

SAVING AND INVESTMENT BEHAVIOR OF RURAL HOUSEHOLDS

(With special reference to Mandya District)

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Abstract : Rural India is two-third (67.63% of total population) of a country's population is living in rural area and earn one-third of the national income. Household sector is one of the most important sectors which contribute more savings to the gross domestic savings. The study has been conducted to know the saving and investment behavior of rural household as it is influenced by many factors such as age, education, income, occupation etc. The study reveals that most of the respondents earning capacity is less, even if they earned more they distributed only minimum portion of their income to saving. Number of respondents invested in financial assets is high but amount invested in financial assets is less. Respondents in rural area are low income people, less educated and they contributed to bank deposit, post office and life insurance and not to mutual fund, shares, debenture, bonds and government securities it shows that rural households are not much aware of highly risk financial assets. The present paper explains different reasons of savings, awareness level and association between demographic factors and awareness level among rural households of Mandya district. 306 randomly selected samples were used as sample to examine the objectives of the paper.

Keywords: Household, Saving, Investment, physical assets, Financial Assets, Economic growth

1.0 Introduction

Household sector plays an important role in the economic growth of the country as it provides pool of capital in the form of financial saving such as currency, Bank deposit, Shares, Bonds, Mutual Fund, Life Insurances etc. There is a plenty of opportunities to make investments in financial assets. According to the report of the working group on savings in the 11th five-year plan, the investment in financial assets falls down at the same time investments in physical assets have increased and only 5% of their savings invested in capital markets. Low participation of household in financial market reduces the economic growth. Now they shifted from financial saving to physical saving. Since household saving behavior is always changing and it is determined by many factors like income, education, culture, inflation, occupation and awareness level and the influences of these factors entirely differ from urban to rural. It is need of the hour to analysis the saving and investment behavior of rural household because as per the 2011 Census, over 70 per cent of the total Indian population resides in villages and rural areas. So rural household saving is very essential as it provides investments for government and corporate sector and it increase the GDP Growth leads to increase the household income and saving rate.

2.0 Review of Literature

Madhushdhan Karmakar (2001) the author made an attempt to analyze the investment behaviour of house hold sector. 50 respondents were selected randomly as sample for the purpose of the study and data were collected through questionnaire from these sample respondents. The study found that people in general are risk averse and they want to invest in safe assets and they considered stock market as risky.

C Krishnamoorthy(2007) the author made an attempt to study the investment pattern and awareness of salaried class investors in Niligiris District. The study used the primary data, collected from 600 salaried investors through questionnaire. The study revealed that 81 percent of respondents have preferred for bank deposits and insurance investments.

Fulbagh Singh and Sania Chawla (2007) they made an attempt to analyze the consumer preference for life insurance in Northern India. They had selected sample of 300 policy holders from Northern States like Haryana, Punjab, J&K, Himachal Pradesh and New Delhi. Likert Scale has been used to collect the information. ANOVA

and Post hoc test has been applied to test the consumer preference towards investment. The study concluded that consumers of post-liberalization period have given higher weightage to rate of return, surrender value, extra coverage, tax benefits, maturity amount and risk coverage as compared to consumers of pre-liberalization period.

N.Yasodha Devi, V.S.Kanchana, and S Sujata (2008) the researchers have made an attempt to analyze investment behaviour of salaried persons in Coimbatore City. They examined the attitude of respondents towards savings and investment pattern by collecting information from 200 sample respondents from study area. The study revealed that the investors' main intention to save is to save the tax. Therefore, the study suggested taking steps to create awareness among the investors about other savings schemes and investment avenues

3.0 Mandya District Rural Population 2011

As per 2011 census, 82.92% population of Mandya districts lives in rural areas of villages. The total Mandya district population living in rural areas is 14,97,407 of which males and females are 7,51,243 and 7,46,164 respectively. In rural areas of Mandya district, sex ratio is 877 females per 1000 males. If child sex ratio data of Mandya district is considered, figure is 939 girls per 1000 boys. Child population in the age 0-6 is 1,41,058 in rural areas of which males were 72,792 and females were 68,266. The child population comprises 4.80 % of total rural population of Mandya district. Literacy rate in rural areas of Mandya district is 81.03 % as per census data 2011. Gender wise, male and female literacy stood at 80.64 and 78.76 percent respectively. In total, 1,28,015 people were literate of which males and females were 71,130 and 56,885 respectively.

4.0 Statement of the Problem

The financial situation and behavior of households has significant influence on the stability of the financial system and economic growth of the country. The household investors saving and investment behavior is always changing especially for rural household because of education level, life style. Occupation. In come. Consumption pattern entirely differ from other households. They are not able to save their money, even if some household saved but not in formal way hence it will reduce the supply of capital to the country as well as GDP growth Rate. Lack of awareness in financial assets, leads to increase the investments in informal way as it is not accountable to the capital formation of the country. It is need of the hour to analysis the saving and investment behavior of rural household because as per the 2011 Census, over 70 per cent of the total Indian population resides in villages and rural areas. Against this background the study has been conducted to know the saving behavior of rural household with special reference to Mandya District.

5.0 Objectives of the study

To know the demographic profile of rural household
To know the saving and Investment pattern of rural household

6.0 Research Methodology

The study has been conducted to know about the saving and investment behaviour of household and it provides opportunity to know about whether individuals for their finance and in what it helps to reach their financial goals identified by adopting the following research methodology. The universe of the study is finite and Mandya district has been selected as the universe of the study. The sample consists of 306 respondents selected for the study by adopting convenience non probability sampling method. The respondents of the study are households. The study is based on primary data and secondary data. Primary data is collected through scheduled questionnaire method. The secondary data has been collected from the published records, journals, magazines and web portals.

7.0 Data Source and Instruments

The study of this nature requires both primary and secondary data. The main types of data source used in this study are primary data. The primary data were collected through a structured questionnaire containing both open and closed ended questions.

8.0 Demographic Profile Of The Rural Household

The personal profile of the rural household is given in the table 1 and it plays an important role in selecting saving and investment avenues of the rural household.

Table 1: Demographic Profile Of The Rural Household

Demographic Factors	Variables	No. of respondents	percentage
Age	Below 30 years	66	21.57%
	31 to 40 years	38	12.42%
	41 to 50 years	165	53.92%
	More than 51 years	37	12.09%
	Total	306	100.00%
Gender	Male	231	75.49%
	Female	75	24.51%
	Total	306	100.00%
Educational Qualification	Illiterates	63	20.59%
	Class I ---- VII	76	24.84%
	Class VIII ----X	62	20.26%
	Class XI --- XII	43	14.05%
	Graduation	54	17.65%
	ITI/Diploma/Other Technical	1	0.33%
	Post-Graduation	4	1.31%
	Professional	3	0.98%
Total	306	100.00%	
Occupation	Agricultural Farmer	236	77.12%
	Agricultural Labourer	11	3.59%
	Labourer (Unskilled)	5	1.63%
	Non- Agricultural Farmer	8	2.61%
	Non-Agricultural Labourer	6	1.96%
	Private sector employment	9	2.94%
	Public sector employment	6	1.96%
	Self-employed	14	4.58%
	Semi Government / Government aided	11	3.59%
	Total	306	100.00%
Monthly Income	Below Rs.10000	113	36.93%
	Rs.10001 to Rs. 50000	154	50.33%
	Rs.50001 to Rs. 100000	25	8.17%
	More than Rs.100001	14	4.58%
	Total	306	100.00%
Monthly Expenses	Below Rs.10000	176	57.52%
	Rs.10001 to Rs. 50000	108	35.29%
	Rs.50001 to Rs. 100000	17	5.56%
	More than Rs.100001	5	1.63%
	Total	306	100.00%
Monthly Savings	Below Rs.10000	218	71.24%
	Rs.10001 to Rs. 50000	66	21.57%
	Rs.50001 to Rs. 100000	16	5.23%
	More than Rs.100001	6	1.96%
	Total	306	100.00%

The above table shows that out of 306 respondents 75 percent of the respondents were male, 25 percent of the respondents were in the age of 31 to 40 years and 12.42 % of the respondents were in the age group of below 40 years, , 24 percent of the respondents had education up to 7th standard, 77 percent of the respondents were Agriculture farmers and 1.63 % of the respondents were Labourer (Unskilled), 57 percent of the respondents had monthly expenses of Below Rs.10,000, 50 percent of the respondents had monthly of Rs.10,001 to Rs. 50,000.

9.0 Relationship Between Monthly Income and Monthly Saving

The monthly income plays an important role in determining the saving and investment pattern of the respondents and distribution of amount to saving and expenses depends on the earning income of the respondents. Table 2 reveals that how the earned income is distributed to Savings.

Table 2: Monthly Income and Savings Of The Respondents

Monthly Income	Monthly Savings				Grand Total
	Below Rs.10000	Rs.10001 to Rs.50000	Rs.50001 to Rs.100000	More than Rs.100001	
Below Rs.10000	104	7	2	-	113
Rs.10001 to Rs.50000	108	45	1	-	154
Rs.50001 to Rs.100000	3	12	10	-	25
More than Rs.100001	3	2	3	6	14
Grand Total	218	66	16	6	306

Source: Primary data

The above tables show that the relationship between monthly income and monthly saving of the respondents. Out of 72 respondents had monthly income of below Rs.10,000 at the same time their savings also below Rs.10,000.93 respondents had monthly income from 10,001 to 20,000 out of that 81 respondents saved less than Rs.10,000 per month.43 respondents had monthly income from 20,001 to 30,000 out of that 32 respondents saved below Rs.10,001.42 respondents had monthly income of more than Rs.30,001 out of that 31 respondents saved below Rs.10,001.The study reveals that income does not influencing the saving behavior since irrespective of their income level most of the respondents saved below Rs.10,000.

10.0 Sources of Awareness Towards Investments

The study attempted to find out the awareness of rural investors about various investment avenues, their preferences and considerations for investing money. A sample of 306 respondents was selected from four villages from Mandya district, Karnataka. The major focus of the study was on investigating whether there was difference between investment awareness level and educational qualifications of male and female rural investors.

Table 2: Monthly income and savings of the respondents

Sources	K.R. PET	MADD URU	MALAV ALLI	MAN DYA	NAGAMAN GALA	PANDAVA PURA	S.R.PAT TANA	Grand Total
Magazine	15.67 %	15.71%	16.03%	18.27 %	17.09%	16.26%	17.54%	16.63%
Internet	16.50 %	15.78%	16.10%	17.32 %	15.90%	14.92%	16.44%	16.13%
Posters	14.73 %	11.31%	12.63%	15.15 %	13.40%	14.26%	14.57%	13.71%
Personal contact	12.55 %	12.45%	12.29%	13.86 %	11.85%	13.12%	12.78%	12.68%
Radio	10.78 %	12.88%	11.49%	12.57 %	12.03%	11.46%	13.88%	12.13%
Words of mouth	12.67 %	12.70%	12.09%	7.40%	11.08%	10.93%	7.18%	10.67%
Television	6.36%	10.50%	9.35%	9.85%	9.95%	10.33%	10.43%	9.49%
Friend & Relatives	10.72 %	8.67%	10.02%	5.57%	8.70%	8.73%	7.18%	8.57%
	100.00 %	100.00 %	100.00 %	100.00 %	100.00 %	100.00 %	100.00 %	100.00 %

Source; Field Survey. Note: Multiple Responses

There are many sources of information available today to take investment decisions. The main sources of information available to rural investors are media like press, radio, television and magazine, friends & relatives, word of mouth and family personal contact. Any type of decision depends on the sources of information. The quality of decision depends on the quality and quantity of information and their proper evaluation.

It is clear from the table 2 that magazine played a key role and friends & relatives played very lower role in providing awareness towards institutional investments in rural investors of study area. This clears that personal

sources have played greater role as compared to official sources in bringing awareness regarding institutional investments.

11.0 Findings

- Majority of the respondents were in the age group of 41- 50 years.
- Majority of the respondents were male
- Majority of the respondents had education 1 - 7th standard
- Majority of the respondents were Agriculture farmers
- Majority of the respondents had monthly income of ₹.10, 001 to ₹50, 000
- Majority of the respondents had monthly expenses of less than ₹10,000
- Majority of the respondents had monthly saving of less than ₹10,000
- Majority of the respondents had monthly income of Rs.10000 as well as saved less than ₹10,000.

12.0 Conclusion

The study of saving and investment behavior of household is very important and difficult to measure it. Preserving and saving money is an art. One has to learn how to spend and how to save and people have to realize which is important and not important for that the study has been conducted to know the saving and investment behavior of rural household. Respondents have been selected only from rural area and they are not well educated, not well employed, lower income, risk perception, lack of awareness on new schemes and opportunities in financial assets leads to reduce the investments in higher risk financial assets. The government should take measures to provide financial awareness in rural area and should increase the opportunities to do the research in this area to find how the rural households are taking financial decision makings.

Savings and investments are the part and parcel of our day to day life and it is very difficult for one to meet the expected and unexpected expenditures without the proper amount of savings and their judicious investments. No doubt, there are many avenues of investments available for investors to invest their savings in the present scenario of market but these avenues have concentrated more on urban areas. In view of this, the rural investors are not coming forward to invest their savings due to lack of knowledge to manage their investment portfolio to maximize their return and to minimize risk. Education through various awareness schemes and entry of institutional agencies to rural area can help the rural folk to improve their financial health and standard of livings. Therefore, the Government and non-governmental agencies should take care in bringing awareness and educating the rural population to save some portion of their earnings and invest judiciously.

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