

Saving and investment habit of rural households in Cuttack district of Odisha

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Abstract

People save so that they can consume more in the future. A decision to spend now or save is really a choice of when to spend – now or in the future. The decision depends on wealth, disposable income, real interest rates and tastes or preferences for spending now or later. People have different behaviour towards savings and disparities in income levels. There are people who believe that money obtained today must be used to meet present needs and the future will care for itself. There are others who also hold the view that no matter how little one's income is there is the need to save part of that income. This paper is based on study of rural household savings behavior. The study is conducted through primary survey with 50 rural households of Cuttack district. The determinants and patterns of saving differ from rural to urban region. There are also thousands of villages that still remain inaccessible, without electricity or basic sanitation facilities, where the population enjoy no steady source of income and are regularly exposed to the perils of famine, flood or cyclone. On the whole rural poverty in India has alerted the world. It is generally believed that rural India is poverty stricken. The rural people after meeting their subsistence are left with very little income to save.

Keywords: disposable income, household savings, rural poverty, savings

Introduction

Saving is income not spent, or deferred consumption. Methods of saving include putting money aside in, for example, a deposit account, a pension account, an investment fund, or as cash. Saving also involves reducing expenditures, such as recurring costs. However, increased saving does not always correspond to increased investment. If savings are stashed in or under a mattress, or otherwise not deposited into a financial intermediary such as a bank, there is no chance for those savings to be recycled as investment by business. This means that saving may increase without increasing investment, possibly causing a short-fall of demand (a pile-up of inventories, a cut-back of production, employment, and income, and thus a recession) rather than to economic growth. In the short term, if saving falls below investment, it can lead to a growth of aggregate demand and an economic boom. In the long term if saving falls below investment it eventually reduces investment and detracts from future growth. Today the spectrum of investment is indeed wide. An investment is confronted with array of investment avenues like bank deposits, real estate, small savings, life insurance schemes, bullions, commercial deposits, corporate security- bonds, mutual funds, and equity and preference shares. Among all investment, investments in bank deposits are safest and most preferred by the household and in equity proportionately are most profitable. Indian economy is doing indeed well in recent years. There are a vast number of villages that are rapidly being engulfed via sub-urbanization, with a sizeable proportion of the rural population engaged in non-agricultural activities. With the advent of technological development, a large number of villages are reaping the fruits of an agricultural revolution, through improved methods of cultivation and diversified farming practices, and as a result are experiencing near urban income level.

Objectives of the Study

- To determining the factor which influenced savings.
- To analyze the attitude toward saving.
- To evaluate the saving preference of the rural people.

Research Methodology

The primary data were used for the study. Data have been collected through questionnaire method and survey method. 50 responses have been collected from rural locations of Cuttack district. Secondary data have also been used for the study. Percentage method is used for analyzing the gathered data.

Literature Review

Gavini and Athma (1999) ^[9] research paper focused on the investors awareness towards post office saving schemes. The study found, reasons cited for saving in urban areas by the investors are: social considerations, tax benefits, and provision for old age. On the contrary, rural investors prefer to save for their old age security. The study also found that among the post office schemes, Indira Vikas Patra (IVP), Kissan Vikas Patra (KVP), and Post Office Recurring Deposit Account (PORD) were the most popular, in both urban and rural areas. Jayachandran C. (2004) ^[10] admits that during the course of his Ph.D. study, there is a moderate level of savings among the households. The major determinants of savings are the personal income, family size, family income and life cycle of the household. The most popular investment on physical assets is consumer durables and financial assets like bank deposits. There is a relative poor level of awareness among the rural people about various financial assets. Large portions of the investors do not understand the basic fundamentals of the investments. Many investors have invested in safer financial assets like bank deposits. Only few investors preferred the investment on public issue but they are not aware about the market value of their holdings.

Sethupathi, M. (2011) [11] empirical research work analysed the financial services awareness and investment pattern of the rural masses in Coimbatore district of Tamil Nadu. The author found that rural households in the study region have gained reasonable knowledge on the various savings and investment medium. But it is very ironical to assess that their knowledge is very much limited to the traditionally known savings and investment avenues like bank saving, holding insurance policy, investment in equities, gold or in land/building. The sample population’s knowledge on the modern and market sophisticated investment avenues is very much limited. The author has also specified that the rural households in the study area primary give importance to the safety of the principal money they invest before selecting savings/investment avenue. The study reveals mixed investors' perceptions towards feasibility of financial services offered by various agencies in rural areas and it has been concluded that minimum deposit facilities or no-frill account is a more popular mode of financial inclusion among the rural masses of Tamil Nadu in general and in particular to the study region Coimbatore District as per the opinion.

Amu Manasseh Edison Komla (2012) [1]: Demographic Influences on Rural Households’ Saving and Investment: A Study of Rural Households in the Ho Municipality of Ghana. The main objective of the study was to explore the demographic characteristics of household heads in rural Ho Municipality and to find out how these demographic characteristics affect the savings and investment behaviour of the said household. It is concluded that demographic characteristics of rural families in the study area in one way or the other, have some influence on the households’ saving and investment behaviour.

Savings Pattern of Rural People: An Analysis

One of the most pressing concerns for the economics of the developing world is need for mobilizing domestic financial resources. Despite the variety of vehicles that are intended to mobilize and allocate financial resource in developing countries, few offer strategies for meeting the need of poor and lower income people for financial services savings are increasingly being acknowledged as a powerful tool for poverty reduction. In this section to fulfillment of the study objectives, the important factor like monthly income, monthly expenditure, monthly savings, reason of savings, sources of savings, sources of information, are to be analysed.

Purpose of Saving

S. No.	Savings reason	No of Respondent	Percentage
1	Source of Income Generation	15	30
2	Social obligation like education of children marriage etc.	23	46
3	Acquisition of Land/House	8	16
4	Safe way to keep money	4	8
5	Total	50	100

Source: Primary Data

The above table indicates the majority of the sample respondent save money for the purpose of their social obligation. The next purpose goes to the source of income generation; the third preference of the respondent for the

saving reason is Acquisition of Land/House. The last choice is safe way to keep money.

Option of Investment

S. No.	Option of Investment	No. of Respondent	Percentage
1	Savings in bank	21	42
2	Savings in gold	3	6
3	Savings in post office	19	38
4	Savings in shares	3	6
5	Savings in insurance	4	8
6	Total	50	100

The data’s given in the above table shows most of the respondent want to invest their money in banks and post office because of it has a liquidity nature, low formality and safety. The least take place in shares, gold, and insurance because it has a drawback of higher formality and lack of awareness among rural people.

Sources of Information used by Investors

S. No.	Sources of Information	No of Respondent
1	Advertisements in Electronic Media and Print Media	10
2	Editorials in business magazines /newspapers	2
3	Independent Financial Advisor	3
4	Friends and relatives	27
5	Brochure	8
	Total	50

Sources: primary data

The above table tells the factors influencing the respondent for making investment. most of the respondents are influenced by the information provided by their friends and relatives followed by Advertisements in Electronic Media and Print Media, Brochure, Independent Financial Advisor, magazines /newspapers

Guiding Factor in Selection of Investment

S. No.	Guiding Factors	No of Respondent
1	Safety of Principal	18
2	Return	10
3	Marketability of instrument	5
4	Past Experience of the Investor	3
5	Time Horizon/Time Bound	6
6	Minimization of Future Risk	7
7	Liquidity of instrument	1

Sources: primary data

The above table tells that respondents select their investment option through the influence of different guiding factors. Most of the respondents select safety of principal as the best guiding factors followed by return, Minimization of Future Risk, Time Horizon/Time Bound, Marketability of instrument, Liquidity of instrument.

Conclusion

It can be inferred from the study that majority of the rural

households have less knowledge about the investment in industrial securities, insurance, gold etc, but at the same time they prefer to make investment in bank and post office. Most of the rural households select their investment option by evaluating two factors safety of principal and return from investment. In this study we have analyzed the saving behavior of household in rural areas, it reveals that most of the people belong to agriculture family and their economic condition influences them to retain their surplus income for further savings. Their aim of savings might be used for further live hood, cultivation purpose, social need or for the domestic needs and future need which ultimately leads to national savings. The national savings pave the way for investment in the infrastructural and economic development of the country

Suggestions

- Awareness campaigns should be organized by the banks with the motive of creating awareness among the rural household regarding the concept of saving and investment
- To increase usage, products must designed with add-on features such as reminders, and basic literacy about the products features.

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