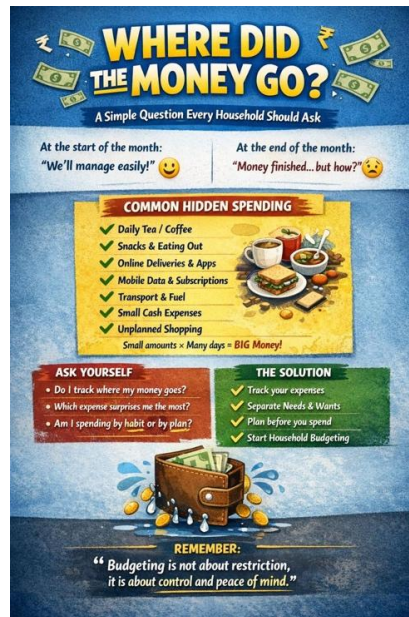


Topic 33 - Household Budgeting

Activity 33.1

“Where Did the Money Go?”



How it works:

- Give participants a short list of common monthly expenses (rent, groceries, mobile recharge, eating out, transport, subscriptions, medical, charity, emergencies).
- Ask them to quickly guess how much they think they spend on each in a month (no calculations, just intuition).
- Then ask:

“Which expense surprised you the most?”

Purpose: Shows that most people spend without tracking, creating a natural need for budgeting.

What is Budgeting?

Budgeting's the process of creating a plan to spend an organization's resources, including money, time, and personnel. It involves estimating revenue and expenses over a specified future period, often annually, and serves as a financial blueprint for the organization.

The main purpose of budgeting is it gives you a comprehensive overview of your financial situation. It helps you understand where your money is coming from and where it is going. This awareness can help you to make conscious decisions about your spending, identify areas you can cut back, and direct funds towards your financial priorities.

رسول الله ﷺ فرماوے چھے:

"التدبير نصف العيش"

فحوی۔ تدبیر کروو زندگی نو اردھو حصہ چھے، زندگی نا امور: تدبیر کروا سی سہل تھی
جائی چھے،

الداعي الاجل سيدنا محمد برهان الدين رض فرماوے چھے:

Kalemaat Nooraniyah 33.1

"گھر ما نفقات اپنا برابر کرو، اوک کرتا خرچ زیادہ نہ کرو، جتنی امد ہوئی اہناہ اوپر
خرچ نو budget کرو، خدا رازق چھے، رزق خدا آپسے، مگر تمیں فضا خرچ کری نے،

کوئی فیشن پر اتري نے تمارا مال نے اهوونہ خرچي ناڪھو ڪر ڪر ما ضرور چھ تہ ما تو رھي
جائي ، انے بن ضرور چيزو ما خرچائي جائي ، ھاں مگر يہ ياد راڪھو ڪر يہ بن ضرور نہ
ڪھوئي ڪر تمارا بھائي نے تمہیں اپو ، تمارا پڑوسي نے ياري اپو ، تمہنے خدا ايڪ روپيہ اپو ھوئي تو
تمہیں ايم خيال ڪر وڪر اھنا پاسے چار انہ بھي نہي ، تو مارا مال ماسي بے انہ اھنے اپونہ تو يہ
ماری سعادت چھ۔"

الداعي الاجل سيدنا محمد برهان الدين رضايان ني روشني ما household budgeting پر
ذڪر ڪريئے

Did you know?

Warren Buffett: One of the world's wealthiest individuals, known for his value investing approach, who still lives in the same modest home he bought in 1958 and eats breakfast at McDonald's daily.

What is Household Budgeting?

A household budget is a financial plan that details how a household's income will be spent and saved over a set period, typically a month. It involves tracking income from all sources and allocating funds for expenses like rent, utilities, groceries, and debt, as well as savings goals and other financial milestones. Creating a budget helps manage money, prevent overspending, and make informed decisions about spending and saving.

خدا تعالیٰ قرآن مجید ما فرماوے چھے:

"وَالَّذِينَ إِذَا أَنْفَقُوا لَمْ يُسْرِفُوا وَلَمْ يَقْتُرُوا وَكَانَ بَيْنَ ذَلِكَ قَوَامًا"^۳

خفوی۔ انے یر لوگو کیوا چھے جر سگلا جیوارے خرچ کرے چھے تیوارے اسراف بھی نہھی کرتا انے کم بھی نہھی کرتا بلکہ وچگالے رھی نے خرچ کرے چھے،



Key components of a household budget

Income: All money coming into the household, including take-home pay, benefits, pensions, or any other sources. Any income received quarterly or annually should be converted to a monthly figure.

Expenses: All money going out, which can be broken down into:

Fixed costs: Expenses that are the same each month, like rent or mortgage payments.

Variable costs: Expenses that fluctuate, such as groceries, gas, and utility bills.

Non-essential costs: Discretionary spending on things like entertainment, dining

سورة الفرقان آية: ۶۷

out, and hobbies.

Savings and goals: Money set aside for future needs, such as an emergency fund, retirement savings, or specific financial goals like a down payment on a home or a holiday.

To evaluate the position of the household, you must balance your budget and identify the difference between your income and your expense. For that, subtract your yearly expenses from your yearly income and observe the difference.

Monthly Household Budget Template					
			Budgeted Amount	Actual Amount	Variance
Name		Total Monthly	-	-	-
Number of Members in Family		Total Monthly Expenditure	-	-	-
Month and Year		Balance	-	-	-
Sr.No	Description		Budgeted Amount	Actual Amount	Variance
	INCOME HEAD				
1	Salary / wages Income		-	-	-
2	Interest Income		-	-	-
3	Dividend Income		-	-	-
4	Miscellaneous Income		-	-	-

Figure 1: Budget Template⁴

“The next and most important step in your budgeting exercise is to determine your projected monthly and yearly expenses under the ‘the 6 Umoor’. This method allows you to organize your expenses in a way that comprehensively encompasses the various activities of a Mumin’s life.”⁵

The 6 Umoor of budgeting are as follows:

- 1) **Deeni:** Khumus, Wajebaat, FMB, Haj, Ziyarat

⁴ *Monthly Household Budget Template*, Wall Street Mojo Team, 30 January 2024, Available at: <https://www.wallstreetmojo.com/monthly-household-budget-template> (Accessed: 14 November 2025).

⁵ *Household Budgeting Manual*, January 2024- 1440H, Available at: <https://www.umooriqtesadiyah.org/wp-content/uploads/2024/01/Household-Budget-Editable.pdf> (Accessed: 14 November 2025).

- 2) **Housing:** Utilities, House Maintenance, Kitchen Utensils
- 3) **Food:** Groceries, Dining
- 4) **Livelihood:** Personal and Family Care, Transportation
- 5) **Education:** School/College Fees
- 6) **Health:** Medical/Dental, Eye Care, Leisure

الداعي الاجل الحمي المقدس سيدنا محمد برهان الدين رض فرماوے چھے:

Kalemaat Nooraniyah 33.2

"خرچ کم کرو ما بھی نظام جوئیے، یرہ مثل ناخون مھوٹا تھائی تو کاپوا جوئیے۔"



Effects:

- ✓ Increased financial control
- ✓ Debt management
- ✓ Goal achievement
- ✓ Financial stability and security
- ✓ Improved financial well-being
- ✓ Better spending habits.

Advantages of Creating a Budget

Creating a budget offers numerous personal and professional advantages, from gaining control over your finances and reducing stress to achieving long-term financial goals like saving for retirement or a major purchase. It provides a roadmap for your money, ensuring you prioritize spending and avoid debt.



Figure 2: Advantages of Budget

Key advantages include:

Enhanced Financial Control and Clarity

Gaining Control: A budget helps you understand exactly where your income is going, allowing you to direct your money intentionally rather than wondering where it went.

Increased Awareness: You gain insight into your spending habits, easily identifying areas of wasteful or unnecessary spending, such as unused subscriptions or excessive dining out.

Organized Finances: Categorizing income and expenses creates a clear, organized framework for managing your money, making it easier to track progress and make informed decisions.

⁷ *What is a Budget? What are the Benefits of Budgeting?* MeetQuoteShack Inc, 26 February 2024, Available at: <https://www.linkedin.com/pulse/what-budget-benefits-budgeting-meetquoteshack-g04gc> (Accessed: 16 November 2025)

Example 33.1

Digital Organization: Transitioning from paper to digital statements and bills helps prevent loss and makes document management easier.

Goal Achievement and Future Planning

Achieving Goals: Whether it's saving for a down payment on a house, a vacation, a new car, or retirement, a budget makes these goals attainable by allocating specific funds towards them.

Preparing for Emergencies: A budget allows you to build an emergency fund (ideally three to six months' worth of living expenses), creating a financial safety net for unexpected events like job loss, illness, or major home repairs.

Long-Term Security: By consistently saving and investing as planned in your budget, you build wealth over time and work towards a more secure and comfortable retirement.

Example 33.2

To save for a down payment on a home, a person might set a goal to save \$50,000 in five years by opening a high-yield savings account, automating a monthly transfer, and selling unused items.

Debt Management and Avoidance

Avoiding Debt: By ensuring you don't spend more than you earn, a budget helps prevent debt accumulation and stops the cycle of living paycheck to paycheck.

Managing Existing Debt: A budget provides a clear plan to prioritize and pay off existing debts efficiently, potentially saving on interest costs and improving your credit score.

Informed Borrowing: It helps you assess how much you can comfortably afford to borrow if a loan is necessary, ensuring you can manage repayments within your means.

Case Study 33.1

IT Professional in Bengaluru – Lifestyle Inflation Trap

Location: Bengaluru, India

Income: ₹1.2 lakh/month

Situation- Despite high income:

- Credit card dues every month
- Zero long-term savings
- EMI stress

Spending Pattern:

- Gadgets & online shopping
- Multiple OTT subscriptions
- Frequent food delivery

Action Taken

- Followed 50-30-20 rule
- Cancelled unused subscriptions
- Limited credit card usage
- Automated SIPs and savings

Result (1 year)

- ₹3.5 lakh saved
- Credit card debt cleared
- Stress-free finances

Key Lesson: Income alone doesn't create wealth—discipline does.

Improved Well-being and Relationships

Reduced Stress and Anxiety: Having a clear financial plan provides a sense of security and control, which significantly reduces money-related stress and can even lead to better sleep.

Better Decision Making: A budget pre-decides many financial choices, reducing decision fatigue and encouraging more careful and less impulsive spending habits.

Stronger Relationships: Involving family members in the budgeting process encourages open communication about spending habits and goals, leading to shared responsibility and fewer conflicts over money.

Guilt-Free Spending: Allocating specific amounts for discretionary spending allows you to enjoy purchases without the accompanying guilt, as you know all other essential needs and savings are covered.

امیر المؤمنین صع فرماوے چھے:

"طلبت الغنى فوجدته في الرضى بالقليل"^٨

فحوی۔ میں یر دولة نے طلب کیدی، پچھی میں یر اهنے۔ کم سی خوش تھی جاواما پراپی.

الداعي الاجل سيدنا عالي قدر مفضل سيف الدين طع فرماوے چھے:

^٨ روضة هدايات الجزء الثاني

Need vs Want

الداعي الاجل سيدنا محمد برهان الدين رض فرماوے چھے:

Kalemaat Nooraniyah 33.4

"خداير تمنے نعمتو اپي چھے ، اھني قدر کرجو ، اھني حرمة راکھجو ، اھنے ضائع تھواوا سي حفاظة کرجو ، خدا تعالیٰ ير تمنے رزق اپو چھے اھني هرگز بے حرمتي نہ کرجو ، اسراف نہ کرجو تمارا مال ني حفاظة کرجو ، اھنے کوئي اھوي جگہ مانر موکجو جھاں نہ موکوو جوئيے."^۱

ايان سي ايم واضح تھائي چھے کہ انسان نے اھنا needs انے wants ما برابر فرق کروو لازم چھے ، نہيں تو بعض وقت ير اھنا مال نے فضول خرچ کروا ما ضائع کري دے چھے جہر ناسب اھنے گھنا نقصان تھي جائي چھے.

Case Study 33.2

Newly Married Couple – Needs vs Wants

Profile:

- Dual income couple
- Combined income: ₹90,000/month

Problem: Lifestyle inflation after marriage—gadgets, outings, subscriptions.

Key Issues:

^۱جواھر الکلام الغالية مقدم ني مجلس ۱۴۳۰ھ

- Confusing wants with needs
- No savings for future goals

Action Taken:

- Applied 50:30:20 rule
- Separate “Fun Money” allowance
- Set joint goals (Hajj savings + emergency fund)

Outcome:

- 20% monthly savings achieved
- Zero conflicts over spending
- Clear long-term planning

Learning: Pre-deciding spending reduces arguments and guilt.



Importance of Spending Mindfully and the Value of Money

الداعي الاجل سيدنا محمد برهان الدين رض فرماوے چھے:

Kalemaat Nooraniyah 33.5

"چھوٹا بچہ وئے سونہ ہوئی چھے ، کہ مھو تھا واپنا ماں باپ ہوئی تر نی حکایہ کرے ، یہ جیم کرے تیم کرے ، اہنی پیروی کرے چھے ، یہ پرمانے کام کرے چھے ، تارے اہنے امید ہوئی چھے ، کہ میں مارا ماں باوا نی مثل تھاوو ،... "محاكاة الالباء والامهات" گھنی اچھی وات چھے۔"

"وعن جعفر بن محمد صح أنه قال في اليتيم إذا قرأ القرآن واحتلم وأنس منه الرشد دفع إليه ماله وإن احتلم ولم يكن له عقل يوثق به لم يدفع إليه وأنفق منه بالمعروف عليه"

فحوی۔ امام جعفر الصادق صح فرماوے چھے کہ یتیم نا ولی ، جویر قرآن مجید نی تلاوة کرتا تھائی انے احتلام نی حد نے پہنچے انے اہنا ما رشد معلوم تھائی تو اہنو مال اہنے دفع کروا ما اوے ، جو بالغ تھائی (احتلام تھائی) مگر عقل پر اموا مانر اوے تو مال نے دفع نہ کرے انے اہنا اوپر معروف سی خرچ کرے ،

ایک فرد ما عقل ہو و ضروری چھے کہ اہنا سبب یہ صحیح انے بدی ما تمیز کری سکے چھے ، ایان سی ایم واضح تھائی چھے کہ والدین نے فرزند و نا تمام امور ما نظر کروو گھنوا ہم چھے

"جواهر الکلام الغالية عرس مبارك الداعي الاجل سيدنا طاهر سيف الدين رض ١٤٢٥ھ

"کتاب دعائم الاسلام الجزء الثاني

بالخصوص مال نا امر ما کریر مال نے کئی جگہ ما سا واسطے خرچ کرے چھے انے فضول خرچی نہ تھائی.

Teaching kids about budgeting is crucial for helping them manage their money effectively. A budget is essentially a plan for how to spend and save money, and it's a skill that will benefit them throughout their lives. Involve them in simple spending decisions, such as buying groceries or school supplies. This helps them understand the value of money and the importance of managing finances.

Example 33.3

- **Grocery shopping:** Involve them in making a list and sticking to a budget, comparing prices, and calculating the total.
- **Budget for a special event:** Plan the budget for a vacation or a special outing together, letting them help decide how to allocate funds for fun activities vs essentials.
- **Start a small business:** encourage them to run a mini business, like a lemonade stand, to learn about costs, pricing, and profit.

خدا تعالیٰ قرآن مجید ما فرماوے چھے:

"إِنَّ الْمُبَدِّرِينَ كَانُوا إِخْوَانَ الشَّيْطَانِ وَكَانَ الشَّيْطَانُ لِرَبِّهِ كَفُورًا" ۱۳

سورة الاسراء آية: ۲۷

فحوی۔ اے تمیں سگلا اسراف نر کرو، تحقیق اسراف نا کرنا او شیا طین نا بھائیو چھے۔

It is important to teach your children the importance to money at an early age so that they grow up to be mature adults making wise decisions relating to money matters in their prospective life. Financial literacy can help individuals reach their goals: by understanding how to budget and save money, people define their immediate necessities and focus their minds ahead to important financial goals.

Did you know?

Bill Gates: Began programming at 13,
developed a traffic-monitoring
program at 15, and co-founded
Microsoft five years later.

Savings

In a household budget, saving is the portion of your income that is intentionally set aside for future use, such as building an emergency fund, achieving financial goals like a down payment or retirement, or covering unexpected expenses. It involves a conscious decision to postpone spending money on needs or wants, with the goal of financial security or future purchases.

Key aspects of saving in a household budget:

A distinct category: Saving is one of the main categories in a budget, separate from spending on needs (like rent and groceries) and wants (like entertainment).

Future oriented: The money saved is not for immediate spending; it is for long-term goals or unforeseen events.

“Pay yourself first”: A common strategy is to put money into savings at the beginning of the month before paying other bills.

Purpose beyond spending: While budgeting plans how to spend your income, saving is the act of choosing to not spend a portion of it, making it a proactive tool for financial health.

Daily habits and lifestyle adjustments

Track spending: Keep a detailed record of all expenses for a few months to identify where your money is going and where you can cut back.

Create a budget: Use a budget (like the 50/30/20 rule: 50% needs, 30% wants, 20% savings) to plan how you will spend and save your income.

Avoid impulse purchases: Implement a 24-hour or 30-day “cooling-off” period before buying non-essential items to decide if you truly need them.

Cook at home: Prepare your own meals and coffee instead of eating out or buying takeout daily, which can save hundreds of dollars a month.

Plan your grocery shopping: Make a shopping list based on a meal plan and stick to it, shop at cheaper stores or for generic brands, and never shop on an empty stomach.

Reduce utility costs: Save energy by turning off lights and unplugging unused appliances, using a smart thermostat, doing laundry in cold water, and sealing drafts in your home.

Limit “wants”: Cut back on discretionary spending on things like multiple streaming services, or new clothes, borrowing items, or shopping secondhand.

Use cash for spending: If you have trouble controlling credit card spending, switch to using cash for daily purchases to make the impact on your finances more immediate.

Seek free entertainment: Take advantage of free local events, parks, and libraries instead of expensive social outings.

Sell unused items: Declutter your home and sell unwanted items online or at garage sales for extra cash that can go directly into savings.

Set a savings goal: It is your dreams and financial goals that keep you motivated. So, define your financial objectives and plan accordingly. Then, you can begin to save for your short-term goals and eventually prepare for your long-term goals.

Case Study 33.3

Mumbai Shopkeeper Family – From Daily Shortage to Monthly Surplus

Family: Couple + 2 children

Income: ₹55,000/month (small retail shop)

Situation (Before)

- No written budget
- Daily cash withdrawals for expenses
- Frequent shortfalls before month-end
- Borrowed ₹5,000–₹10,000 monthly from relatives

Major Leakages:

- Eating out & snacks: ₹7,000
- Unplanned medical expenses
- No savings or insurance

Action Taken

- Tracked expenses for 30 days
- Categorized under Food, Health, Education, Housing
- Introduced cash envelope system
- Fixed medical buffer: ₹2,000/month

Result (After 6 months)

- Monthly savings: ₹6,000
- No borrowing
- Emergency fund: ₹36,000

Key Lesson: Cash visibility changes behaviour immediately.

Creating a Budget

Kalemaat Nooraniyah 33.6

الداعي الاجل سيدنا محمد برهان الدين رضي الله عنه قال: "ما فرماوے چھے:

"گھر ما نفقات اپنا برابر کرو، اوک کرتا خرچ زیادہ نہ کرو، جتنی آمد ہوئی اہناہ اوپر خرچ نو Budget کرو، خدا رازق چھے، رزق خدا ايسے، مگر تمہیں فضول خرچ کری نے کوئی فیشن پر اتری نے تمہارا مال نے اہوونہ خرچي نا کھو کہ جہر ما ضرور چھے تہر ما تورہي جائی انے بن ضروري چیزو ما خرچائی جائی."۱۵

مؤمن پر لائق چھے کہ جتنو کاوے اہنا کرتا زیادہ خرچ نہ ہوئی مولیٰ نا فرمان مطابق عمل کرتا ہو افضول خرچي سي باز رہے انے جہاں خرچو جوئیے وہاں برابر سي خرچے.



Figure 3: Islamic Way of Budgeting¹⁵

From an Islamic perspective, a household budget is more than just a financial tool; it is an act of worship based on principles of moderation, ethical spending, and social responsibility. Wealth is seen as trust from Allah ^{TA}, and responsible

¹⁵ Available at <https://www.shutterstock.com/search/islamic-finance>, (Accessed: 8 November 2025)

management is a duty. This framework encourages Mumin to prioritize essential expenses, avoid waste and extravagance, give to charity, and save for the future.

Core principles of Islamic household budgeting:

Intention (نية): Mumin's intention behind financial decisions should be to please Allah^{TA}. Managing wealth responsibly and ethically, and avoiding misuse, is an act of worship.

Avoiding extravagance and waste (اسراف): Islamic teachings emphasize moderation and balance in spending. Frivolous spending is discouraged, and Mumin should differentiate between needs and wants to prioritize the former.

Prioritizing obligations: The budget should first and foremost cover necessities for the household, such as food, shelter, and clothing. Providing for one's family is considered a virtuous act of worship and charity.

Example 33.4

محمد بن المنكدر نادل ما ايو۔

"تو میں کہیو کہ اصلحک اللہ، اے محمد الباقر! اپ نے صلاح کرجو، درست کرجو، اقریش نا گلڈا ادی ماسی گلڈا شخص، ا مثل نی ڈھوپ ما پوتانا جان نے دنیا طلب کروا نے ا مثل کرو چھو! اسونہ حالہ؟ تارے امام باقر سونہ نادر جواب دے چھے مؤمنین! فرماوے چھے کر منے ا حالہ ما جو موت اوی جائی تو منے کوئی خوف نہھی کیم کر میں خدانی طاعة پر عمل کروں چھون، ا وقت خدانی بندگی ما چھونہ کر دولہ طلب کری انے مارا گھرنا فرزندو، مارا عیال سگلا نے میں کفایہ کروں، سگلا نے پالون، میں روزی طلب

کروانے اکام کروں چھون، تارے میں خدانی طاعة ما چھون، رنق طلب کروویر تو خدا
نی بندگی چھے۔^{۱۶}

Incorporating charity (زکوٰۃ و صدقہ): A portion of the budget must be allocated for obligatory charity (زکوٰۃ) and voluntary charity (صدقہ).

- Saving and planning: While hoarding wealth is discouraged, saving for an emergency fund and future needs are encouraged. This provides financial security and helps avoid excessive debt, particularly interest-based loans which are prohibited (ربی).
- Ethical earnings (حلال): All income must be earned through lawful (حلال) means, and the household budget should not involve or support any prohibited (حرام) activities.

Quick tip:

“80% of your results come from 20% of your efforts. Identify and focus on that vital 20% of tasks that will yield the biggest impact (Pareto Principle).”

50:30:20 Rule

The best kind of budget is all about moderation—one that allows you to pay your must-have living expenses, put some money in the bank, pay down debt, and have some left over for the fun stuff. The 50/30/20 budget lets you do just that. Not only does it help you live within your means, but it also helps you figure out exactly what your means are.



Figure 4: 50:30:20 Rule¹⁷

Think of your total monthly income as a pie. With the 50/30/20 budget, you're basically cutting your monthly household income into three pieces:

- Must-Haves
- Wants
- Savings and Debt Payoff

With the 50/30/20 budget, 50 percent of your total monthly household income goes toward Must-Haves, 30 percent for Wants and 20 percent into your Savings and Debt Payoff.

Create your 50/30/20 budget in four easy steps:

¹⁷ Available at <https://www.prudential.com/financial-education/budgeting-50-30-20-rule>, (Accessed: 8 November 2025)

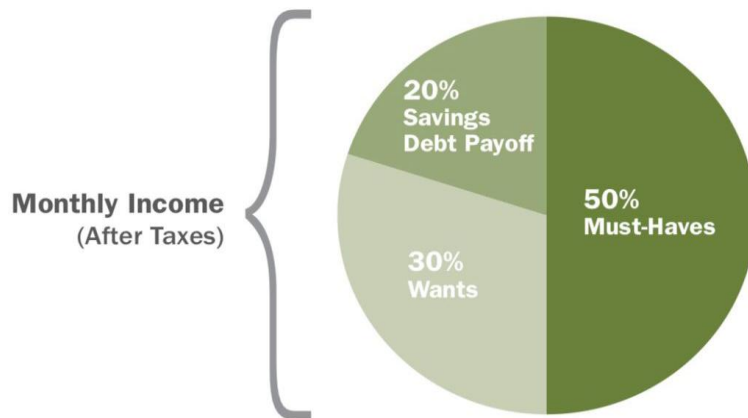


Figure 5: The 50-30-20 Budget Rule¹⁸

1. Calculate Your Total Monthly Income

Your after-tax income is the amount you have after all taxes—local, state, federal, Medicare and Social Security—are taken out of your paycheck. If you have retirement contributions or any other savings deducted from your paycheck, simply add them back in. You’ll deduct them again when placing them in their respective category. Remember, we’re looking at your total household income, so you’ll need to add in to your spouse or partner’s income too.

Total Monthly Income

2. Calculate Your Must-Haves

A Must-Have is any payment that would severely affect your quality of life if you didn’t make it. Review your budget and note how much you spend on Must-Haves, such as groceries, housing, utilities, and prescription medicine. The amount you spend on your Must-Haves should be no more than 50 percent of your total monthly income.

¹⁸Senator Elizabeth Warren, Your_50_30_20_Monthly_Budget_Guide 2005

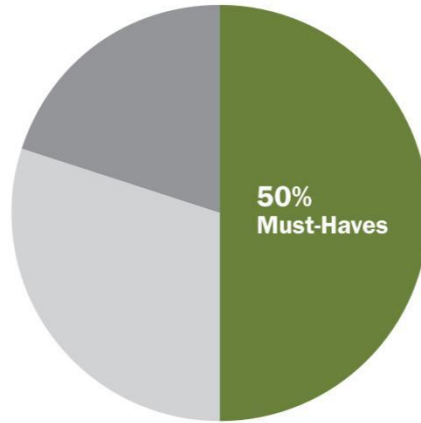


Figure 6: 50% Must-Haves¹⁹

3. Calculate Your Wants

No more than 30 percent of your total monthly income should go to Lifestyle Choices—personal, often fun choices about how you spend your discretionary income. Your Wants may include cable, Internet and phone plans, charitable giving, entertainment, hobbies, personal care, and shopping.

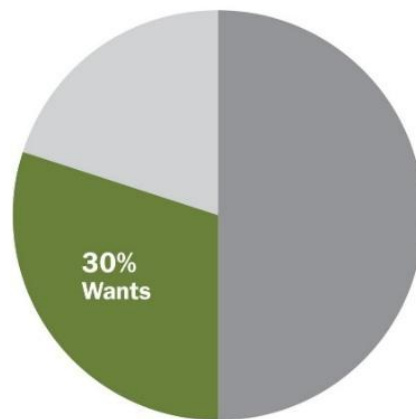


Figure 7: 30% Wants²⁰

4. Spend at Least 20% on Savings and Debt Payoff

The 20 percent that is left over goes to you for your retirement savings, savings account, emergency fund or debt repayment. For debt repayments, the minimum

¹⁹ Senator Elizabeth Warren, *Your 50/30/20 Monthly Budget Guide* 2005

²⁰ Senator Elizabeth Warren, *Your 50/30/20 Monthly Budget Guide* 2005

payment is considered a Must-Have. Any payment you make above the minimum falls into this category.



Figure 8: 20% Savings and Debt Payoff²¹

²¹ Senator Elizabeth Warren, Your_50_30_20_Monthly_Budget_Guide 2005

Cash Jar/Envelope Method

The “Cash Jar Method”, also known as the jar system or “Envelope Method”, is a visual, cash-based budgeting and money management technique where income is physically divided into separate containers (jars or envelopes) for different spending and savings categories. It is a simple, analog, and highly effective way to budget your frequent spendings. The core principle is brilliantly straightforward: Once the money is gone from the envelope, you stop spending it in that category. This way it helps to control spending by creating a tangible limit for each category.



Figure 9: Cash Jar Method²²

How the Envelope and Jar Method Works

The method focuses on variable expenses—the ones that change month-to-month, and often trip up a budget (like groceries, personal care, and utilities).

Create a Zero-Based Budget: First, you need a monthly plan. Figure out your total income and then budget for all your fixed expenses (rent, utilities) and savings goals. The money left over is what you'll allocate to your variable categories.

²² Available at https://www.getrichslowly.org/learning-to-budget-with-the-jars-system/?__cf_chl__tk=A6mWcUlKmCAZ7HE25NMGixBIwAZ59dWtnce4dn90Rqw-1762524016-1.0.1.1.orOHhkjJDo8Bn_UbGvyv3jXM.wk63C2HHUvoCmb6mac, (Accessed: 8 November 2025)

Define Your Categories: Get a set of envelopes (or a dedicated budget binder) and label them with your categories. Be specific!

Stuff the Envelopes or Jars: At the start of the month (or after each paycheck), withdraw the exact amount of cash you budgeted for each category. Physically place that cash into the corresponding labeled envelope.

Spend ONLY on the Envelope or designated Jar: When you go shopping for groceries, you only pay with the cash from the "Groceries" envelope. When you go out to eat, you use the cash from the "Dining Out" envelope.

Stop When It's Empty: The most crucial rule: When an envelope is empty, your spending limit for that category is reached. You cannot spend more, and you should not borrow from another envelope. That discipline is the entire point!

Reflect and Roll Over: At the end of the month, any money left in an envelope can be rolled over to next month's budget for that category or moved into a savings goal—a nice little bonus for staying on track!



Figure 10: Envelope Method²³

💡 Why It Works (The Psychology)

The power of this system is its immediacy and tangibility:

²³ Available at <https://www.moneycrashers.com/envelope-budgeting-system/>, (Accessed: 8 November 2025)

Pain of Cash: When you swipe a card, it's abstract. When you hand over a \$50 bill, your brain registers the loss of that physical money, which naturally makes you more hesitant to spend.

Visual Limit: You can literally see how much money you have left for groceries just by looking inside the envelope. No complex math or checking an app required.

Stops Impulse Buys: Knowing that spending \$20 on a spontaneous purchase will empty your "Fun" envelope for the week makes you question: "Is this item really worth ending my fun budget right now?"

Tools for Managing and Creating a Budget

Manual Tools



Figure 11: Budget Planner²⁴

- **Spreadsheets (Excel, Google Sheets):** Highly flexible and customizable, ideal for users who want complete control over their budget structure. They are versatile for personal or business use but are prone to human error and lack real-time synchronization.
- **The Envelope System:** A simple, hands-on method involving dividing physical cash into labeled envelopes for different spending categories (e.g., "groceries," "transportation"). Modern digital versions, like the Goodbudget app, use virtual "envelopes" and can sync data across devices.

Automated Software and Apps

These tools often link directly to your bank accounts and credit cards, automatically tracking and categorizing transactions to provide a real-time overview of your finances.

²⁴ Available at <https://www.amazon.in/Budget-Planner-Organizer-Expense-Tracker/dp/B0BNXG4PK4>, (Accessed: 8 November 2025)

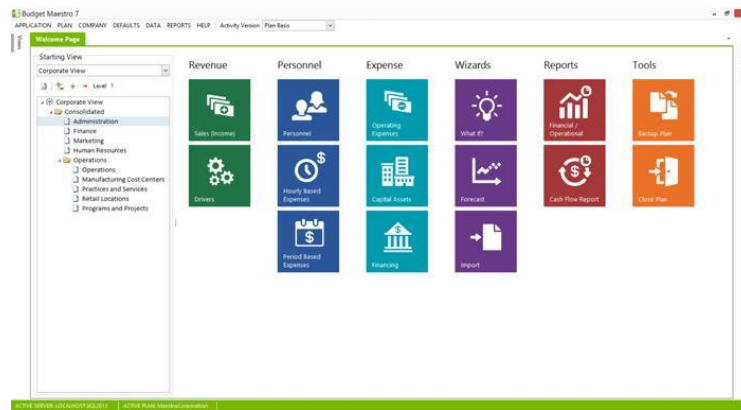


Figure 12: Apps for Creating Budget²⁵

- **YNAB (You Need a Budget):** Focuses on a "zero-based budgeting" philosophy where every dollar is assigned a job. It provides educational resources and encourages a proactive approach to money management and breaking the pay-to-paycheck cycle.
- **Mint:** A popular, free solution that consolidates all your finances in one dashboard, tracks expenses, monitors credit scores, and sends bill reminders. It is a good option for simple, automated budgeting.
- **PocketGuard:** Best for those who tend to overspend, as its main feature is calculating a "safe-to-spend" amount after accounting for bills, necessities, and savings goals. It also helps monitor and cancel unwanted subscriptions.
- **Monarch Money:** Offers personalized budgeting plans and robust tools for tracking investments and overall net worth. It is a premium option suited for users serious about complex financial planning.
- **EveryDollar:** A personalized app that helps users create a monthly budget by categorizing income and expenses. The free version requires manual entry, while the paid version offers automatic bank syncing.

²⁵ Available at <https://www.scoro.com/blog/business-budgeting-software/>, (Accessed: 8 November 2025)

- **Quicken Simplifi:** Provides a clear, graphic-driven interface for tracking spending and investments, setting financial goals, and monitoring cash flow.

Key Features to Consider

- **Real-time Tracking:** Automatically update transactions as they occur to provide an accurate, up-to-date financial picture.
 - **Goal Setting:** Allows you to set specific savings goals (e.g., emergency fund, vacation, down payment) and track your progress.
 - **Customizable Categories:** Lets you tag and organize expenses in ways that make sense for your specific financial situation.
 - **Reporting and Analytics:** Generates visual reports and insights into spending patterns, cash flow, and net worth, helping you make informed decisions.
 - **Security:** Ensure any automated tool offers enterprise-grade security, data encryption, and multi-factor authentication to protect sensitive financial information.
-

Why Review Your Budget?

“A budget is not a onetime exercise, life and finances change. Regular review helps you stay aligned with your goals, avoid overspending, and ensure your plan remains realistic. For example, when your income or expenses change, your budget needs updating.”²⁶



Figure 13: Making Budget and Reviewing²⁷

How to Review Your Budget

- Compare actuals vs budgeted amounts

“Track your actual income and expenses against the amounts you planned in your budget. Identify variances, analyze causes, and determine if they are one-off or recurring.”²⁸

- Ask key questions about income, expenses, savings, and changing priorities.
- Review goal-alignment and ensure your budget supports your short, mid, and long-term goals.

²⁶ Alooba: <https://www.alooba.com/skills/concepts/budgeting-236/budget-adjustment/>

²⁷ (No date) *Images, stock photos, 3D objects, & vectors* / shutterstock. Available at: <https://www.shutterstock.com/search> (Accessed: 08 November 2025).

²⁸ GFOA: <https://www.gfoa.org/materials/budget-monitoring>

Adjusting in Your Budget

“Recognize when adjustment is needed – if you’re consistently overspending or if income and priorities change.”²⁹

Steps to adjust your budget:

1. “Review categories and identify major variances.
2. Decide which categories need funds.
3. Update budget amounts to reflect current reality.
4. Communicating changes with family.
5. Revisit savings and debt plans.
6. Document changes and plan your next review.

Techniques: Be flexible, use rolling reviews, and be willing to prioritize”³⁰

Continuous Monitoring & Adapting

“Continuous monitoring ensures early detection of variances and builds healthy financial habits.”³¹

How to set up monitoring:

- Choose a frequency (monthly or weekly).
- Keep your tool updated.
- Set reminders for reviews.
- Simplify categories.

Adaptation involves identifying trends, adjusting categories accordingly, and revisiting financial goals.

²⁹ Alooba: <https://www.alooba.com/skills/concepts/budgeting-236/budget-adjustment/>

³⁰ AccountingDepartment: <https://www.accountingdepartment.com/blog/ten-ways-to-improve-your-budgeting-forecasting>

³¹ GFOA: <https://www.gfoa.org/materials/budget-monitoring>

Example 33.5

Suppose you budget ₹30,000 for groceries and utilities but spend ₹33,000 monthly. You review, identify inflation and subscriptions as causes, adjust your budget to ₹34,000, reduce entertainment by ₹3,000, and plan to review again in three months.



Quick Tip: Set up spending alerts on your banking app!

They'll notify you instantly when you make a purchase or cross a set limit — making it super easy to track where your money's going without manually checking your budget every day.

Core Ethical & Budgeting Foundations (Common to All Stages)

Across the Dawoodi Bohra community, business conduct is guided by:

- Amanat (Trust): Wealth and resources are a trust from Allah Ta'ala
- Halal earnings: Lawful sourcing, production, and transactions
- Itidaal (Moderation): Avoid waste, hoarding, and extravagance
- Transparency & honesty: Clear pricing, weights, quality
- Social responsibility: Fair livelihoods, community welfare
- Budget discipline: Spend, invest, and price within real means
- Accountability: Answerable to Allah and society

These principles mirror household budgeting discipline—planned spending, prioritization, and ethical use of resources—scaled up to business supply chains.

1. Suppliers (Raw Materials, Inputs, Primary Producers)

Budgeting Practices

- Planned procurement based on actual demand, not speculation
- Avoid over-stocking → reduces waste and locked capital
- Price negotiations that allow fair margins, not exploitation
- Preference for local and community suppliers to reduce costs

Ethical Applications

- Honest disclosure of quality, origin, and quantity
- No adulteration or false grading
- Timely payments to farmers/artisans (avoiding cash-flow stress)

- Avoid hoarding essential commodities to manipulate prices

Household parallel: Just as a family buys essentials first and avoids wastage, suppliers source responsibly and within need.

2. Manufacturers (Processing, Production, Packaging)

Budgeting Practices

- Cost control without compromising quality
- Efficient use of raw materials (minimum wastage)
- Investment in durable machinery rather than flashy upgrades
- Production planning aligned with market demand

Ethical Applications

- Halal & Tayyib processes (especially food, cosmetics, pharma)
- Fair wages, humane working conditions
- Safe, honest labelling and measurements
- Avoiding shortcuts that harm health or environment

Household parallel: Like cooking nutritious meals within a food budget—quality over luxury.

3. Wholesalers (Bulk Distribution & Trade)

Budgeting Practices

- Thin but consistent margins (volume-based sustainability)
- Strong cash-flow management to avoid debt traps
- Inventory turnover discipline

- Risk diversification rather than speculation

Ethical Applications

- Transparent pricing to retailers
- No artificial shortages or black-marketing
- Equal treatment of small and large buyers
- Honouring contracts and delivery timelines

Household parallel: Just as families avoid debt and plan monthly expenses, wholesalers avoid risky speculation.

4. Retailers (Shops, Traders, Consumer-Facing Businesses)

Budgeting Practices

- Daily sales tracking (similar to household expense tracking)
- Controlled operating costs (rent, staff, utilities)
- Sensible pricing aligned with community affordability
- Emergency buffers for slow business cycles

Ethical Applications

- Correct weights and measures (highly emphasized in Bohra culture)
- Honest product representation
- No price exploitation during crises or festivals
- Credit given responsibly, without trapping customers

Community reality: Many Bohra shops gain loyal customers across generations due to trust.

Household parallel: Like disciplined monthly spending and fairness within family finances.

5. Service Providers (Professionals, Contractors, MSMEs)

Includes:

- Doctors, teachers, IT services, consultants
- Transporters, electricians, builders
- Jamaat-linked services (catering, events, logistics)

Budgeting Practices

- Fee structures based on effort, not greed
- Clear costing before service delivery
- Advance planning for taxes, charity, and savings
- Avoid lifestyle inflation despite rising income

Ethical Applications

- Transparency in billing
- Delivering promised quality and timelines
- Reduced or free services for needy cases (niyyat-based)
- Avoiding unnecessary upselling

Household parallel: Like prioritizing education, health, and essentials in a family budget.

How Household Budgeting Applies to Dawoodi Bohra Business Budgeting Framework

IN India

Household Reality

- Mixed incomes
- Family-integrated finances
- Education, healthcare & weddings are major expenses

Personal Benefit

- Prevents monthly cash shortages
- Creates education & medical buffers
- Reduces dependence on informal borrowing

Business Application

- Retail, clinics, catering, IT, trading

Household Practice	Business Use
Envelope budgeting	Daily cash control
Family pooled savings	Gradual capital buildup
Expense tracking	Cost-based pricing

Result: Stability before scale

PK Pakistan

Household Reality

- Inflation volatility
- Cash-based spending
- Multi-income households

Personal Benefit

- Cash buffer protects against price shocks
- Prioritized essentials reduce stress

Business Application

- Pharmacies, diagnostics, services, SMEs

Household Practice	Business Use
Emergency savings	Working capital buffer
Conservative lifestyle	Survival margin pricing
Monthly planning	Avoid debt traps

Result: Liquidity over luxury

LK Sri Lanka

Household Reality

- FX exposure
- Import dependence

Personal Benefit

- Currency-aware budgeting
- Protection against inflation

Business Application

- Travel, logistics, accounting, exports

Household Practice	Business Use
Multi-currency savings	FX-risk pricing
Expense discipline	Cost control under volatility

Result: Currency resilience

BD Bangladesh

Household Reality

- Compliance-heavy economy
- Supplementary family income

Personal Benefit

- Predictable household expenses
- Reduced financial shocks

Business Application

- Catering, compliance consulting, SMEs

Household Practice	Business Use
Fixed obligation planning	Certification cost planning
Controlled spending	Quality -first operations

Result: Compliance before consumption

MY Malaysia

Household Reality

- Structured banking system
- Halal & licensing costs

Personal Benefit

- Easy savings automation
- Strong personal-business separation

Business Application

Household Practice	Business Use
Separate accounts	Clean accounting
Expense caps	ROI-based marketing

Result: System-driven growth

SG Singapore

Household Reality

- Very high living costs
- High income temptation

Personal Benefit

- Prevents lifestyle inflation
- Ensures long-term savings

Business Application

- Consulting, education, IT

Household Practice	Business Use
Strict budgeting	Lean operations
Savings first	Income smoothing

Result: High income \neq high spending

ID Indonesia

Household Reality

- Gradual formalization
- Skill-based income

Personal Benefit

- Absorbs income fluctuation
- Reduces early-stage stress

Business Application

- Freelancing, sourcing, halal consulting

Household Practice	Business Use
Lean living	Low-asset startups
Weekly tracking	Cost visibility

Result: Lean beginnings

US United States

Household Reality

- High taxes
- Insurance & education loans

Personal Benefit

- Stress-free tax compliance
- Emergency security

Business Application

- Doctors, IT, non-profits, consultants

Household Practice	Business Use
Tax budgeting	Quarterly provisioning
Insurance planning	Risk mitigation
Long term saving	Scalable growth

Result: Plan for the long game

AU Australia

Household Reality

- High housing & healthcare costs

Personal Benefit

- Predictable monthly planning

- Reduced financial anxiety

Business Application

- Food services, professionals

Household Practice	Business Use
Compliance budgeting	Sustainable pricing
Family security first	Conservative expansion

Result: Security before growth

CA Canada

Household Reality

- Seasonal income for many
- High compliance

Personal Benefit

- Smooth income cycles
- Strong savings culture

Business Application

- Accounting, tutoring, catering

Household Practice	Business Use
Sinking funds	GST & tax buffers
Household reviews	Quarterly business reviews

Result: Stability over speed

NZ New Zealand

Household Reality

- Small markets

- Seasonal sectors

Personal Benefit

- Accurate forecasting
- Minimal wastage

Business Application

- Agriculture & services

Household Practice	Business Use
Precise budgeting	Demand -aligned inventory

Result: Precision beats volume

UG Uganda

Household Reality

- Cash-heavy economy
- Community trust-based trade

Personal Benefit

- Reduced borrowing
- Emergency preparedness

Business Application

- Wholesale, retail, transport

Household Practice	Business Use
Monthly caps	Operations cost control
Savings discipline	Seasonal buffers
Ethical spending	Customer trust

Result: Reputation as capital



الداعي الاجل سيدنا محمد برهان الدين رض فرماوے چھے۔

"گھر ما نفقات اپنا برابر هوئي، اوک کرتا خرچ زياده نر هوئي"

ير مجري ما مؤمن پر لائق چھے کر جتنو کاوے اھنا کرتا زياده خرچ نر کرے انے فضول خرچي سي باز رھے، تر واسطے household budgeting کروو گھنو ضروري چھے،

ا session ما budgeting انے بالخصوص household budgeting بابة ذکر و تھئي، budgeting کروا ناسون فوائد چھے انے فيلي ما کئي طرح awareness لاي سي کائي ير ذکر و تھئي، تر ساھ اوک نے کيم انے کئي چيزو ما استعمال کروو ير سي کھو،

Budgeting بہتر ساکله سي تھئي سکے تر واسطے الگ الگ methods سي فائده لئي سکائي چھے مثلا۔ 50:30:20 rule، envelope method، انے تر ساھ budgeting واسطے بعض tools سي مدد لئي سکائي چھے، مثلا۔ pocket guard، goodbudget، spreadsheet، excel، وغيره، اسگلا apps سي فائده لئي نے پوتانو budget تيار کرے انے جھماں خرچو جوئيے وھاں برابر سي خرچے انے مستقبل واسطے savings کرے، تر ساھ وارموار budget نے review کرتا رھے تاکر کوئي جگر فرق نر پڑي جائی.

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Sr No.	Glossary
1	Financial blueprint: It is a comprehensive, long-term plan that outlines an individual's or organization's financial goals, assets, and strategies to achieve them. It functions like a roadmap, detailing everything from short-term objectives like saving for a down payment to long-term goals like retirement, while factoring in aspects like income, expenses, investments, taxes, and risk tolerance.
2	Volatility: Liability to change rapidly and unpredictably, especially for the worse.
3	Discretionary: Discretionary comes from the word discretion, which can be used to mean “the right to decide something based on one's own judgment.
4	Diligent: Having or showing care and conscientiousness in one's work or duties.
5	50:30:20 rule: it suggests dividing your after-tax income into three main spending categories: Needs, Wants, Savings and Debts payoff.
6	The Envelope Method: also known as the Cash Envelope System or Cash Stuffing, is a physical budgeting technique designed to use physical cash and envelopes to set clear spending limits for the month.

About HQHB & TR

We are a department formed by the 52nd Dai-al-Mutlaq Syedna Mohammed Burhanuddin RA as a part of the chain of events that took place on the auspicious occasion of His Golden Jubilee to commemorate 50 years tenure as the leader of the Dawoodi Bohra Community. We educate mumineen about Qardan Hasana and doing Business compliant with Fiqh-e-Fatemi and its benefits in the world and, thereafter, fostering economic and social growth. To summarise, AL-TIJAARAT-AL-RAABEHAH & IDAARAH HASANAAT AL-QARD AL-HASAN AL-BURHANIYAH are non-commercial, religious departments.



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