

STRUCTURE OF SAVINGS AMONG THE RURAL HOUSEHOLDS

BY

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- I. INTERVIEW SCHEDULE TO ELICIT INFORMATION ON THE
STRUCTURE OF SAVINGS IN THE RURAL HOUSEHOLDS.

INTRODUCTION

One of the major issues concerning the economy and its growth is savings and investment rates. They are the most crucial variables in the economic growth of a country. Savings provide the basic resource for growth and savings that go into capital formation constitute the wherewithal of economic development. A country may be able to seek foreign aid and loans in the process of economic development, yet a major portion of its investment needs must be met from its internal saving. It must pull itself out of economic backwardness by its bootstraps. The quantum of savings that a country like India can generate is small as the savings that can be mobilised out of the small income base are necessarily limited.

While the domestic savings flow from three sectors - the household the corporate and the government sectors, the household sector is the most dominant of the three. It is not just that it is numerically larger than the other two sectors. It also accounts for a large portion of the total domestic savings (70 per cent in 1977-78). Sinha (1980) found that the index of net domestic saving generated in the household sector increased from 158.7 in 1950-51 to 625.8 in 1975-76.

Decisions regarding savings and its utilisation depend in the case of corporate sector on corporate decisions and in the case of government sector, on the consensus regarding what kind of national economic policy is to be followed to attain the accepted national goal of development. The bounds of their decisions are well-defined and savings within these sectors are motivated by larger business and national interests. In the household sector, on the other hand, except for a small proportion of unincorporated business units, the rest are composed of individuals/households. The underlying motivation for saving and the forms which their savings take, differ widely across the socio economic groups. The rural or urban characteristics of the households, their economic characteristics of income and employment, social obligations and imperatives, and demographic features influence in one way or other their will to save and the actual amounts saved. Since the characteristic features of the households keep on changing, the area of the household saving behaviour needs continuous studies and research. No inquiry on household saving can become redundant for the simple reason that the present is not the same as the past and the current studies serve in delineating the changing influences on savings. They help in checking the validity of the received hypotheses on household savings behaviour and also serve as sources of new hypotheses.

The rural households being predominantly agricultural oriented tend to have fluctuating incomes that vary from one year to the next out of which they must meet their current needs and provide also for future. Unlike the salaried classes in the urban areas which is automatically topped into the contractual savings schemes like provident fund, the rural householder is faced with the task of taking an independent and individual decision about how much he can save and in what forms he should save. Thus the factors influencing his decision to save and the forms of saving are in a sense crucial to determining the flow of saving in the country and also the forms of savings.

Sarma (1979) who studied the structure of personal savings in India in 1975-76 found that 69 per cent of the rural households had positive savings and that savings were more skewly distributed than income among the households in rural sector as in urban sector. He also found that as the size of the household income increased, both the absolute amount of saving effected and the proportion of income saved steadily increased in the rural sector. According to him, the activity status per se had some influence on household savings behaviour.

While analysing the trends in saving over the period the 1967-68 and 1975-76, the same author noticed that significant

changes in average propens^{nsi}ity to save had occurred at all the three levels, rural, urban and All India. The average propensity to save of rural sector in 1975-76 was 16.4 per cent in 1975-76 as against 12.3 per cent in 1967-68. The marginal propensity to save (39 per cent) was much higher than its average propensity to save, which implied that with increasing incomes, the rural households sector would be able to effect a relative higher proportion and greater volume of savings in future. During this period, investment of the rural sector in land, livestock, irrigation and other agricultural assets had increased from 47.6 per cent to 74.9 per cent of their total physical assets. Investment in agriculture would have had favourable effects on employment and capital formation in the rural sector.

Thus there is a possibility of higher savings income ratio for the rural household sector as its real income increases. Loganathan (1960) had found income to be the most important factor in determining savings rather than occupation and education. The incomes position of the rural households had increased considerably thanks to the modernisation in the methods of cultivation and rational attitudes of the farmers towards cultivation due to extension education methods. In

this context, an analysis of the savings behaviour of the rural families would not only throw light on the determinants of savings but also probe into the motivation for saving and attitudes to saving by the rural families.

The present study on the 'structure of savings among the Rural Households' done in the four villages of Vellamadai, Agraharam, Kottaipalayam and Kovilpalayam located contiguously in Sarkarsamakulam Panchayat Union of Coimbatore district aims at

1. finding out the extent of savings effected in rural households, other than agricultural labour households;
2. analysing the relationship between household income and saving, and
3. identifying the determinants of their saving and investment behaviour.

The specific hypothesis investigated in the study are that savings are more highly skewly distributed than income among the rural households and that the socio-economic characteristics of the households influence their savings and investment behaviour.

The study, it is hoped, will throw light on the behaviour

patterns of the rural families in respect of savings and give insights on the policy measures required to mobilise savings in the rural areas in the context of increased personal incomes and prospects for savings.

REVIEW OF LITERATURE

The Review of Literature relating to the study on savings behaviour of Rural households is discussed under the following heads:

- a. Role of Savings in economic development
- b. Determinants of Savings Behaviour of households;
- and
- c. Studies on Savings and savings Behaviour.

a. Role of Savings in Economic Development:

India, like other developing countries, is engaged in a battle to raise the standard of living of her people. Savings provide the basic impetus for growth and savings that lead to capital formation constitute the wherewithal of economic development. Though the rate of savings of a developing country may compare favourably with that of much richer countries, what matters more is the quantum of savings. The quantum of savings that a poor country can generate is comparatively small observe Bhatta and Sarma (1978).

Nurkse suggested that a developing country like ours that suffers from disguised unemployment could resort to collective saving, for the sake of augmenting her capital

formation. In his words, "whatever the machinery employed may be, some form of collective saving enforced by the State may prove to be indispensable for the mobilisation of the saving potential implitd in disguised unemployment. The purpose of collective saving is to check consumption expenditure". Government aims at augmenting savings by two sets of policies.

1. By offering a variety of incentives to households as well as corporations to encourage them to save; and
2. By curbing ostentatious living and hence consumption of these goods which according to Indian standards are luxuries.

Determinants of Savings Behaviour:

Wilhelms and Heimerl 1975 remark that as soon as the person begins to save, he has a silent partner working with him. Savings make a big difference in one's life. It gives him a security even in times of trouble; it makes it possible for him to take advantage of unusual opportunities; it gives him an investment in the future. Several factors motivate and influence the savings behaviour of an individual, and hence that of the household sector as a whole. They are:

quality of the individual, his education, desire for gain or security, social imperatives and availability of facilities for savings. Nurkse holds: "Nothing matters so much as the quality of the people. The personal habits and traits, the people's initiative, prudence, ingenuity and foresightedness give a deeper and surer base for saving and capital formation".

One's propensity to save is determined to some extent by his educational status. According to Senior (1928) "The qualities which favour the accumulation of capital are perhaps more dependent on education and example, than any other moral excellencies. The clear perception of the value of a future good, and the desire to provide for the future happiness of our descendents, the two great motives of abstinence are generally weak, in proportion to the absence of education". Goel (1975) had studied the impact of education on propensity to save, using NCAER survey data on household income, saving and consumer expenditure of the year 1967-68. According to this survey, the propensity to save increased with every level of education in both the rural and urban sectors. In the urban sector the saving income ratio was 5.8 per cent for the no formal education group, 28 per cent for post-graduate and above; 40 per cent for professional and technical degree holders. The corresponding

figures for the rural sector were 12.7 and 37 and 30 per cent. Sarma(1980) also arrived at similar results on the influence of education on saving in his study of household saving in shares and securities. He found that the proportion of households saving in shares and securities rose with the level of education attained both for urban and rural areas.

Motivation to save is one of the influential determinants of savings. Among households motivation for saving may arise not only from the desire for gain, and desire for security but may also arise out of social obligations and imperatives. The need to provide a dowry in India for instance, has been a strong motivation^{FCX} saving in particular communities. As far as the motivation generates savings it is immaterial from what need it arises but one should state that the manner of the disposal of such savings is less gainful to society. Savings for large dowries is among the less gainful methods of disposal of savings.

According to Bhattu and Sarma(1978) extension of banking facilities, combined with their aggressive policy of chasing potential saving and appropriate interest policies have also positively influenced the levels of savings in financial assets relative to tangible assets.

One cannot brush aside investment in tangible assets as irrational. For a self-employed, the most rational form of insurance is investment in its own business because besides providing security for the future, it also yields immediate gains. Tangible assets, therefore, continue to be the principal channel of saving for the households and Bhattu and Sharma (1978) opine that this may well be the more beneficial form of saving for the self-employed sector and so even for the country. Sinha (1980) states that in countries like India, land or building ownership is a means to superior social status and prestige and consequently the savings of traders, industrialists and affluent sections of the society are traditionally devoted to a considerable extent to the purchase of land, buildings and other assets.

Forms of Savings:

The saving made by a household can be used for different purposes and can be held in many forms. It may be directly invested in agriculture, business, house property, consumer durables, gold and silver or kept in the form of currency holdings. Individuals have the choice for selecting the form in which they could hold their savings. Household savings are embodied either in financial or in tangible assets.

The relative proportion of the total household savings in either form depends principally on the preference of the individual saver and the prevailing state of the capital market (organised and unorganised capital markets in the country). As Loganathan (1960) says, the state of the capital market represents the extent to which opportunities for the acquisition of the financial assets are available and also their assessibility.

Approaches to Studies on Savings Behaviour:

A knowledge of the saving behaviour of population would help to frame suitable instruments by which personal savings can be mobilised by the institutions for investment, particularly by the government.

There are two approaches to the study of household savings. One is the institutional approach, that uses the aggregate data obtained from different institutions as the basis of study. The other is the probability sample survey approach where the required data is collected from scientifically selected households in the country. According to Loganathan (1960) institutional approach to the study of savings can only supply global estimates of household saving in different forms but fail to throw light on the economic

and demographic characteristics of the saver and investor groups, the most important type of information needed for formulation of practical policies regarding mobilisation of savings.

The survey approach has two clear advantages over institutional approach says Sarma (1979). First, it provides data on saving and investment only as the rural and urban sectors and within each of these sectors by different socio economic groups. Thus, it yields details on the category of savers, form and the quantum of saving details which are primarily useful to understand the saving behaviour of population and for using suitable policies for mobilising household saving. Second, it provides the break up of physical investment into components which is not currently available with institutional data.

Studies on Savings and Savings Behaviour:

The pioneering attempt to build up an overall set-up and savings data was made by a group of research workers in the Ministry of Finance, Government of India, The NCAER undertook a comprehensive study of savings in India in early 1958, initiating new estimates of aggregate savings and their distribution between the three sectors from which they arise,

government, private corporate and Household sectors. The CSO has been releasing estimates of savings for each year since 1969, beginning with 1960-61. The Reserve Bank of India published the first set of estimates of savings for 1950-51 to 1957-58 in 1960. Ashok Rudran has provided a bibliographical account of the available estimates of savings in the Indian economy and also a critical examination of the estimates prepared by the three institutional agencies namely CSO, RBI and NCAER. (Bhatty and Sarma 1978)

1. The National Council of Applied Economic Research conducted a survey on the All India Rural Household savings. The reference period of the survey was the calendar year 1962 and the sample size was 8,655 households spread over 320 places below 10,000 population, according to the 1961 census irrespective of their status located in 60 sample districts. The Survey was based upon a three stage sample design with districts as the first sample, with places within the sample districts as the second stage with and with household in the sample places as the 3 stage units. This survey found that the distribution of rural household income was characterized by marked skewness. The bottom 60 per cent of the households had only a share of 31 per cent. While remaining 40 per cent shared 69 per cent. The net investment in physical assets

by all rural households was Rs. 514 crores. The net increase in financial assets of the rural households excluding change in currency during 1962 amounted to Rs. 148 crores; bank deposits, shares and securities Rs. 38 crores; small savings and postal savings Rs. 33 crores. Life insurance gross premium Rs. 22 crores; provident fund gross contributions Rs. 16 crores; gold and silver Rs. 39 crores.

2. One of the major issues concerning the economy and its growth in the country is savings and investment rates. Adisesiah (1979) who examined the savings and investment rates over the seventies in India had arrived at certain striking findings. He used the savings and investment of the country as a percentage of GNP and NNP at market prices as reported by the RBI and the Planning Commission as the data base of his analysis. One of his conclusions is that upto 1975-76 our saving was always below our investment, so that there had to be an inflow of foreign funds to make up the difference during these years, continuing from 75-76 to 78-79 there had been excess of savings over investment, leading to an outflow of capital from the country. The main reason for the high savings rate was the rather steep increase in the savings of the household sector. Yet another reason attributed by him for this state of affairs was the increased

inequalities in income distribution. Inequalities have worsened so that the rich variable to save more. Then there was the terms of trade in favour of the non-farm sector, raising the non-farm savings. According to Adisesiah this mix of factors operated to push up household savings.

3. Shamma (1979) had analysed the changes in the structure of personal saving using the NCAER data on personal income and saving out of its two sample surveys. One is 1967-68 and the other in 1975-76. These surveys covered 5,000 households and were conducted with more or less similar sample design and some concepts of saving and income, so that the results were comparable. Sarma had analysed the changes in the composition of household earnings over the eight year period. He found that during this period investment of the rural sector in land, livestock irrigation and other agricultural assets had increased from 47.6 % to 74.9% of their total physical assets in (1975-76). He maintains that increased investment in agriculture did not necessarily imply adverse effects on employment and capital formation in the household sector. The investment in house property accounted for 15.2 % of their total physical assets that were distributed between business investment and purchase of consumer durables.

The household investment in all the financial assets taken together increased by about 130% over this period. Insurance fund as an item of financial assets retained its relative importance in the rural sectors accounting for 15% and 16.16.2 % of the total financial assets in the two years respectively. Bank deposits also retained their importance among the financial assets of the rural sector accounting for 45.2% and 45.8% of the total financial assets.

Sarma also analysed the variations in the savings propensity of household sector. He found that the average propensity to save of the rural sector was less than that of the urban sector in both the years and it had increased from 12.3% in 1967-68, 16.4% in 1975-76. for the rural sector as against 16.6% and 22.3% in the urban sector. The All India estimates of the Average propensity to save were 13.5% and 18.4% respectively. He considered this change as significant because it had occurred over to short a period as 8 years.

Sarma (1979) studied the saving behaviour of household sector using the report of the nation wide probability sample survey conducted by NCAER for which data were collected from 5100 households for the reference period July 1975 June 1976.

One of his findings was that one fifth of the households at all levels-rural, urban and All India were zero savers, while about 75% of the urban households and 69% of the rural households had positive saving, the rest of the households were negative savers. He also analysed the households by the size of their savings and found that the urban household saved two and a half times more than the rural household. He also found that savings were highly more skewly distributed than income among the households both in the urban and rural households, through his analysis of the size distribution of household saving and income.

As part of this study, Sarma examined the influence of household income, educational status of the chief earner and activity status of the chief earner of the household, and household size and number of earners on the savings behaviour of the households as indicated by their average propensity to save. His findings were:

1. As the size of the household income increased, both the absolute amount of saving effected and the proportion of income saved steadily and consistently increased both in the urban and rural household sectors.
2. Wage earners at all levels of income saved a relatively small fraction of their income. On the otherhand self-employed group and salary group of households had saved a relatively much higher fraction of their income. Sarma found that the activity status per se had some influence on the saving behaviour of the households.

3. The propensity to save did not vary much between the rural and urban household sector, given the level of education.
4. The self-employed group of household in the urban area saved a higher fraction of income than their counterpart in rural areas.
5. Irrespective of the size of the household, an urban household saved on an average a higher fraction of its income than its counterpart in rural areas.
6. Marginal savings income ratio i.e. MPS was much higher at all levels rural (49%) urban (48%) and All India (42%) than the Average propensity to save (26, 22%, and 18% respectively). Sarma therefore inferred that with increasing incomes the household sector would be able to effect even a relatively higher proportion and a relatively greater volume of savings in future.

Gothorkur and Venkatasalam (1979) studied that the household saving and investment rates in the Indian economy, using the RBI estimates of financial savings of the households and CSO estimates of physical capital formation of households. They found that investment in the household durable goods had increased at a much faster rate as compared with the net physical capital of the households, while the net financial saving increased nearly 7 times during the period 60-61 to 75-76. Saving in the form of physical assets increased. As an outcome of his study he advocates the macro level studies based on estimates obtained from different regions in the country and for different socio-economic strata of population.

Hence the current study is an attempt to analyse the savings behaviour of rural households. It is hoped that this field survey would be useful in deriving estimates at macro level.

Sinha (1980) had studied the growth of net domestic savings of the household sector in relation to consumption, using the data collected by the National Sample Survey Organisation for consumption expenditure, and the RBI, including its reports on currency, finance and similar other publications generated by the institutional approach, Sinha found that between 1950-51, and 1975-76 the index of saving generation in the country increased from 158.7 to 625.8.

Sarma (1980) studied the volume and distribution of household saving in the form of shares and securities for 1975-76 since household savings in this form doubled over the 8 year period 1967-68 to 1975-76. He used the NCAER Sample Survey of households for this purpose. He found that the average per household saving in the form of shares and securities for the urban areas was roughly four times the corresponding figure for rural.

METHODOLOGY

The methodology adopted for the study on the structure of savings among the rural households is discussed under the following heads:

1. Selection of the households
2. Method of data collection
3. Preparation of the interview schedule
4. Field work and data collection
5. Definition of the terms and concepts used
6. Analysis and presentation of results

1. Selection of the Households:

The villages of Vellamadai, Agraharam, Kottaipalayam and Kovilpalayam of Sarkarsamakulam Panchayat Union, Coimbatore District were selected for the purpose of the study. These villages are contiguously situated and form a compact rural area. They were purposively selected as the investigator already had good rapport in these villages by virtue of her nativity. A random sample of all the households, other than the agricultural labour households in these villages were covered for the study. The study covered 200 households.

Subsequently five households were excluded, as they came from very poor income group and did not constitute a big enough group for statistical purposes. The agricultural labour households were excluded from the coverage of the study for a specific reason. These households are largely poor income households. Their poor incomes derive from their inadequate asset and land base and uncertain and irregular manual employment. If anything, they are deficit households with their expenditures in excess of incomes. Their margin of savings is very narrow. If we were to mobilise larger savings from this group, we should first raise their incomes by giving them assured employment year round and also opening up opportunities for their self-employment. The thrust should be more on raising their saving via an increase in their incomes, rather than devising specific measures for reaching them.

2. Method of data collection:

The investigator decided that personal interview method would be the most suitable method for the purpose of data collection. The study called for information on very sensitive areas of households income, consumption, savings and investment pattern. In the face to face interview situation, the investigator was in a position to probe the respondents

and collect internally consistent and reliable data on these aspects. Hence, the choice of the interview method for data collection.

Yet another reason for the selection of interview method for data collection was the rural characteristics of the households themselves. Literacy in rural areas, being low, not all households were in a position to fill up the schedules themselves. Further, they had to be convinced of the genuine research purpose behind the collection of data and assured that the data would be used and kept confidentially and would not be divulged to others under any circumstances. For all these reasons, interview method suggested itself as the best method for data collection.

3. Preparation of the Interview schedule:

The interview schedule prepared for the purpose consisted of questions on:

- a. Family background
- b. Income and expenditure pattern
- c. Ownership of assets and the methods of their acquisition
- d. Current savings practices, and
- e. Attitudes to saving

The schedule was pretested in the month of January 1980 on a similar group of households. The objectivity, specificity and clarity of the particular questions were verified. The ambiguous questions were replaced by specific and clear ones. The schedule was modified and finalised on the basis of the reactions and expressions obtained during pretesting.

4. Field work and data collection

The survey work was done in the months of February and March and lasted throughout the two months. The reference period of the survey was January 1981.

5. Definition of terms and concepts:

The terms and concepts as used in the study had the following operational definitions:

a. Household:

Household was defined as a group of persons related by blood, marriage or adoption living under the same roof and sharing a common kitchen.

b. Income:

Income stands for the household disposable income. In the case of farm and business households, it was the balance of their gross farm or business incomes left after meeting the farm costs or business costs.

c. Saving:

The concept of saving was defined as the accounting difference between current income and current consumption.

d. Physical assets:

Physical assets comprised the productive assets used in agricultural and allied activities, household business, residential and non-residential housing and selected consumer durables.

e. Financial assets:

Financial assets were defined to include all kinds of deposits, shares, bonds and securities, gold jewellery and silver ware.

f. Average propensity to save:

Average propensity to save was defined as the ratio of savings to current income. In other words, it was the saving income ratio of the household.

6. Analysis and Presentation of Results:

The data collected for the study were cross-classified by such chosen variable as activity status, income status,

educational status of the households, size and number of earners and analysed to assess the impact of the particular variable on the saving and investment behaviour of the households. The results of the analysis are presented and discussed in the following chapter on Results and Discussion.

RESULTS AND DISCUSSION

The results of the study 'structure of saving among rural households' are discussed and presented under the following heads:

- A. Socio-economic characteristics of households
- B. Analysis of household savings
 - 1. Size distribution of household savings
 - 2. Household savings by income class
 - 3. Concentration of incomes and savings among households
- C. Analysis of savings behaviour
 - 1. Average propensity to save by income groups
 - 2. Average propensity to save by activity status groups
 - 3. Average propensity to save by number of earners within Activity status groups
 - 4. Average propensity to save by educational status groups and
 - 5. Average propensity to save by the size of the household
- D. Analysis of investment behaviour

1. Overall structure of investment in rural households
2. Relationship between investment behaviour and activity status of the households
3. Relationship between investment behaviour and income of households
4. Relationship between investment behaviour and the heads educational level in households and
5. Relationship between investment behaviour and highest educational level attained in the households.

E. Attitudes towards saving

A. Socio-Economic Characteristics of Households

The socio-economic characteristics of the surveyed households are described by their household types; size; income groups activity status of heads of households; educational level of the heads and the highest level of education attained in the households.

Family Type

Of the households surveyed, 97 per cent were nuclear households and 3 per cent remained as joint households.

Size of the Household

The distribution of the households by size is shown in Table I.

TABLE I
DISTRIBUTION OF HOUSEHOLDS BY SIZE

S.No.	Size	Number of house- holds	As percentage to total	Cumulative total	Cumulative percentage
1	1	3	1.54	3	1.54
2	2	20	10.26	23	11.80
3	3	57	29.23	80	41.03
4	4	22	11.28	102	52.31
5	5	90	46.15	192	98.46
6	6	3	1.54	195	100.00
Total		195	100.00		

Households having up to four members constituted 52.31 per cent of the total and 98.46 per cent of the households had up to five members per household. The size of the households thus, in the sample surveyed, was in accordance with the natural average.

Income Groups:

The households were classified into different income groups using the classification given by Shahjahan (1981). He classified the households based on their per capita household income into the following groups:

Per capita monthly household income class	Designation of the class
upto Rs. 64	Very poor group
Rs. 64 - 100	Low income group
Rs. 100 - 200	Lower middle income group
Rs. 200 - 400	Upper middle income group
Above Rs. 400	High income group

Households getting an income of less than Rs.64 per capita per month were classified under the very poor group with others coming under successively high denominations. This classification was considered to be better than the classification based on household income alone as it controlled the families both for their income and for their family size. Therefore, the households under study were classified under the income groups as given in Table II.

TABLE II
DISTRIBUTION OF HOUSEHOLDS BY INCOME GROUPS

S.No.	Per capita household income (Rs.)	Number of households	As percentage of total	Cumulative total	Cumulative percentage
1.	100 - 200	45	23.08	45	23.08
2.	200 - 400	113	57.95	158	81.03
3.	Above 400	37	18.97	195	100.00
Total		195	100.00		

The households were found distributed between the middle income group (lower and upper) and high income group.

The largest proportion of the households (57.95 per cent) belonged to the upper middle income group, their per capita household income being Rs. 200-400 per month.

Activity Status of the Heads of the Households

The activity status of the heads of the households was categorised under four groups: self employed farming group, self-employed non-farming group, salary earners and wage earners. The distribution of the households by the activity status of the head is given in Table III.

TABLE III
ACTIVITY STATUS OF THE HEADS OF THE HOUSEHOLDS

S.No.	Activity status	Number of households	As percentage to total
1.	Self-employed farming	129	66.15
2.	Self-employed non farming	19	19.74
3.	Salary earner	20	10.26
4.	Wage earner	27	13.85
Total		195	100.00

Except for 24.21 per cent of the households, where the head of the household was working either as a salary earner or as a wage earner, all others belonged to the self-employed group. Farming families numbered 66.15% of the total, with non-farming self-employed families constituting 19.74 per cent.

Educational Status of the Households:

Two aspects of the educational status of the households were analysed: educational status of the head of the household and the highest educational attainment of any one member in the household.

Educational status of the heads of the households together with the highest educational attainments in the households are given in Table IV.

TABLE IV
EDUCATIONAL STATUS OF THE HOUSEHOLDS

S.No. level	Educational	Heads of house- holds	As Percent- age total	Number with the highest education	As Percent- age to total
1.	No formal education	89	45.64	22	11.28
2.	Primary education	15	7.70	17	8.72
3.	Middle level education	35	17.95	20	10.27
4.	Matriculation	44	22.56	90	46.15
5.	Graduate and above	12	6.15	46	23.56
Total		195	100.00	195	100.00

While the heads in 45.64 per cent of the households were found illiterate, the number of totally illiterate families was only 11.28 per cent. As against the relatively smaller number of heads who were educated upto and beyond matriculation (28.71 per cent) 69.73 per cent of their children have received secondary and higher education.

Analysis of Household Savings:

Sixty one per cent of the Rural households reported that they saved regularly, as against others whose savings just occurred and who did not make any deliberate attempts to save. In the former group 32 per cent of the households contributed to the provident fund (the number of salary wage earners in these households being 47); 37 per cent saved through post office savings bank; 22 per cent saved through recurring deposits in banks and contributions to the life insurance fund were made in 7 per cent households. Only 2 per cent subscribed to chit funds. By and large, the rural household savings flowed through recognised financial institutions.

Analysis of household savings was carried out in three aspects:

1. Size distribution of household savings
2. Distribution of savings by income class; and
3. Concentration of savings and incomes among households.

1. Size Distribution of Household savings:

The amount of the household savings was inferred from the difference between household income and household concentration. This method of obtaining information on savings was resorted to, in order that figures on savings could be checked for consistency and dependability. The families were classified by their savings into different savings classes and the size distribution of the household savings were compared against the NCAER study of 1975-76 on rural household savings. Table V gives the size distribution of household savings in the sample as against that of the NCAER study.

TABLE V
SIZE DISTRIBUTION OF HOUSEHOLD SAVING PER ANNUM

S.No.	Savings class	Number of households	Percentage of households	Cumulative % of households	Total savings	Cumulative percentage of savings	Average saving per household	NCAER STUDY (1975-76)	
								Percentage of household	Average saving per household
1.	(-) 501 and less	Nil	-	-	-	-	-	1.7	(-) 1,005
2.	(-251-(-) 500	Nil	-	-	-	-	-	2.7	(-) 372
3.	(-)1-(-) 250	Nil	-	-	-	-	-	7.7	(-) 91
4.	0	4	2.05	2.05	-	-	0	20.0	0
5.	Upto 750	44	22.56	24.61	28,715	4.82	653	18.7	467
6.	751 - 1500	43	22.05	46.66	47,500	12.78	1105	10.0	1,081
7.	1501-3000	42	21.54	68.20	1,03,315	30.10	2460	5.8	2,068
8.	3001-6000	37	18.97	87.17	1,50,137	55.28	4058	3.2	4,167
9.	6001-12,000	20	10.26	97.43	1,71,940	84.11	8597	1.5	8,265
10.	12001-18,000	3	1.54	98.97	46,775	91.95	15,592	0.3	14,764
11.	18001-30,000	2	1.03	100.00	47,980	100.00	23,990	0.1	27,793
	Over 30,000	-	-	-	-	-	-	-	-
	All classes	195			5,96,362		3058	100.00	640

In the sample, no households were found to dissave and only 2 per cent reported zero savings as against 20 percent in the NCAER study on the rural savings. This difference arose because the sample excluded the agricultural labour households from its coverage whereas the NCAER study related to a cross section of the entire rural sector.

A part of variation between these two levels of savings is explained also by inflation during the intervening period. As in the All India study, the proportion of the households in the higher savings classes steadily declined. Small savers were more in number than the household that saved larger amounts.

The average annual savings per household ranged from Rs.653 in the lowest savings class to Rs.23,990 per annum in the highest savings class. Mean savings per household was Rs. 3058. The mean savings of the households under study were 4.78 times the mean rural savings at All India level in 1975-76. By and large the average savings of the sample households in all classes were greater than the average savings reported in the NCAER study.

Size distribution of household savings showed that the top 13 per cent of the households saved over Rs.6000

per annum and they accounted for 45 per cent of savings. While bottom 25 per cent of households accounted for about 5 per cent of savings only. Thus it was clear that savings propensities were unevenly distributed over the rural households. Since savings were heavily concentrated in the top savings classes the distribution of savings was also analysed against distribution of incomes.

2. Household Saving by Income Class:

To examine the influence of current income earned by a household on its saving, saving income ratio by level of income has been computed as in the Table VI.

TABLE VI
INCOME AND AVERAGE PROPENSITY TO SAVE OF RURAL HOUSEHOLDS

S.No.	Household annual Income class Rs.	Number of house holds	Average Income Rs.	Average saving/ house hold Rs.	Saving ratio (%)	NCAER STUDY	
						Average saving per house holds Rs.	Saving income ratio
1.	Upto 1200	Nil	-	-	-	Neg	Neg
2.	1201 - 2400	Nil	-	-	-	47	3
3.	2401 - 3600	Nil	-	-	-	214	7
4.	3601 - 4800	6	4817	390	8.83	405	10
5.	4801 - 6000	14	5914	744	12.59	796	15
6.	6001 - 7500	19	7073	736	10.41	1,356	20
7.	7501 - 10,000	3877	6677	1303	19.51	2,153	25
8.	10,001-15,000	68	12480	2549	20.42	3,657	30
9.	15,001-20,000	19	17744	4975	28.03	6,934	41
10.	20,001-30,000	26	240675	6725	27.94	9,439	43
11.	30,001-40,000	4	34650	14180	40.92	8,601	31
12.	40,000-60,000	1	43880	23280	53.05	21,717	45
13.	Over 60,000	Nil	-	-	-		
	All classes	195	12708	3058	24.06	640	16

As the size of the household income increased both the absolute amount of saving effected and the proportion of income saved steadily increased for the rural households under study, except for the group of 19 households in the income classes of Rs. 6001-7500. At each level of income upto an annual income level of Rs. 30,000 the absolute and the relative savings of the sample households were less than the corresponding estimates of All India Rural saving. Households getting an annual income of above Rs. 30,000 however had higher amount of savings, both in the absolute and relative sense.

The savings income ratio of the sample households was found to be 24.06 per cent whereas the NCAER study estimated the savings income ratio in the rural sector at 16 per cent in 1975-76. The higher propensity to save of the group follows perhaps from their relatively high incomes.

3. Concentration of Incomes and savings among Households

The NCAER study on Rural Savings showed that savings was more unequally distributed than income. The distribution of savings among the sample households were examined against the distribution of their household incomes to find out which of the two was more unevenly distributed than the other in the group under study.

Table VII shows the concentration of income and saving among the rural households.

TABLE VII
CONCENTRATION OF INCOME AND SAVINGS AMONG RURAL HOUSEHOLDS

S.No.	Household income class	Number of households	Cumulated % of households	Total household cumulated income	CUMULATED Percentage of saving income	Total cumulated Saving	% of saving
1.	3601-4800	6	3.08	26,500	1.07	2340	.39
2.	4801-6000	14	10.26	82,800	4.41	10,416	2.14
3.	6001-7500	19	20.00	1,34,400	9.83	13,990	4.49
4.	7501-10,000	38	39.50	2,40,360	19.53	46,900	12.35
5.	10,001-15000	68	74.37	8,48,680	53.78	1,73,340	41.42
6.	15000-20,000	19	84.11	3,37,140	67.38	94,516	57.27
7.	20,000-30,000	26	97.44	6,25,700	92.63	1,74,860	86.59
8.	30001-40,000	4	99.49	1,39,600	98.23	56,720	96.1
9.	40001-60,000	1	100.00	43,880	100.00	23,280	100.0
				24,78,060		5,96,362	

The table shows that the top 25 per cent of the sample households had a share of 46 per cent in total income and generated 59 per cent of savings. Savings were more unequally distributed than income. This inequality in income and savings distribution is even more pronounced among the top three household income classes constituting 16 per cent of households. Together their share of income was 33 per cent. Whereas they generated 43 per cent of the savings. The All India NCAER study on rural savings reported that the top 20 per cent of the households in the rural sector had a share of 49 per cent in rural incomes accounted for 80 per cent of the total savings in the rural sector. Thus this finding about heavy concentration of income and saving among the top income classes was in line with the All India NCEAR study on Rural Savings.

The tendency towards heavy concentration of income and savings among the top income households in the rural sector has disintegrated between 1975-76 and 1980-81. The incomes and savings are now more evenly distributed in the rural sector than they were in 1975-76 and due to increase in farm incomes during this period. Though the degree of inequality has lessened, savings are still more highly skewedly distributed than income in the rural households. This is because the savings propensity of top income households is proportionately more than that of the others in the lower income bracket.

C. Analysis of Savings Behaviour:

Savings-income ratio of a household depends on several factors: its socio economic characteristics and demographic factors. Among these, the income status of a household is the chief determinants of its savings, followed by educational level, employment status, number of earners in a household and the size of the household. The investigator examined the effects of some of the factors on household savings groups.

1. Average propensity to save by Income groups:

To determine the extent to which average propensity to save varied in different income groups, an analysis of saving behaviour by broad income groups was done.

Table VIII gives the saving Income Ratio (or) APS Income group wise.

TABLE VIII
AVERAGE PROPENSITY TO SAVE BY INCOME GROUPS

S.No.	Income group	Average propensity to save
1.	Lower middle Income group	13
2.	Upper middle Income group	22
3.	High Income group	35
4.	Over all	24

The households in higher Income groups had a higher savings income ratio than those in the lower income groups. In the villages studied, the average propensity to save of the lower middle income group was 13 per cent, that of the upper middle income group 22 per cent and that of the high income group was 35 per cent.

b. Average propensity to save by Activity status groups:

As a proxy for the activity status of the household, the occupation of the head of the household or the chief earner in the family was taken into consideration and Table IX.

Shows the savings Income ratio of the households, classified by their activity status.

TABLE IX
AVERAGE PROPENSITY TO SAVE BY ACTIVITY STATUS OF HEADS OF
HOUSEHOLDS

S.No.	Activity status	Saving Income Ratio
1.	Self-employed farming	27.4
2.	Self-employed non-farming	21.0
3.	Salary earner	24.2
4.	Wage earner	21.0
	Aggregate	24.06

The analysis of the savings income ratio of households by the activity status of their heads reveals that self-employed farming group, had the highest average propensity to save (27.4 per cent) followed by salary earners (24.2 per cent). The groups that registered the lowest propensity to save were that of the wage earners and the self-employed non farming group. The number of self-employed non-farming families (19) in the sample studied was relatively small and other business activities whereon very modest scale and by and large they functioned as shop keepers, tailores and milk venders. Consequently their Average propensity of save did not tally with that of other self-employed farming group. The savings behaviour of the sample households by their activity status was in agreement with what sharma (1979) found in the study on the structure of personal savings in the rural sector is 1975-76. His study pointed out that the wage earners at all levels of income saved a relatively small fraction of their income and that the self-employed and salaried group of Households have saved a relatively much higher fraction of their income.

How the saving behaviour varied within the activity status groups by the number of earners is shown in Table X.

TABLE X

AVERAGE PROPENSITY TO SAVE BY NUMBER OF EARNERS WITHIN
ACTIVITY STATUS GROUPS

Number of	Self-employed farming	Self-employed non-farming	Salary earner	Wage earner
1.	25	13	30	15
2.	26	8	24	17
3.	63	12	29	38
4.	35	-	-	45.0

Only in the wage earners group, as the number of earners rose, the propensity to save also increased. In all other groups, it is evident that propensity to save was influenced by factors other than the number of earners within a household. The saving income ratio was dependent more on the resource position.

The impact of the size of the household on its savings behaviour was also studied. Table XI shows the average propensities to save of households with varying sizes.

A. Average propensity to save by Educational Status groups:

Right from the time of Nasseu senior, education was thought of as a factor that influenced the frugality of people. The influence of education on savings behaviour was assessed in two aspects, the impact of the educational level of the head on the household saving behaviour was one aspect of it, as his qualities as a decision maker would depend much on his level of education. If decision making were done jointly, then the highest level of education attain by any one member of household, it was assumed, would have an influence on the household saving behaviour

Table X gives the details on average propensity to save by the educational status of the households.

TABLE XI

AVERAGE PROPENSITY TO SAVE BY EDUCATIONAL STATUS OF HOUSEHOLDS

S.No.	Educational level	Average propensity by the heads education	To save by the highest level of education attained in the households
1.	No-formal education	21.2	16.1
2.	Upto primary level	17.2	17.4
3.	Upto middle level	26.0	27.4
4.	Upto matriculation	28.9	42.6
5.	Graduates and above	32.3	25.1

The Average propensity to save of the totally illiterate families (16.1 per cent) was lower than the Average propensity to save in those families where some one was educated if not the head (21.2 per cent). This clearly shows that education has an impact on the savings behaviour of the households.

At other levels, heads education appeared to influence the average propensity to save rather than the highest educational attainment in the household. With each advancing, educational level of the head of the household, there was also an increase in average propensity to save. No such clear relationship, however, was observed between the highest level of education in the household and savings.

TABLE XII

AVERAGE PROPENSITY TO SAVE BY THE SIZE OF THE HOUSEHOLDS

S.No.	Size of the household	Average Propensity to save
1	1	22.3
2	2	17.8
3	3	16.6
4	4	36.5
5	5	34.0
6	6	41.6

In the first three groups of households where the size ranged from 1 to 3 members per household, the Average propensity to save declined as the size became larger. In households with 4 and more members the average propensity to save was higher than those of the small sized households but no consistent relationship was discernible between the change in household size and the change in propensity to save. The larger size of the household apparently gave rise to a larger number of earners, raised the household incomes and thereby their average propensity to save. In the first three groups of household the size became a liability as far as the savings propensities of the households were concerned. In the other groups size became a source of more earning power and thereby raised their savings propensities.

Analysis of Investment Behaviour:

An analysis of investment behaviour or the pattern of utilisation of past savings gives an idea of how the savings that had been generated by the households were employed by them; whether they had been used in more gainful or less gainful activities. Accordingly the investment of households were classified under two headings:

1. Physical assets;
- and 2. Financial assets.

The first group of investments, namely physical assets consisted of the investments made in purchase of land and its improvement for agricultural purposes and amount invested in initiating or expanding a family business. These items of investment come under the ones that augment the earnings capacity and incomes of the families. The other items of physical assets namely investment in house property and consumer durables are consumption oriented and they raise the psychic incomes of the households rather than their money incomes. They raise their levels of living.

The second group of investments among others include the investments made in the purchase of gold jewellery and silver ware. Since these are readily convertible into liquid cash, though involving a little loss, delay and inconvenience, they were considered as financial assets for all purposes of the study. The other group under the head, financial assets, covered the investments made in all kinds of deposits, short and long term bank and company deposits, shares and debentures of business firms and government bonds. The investment of the households in these items indicate the proportion of their savings that go into the active organised money market. All other items of investment

indicate indicate the extent to which the savings are locked up in assets which are immediately used by the households and are at their command.

This section on Analysis of Investment Behaviour is spility up into five sub dursions.

1. Overall structure of Investment in rural households.
 2. Relationship between Investment behaviour and activity status of the households.
 3. Relationship between investment behaviour and income of the households.
 4. Relationship between investment behaviour and the heads educational level in households; and
 5. Relationship between investment behaviour and highest educational level attained in the households.
1. Overall structure of Investment Behaviour of Rural Households

The overall structure of investment in Rural households is presented in Table XIII.

TABLE XIII

OVERALL STRUCTURE OF INVESTMENT IN RURAL HOUSEHOLDS

S.No.	Items	Total amount invested	As Proportion to total
1.	<u>Physical assets</u>	68.81	
a.	Land	8154	74.5
b.	Improvement in Agriculture	673	6.1
c.	Investment in business	80	.7
d.	House property	1341	12.2
e.	Consumer durables	707	6.5
2.	<u>Financial Assets</u>	31.19	
f.	Gold and silver	3982	80.2
g.	Deposits, shares and debentures	984	19.8
	Total	15,921	100.00

An analysis of the distribution of investment between physical and other assets shows that 68.81 per cent of the investment was on physical assets, with the remaining invested in financial assets. Sharma (1979) found that investment of the rural sector in land, livestock, irrigation and other agricultural assets constituted 74.9 per cent of their total physical assets in 1975-76. The corresponding proportion of the sample households was 80.6 per cent.

Like rational businessmen who plough back their profits into the business, rural households have ploughed back their savings into land so that their income can further increase in the future. This increased investment in agriculture by the sample households, one would expect would have favourable effects on their employment and incomes.

2. Relationship between investment behaviour and activity Status of the households

An individual's occupational status conditions to a large extent his thinking and behaviour. The influence of the activity status on the investment behaviour of the households is discerned from the way these sub-groups of households had distributed their investment among the different assets. Table XIV gives information on the pattern of investments and households reporting by their activity status.

TABLE XIV
INVESTMENT BEHAVIOUR AND ACTIVITY STATUS OF RURAL HOUSEHOLDS

S.No.	Items of Investment	Proportion of amount invested				Overall
		Self-em- ployed farming	Self-em- ployed non-farming	Salary earner	Wage earner	
1.	<u>Physical assets</u>	71.14	61.35	66.11	63.80	68.81
a.	Land	74.80 81.02	67.76 71.42	73.18 76.45	65.56 69.94	74.5
b.	Improvement in Agriculture	6.22 81.02	3.66 77.48	3.32 77.02	4.38 80	6.1 80.6
c.	Investment in Business	-	6.06	0.57	1.05	.7
d.	House propensity	12.7 19.46	15.20 23.52	12.35 22.98	17.10 29.01	12.2 18.7
e.	Consumer durables	6.76	8.32	10.63	11.91	6.5
	Total	100.00	100.00	100.00	100.00	100.00
2.	<u>Financial assets</u>	28.86	39.35	33.89	36.20	31.0
a.	Gold and Silver	76.70	85.90	82.60	80.88	80.2
b.	Shares, deposits and bonds	23.20	14.10	17.40	19.12	19.3
	Total	100.00	100.00	100.00	100.00	100.00

The ownership of financial assets among the activity status groups were in this order: Self employed non-farming group (29 per cent); wage earner group (36 per cent); salary earner group (34 per cent) and self-employed farming group (29 per cent). The relatively low priority assigned to financial assets by the self-employed farming group stands to reason as these households would be more interested in ploughing back their savings into agriculture rather than investing them in activities of orders.

3. Relationship between investment behaviour and income of the households

Table XV gives pattern of investments of households by income groups.

TABLE XV
INVESTMENT BEHAVIOUR AND INCOME OF THE HOUSEHOLDS

S.No.	Items of Investment	Proportion of amount invested			
		Lower middle income group	Upper middle income group	High income group	Overall
1.	<u>Physical assets</u>	71.62	48.42	65.75	68.81
a.	Land	76.64	76.08	70.86	74.5
b.	Improvement in agriculture	5.03	5.42	7.75	6.1
c.	Investment in business	0.99	0.58	-	.7
d.	House property	12.45	10.73	14.05	12.2
e.	Consumer durables	4.89	7.19	7.34	6.5
2.	<u>Financial assets</u>	28.38	51.58	34.25	31.19
a.	Gold and silver	85.07	30.14	83.96	80.2
b.	Shares, deposits and bonds	14.93	69.86	16.04	19.8
	Total	100.00	100.00	100.00	
	Grand total	100.00	100.00	100.00	

The upper middle income group was more favourably disposed towards the possession of financial assets than even the high income group. It possessed 70 per cent of its financial assets in the form of shares deposits and bonds. The lower middle income and high income group showed a preference for possession of gold and silver. The return on investment appeared to be the chief criterion influencing the upper middle income group in the selection of financial assets in preference to gold and silver, whereas the other two groups preferred more the security and liquidity that went with ownership of gold jewellery and silver ware.

4. Relationship between Investment Behaviour and the Educational level of heads:

Table XVI gives the pattern of investment of households by the level of education of head.

Among the different educational groups, the investment in agriculture (a+b) varied between 77 per cent to 86 per cent of investment in physical assets. Investment in consumption orientted physical assets namely house property, consumer durables (c+d) ranged from 14 per cent to 23 per cent. Investment in liquid and financial assets ranged between 27 per cent and 35 per cent. The household where had the heads had received higher education had 35 per cent of their investment pattern declined, as the education of the household head increased. The share of the investment in land and its improvement was relatively higher in the first two groups i.e. in households where the head was either illiterate or educated only upto the primary level than in other. In other groups with higher level of education, the weightage given to investment in house property and consumer durable was relatively higher than in the first two groups. It could be inferred that education of the head becomes functional in influencing savings behaviour only when at the functional middle level and more particularly at the matriculation stage.

5. Relationship between investment Behaviour and highest educational level attained in the households:

Relationship between investment pattern and the highest educational level attained in the household is given in table XVII.

The analysis of investment pattern by the highest educational level of the households showed that investment in consumption oriented items, namely house property and consumer durables was directly related to the level of the highest education attained in the household. The higher the level of the education attained in the household the more was the investment in these items. The first group of households with no formal education did not fit into this pattern of relationship perhaps because they were relatively affluent and their consumption standards were set by their affluent position rather than by their educational level.

Education appears to influence investment in consumption oriented items via an increase in income rather than by itself.

Attitudes towards saving:

The attitudes of the Rural households towards saving was inferred indirectly from their reactions to the question why they wanted to save. The ranks assigned by them to the different purposes of saving were given weights and the sum of these weights was taken to represent the strength of the particular motive or purpose that made these households save. Table XVIII gives details on the purposes of saving as mentioned by the respondents.

TABLE XVIII
DETAILS ON THE PURPOSES OF SAVING

S.No.	Items	Weight	Percentage
1.	Education	194	13.19
2.	Oldage	192	13.05
3.	Energencies	188	12.78
4.	Consumer durables	184	12.51
5.	Marriage	180	12.24
6.	Jewellery	178	12.10
7.	To the property to children	169	11.49
8.	To build a house	143	9.72
9.	Business	43	2.92
Total		1471	100.00

The village households saved out of their incomes for the purpose of educating their children and for their oldage, emergencies, consumer durables, marriage and jewellery all these purposes covered equal importance in their savings pattern.

V SUMMARY AND CONCLUSION

The household saving studies ^{always} have a relevance and validity as they help in delineating the impact of changing influences on saving and Investment behaviour of households. The current study on "structure of savings among rural households" arrived at finding out the extent of savings effected in Rural households, other than agricultural labour households, and the determinants of their saving and investment behaviour. Besides analysing the relationship between income and saving, the study sought to test the hypotheses that savings are more highly skewly distributed than income among households and that the socio-economic characteristics of the households had some impact of their savings and investment behaviour.

The study covered the four villages of Vellamadai, Agraharam, Kottaipalayam and Kovilpalayam in Sarkarsamakulam Panchayat Union, Coimbatore District. Data were collected from 195 households, other than agricultural labour households in these villages. They were selected for the study by means of random sampling.

The main findings of the study are summarised as follows:

Background Information:

1. The surveyed households were distributed between middle and high income groups. The largest proportion of

households (58 per cent) belonged to the upper middle income group, with their percapita household income in the range of Rs.200 - 400 per month.

2. The size of the households was in accordance with the national average Ninety eight per cent of households had within five members,
3. As for activity status, 66 per cent of the households were of self-employed farming group, with 20 per cent in the self employed non-farming group. In the remaining 24 per cent of households, the head of the household was either a salary earner or a wage earner.
4. While the heads of 40 per cent of the households were illiterate, the number of totally illiterate households was only eleven per cent.
Savings:
5. Regular and periodic savings were reported in 62 per cent of Rural households. By and large, their savings flowed through recognised financial institutions.
6. In no households did the current consumption exceed current income. Zero saver households were only two per cent. In their case, current income just equalled current consumption. In an NCAER earlier study on Rural savings, however, 20 per cent were found Zero savers.

7. The average annual saving per household ranged from Rs.653 to Rs.23,990 per annum. Mean saving per household was Rs.3,058, almost five times higher than the mean rural savings at All India Level in 1975-'76.
8. Top 13 per cent of households saved over Rs.6000 per annum and they accounted for 45 per cent of total savings. Bottom 25 per cent of households accounted only for about 5 per cent of total savings. Savings propensities were distributed among the households.
9. By and large as the size of household incomes increased both the absolute amount of savings effected and the proportion of income saved steadily increased.
10. The sample's average propensity to save was 24 per cent, against 10 per cent estimated for the rural sector in the NCAER study.
11. The hypothesis that savings were more unequally distributed than income was confirmed. Top 25 per cent of the sample households had a share of 46 per cent in the total income and generated 59 per cent of the total savings. This inequality was even more pronounced among the top three income classes, constituting 10 per cent of households. Together their share of income was 33 per cent, whereas they generated 43 per cent of the

savings. However, the rural incomes and savings are now more equally distributed than they were in 1975-76 though skewness in distribution still persisted.

Determinants of savings Behaviour:

12. The saving-income ratio was 13 per cent in lower middle group, 22 per cent in upper middle income group and 35 per cent in High income group.
13. The group of self-employed farming households had the highest Average propensity to save 27.4 per cent.
14. The saving income ratio of the totally illiterate households (16 per cent) was lower than that of households where someone other than the head was educated (21 per cent) with each advancing educational level of the head of the household, there was also an increase in Average propensity to save.
15. Only in the wage earners group, as the number of earners rose, the average propensity to save also increased.
16. I In the households of upto three members, size was a drag on their savings propensities. In the households with more than three members, size raised the saving propensities via an increase in income.

Analysis of Investment Behaviour

17. Investment in physical assets totalled 69 per cent of all household investment, of which land, livestock, irrigation and other agricultural assets amounted to 80.6 per cent as against 74.9 per cent in 1975-'76. This increased investment in agriculture was expected to have favourable effects on their employment and incomes.
18. Self-employed farming group assigned relatively low priority to financial assets, with only 29 per cent of its investments in this category.
19. The upper middle income group was more favourably disposed towards the possession of financial assets. While 52 per cent of its investments were held in financial assets, 70 per cent of the financial assets took the form of shares, deposits and bonds.
20. By and large, the weightage given to physical assets in the investment pattern declined, as the education of the household head increased. Education of the head became functional in influencing investment behaviour only at the middle level and more particularly at the matriculation stage.

21. Investment in consumption oriented items, namely, house property and consumer durables was directly related to the level of the highest education attained in the household indicating that the demonstration effect on consumption worked through the variance of education.

Conclusions:

Thus, the study made it clear that rural households other than agricultural labour households belonged to the middle and high income groups. All the households except 2 per cent had positive savings, the mean saving per household being Rs.3,058 per annum. Their saving income ratio was 24 per cent. Savings, however, were more unevenly distributed than incomes among the households. The educational level of the head was functional in influencing the household saving Behaviour. Number of the earners had positive impact on saving only in wage-earner household. In the households with more than three members, size raised the saving propensities via an increase in income. The rural households gave a higher priority to physical assets, and among the physical assets to land and improvements associated with land. However, the upper middle income group households were favourably disposed

towards financial assets. The weightage given to physical assets in the investment pattern declined as the education of the household increased. Accordingly banking institutions can endeavour to mobilise savings from the rural household sector with much the same priority as they assign to the provision of rural credit.

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A P P E N D I C E S

Interview Schedule to elicit information on the structure of savings in the rural households:

Name of the Interview :

Adress :

Caste :

Type of the family Nuclear Joint

I. General Background

Name of the member.	Age	Sex	Relation to the Head	Stu- died upto	Study- ing in	Occu- pation	Income per month
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b. Other sources of income for the family (Mention the income per month)

S.No.	Source	Income per month
1.	Dairy	
2.	Poultry - farming	
3.	Interest income	
4.	Others	

II. Expenditure pattern:

Amount spent in February 1981

1. Food: Groceries meat, dairy products fresh fruits, vegetables, Beverages.
2. Clothing :
3. Housing: Rent expenses for owned house, repairs lodging at schools, colleges :
4. Health: (Doctors, fees, medicine, diet etc.) :
5. House keeping: (electricity, Laundry services paid household help :
6. Recreation: (Magazines, Cinemas, Newspaper) :
7. Transport
8. Others

III. State the details of savings made so far and the forms in which they have been used:

Forms of saving	Inhi- rited	got as gift	Pur- chased	Its present money value
1. Investment in purchase of land (Area bought)				
2. Investment in improvement of agriculture				
a) Construction of well				
b) Agricultural equipment bought.				
c)				
d)				
3. Investment in business (Specify)				
4. Investment in house purchase or construction				
5. Investment in consumer durables				
a) pressyre - cooker				
b) Gober gas				
c) Mixe				
d) wet grinder				
e) fridge				
f) filter				

IV. Details of amounts currently saved per month/ per year:

	Earning member _I	I	II	III	IV
1. Life Insurance premia					
2. Provident Fund					
3. Amount deposited recurring deposits					
4. Amount contributed to chit funds					
5. Amount contributed to public Provident Fund					
6. Amount invested in National Saving certificates					
7. Amount invested in units					
8. Post office savings:					
a. Savings deposits					
b. Time deposits					

V. Rank the reasons for saving in order of importance:

Rank

1. Emergencies
2. Old age
3. To give gifts, donations etc.
4. Marriage
5. To buy consumer durables
6. To buy jewellery
7. For the education
8. To buy or build a house
9. Expansion of business
10. Any other