it was observed that despite the fact that most of the respondents answered that getting into debt is bad if it exceeds the ability to pay, 76% of them are in that situation.

In addition to finding positive correlations between variables, such is the case of the profession and/or trade, which turned out to be a determinant for saving habits, if the person is a professional he/she has a tendency to save, given that if he/she does not have a remunerated profession and/or trade it influences the saving habits.

This is positively related to the academic level, since the higher the academic level, the greater the knowledge of finance, which will influence the use of some financial practices, such as saving and investment. This leads us to reject the hypothesis because only 20% of respondents answered to make unnecessary expenses, however, most of them do not have an adequate money management so they tend to get into debt and therefore not to practice saving. The above only highlights the lack of financial education among society, which leads to suggest that such information is made known among communities through workshops or subjects taught from basic education for Mexico to be a country with less indebtedness and more savings and investment among its inhabitants.

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