

SAVINGS HABIT OF RURAL PEOPLE

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ABSTRACT

Individuals and families attitude towards money vary greatly. 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 (spenders). 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 (savers). In this paper an attempt has been made to analyze saving behavior of rural household. The analysis reveals that most of the people belong to the agricultural family and that influences them to retain their surplus income for future savings. Their aim of savings might be used for further live hood, cultivation purpose 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

Introduction

Savings are very imperative for supporting and developing rural industries. They provide several benefits for households directly. Savings could be used for investments. Indirectly saving indicates repayment ability, also increases credit rating and as a collateral in a credit market.

The source of own capital clearly is household savings. However this financial source is limited. Not surprisingly that in many cases, rural entrepreneurs meet their financial needs through informal credit market, although their rates is sufficiently high. Household savings is usually the largest components of domestic savings in developing countries especially the lower income

Majority of the rural households are small scale farmers and as such a significant part of their non-farm income comes from small and medium enterprises. Saving can be defined as the income which cannot be spent on current consumption. Total savings comes from individual save out of their personal incomes.

Business retained and there by save, some of their profits. The government saves when they run a budget surplus.

Objective of the study

- To study the socio economic status of rural people
- To examine the determining factor which influenced for their savings
- To analyze the attitude toward saving
- To evaluate the choice and saving preference of the rural people

Methodology of study

Research is the systematic and recording of controlled observation that may lead to the development of the organization, principles or theories resulting in prediction and possible ultimate control of events.

The data's are collected as primary and secondary data. Total number of samples used is 30 and convenient sampling is used to collect data

Limitations of the study

- This study confines within the limited period
- The study covers only the rural household
- The study may be bias due to primary data

Review of literature

Alma & Richard (1988) in their attempt to examine the saving behaviour of Filipino rural households regarding current income on saving and concluded that a large potential for voluntary

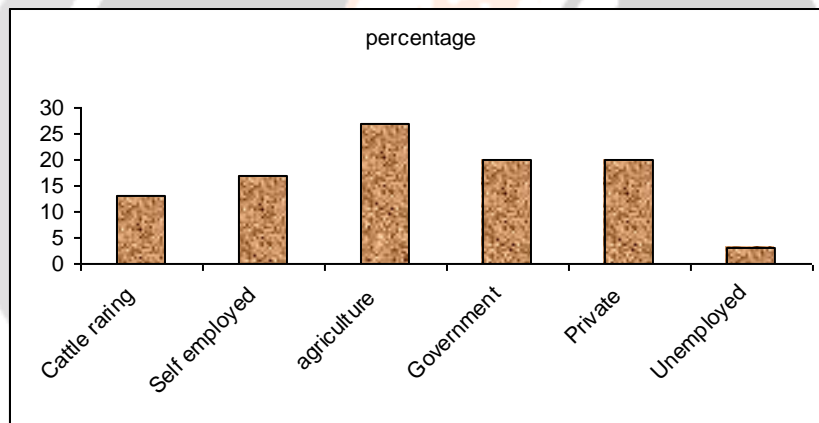
saving can be found in the rural households of the Philippines and other less developed countries. That have substantial evidence to argue that there is no reason to believe that mobilization of voluntary rural household saving cannot be perused. Their findings further indicate that income is the most important economic variable affecting rural savings.

SaleemAbid and GhulamSadiq Afridi are assessing the Household Saving Pattern of Rural Households. In their paper an attempt has been made to analyze saving behaviour of household rural areas. For the empirical analysis they have constructed an econometric model to study the effect of income, family size, locality and education on saving behaviour of rural households. The analysis concludes that there is a strong relationship exists between saving behaviour of households and proposed variables. Further the results indicates that income and locality have positive effect on saving behaviour of house hold whereas, education and family size have negative effect on saving behaviour of the household

Amu Manasseh Edison Komla: 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.

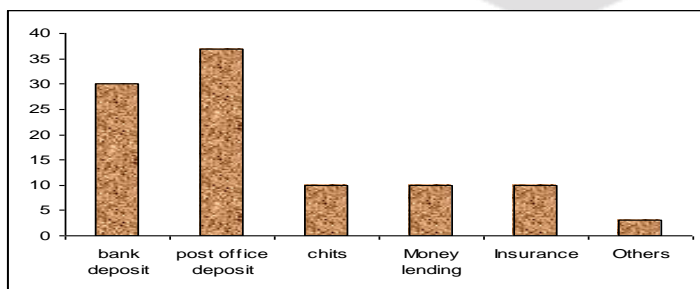
Analysis and interpretation

Occupation of the rural people

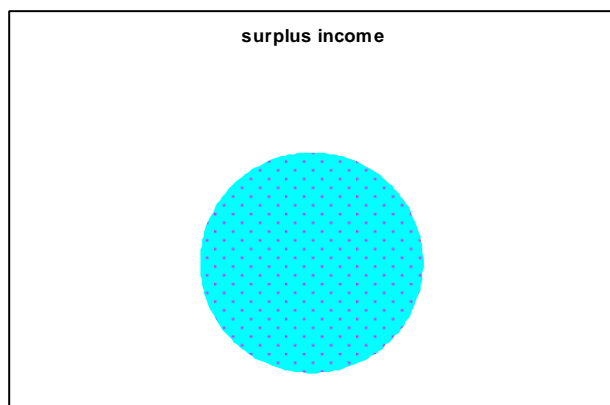


From the above table it is clear that out of the total respondents most of the respondents involved in Agriculture

Kinds of savings



The table shows that most of the rural people are saving their surplus income through post office deposits
Surplus income



Hypotheses 1:

There is a significant relationship between age of the respondent and their saving habits.

Observed frequency:

Age \surplus income	Keep at home	Deposit in the bank	Repayment of loans	Lend to some one	Donate to charity	Spend entire income	Total
25-35	2	3	1	0	2	0	8
35-45	1	1	0	1	0	0	3
45-55	6	4	1	1	1	1	14
55-65	0	2	1	1	0	0	4
Above 65	0	1	0	0	0	0	1
total	9	11	3	3	3	1	30

Expected frequency:

Age \surplus income	Keep at home	Deposit in the bank	Repayment of loans	Lend to some one	Donate to charity	Spend entire income	Total
25-35	2.4	2.9	0.8	0.8	0.8	0.26	7.96
35-45	0.9	1.1	0.3	0.3	0.3	0.1	3.9
45-55	4.2	5.1	1.4	1.4	1.4	0.46	13.96
55-65	1.2	1.46	0.4	0.4	0.4	0.13	3.99
Above 65	0.3	0.36	0.1	0.1	0.1	0.03	0.99
total	9	10.92	3	3	3	0.98	30.8

Chi-square $\chi^2 = \Sigma(O-E)^2 / E$

Calculated value :10.184

Table value at 5% level of significance and degree of freedom -20= 31.4

Since the table value is grater than the calculated value of chi-square, the hypothesis is accepted and it can be calculated that the age factor influences the saving habits of rural people.

Hypotheses 2:

There is a significant relationship between family setup and their savings habit.

Observed frequency:

Family size \surplus income	Keep at home	Deposit in the bank	Repayment of loans	Lend to some one	Donate to charity	Spend entire income	Total
Nuclear	5	9	2	2	2	1	21
Joint	4	2	1	1	1	0	9
Total	9	11	3	3	3	1	30

Expected frequency:

Family size \surplus income	Keep at home	Deposit in the bank	Repayment of loans	Lend to some one	Donate to charity	Spend entire income	Total
Nuclear	6.3	7.7	2.1	2.1	2.1	0.7	21
Joint	2.7	3.3	0.9	0.9	0.9	0.3	9
Total	9	11	3	3	3	1	30

$$\text{Chi-square } \chi^2 = \sum(O-E)^2 / E$$

Calculated value :2 .058

Table value at 5% significance and degree of freedom-5 =11.1

Since the calculated value of chi-square is lesser than the table value, the hypotheses is accepted. hence it can be concluded that there is a significant relationship between the family setup and the savings habit.

Conclusion

The data on the relationship between studied variable showed that there was a significant correlation between age and saving habit at 0.05 a significant level. The data showed that there was a positive relationship between age and saving habit which means that the middle aged people (45 – 55) tend to save more. In other words , as the family size grows, their was a correspondent decrease in the amount of savings and investments that the household engaged in .this means the savings among the joint families was affected. 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 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.

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