Households' Savings Behaviour of Dindigul District, Tamilnadu – A Comprehensive Analysis (With Special Reference to Thoppampatti Block)

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ABSTRACT

The research work undertaken on the Households savings behaviour of Dindigul District, TamilNadu- A comprehensive Analysis. The main objective of the research is to examine savings behaviour of the rural Households and factors influencing savings behaviour. The research study conducted is descriptive in nature. Interview schedule method is used as an instrument. The Multistage stratified random sampling is used and the sample size is 99.The tools used are percentage analysis, chi square analysis, cross tabulation correlation and regression. The study revealed that the savings behaviour in Thoppampatti block is satisfactory because most of the households are saving in various banks and their borrowings are less. The researcher suggests that the various organisations should create the awareness about various sectors.

INTRODUCTION

The role of domestic saving in promoting economic growth has received considerable attention in India and also in many countries in the world. Financial experts believe that increasing domestic savings, primarily, reduces dependence on foreign capital to aid investment flow, which in turn will drive the growth engine. Interestingly, household savings alone contribute up to 80 percent of India's gross domestic savings.

As households financial stability and prospects are represented by a steady of inflow of recurring income. Part of the income so earned could be saved and retained as permanent wealth. In India, traditional sources of saving are acquisition of immovable property, gold, cattle etc. But the modern world has introduced several new types of saving procedures to boost savings, like stock exchange securities, bank deposit, insurance policies, etc. The features of good savings are security, liquidity value, appreciation and generating a regular and assured income.

The economic policy plays a crucial nature in understanding domestic savings behaviour and its growth. This is particularly true for a country like India, where a highly interventionist Government has followed a complex set of economic policies for the development of in rural areas, during the last three decade. For example, the multi-dimensional progresses of rural banking are seen in India and network of rural branches has also goes on increasing.

STATEMENT OF THE PROBLEM

The savings is the main pillar of the economy. The importance of understanding the savings behaviour is as important as it forms the base for the development of the economy. If the savings behaviour among the people is good, it is a good symptom for the development of the economy. The aim of savings by any household or corporate is to maximize the return from their savings with minimum risk. Savings are made with a lot of expectations. If the expectations on savings of the community are properly fulfilled by the institutions, the capital accumulation of the country will be at peak, which is essential for economic development, otherwise, people will save money, but, utilize it only in physical assets like buildings, gold and silver, which sustain under development. The Indian Banking system has closed into second phase development, where in the bank deposits facing stiff competition from non banking. This is the right time for changing strategies of the financial institutions to mobilize the savings from the household.

The main problem in developing countries like India is gradually increasing savings among the people, which indirectly influence the capital formation of the country. The main reason for poor capital formation in India is mobilization of savings. There are so many factors responsible for poor mobilization of savings namely socio-economic, psychological and physiological factors. These factors not only affect the household sector but also private and public sectors in the economy. Savings rate is a crucial factor to obtain the higher growth rate. Savings rates and long term growth move together suggesting a cycle in

which high rate of growth lead to greater prosperity, which in turn leads to even high rates of savings, while countries with low savings may be caught in a poverty trap. The mobilization of savings is another factor to accelerate the economic development of the nation. There has been a phenomenal growth in all sectors especially household sector In this context the following questions are made: Is there any transformations in saving behaviour among the rural household? What are the patterns of saving among the rural household? What is their purpose of saving? To answer these questions, the present study has made an attempt to study the households' savings behaviour and its determinants of rural India with special reference to Thoppampatti block of Dindigul District, Tamil Nadu.

OBJECTIVES OF THE STUDY
1. To study the socio economic characteristics of sample households;
2. To examine the savings behaviour of sample households;
3. To elucidate the factors determining the savings behaviour of sample households;
4. To suggest measures to create appropriate policy to motivate the savings behaviour of rural households.

RESEARCH METHODOLOGY
    In the present study, multi-stage random sampling is used. The sample size consists of 99 respondents.

COLLECTION OF DATA
A comprehensive Interview Schedule used to collect the primary data. The secondary data at the district level were collected from Collect rate of Dindigul District, Village Panchayat office and state level data were collected through the Government of Tamil Nadu website.

ANALYSIS AND DISCUSSION
SOCIO ECONOMIC PROFILE OF THE SAMPLE HOUSEHOLDS
1. The age structure of Thoppampatti Block is identified as between less than 25 years to more than 55 years old. Among the total households, majority of the respondents are belongs to the age group of 45-55 years 32 per cent followed by the age group of 35-45 years **.** In addition, 26 households belong to the age group of more than 55 years.
2. In total, the present study consists of 58 female respondents and 41 male respondents of 99 households.
3. Among the total respondents of sample households, 83 percent are married. Of which 35.0 per cent are in Vayallur Village1.0 per cent of them are unmarried, 13.0 per cent of them are widow, 1.0 percent is divorced and remaining 2.0 percent separated.
4. Most of the families of sample households are nuclear families of which 93households are nuclear families of which 26.9 per cent of the families are in Vayallur village, remaining 6 households are joint family.
5. It is observed that 54 per cent of households are living in the current place since atleast 5-10 years and 12 per cent are living in the same place for more than 15 years.
6. More than 50.0 per cent of them are having at least three dependent members in their respective households.
7. Among the total sample households 66 percent are engaged in daily wages (Kooli). 12 percent in Agriculture, 9 percent of them are in Business, and 13 per cent in other category.
8. It is derived that in the present study, 50 households earns Rs. 50000 - less than Rs. 100000 as that annual family income 38 households earns Rs 20,000 to Rs. 50,000. 9households earn more than Rs.100000 and two households only earn less than Rs.20000.
9. Among total sample households 58 households are having two earning members 31 households are having only one earning member in their family, 7 households are having three earning

members and only 2 households are having the more than three earning members in their respective family.

10. It is learned from the study that 48 households spend less than Rs 20000, 29 households spend Rs20000- Rs40000, 18 households spend Rs. 40000 – Rs. 80000 and only 4 households earn 80,0000 and above. The level of household expenditure based on the number of earning members and the type of occupation of households.

HOUSING PROFILE OF THE SAMPLE HOUSEHOLDS

As the level of household needs is also one of the major determinants of savings of the households, the present study looks in to the housing characteristics of the sample households and they are briefly discussed below.

It is derived that 78 households are residing in own houses and 21 households are residing in rented house.

It is inferred that 71 households are from tied houses, 13 households in the thatched house10 households of the pucca houses and 5 households in the kutcha houses.

In the present study, 62 households are lives in slate roofed houses 21 households' lives in the concrete roofed houses, 5 households' lives in the stone roofed houses, 4 in asbestos sheet roofed houses, 2 households in grass roofed and three households in of Thatch, Metal, and others.

It is concluded from the study that91 households are having the cement wall whereas four households having mud walls and floor and others have other type of walls and floors.

SAVINGS BEHAVIOUR OF SAMPLE HOUSEHOLDS: A STATISTICAL ANALYSIS

Out of 99 sample households 70 are having the behaviour of saving a portion of their income whereas 29 are not so. Among the 70 households, most of them (31 households) saving their excess income in banks followed in post office (13 households) and 16 of them save in Insurance. The habit of saving in the bank is comparatively high in the Vayallur village that is 10 out of 31 households those who are saving in banks are belongs to Vayallur village.

The different types of savings in various modes of savings preferred by the sample households and it indicates that out of 31 households 27 households are saving their money in banks and have savings account than current account, out of 14 households 7 households are saving in post office and have savings account, followed by 5 in current account. 4 households who are saving in banks and post offices are not preferred to say what type of account they have. This is because the majority of the households are engaged in the occupation of daily wages and they prefer to have savings account than current account and others. Among the sample households 9 are saving their money in the chit funds run by the local people of their village. In addition, insurance is also plays a prime role in the savings behaviour of the sample households and out of 70 households having the habit of savings a portion of their income, 16 are preferring insurance schemes, of which, 8 are preferring life insurance and each 3 preferring health insurance and children schemes respectively. In the case of savings in banks, Vayallur village dominates with 10 households, in the case of savings in post offices, G V G Nagar dominates, in the case of insurance schemes, Vayallur dominates followed by Samynathapuram and G V G Nagar.

The borrowing detail is derived that out of 99 households, 49 households are not having liability that is borrowings and reaming 50 households are borrowed from different sources. Out of the 50 households those who have liability (borrowings) 14 are borrowed from their friends, 12 from local money lenders, 8 from the savings of their respective SHGs, 6 from banks, 5 from NABARD for agricultural purposes, 4 from pawn shops and only one households borrowed from Village Revolving Fund. It is observed from

the table and study that majority of the households are availed loan with low interest rate from SHGs, who are mostly belongs to Vayallur village. 50 households are borrowed from moneylenders. The main reason to borrow from money lender is to cover sudden and emergency needs (like health, education, and marriage) and least borrowing source among the sample households is revolving fund. Among the households have no borrowings, 14 households are belongs to Vayallur and due to this, majority of the households of Vayallur (i.e. 20 out of 31 households) have the habit of saving.

Among the various factors influencing the characteristics of borrowings, 32 households have been influenced by interest of the sample households, interest rate and 11 households influenced by repayment terms These two factors are majorly induced by the psychological perceptions of the borrowers, which always act with expectation that the interest rate of the money borrowed should be low and possibilities of availing repayment flexibility according to their own convenience.

Though, money has been borrowed by the sample households for many purposes, most of the households borrowed the money for the purpose of their children's education (12 households) and marriage (13 households), The other purposes of loans / borrowings availed by the sample households are agricultural activities, purchasing livestock, starting wholesale / retail trade / services, constructing a house and meeting the expenses incurred for medicine / health. Among the households who availed loans for their children's education, 6 households belong to Vayallur village, which indicates that the households of the Vayalur village gave much concern on their children's education. The households of the Pasupathypudur village (3 households) and G V G Nagar (1 household) only borrowed the money for the purpose of starting a wholesale / retail trade / services.

It derived from the table that among the total households borrowing are from their friends and family, 10 households are borrowed less than Rs.1, 00, 000/- whereas remaining four households borrowed more than Rs.1, 00, 000/- among the households borrowed from money lenders, 9 households borrowed less than Rs.1, 00, 000/- whereas remaining 3 households borrowed Rs.1, 00, 000/- and above; among the households borrowed from banks each 3 households borrowed less than Rs.1, 00, 000/- and more than Rs.1, 00, 000/- respectively; and all the other households who have borrowed from pawn shop, SHGs, NABARD and Village Revolving Fund are borrowed less than Rs.1, 00, 000/- only. Thus, it is observed from the study that very few households only have borrowed more than Rs. 1, 00, 000/-, whereas most of the households borrowed less than Rs.1, 00, 000/-.

The interest rate paid for the amount borrowed by the sample households in the present study. 21 households are borrowed @ Rs.1 interest rate majorly from the SHGs, NABARD, banks, friends and family and Village Revolving Fund. Out of the total households borrowed money from different sources, 17 households are borrowed the amount @ Rs.2 interest rate and remaining 12 households only borrowed the amount @ Rs.3 interest rate majorly from the local money lenders and pawn shops. Thus, it is inferred that most of the sample households are preferred to borrow the amount at lowest interest rate and from the reliable sources.

Among the 50 households have borrowings, 31 households only respond on the volume of amount repaid to the source(s) of borrowings respectively and out of these 31 households 21 households so far paid less than Rs. 20, 000/- only, whereas remaining households paid more than Rs. 20, 000/- but less than Rs. 50, 000/-. This indicates that majority of the households have very poor repaying capacity because of their low income, which ultimately leads to low savings, which weakens the repaying capacity and continues (recall vicious circle of poverty).

The major determinants such as type of family, occupation, family income, earning member, dependent members and expenditure which influences the savings behaviour of the households and expenditure pattern of the households respectively. The chi square test was applied to find the significant level of the

above mentioned determinants with savings behaviour and expenditure. It is inferred from the table that the type of family does not significantly influences the savings behaviour of the sample households of the Vayallur village, whereas other villages showed the constant that is type of family is same in all other villages, which further considered as constant value and depicted as '.a'. It is observed from the table that there is significant relationship between the savings behaviour and occupation of the households, family income and savings behaviour of the households particularly based on the total income of the family earned, the volume and mode of savings is decided by the households and total expenditure is also significantly influences the savings behaviour of the households. But, the variables / factors such as type of family, number of earning members, and number of dependent members does not significantly influences the savings behaviour of the sample households of the present study. On the other hand, all the factors such as type of family, occupation, family income, number of earning members, number of dependent members, total savings are significantly influences the expenditure pattern of the sample households.

It is observed that there is positive correlation occurs between the savings and the family income of the respondents. It says that if family income of the respondents increases, savings of the family also increases simultaneously and vice versa. Here family income is independent in nature, while savings is dependent in nature.

The regression model, it was found that there are three factors such as family income (Model 1), Earning members of the family (Model 2), occupation (Model 3) are the criterion for savings of the family. One-way ANOVA is applied to find out whether there is a significant difference among the saving, family income, occupation and earning members of the family. The ANOVA result shows that the calculated value (0.002) is less than the table value at 0.5% level of significance. Since the calculated value is less than the table value it is inferred that there is a significant difference among the savings and family income, occupation and Earning members of the family. Hence, the hypothesis is rejected. Standardized Beta coefficients (from the stepwise algorithm) show that there is positive relation of savings with the family income and occupation of the family respectively, while it is negatively affected with the Earning members of the family. Conclusion will be as the saving will be increases as family income increases, and with the occupational level of the family members, and then it got decreases.

CONCLUSION

Saving is one of the important variables in the theory of economic growth, which, helps to maintain a higher level of investment in an economy. Saving has achieved a greater importance in the Indian Economy, particularly with the advent of planning the state has become the main instrument of welfare. Savings provides for the future wants of individuals to meet the unexpected events. The present study Households' Savings Behaviour of Dindigul District, Tamil Nadu – A Comprehensive Analysis Thoppampatti block with special reference to which consists of seven villages concentrates on profile of the sample households and savings behaviour of the sample households.

It reveals that most of the sample households in Thoppampatti block are earning up to Rs. 50,000/ per annum, those who are having at least two dependent members and having their owned house. The savings behaviour in Pushpathur Panchayat is satisfactory because most of the sample households are saving in various banks and their borrowings is less. There is also a positive relationship between the savings and family income. Apart from these type of savings the necessary steps has to be taken to create awareness to invest in various investments.

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Type of Savings of Sample Households and It's Determinants

PARTICULARS	VILLAGE							TOTAL
	V 1	**V 2**	**V 3**	**V 4**	**V 5**	**V 6**	**V 7**	
TYPE OF SAVINGS								
No Savings	11	5	3	4	4	-	2	29 (29.30)
Bank	10	2	4	5	4	1	5	31 (31.30)
Post Office	2	-	2	2	1	2	4	13 (13.10)
Chit Funds	1	1	2	2	2	1	-	9 (9.10)
Insurance	7	1	1	2	1	2	2	16 (16.20)
Others	-	-	-	-	-	1	-	1 (1.00)
Total	31 (31.30)	9 (9.10)	11 (11.10)	15 (15.20)	12 (12.10)	8 (8.10)	13 (13.10)	99

Source: Computed from primary data.

TABLE.4.2.ECONOMIC PROFILE OF SAMPLE HOUSEHOLDS

	Village							Total
Particulars	**V 1**	**V 2**	**V 3**	**V 4**	**V 5**	**V 6**	**V 7**	
Occupation of the Households								
Daily wages	22 (33.80)	5 (7.70)	9 (13.80)	8 (12.30)	10 (15.40)	4 (6.20)	7 (10.80)	65
Agriculture	2 (16.70)	3 (25.00)	1 (8.30)	4 (33.30)	-	-	2 (16.70)	12
Business	3 (33.30)	1 (11.10)	1 (11.10)	1 (11.10)	-	2 (22.20)	1 (11.10)	9
Others	4 (30.80)	-	-	2 (15.40)	2 (15.40)	2 (15.40)	3 (23.10)	13
Total	31 (31.30)	9 (9.10)	11 (11.10)	15 (15.20)	12 (12.10)	8 (8.10)	13 (13.10)	99
FAMILY INCOME								
<20000	2 (100.00)	-	-	-	-	-	-	2
20000-50000	10 (26.30)	2 (5.30)	3 (7.90)	9 (23.70)	8 (21.10)	2 (5.30)	4 (10.50)	38
50000-100000	15 (30.00)	6 (12.00)	7 (14.00)	5 (10.00)	4 (8.00)	6 (12.00)	7 (14.00)	50

>100000	4 (44.40)	1 (11.10)	1 (11.10)	1 (11.10)	-	-	2 (22.20)	9
Total	31 (31.30)	9 (9.10)	11 (11.10)	15 (15.20)	12 (12.10)	8 (8.10)	13 (13.10)	99
EARNING MEMBERS								
One	12 (38.70)	1 (3.20)	2 (6.50)	6 (19.40)	6 (19.40)	2 (6.50)	2 (6.50)	31
Two	14 (24.10)	7 (12.10)	8 (13.80)	9 (15.50)	6 (10.30)	5 (8.60)	9 (15.50)	58
Three	3 (42.90)	1 (14.30)	1 (14.30)	-	-	1 (14.30)	1 (14.30)	7
> three	2 (100.00)	-	-	-	-	-	-	2
Total	31 (31.60)	9 (9.20)	11 (11.20)	15 (15.30)	12 (12.20)	8 (8.20)	12 (12.20)	98
TOTAL FOOD AND NON FOOD EXPENDITURE								
<20000	9 (18.80)	3 (6.30)	6 (12.50)	11 (22.90)	6 (12.50)	4 (8.30)	9 (18.80)	48
20000-40000	8 (27.60)	4 (13.80)	4 (13.80)	4 (13.80)	4 (13.80)	2 (6.90)	3 (10.30)	29
40000-60000	6 (50.00)	2 (16.70)	1 (8.30)	-	2 (16.70)	-	1 (8.30)	12
60000-80000	5 (83.30)	-	-	-	-	1 (16.70)	-	6
>80000	3 (75.00)	-	-	-	-	1 25.0	-	4
TOTAL	31 (31.30)	11 (11.10)	11 (11.10)	15 (15.25)	12 (12.10)	8 (8.10)	13 (13.10)	99

Source: Computed from primary data

The villages as V1 represents the Vayallur village, V2 represents the Kandiyakoundan pudur, V3 represents the Nallur village, V4 represents the Samynathapuram village, V5 represents the Pushpathur village, V6 represents the Pasupathypudur village, and V7 represents the G.V.G Nagar.