An Analysis of Saving and Investment Behaviour of Urban Households in Kerala

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By

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Certificate

I hereby certify that this is the revised version of the thesis entitled **"An Analysis of Saving and Investment Behaviour of Urban Households in Kerala"** submitted by **Smt. ANILA C.** under my guidance after incorporating the necessary corrections / suggestions made by the adjudicators.

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This is to certify that the Thesis entitled **"An Analysis of Saving and Investment Behaviour of Urban Households in Kerala"** being submitted by Smt ANILA C. for the award of the degree of Doctor of Philosophy in Economics to the University of Calicut, is a record of bonafide research work carried out by her under our guidance and supervision at the Research and Post Graduate Department of Economics, St. Thomas' College (Autonomous), Thrissur. The contents of this Thesis, in full or in part, have not been submitted and will not be submitted to any other institute or University for the award of any degree or diploma. Plagiarism is checked and found within the permitted limits.

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Declaration

I, Anila C., do hereby affirm that the written account entitled **"An Analysis of Saving and Investment Behaviour of Urban Households in Kerala"** is a bonafide record of research done by me under the Guidance of Dr. K.M. Francis, Associate Professor (Retd), and the Co-Guidance of Dr. Sabu P.J., Assistant Professor and Head of Department, Research and Post Graduate Department of Economics, St. Thomas' College (Autonomous), Thrissur. I also declare that the Thesis has not been submitted by me earlier for the award of any degree, diploma, fellowship or any other similar title.

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Abstract

India has a positive long term growth perspective as the economy has sound saving and investment rates, share of young population is high and the economy's integration with the global economy is becoming more strengthened. The nation's growth has been financed predominantly by domestic savings and the volume of investment is directly related to the rate of savings. Households and individual investors supply a pool of capital that creates liquidity in the market and make it dynamic. It also paves light on how capital formation and growth takes place. Kerala's economy exhibits high rate of savings and new avenues of investments are also seen, increase in financial literacy also influences households in their financial decision making. In urban areas there is more financial inclusion and exposure and accessibility to financial institutions are also high. As such a detailed analysis of allocation of resources within urban household, specifically focusing on asset portfolio, preference toward various saving and investment avenues, awareness level in relation to different financial instruments are highly relevant.

India continues to remain one of the high savings economies among the emerging market economies. The economic crisis in 1991 decelerated the growth process but the economy revived after the adoption of new economic policy. The rate of gross domestic savings as a proportion of gross domestic product has more than doubled from the initial time and the average propensity to save showed a steady increase. The composition of GDS shows the continued predominance of household sector savings. The asset portfolio of the households revels that households hold both physical and financial assets. The physical assets of the households increased continuously and showed predominance. Saving rates and levels of income per capita show positive correlation and the average saving rates increases as household income progresses.

The trend of saving and investment have been analysed using CAGR, decadal growth rate and year to year growth rate. To assess the level of awareness about various financial and physical instruments statistical indices based on Likert methodology is used. Multiple regression model has been employed to explain the determinants of savings. As the economy expands and become more dynamic, there is a need to raise the level of saving and investment to finance the growing needs. Household sector plays a critical role in this regard and the savings generated in this sector need to be properly channelized into productive sectors.

Chapter- I

Design of the Study

1.1 Introduction

Savings and investment are important drivers in taking the economic growth process forward. The development of a nation's productive capacity requires capital formation which can be done either by utilizing domestic resources or through external assistance. Within domestic resources a nations saving and investment propensities play a key role in reaching targeted economic growth. Economic history suggests that countries that were able to accumulate high levels of domestic investment largely financed by domestic saving achieved faster rate of economic growth and development. The magnitude of economic growth of any economy is mainly determined by the behavior of income, consumption, saving and investment. In Indian economy growth has been financed predominantly by domestic savings, the volume of investment is directly related to the rate of savings. Over the decades, the secular uptrend witnessed in domestic growth is clearly associated with the consistent trends of increasing domestic savings and investment. Since the attainment of independence, the major objective of the economic policy has been the promotion of savings and capital formation as they are considered the key factors to fasten growth. India is one of the high saving economies and a major part of resources needed for capital accumulation is channelized through domestic saving.

India has a positive long term growth perspective as the economy has sound saving and investment rates, share of young population is high and the economy's integration with the global economy is becoming more strengthened. A review of the performance of the Indian economy suggests that there is a quantum jump in the real GDP growth rate in the post-reform period. The behaviour of the savings rate and economic growth in India during the post-reform period seems to suggest that the high growth phase is associated with higher order of increase in domestic savings.

Saving is the residual income after meeting consumption needs. The total investible resources available at any time in a country are made up of domestic savings and external resources Mankiw (2008). The new growth theories of Lucas (1988) and Barro (1990) emphasize the importance of both physical and human capital in achieving long run growth.

Savings of an economy comprises of public sector and private sector savings and within the private sector the two main parts are the household sector savings and private corporate savings. Among the major institutional sectors that generate savings, Household sector holds the prominent position over the other sectors namely Private corporate sector that holds the second position and then the Public sector. Households and individual investors supply a pool of capital that creates liquidity in the market and make it dynamic. It also paves light on how capital formation and growth takes place. Nature and rate of savings and investment are major determinants related to it. At the macroeconomic level household savings drive growth by enabling banks to lend to business and by financing directly investment in companies.

Investment is a part of overall financial planning. It is the process of sacrificing present consumption for future gains. Investment is a planned decision to put money in financial assets with a risk return trade off. It is an act of investing the saved money into various financial products with a view to earn better profits. People with savings are better able to weather economic shocks. In Indian Economy household sector contributes a lion share of total savings as such the saving behavior of the household sector is vital in the determination of the economy's overall saving and investment levels. Investment in the financial asset has been increasing among the households. Over the past decades the common man's interest in various investment avenues and stock markets has grown considerably. Improvements in financial inclusion and financial literacy also have brought positive changes in household saving and investment. Kerala's economy also exhibits high rate of savings and new avenues of investments are also seen. For enhancing welfare of households sound saving and investment activities are needed. In Kerala increase in financial literacy influence households in their financial decision making. Due to increasing financial literacy, the people in Kerala prefer more savings and investment which will further enhance personal financial well being, improves the standard of living which will further create a path for economic growth and economic development.

1.1 Significance of the study

Households saving and investment plays an important role in capital formation and economic growth. Households plan for the future and the present by making saving and investment decisions. A household portfolio is a combination of different investment assets mixed and matched for the purpose of achieving investment goal. The financial success of an

individual is related to proper financial planning and this depends on proper allocation of funds in saving and investment channels. Saving and investment are possible only when an individual put a margin between income and expenditure. As the household sector is the predominant sector in pooling savings, households saving and investment behavior plays a crucial role in the economy's growth process. Hence the study of volume of savings, preference of assets, investment channels and determinants related to household saving and investment are of at most importance.

1.3 Research gap

Through the literature survey it is observed that majority of the studies focus on the relation between saving and economic growth process and on the general aspects of saving and investment of households. None of them specifically analyses by taking together the various dimensions of households asset portfolio, preference pattern, awareness and perception of households towards saving and investment especially giving focus on urban population. As such this study fills the research gap through a detailed analysis of allocation of resources within urban household, specifically focusing on asset portfolio, preference toward various saving and investment avenues, awareness level in relation to different financial instruments and the major determinants of saving behaviour of urban households in Kerala.

1.4 Statement of the problem

India is one of the fastest growing economies and is the fifth largest in the world by nominal GDP (World Bank 2019). Household sector contributes about two- third of the total domestic savings in India and since the capital formation is created through the transformation of savings to investment, savings as well as investment plays an important role in the growth process of the economy. The decision to save and invest, allocation of resources, awareness and perception of households are very deceive in the overall financial platform. The study has been undertaken to analyze the saving and investment pattern of urban households in Kerala. Since Kerala occupies the first position in Literacy rate and has high foreign remittances, the Per Capita Income level of people is high which results in high rate of savings. Savings take place in the form of financial assets and physical assets. Study helps in understanding the various financial saving instruments used by the household and to know the behavior of household as investors in various financial instruments. In urban areas

there is more financial inclusion and exposure and accessibility to financial institutions are also high. The saving activity of households are affected by several factors such as income level, education, age, occupational status, marital status, purpose of saving, awareness level etc which influences the saving behavior. As such the study intends to cover saving trend in Indian economy, households asset portfolio pattern, investment preference, awareness of financial instruments across the above stated factors and major determinants of saving of urban households in Kerala. Hence this study is proposed with the following objectives.

1.5 Objectives of the study

1. To examine the trend of saving and investment in Indian Economy during the period 1951-2017.
2. To assess the saving pattern and investment preferences of urban households in Kerala.
3. To examine the level of awareness of the households towards various financial and physical assets.
4. To analyse the determinants of savings of the urban households.

1.6 Hypotheses

The following are the hypotheses of the present study which gives special focus on the objectives.

1 Saving and investment exhibit a positive and increasing trend in Indian economy.
2 Households hold diversified asset portfolio with more preference towards assets with low risk.
3 Households are aware about the financial and physical instruments.
4 The determinants have a significant influence on household savings.

1.7 Methodology

Data source

The study is both analytical and descriptive and relies on both primary and secondary data. Secondary data has been collected from various sources like -

- Handbook of Statistics on Indian Economy

- National Statistics Accounts
- Economic Survey published by Ministry of Finance
- World Development Indicator, published by the World Bank
- RBI Annual Reports of various years
- World Bank reports
- NCAER and NSSO survey reports
- Economic review of Kerala
- State Level Bankers Committee, Kerala reports.

Besides these various other published reports, books, working papers, websites etc has been used for the study.

To examine the trends of saving and investment in Indian economy secondary data have been used for the period 1951-2017. The secondary data have been analysed using CAGR, decadal growth rate and year to year growth rate.

The primary data have been collected through a structured schedule. The schedule was designed to capture all the necessary variables as per the requirement of the objectives of the research work and it is pre-tested by means of pilot study. The study focuses on the saving and investment behavior of urban households in Kerala.

The urban sector of Kerala consists of 6 municipal corporations and 87 municipalities. The primary data relating to the research work are collected through the pre-tested structured interview schedule from 360 urban households. Systematic random sampling method has been used for the study. A sample size of sixty has been collected from each of the six municipal corporations of Kerala - Thiruvananthapuram, Kollam, Kochi, Thrissur, Kozhikode and Kannur. Thiruvananthapuram, Kochi and Kozhikode are the three municipal corporations with over 58 per cent of urban population.

Methods used

For the purpose of analysis of primary data suitable statistical tools are employed. Descriptive statistics such as frequencies, cross tabulation, mean, median, percentage distribution are used to analyse objectives pertaining to asset portfolio and saving pattern. To

assess the level of awareness about various financial and physical instruments statistical indices based on Likert methodology is used. This tool helps to quantify response or opinion based items. For evaluating the level of responses a maximum score of 4 was given to best i.e. with high level of awareness, followed by 3, 2, 1 to low level of awareness. For no opinion or neutral responses the score assigned was zero. The level of awareness is analyzed by using the statistical index constructed. The index score ranges from one to hundred and the household awareness about the instrument is high with index scores ranging from 66.66-100 ,moderate for index scores ranging from 33.33-66.66 and low for scores ranging from 0-33.33. On the basis of the index value the instruments can be ranked accordingly. A multiple regression model has been employed to explain the determinants of savings.

The model can be stated as

$$S = \alpha + \beta_1 Y + \beta_2 ED + \beta_3 DE + \beta_4 FS + \beta_5 HO + \beta_6 MS + U_i$$

Where,

S - is the amount of savings

Y - indicates household income

ED - indicates the level of education

DE - Number of dependents

FS - indicates the family size

HO - indicates household ownership (1=Owned; 0=Otherwise)

MS - indicates marital status (1=Married; 0=Otherwise)

α - is the intercept term

β_1…….β_6 are coefficients and

U_i - error term

The above stated model has been used to assess the relationship between savings and the major factors related to it.

1.8 Limitations of the study

As in any other study, the present study is also not free from limitations. The study is primarily concerned with the income, saving and investment variables. While in the process of data collection, it was seen that the information provided by the respondents is not so accurate and there has been a tendency to provide an under estimation of their saving, income

and investment details on account of various apprehensions regarding the use of information. Also there are chances of sampling and non-sampling errors in drawing inferences, but at most care has been taken to minimize these errors.

1.9 Chapter Scheme

The study comprises of seven chapters. The first chapter outlines the design of the study and includes introduction, significance of the study, research gap, statement of the problem, objectives, hypothesis, methodology, limitations of the study and chapter scheme. The second chapter provides theoretical background and a comprehensive literature review. The third chapter examines the trends and composition of savings and investment in Indian Economy. The fourth chapter examines the socio demographic and economic profiles of urban households in Kerala. Fifth chapter analyses the asset portfolio, investment preferences, objectives related to saving, time horizon of investment, sectoral preferences and the level of awareness related to various instruments. Sixth chapter provides the analysis of determinants of saving behavior of urban households. Finally the seventh chapter presents the summary, major findings, conclusions drawn and policy implications.

Chapter II

Theoretical Background and Review of literature

2.1 Introduction:

The present chapter throws light on the literature works both theoretical and empirical on saving and investment behavior and factors determining it. The empirical studies related to saving and investment in India and abroad are helpful to get a better insight into the study area. For a systematic understanding of the various aspects related to the research area, the chapter has been divided into three sections.

The first part focuses on the various theories on saving and investment which gives a basic idea about the concepts used by eminent economists.

The second part examines the empirical studies related to trends and determinants of saving. The third part deals with studies related to behavior and preference pattern of savers and investors.

2.2 Theoretical literature on saving and investment

There are many notable theoretical literature related to saving and investment. The classical addressed the concept of saving as synonymous with the concept of capital accumulation. This has culminated in Mill's (1871) "fundamental propositions respecting capital". Investment and development processes are led by savings. The prior – savings approach focuses on policies to raise the level of voluntary and involuntary saving as a prerequisite for investment. The dominant neo-classical view as enunciated by Fisher (1930) considered saving in an inter–temporal utility maximization exercise of the households, involving a choice between present and future consumption. The emphasis given to current and future consumption determines the volume of savings. The neoclassical theory state that rate of investment is determined by the speed with which firms adjust their capital stocks towards the desired level, the wider the gap between existing stock of capital per period and actual stock of capital higher will be the rate of investment. Later the neo classical theory of over consumption or under saving was taken as the principle cause of great depression. Subsequent to this Keynes challenged the traditional economics and Keynesian approach related consumption and saving solely to current income. Later works emphasized the

importance of other related factors that influenced the level of saving and investment in the economy.

2.2.1 Absolute Income Hypothesis

Keynesian absolute income hypothesis is based on psychological law which states that “men are disposed, as a rule and on average, to increase their consumption as their income increases but not as much as the increase in their income” (Keynes, 1936). The theory presents positive relationship between income and marginal propensity to consume. As income increases, a part of it is used for consumption and the remaining is saved. He states that consumption and savings are positive functions of the absolute levels of current income and savings increase with an increase in current income. The Marginal propensity to consume is less than one which indicates that savings does not proportionately increase with increase in income. Savings is carried out for meeting future needs and it becomes productive when it is properly pooled to investment. Investment decisions are taken by comparing the marginal efficiency of capital and the real rate of interest.

2.2.2 Relative Income Hypothesis

According to relative income hypothesis proposed by Duesenberry (1949) “a household’s consumption expenditure is a function of the relative income of the households”. The households always try to maintain a standard of living in par with their neighbours and a decline in income reduces savings but consumption standards are maintained without a fall in standard of living. The main reason is that the short run Average Propensity to Consume is high while the short run Average Propensity to save is low. Based on strong psychological and sociological reasons, an individual’s preferences are interdependent with the preferences of other individuals in the community as such the aggregate saving ratio was independent of the absolute level of aggregate income.

2.2.3 Permanent Income Hypothesis

The permanent income hypothesis is based on Kuznets empirical works on saving and consumption ratios for the USA. It explains that the total wealth of a household encompasses the present as well as the future value of income flows. Friedman distinguishes sharply between income as measured and the income to which the consumer adapts their behavior,

which he called permanent income. Permanent income is the stock of wealth multiplied by the annual return on wealth. The difference between measured income and permanent income is termed as transitory income and it exhibits changes due to temporary and unanticipated changes in current income. Permanent consumption is carried out on the basis of permanent income and the relationship between the two variables is proportional. The factors underlying MPC and APC is assumed to depend on the household's saving decisions, namely, household preferences, the nature of uncertainties facing the household, the rate of interest and the ratio of human to non-human wealth. The higher the ratio of human to nonhuman wealth the greater is the incentive to save and acquire non-human wealth. Thus positive changes in transitory income are saved and not spend for consumption (Friedman, 1957).

2.2.4 Life Cycle Hypothesis

The life-cycle hypothesis developed by Franco Modigliani and Richard Brumberg describes the spending and saving habits of people over the course of a lifetime. People plan their spending, throughout their lifetimes by factoring in their future income. An individual's spending overtime thus shows a hump-shaped graphical pattern in which wealth accumulation is low during youth and old age and high during middle age. The theory assumes that households save to meet the needs of the future especially in their old age where income flow is less and there are dissavings. The major determinants of the saving rate are the rate of growth of per capita income, the age structure of the population, the real interest rate, wealth, credit availability and social security.

2.2.5 Theories of investment

John.M.Keynes and Irving Fisher both argued that investments are made until the present value of expected future revenues, at the margin, is equal to the opportunity cost of capital. Investment decisions are taken by comparing the marginal efficiency of capital and the real rate of interest. Hayek (1941) and Fisher (1930) regarded investment as an optimal adjustment path towards an optimal capital stock. Modern investment theories have emerged by incorporating various aspects of Keynes and Fisher. Jorgenson (1963) has developed a neoclassical theory of investment. According to this theory, rate of investment is determined by the speed with which firms adjust their capital stocks towards the desired level. Maximizing profits in each period will yield an optimal capital stock. The neoclassical theory, accelerator principle and Tobin's Q theory of investment, assumes optimization

behavior on behalf of the investor. The flexible accelerator theory removes one of the major weaknesses of the simple acceleration principle and states that there are lags in the adjustment process between the level of output and the level of capital stock. This theory is also known as the capital stock adjustment model and has been developed in various forms by Chenery, Goodwin, Koyck and Junankar. Duesenberry's Accelerator Theory of Investment explains that an increase in income will have a smaller immediate effect on expenditure than would occur in a simple multiplier-accelerator model. The Profits theory of investment developed by Edward Shapiro regards profits vary directly with the income level. The interest rate and the level of profits, in turn, determine the optimal capital stock. James Tobin has proposed the q theory of investment which links a firm's investment decisions to fluctuations in the stock market. When a firm finances its capital for investment by issuing shares in the stock market, its share prices reflect the investment decisions of the firm.

The prospect theory states that the investor evaluates the risk and return from an investment by giving more thrust on the amount invested. As per the regret theory the investors avoid making any decision that generates loss and usually adopts a safer path by following the market.

Apart from the above theoretical literature psychological and sociological theories of savings assume that changes in the information received, environment, other psychological factors like consumer's expectations and sentiments, affects the response and decision of the household. Behavioral Theories focused on household's behavioral incentives and constraints to savings. Household's savings are influenced by the rules as well as opportunities faced internally and externally. Thus along with economic variables various sociological and behavioral factors determines households saving and investment.

2.3 Empirical studies related to trends and determinants of saving

Hua and Erreygers (2019) analyse the determinants of the saving behaviour of Vietnamese households, the heterogeneity of household saving propensities and the effects of household characteristic on saving rate by using regression approach. The marginal propensity to save of households at low quartiles is higher than those at high quartiles. The gender of the household head does not seem to be a crucial factor in the saving behaviour of

urban households but ethnicity is less crucial for urban areas. Empirical evidence revealed that children and elderly members have a positive effect on household saving rates.

Nathridee and Piyarat (2015) examine the major determinants of the forms of saving in Thailand. The saving behavior showed that household tended to move along with risk averse financial instruments like bank deposits, insurance policies etc. Also among the Physical assets, Gold has an upper hand over other instruments. The preference towards financial assets such as bonds, mutual funds, corporate bonds, stocks etc was less. The main purpose of saving was for post-retirement spending.

Amudha and Varathan (2015) assess the main determinants of the saving pattern among rural population. The changes in lifestyles and consumption patterns have brought changes in household savings. The household savings is not only dependent on income but also on the consumption pattern of the individuals. As income moves in the positive direction savings are encouraged and dis-savings occur with the old generation as due to less or no income as postulated in the life cycle hypothesis.

Samantaraya and Patra (2014) attempt to review and empirically reassess the role of various factors influencing domestic savings under the post reform period in India. They have analyzed the trends in saving, investment and growth of Indian economy during the period 1950-51 to 2010-11. The study employed ARDL approach for this purpose and the results explicitly showed that that household saving in India is directly influenced by variables such as GDP, interest rate, and inflation.

Mehta (2013) focuses on the trends and pattern of household savings in Indian economy during the period 1950-2010. An auto regressive model is employed to study the short term and long term impact of saving behavior and saving potentials of the household sector. The results of the study show that the Marginal Propensity to save is higher in the post reform period and the long run Marginal Propensity to save is higher than the short run MPS. The income elasticity of savings has shown a mild decline in the post reform period.

Lewi and Messy (2012) examine the barriers to saving, including limited access to financial markets, complexity of financial products and information asymmetries. In many countries especially under developed and developing economies people have low knowledge

and understanding of saving and investment concepts. There are behavioral and cultural factors which may limit people's propensity to save. Policy makers must develop financial and awareness incentives, financial education as well as behavioral techniques to encourage people into sound saving and investment decisions.

Tang and CH'ng (2012) study the saving growth nexus for the five ASEAN founding economies by taking the annual data for the period 1970-2010. The data has been tested empirically-via a multivariate framework and the Bartlett-corrected trace test for co integration. The results empirically suggested that the major determinants of saving and the variable saving are co integrated among the five countries taken for the analysis. The causality direction between saving and economic growth has been ascertained by the bootstrapping approaches and the study concluded that, saving is a prominent source of economic growth and development among the five countries taken under investigation.

Issahaku (2011) examines the determinants of financial saving and investment in Ghana, estimates the relationship by compound linear regression models. Age composition and asset holdings have a negligible effect on saving while investment is directly influenced by factors such as occupation, asset holdings and saving. Government Policies need to take into account these factors for healthy growth of financial institutions and the economy as a whole.

Hafeez (2010) investigates the determinants of households saving in Multan District of Pakistan. The study analyzed the determinants of household savings through a Multivariate regression model and found that age has a positive relationship and square of age is negatively related to household savings. The findings of the study supported life cycle hypothesis. The socio- economic factors like education, expenditures, family size, financial liabilities, marital status and number of dependents are significantly and inversely affecting household savings.

Chamon and Prasad (2010) study the average urban household saving rate in China by taking the data for the period 1995 to 2005. Saving rates have increased across all demographic groups although the age profile of savings has exhibited a different pattern, with younger and older households having relatively high saving rates. These patterns are as a result of increase in private burden of expenditures on housing, education, and health care.

Abdelkhalek et al. (2010) provide an analysis of the microeconomic determinants of household savings behavior in Morocco according to geographical household residence. The econometric results of the study show that urban and rural households behave differently with regards to savings. In the urban area the major determinant that affects the savings level is household's current income whereas the literacy of the household's head is determinant variable in the rural area.

MOSPI (2009) studies the issue related to the estimation of savings in India. The committee made extensive recommendations to improve the household sector saving through a work sheet approach. The flow of information in the pre-liberalisation era in India was dependent on administrative flow of information, which in the post-reforms period has raised challenges for diverse data needs with reforms having widened the scope for private players.

Bordoloi's (2008) analysis brings out the close relationship between saving and capital formation. An accurate measure of domestic saving and capital formation helps in formulation of apt monetary and fiscal policies. It points out issues related to the methodology compilation of domestic saving and capital formation. Empirically it has been found that the domestic capital formation in India is mainly financed by domestic saving.

Agrawal et al. (2008) study the savings behaviour in five South Asian countries namely India, Pakistan, Bangladesh, Nepal and Sri Lanka, using time series procedures. The main findings of the study reveal that savings in South Asia are mainly determined by income, access to banking institutions, foreign savings rate and dependency rate. The main factors behind low rates of savings are due to a less rapid decline in the age dependency ratio, the moderate to low rates of growth of GNP and the less prudent fiscal management by many South Asian governments and finally interest rates on bank deposits were found to have a positive but less significant effect on savings.

Verma (2007) using annual time series data for the period 1950-51 to 2003-04 examines the relationship between savings, investment and economic growth for India. The study finds that there is an increasing trend in savings and it determines investment and capital formation both in the short run and long run.

Kraay (2007) discusses inter-provincial variations in household saving in China, using a panel of segregated-level data from China's household survey. Expectations of future income growth and subsistence consumption have a very meager role in determining the rate of household savings.

Horioka and Wan (2007) give a synoptic view on China's increasing household saving rate, and is dependent on lagged saving rate, the income growth rate, the real interest rate and the inflation rate. The variable age does not have a prominent influence on the household saving rate and upholds the views reflected in both life cycle as well as the permanent income hypothesis.

Schultz (2005) opines that life cycle savings is proposed as one explanation for the increase in savings and economic growth in Asia. Specification tests showed that lagged savings is likely to be endogenous and when estimated there remains no significant dependence of saving on the age composition. Individual saving exhibits more or less uniform pattern independent of variations in age.

Alam (2005) in their study address the dynamic impact of public investment on economic growth in a panel of Asian developing countries. The analysis suggests that, both the public and private investment and public consumption have a long run dynamic impact on economic growth. Private investment enhances growth as proposed by neoclassical theory and complement public investment. Also crowding out effect of private investment may decelerate capital formation.

Athukorala and Sen (2004) examine the determinants of private saving in the growth process of a nation and increase in rate of disposable income raises the saving rate. Private saving is closely correlated with the interest rate pertaining in the economy. The stimulations that is brought about by government with regard to public savings in certain situations leads to crowding out private saving, to a certain extend. The spread of banking facilities has a positive impact on private saving as it increases the accessibility of financial services

Akpokodje et al. (2004) examine the determinants of household saving in Nigeria, goes in line with the life-cycle hypothesis and observed that saving rate is low among the

youth and elderly. The rate of saving is high for middle age group as they generally exhibit higher productivity and income earning capacity.

Khan (2004) considers comprehensive framework for linking the local, national and international levels of analysis with the promotion of human capabilities. It offers a way to recognize the data and linkage through the construction of local and regional social accounting matrix. The central message is that it is possible to operationalise Sen's capabilities approach for investment policy analysis at the micro level while maintaining the micro – macro linkage in a globalised economic setting. It is argued that, by following this approach, poverty reduction along with capabilities enhancement of all households will lead to an increase in an overall productivity as well.

Atukorala and Tsai (2003) analyse the determinants of household saving in the growth and development path of the economy. In order to find out the impact of the determinants on saving, data pertaining to the period 1952-1999 of Taiwan has been used. Crowding out of private saving in a less than proportionate manner is observed. The number of dependents in the household has a negative impact on the level of savings. Better facilities provided by the government, improvements in financial networks reduce the future uncertainties and this reduces the inducement to save.

Salam and Kulsum (2002) study savings behavior in India and analysed the important factors related to it by using multiple regression models. The analysis observed that sound macro-economic environment supported by correct structural reforms help to increase domestic savings substantially.

Hussein and Thirlwall (1999) present the major determinants of differences in the domestic savings ratio between countries using panel data for sixty-two countries over the period 1967—1995. The capacity to save depends on the level of per capita income and the growth of income. The willingness to save depends on financial variables such as the rate of interest, the level of financial deepening and inflation. Inflation exerts a mild positive effect on saving but a strong negative relation is found between the ratio of tax revenue to gross domestic product and the domestic savings ratio.

Athukorala (1998) examines through an empirical study into the interest rate-saving-investment nexus in the Indian economy during the period 1955–95. Higher real interest rates seem to promote total savings and stimulate private investment. On the investment side, the combined salutary effect of increase in interest rate operating through increased debt intermediation and self-financed capital accumulation outweighs the direct cost effect on investment.

Jappelli and Pagano (1997) analyse the ups and downs in the Italian saving ratio and focused on the slowdown in the financial market especially focusing on the insurance sector. The theoretical compatibility of macroeconomic explanations along with microeconomic data in relation to private sector saving has been examined. The study highlighted the close nexus amid saving and growth in the economy and the relevance of understanding the determinants of saving rate in designing economic policies.

Raju (1993) investigates Households Sector Savings in India and has pointed out that the amount of domestic sector, private corporate sector and government sector, during the year 1988-89. The gross household sector savings accounted the major share of the gross domestic savings about 81 percent, while the share of private and public sector was only 9.7 per cent and 9.3 per cent respectively. Further, the household sector savings in the form of financial assets has increased from 8.6 per cent in the year 1950-51 to about 42.5 per cent in the year 1988-89, while the share of household sector savings in the form of physical assets has decreased from 91.4 to about 57.5 per cent in the same period.

Pandit (1991) studies the main factors affecting the savings rate in India, the pattern and progress related to the saving rate along with the contributions of the three sectors. Among the household, private, corporate and government sectors the influential factors are growth in income, sectoral and functional distribution of income and the increasing number of financial institutions. The improvements in the financial structure along with its components provide a smooth path way for pooling savings.

2.4 Studies related to behaviour and preference pattern of savers and investors

Syed et al. (2017) analyse the saving and investment behavior among different income groups of the urban households of Hayatabad Peshawar. The households saving and investment are affected by a number of variables like income, education, employment status,

the number of dependents and assets. These variables have significant effect on saving and investment, with permanent type of employment, saving and investment behavior changes in the positive direction in line with permanent income hypothesis. Improved education brings changes in choice of children, educated family prefer small family where dependency on head decreases and this enhances income with positive impact on saving and investment.

Umesh and Neelakanta (2017) focus on stepping up savings in the economy by increasing the saving rate of households both in the rural and urban sector. For the individuals saving is a cushion of security against unforeseen contingencies whereas for a country savings provide funds for developmental efforts. Even though many new instruments are available to investors, in the rural regions' people are unaware of the new schemes. The government and non-governmental agencies should take steps to create more awareness among rural population; this will help to improve their financial conditions and standard of living.

Pandey and Ojha (2016) assess the investment behavior on the basis of economic and psychological factors. The economies progress is determined by the small investors together with those who invest large volume of money. Along with financial institutions, individual investors' role is important in the financial market. Asset prices play a key role in the investment decisions of rational investors.

Ramanathan and Sundaram (2015) in their research, analyze the saving pattern and investment preferences of the bank employees towards various products on the basis of demographic factors like age, gender, education, employment etc. Investment is an activity engaged by people who have savings. Generally salaried people invest their savings for their future requirement. A variety of investment avenues such as stock market, commodity market, post office savings, gold, real estate, life insurance products, bank deposits are available in the market, in which the investors allocate their savings. Family and friends lay a significant influence on people when they make investment choices and considers it as more reliable source especially from the perspective of safer returns.

Sood (2015) examines the major factors that influence the financial decision making process of households especially focusing on the regular income earners. An attempt was made to draw out a relationship between annual savings of an individual with his economic

variables like income, sector wise employment and social variables like education and demography like age of people at Chandigarh. The analysis has been done through one way ANOVA and it was propounded that the most preferred investment options are bank deposits and life insurance. The prominent factors influencing investment decisions are safety, high returns and tax benefit.

Selvakumar and Mahesh (2015) have studied the investment behavior of households and focuses on the knowledge and behavior of households towards various investment avenues. The behavior analysis shows that households mostly prefer bank deposits and has an aversion towards shares and mutual funds. The most influential factor governing investment was the priority given to safety. The study suggests measures to create awareness among households about various investment avenues and financial institutions to adopt a broad advertising strategy to create awareness among household investors.

Umamaheswari and Kumar (2013) analyse the demographics, psychographics and some psychological parameters that influence the perception and preferences of savers and investors. The preferences of the investors vary along with the variables and proper planning leads to successful investments. Various social and economic factors exerts influence on the decision making process of investors.

Pandian and Aranganathan (2012) assess the attitude of the salaried people towards savings and investment and stated that an inverse relationship exist between family size and attitude towards saving and investment among the salaried class. The relationship between savings, investment and the size of earning members is assessed by F test and the results show that there is no noticeable difference in the average cognitive score between the three income groups. Conducive investment atmosphere is necessary to attract people to save from their income. As savings is the main factor for investment, the government should take measures to encourage accumulation and with a well organized monetary system the interests of the investors must be safeguarded.

Chaturvedi and Khare (2012) explore the variety of factors that influence the financial decision making process. The awareness level of financial instruments varies and it has a role in selection of various avenues for saving and investment purposes. The key aspects focused were preference and pattern. The portfolio of household sector remains heavily weighted on

physical assets and fixed income bearing instruments. There is a need to initiate steps to inculcate saving habit among the growing middle class families and channelization of savings into productive investments.

NCAER (2011) discusses the involvement of the household sector in various level of the financial system. Majority of households treat commercial banks and insurance schemes as their primary choice for savings at all India level. The degree of risk aversion is extremely high in Indian households and this attitude takes the households away from the capital market. One of the main reasons for retardation in the rate of participation by Indian households in markets is due to information asymmetry and poor quality of information.

Alvarez et.al. (2008) examine an overlapping generation's economy where households care about their relative consumption and income. It was found that the households' saving behaviour is guided by the comparison of his lifetime income and the lifetime income of his peer groups. It focuses on the importance given to the present and future flow of income as well as the relative income in deciding the level of savings.

Shukla (2007) examines the financial behavior of Indian households on the basis of how they earn, spend and save. Household savings are held mostly in the form of cash or are deposited in banks as a safer option. Majority of Indian are great savers and generally prefer short term and medium term avenues as their saving option. Even though awareness on life insurance is high ownership of policies is low.

Syndera (2007) studies the investment behaviour of middle income class households in Nagpur. It focused on household's investment pattern, preference towards various instruments and the motives behind household savings. The main economic factor related to it is the income level and the most influential demographic factor is age. As there are variations in these two factors the investment pattern changes. The income level exerts a positive influence and the choice of instruments and the purpose behind savings varies among the different income groups.

Gentry and Hubbard (2004) suggest that entrepreneurial households have high wealth – income ratios and this helps them to maintain higher saving rate. The asset portfolios of entrepreneurial households are less diversified and much of it is used for active businesses.

The saving decisions of the households are highly influenced by the wealth and the role of entrepreneurial decisions. After controlling for the demographic variables also the saving rate has a positive effect along with wealth –income ratios.

Chalam (2003) explains investor preferences especially with regard to mutual funds and how it has helped in saving mobilization. Mutual funds are basically for small investors in the household sector. The empirical study reveals the skewness towards physical assets and the thrust given to the factors like safety and return while investing funds in different options. Inorder to reduce the risk element and for better returns, households diversify their portfolio by giving weightage to both physical and financial instruments. The household sector divides equally its investment both in real estate and gold ornaments. Investors are more attracted towards debt instruments and public sector mutual funds because of their safety and risk free return.

Kim and Nofsinger (2003) examine the behavior of individual investors in Japanese markets by using market level data and found that investors own risky stocks and trade frequently. The behavior of the investors varied depending on the bull or bear market conditions. The ups and downs in the stock market influences the investors and they can make good returns only with correct reading of the market. The poor performance of Japanese investors owe to the tendency to hold value stocks during advancing markets and high risk stocks during declining market.

Rajarajan (2003) studies the issue of association between investors' demographics and risk bearing capacity. It revealed that individual' demographic characteristics does have strong association with their risk bearing capacity. The element of risk is associated with investment and the level of risk undertaken depends on the amount invested, Investors are willing to undertake more risk in case the amount invested is small mainly because even if loss occurs its intensity is less. Larger volume of investment induces the investor to diversify the investment channels. Individual's willingness to accept risk and his capacity to undertake risk is important and new product demand can be generated on the basis of changes in the preference of risk averse investors.

Deaton and Paxson (2000) study the growth and savings among individuals and households in the light of life cycle hypothesis. The study has used household data for

estimating individual age-saving profiles. It showed that the variation in the growth rate of the economy does not exert a direct influence on the saving level. At different age levels it varies and its impact differs under various circumstances. A consistent influence is not seen as far as economy's growth and saving rate are taken together.

2.5 Summary:

The elaborate review of existing theoretical and empirical studies gives deep insights into the various inter related aspects of saving and investment. The theoretical framework explicitly shows the relationship between saving along with prominent economic and demographic variables in the short run and long run perspective. The empirical studies show the nexus between a nation's growth and saving rate from different dimensions and the two way causality existing between the two variables. Saving and investment decisions are influenced by many variables and their impact varies at the micro and macro level. There are number of factors which affect the saving and investment behavior of household's decisions, only few micro level studies are conducted in the past that demonstrated the saving and investments practices of urban households as such the scope for the research in this area is wide and not conclusive.

Chapter – III

An overview of the trends and composition of savings and investment in Indian Economy

3.1 Introduction:

Savings and investments are vital for the financial well-being and security of a healthy economy. The process of economic growth is closely linked with generation of greater savings and its channelization into productive investment. Savings enable an economy to weather economic shocks and to enhance its overall welfare. For long term sustained development the nation must enhance its saving and investment potentials. Raising the saving ratio is of utmost importance as it improves the liquidity, provides fund for the nations development activities and capital formation. A two-way relation exists between economic growth and domestic savings, as the increase in savings could stimulate economic growth and in turn economic growth spurts domestic savings. The developing countries like India face various constraints in its path of development. With high capital output ratio, India needs very high rates of saving and investments to increase its pace of progress.

3.2 India's Savings Performance in a Global Perspective:

The global saving and investment ratio has varied over time and shows considerable diversity across various countries and regions Inter-country experiences with regard to the links amongst savings, investment and growth appear complex, divergent and country specific and the relationship between the rate of saving and economic growth has been found to be bi-directional and positive for south-east and south Asia . For many decades the saving and investment ratio as a per cent of Gross Domestic Product has exhibited an increasing trend among various developing counties in Asia. Among the Asian countries Singapore and China recorded higher levels of saving and investment ratios but at the same time India's savings performance has been quite impressive in a cross-country context. India has shown a progressive trend in Gross Domestic Savings in the post reform period with minor ups and downs. The counties saving rate has increased from 21.6 per cent to 30.4 per cent during the period of 1990-2015. The magnitude of increase in the domestic savings rate in India and China during the period 2000 to 2007 was among the highest in the world. India's gross domestic savings rate in the recent period is comparable to Thailand, Korea and other

developed countries like Russia and Germany. The saving rate of India and China has been in a faster pace when compared to many developed counties. The global recession has led to a decline in the saving rate of many countries but India was able to recover from it in a better way when compared to many other advanced economies.

Table-3.1
Gross Domestic Savings Rate (per cent of GDP)

Country	1990	1995	2000	2005	2010	2015
India	21.6	25.8	24.1	34.1	32.7	30.4
China	36.4	41.0	38.2	47.7	50.6	46.0
Thailand	34.0	37.4	30.5	32.1	30.9	33.2
Singapore	45.9	50.9	47.6	50.3	54.0	52.7
Mexico	21.6	25.2	21.2	22.4	23.4	22.4
Brazil	21.4	15.4	16.6	20.6	20.7	16.3
Russian Federation	30.3	28.8	34.2	33.8	32.5	28.6
France	23.6	21.4	23.7	23.0	21.3	22.0
Germany	24.6	24.0	24.6	26.0	26.5	27.6
Japan	35.3	31.3	27.2	26.2	25.6	24.4
Korea.Rep.	39.2	36.7	33.1	33.4	34.5	36.2
United Kingdom	14.6	18.9	16.2	16.1	14.8	15.8
United States	20.2	20.1	18.7	18.0	15.4	17.6
World	**25.3**	**25.3**	**24.7**	**26.7**	**25.4**	**24.9**

Source-World Development Indicators, World Bank (Various years)

3.3 India's Savings Performance over the Five-Year Plans:

Since the attainment of independence, the major objective of the government policy has been the promotion of savings and capital formation as they are the primary instruments of economic growth. Increase in the savings and its channelization into various productive investments avenues are the strategies for economic growth. The concept of planning was carried out in this direction and the Five-Year Plans were, developed, executed, and monitored by the Planning Commission during the period of 1951-2014 and by the NITI Aayog from 2015 onwards. The county's Gross Domestic Savings (GDS) has shown an increasing trend. The eighth plan undertook drastic policy measures to combat the bad economic situation and to undertake an annual average growth of 5.6 per cent through introduction of fiscal and economic reforms including liberalisation as a result high growth rate was achieved even though the share of public sector in total investment declined

considerably to about 34 per cent. Over the eighth to the eleventh plan that coincided with the structural reforms process - the average rate of Gross Domestic Savings increased by around 14 percentage points and this was higher than the increase of around 11 percentage points that occurred over the first to the seventh plans, a period of around forty years. The tenth plan period has marked the highest increase in domestic saving rate as the public sector saving rate increased during this period.

Table-3.2
India's Average Savings Rates over the Five-Year Plans

Five-Year Plans	Gross Domestic Savings Rate (percent)	Average annual rate of change in the savings rate (percentage points)
First Plan (1951-56)	9.2	
Second Plan (1956-61)	10.6	0.3
Third Plan (1961-66)	12.1	0.3
Fourth Plan (1969-74)	14.7	0.5
Fifth Plan (1974-79)	18.5	0.8
Sixth Plan (1980-85)	17.9	-0.1
Seventh Plan (1985-90)	20.0	0.4
Eighth Plan (1992-1997)	22.9	0.6
Ninth Plan (1997-2002)	23.6	0.1
Tenth Plan (2002-2007)	31.3	1.5
Eleventh Plan (2007-2011)	33.7	0.6

Source**:** RBI Monthly Bulletin June 2012

The twelfth five-Year Plan approved a growth rate of eight per cent and aimed to attract private investments in the infrastructural growth sector, however, investment rates have declined in the first three years of the twelfth Plan with saving rate falling in the first two years from 33.8 per cent in 2012-13 to 33.0 per cent in 2013-14 and remained the same in 2014-15. Similarly, the investment rate estimated at 38.6 per cent in 2012- 13 declined to 34.7 per cent in 2013-14 and further to 34.2 per cent in 2014-15. Notably, the investment rate in the years 2011-12 to 2014-15 has been higher than the savings rate because of net capital inflows from the rest of the world. The decline in gross savings is attributable to the decline in household sector savings and public corporations' savings in 2012-13 to 2014-15, the share

of the household sector in gross savings declined from 66.4 per cent in 2012-13 to 57.8 per cent in 2014-15.

3.4 Gross Domestic Product, Saving, Investment in India

Over the decades, the secular uptrend witnessed in domestic growth is clearly associated with the consistent trends of increasing domestic savings and investment. A review of the performance of the Indian economy suggests that there is an impressive growth in the real GDP in the post-reform period. One of the significant features in Indian economic growth process is that it has been predominantly financed by domestic savings and this has contributed in strengthening the process of capital formation. India continues to remain one of the high savings economies among the emerging market economies. The compound growth rate of Gross Domestic product during the period 1951 -17 is 12.6 and the growth rate of saving and capital formation is 15 and 14.7 during the period. The growth rate of investment was 15.6 during 1991-2000 and it has increased to 20 during 2001-2010. The growth rate domestic saving and investment has got a greater momentum in the post reform period.

The growth path of Indian economy and the trend in Gross Domestic Product, Gross Domestic Saving and Gross capital Formation has been analysed with the help of compound growth rate and is presented in Table 3.3. The decadal growth rate of GDP, GDS and GCF during 1951-60 was 5.9, 8.5 and 11.4 respectively. This has more than doubled in the later years and reached 14.3, 18.2 and 20.0 during 2001-2010. India's growth rate moved in a very slow pace during the initial years after independence, especially during the first two decades and even exhibited negative growth during 1951 and 1953. Later from the mid of 1970's onwards the economy started progressing at a faster rate, the gross domestic savings also accelerated.

The major share of saving came from the household sector and the improvements were due to the developments in agricultural sector as a result of green revolution, development of financial institutions, nationalization of banks and increase in foreign inward remittances. During this period the average annual capital formation also increased and this was due to increase in private corporate investment and household investment rate. However due to the economic crisis in 1991, the growth rate of GDP declined and the economy

adopted a New Economic Policy on 1991 whereby the economy was opened up through a set of policies of liberalization, privatization and globalization.

From the period of 1991 to1994 a consistent increase was seen in GDP, GDS and GCF. From 2002 onwards the economy witnessed faster growth rate accompanied by robust domestic saving and investment. The global recession of 2007-08 has its impact on Indian economy as a result there was a mild deceleration in the growth rate and a fall in gross domestic savings. However the economy showed signs of revival from 2009-10 onwards, gross domestic saving did not show much progress and it did not reached the position before recession but share of gross capital formation increased and it peaked during 2012.

Table 3.3
Compound growth rate of GDP, GDS and GCF

Period	GDP	GDS	GCF
1951-60	5.9	8.5	11.4
1961-70	11.2	12.2	10.8
1971-80	12.1	15.8	14.5
1981-90	14.1	17.5	16.1
1991-2000	14.3	16.2	15.6
2001-2010	14.3	18.2	20.0
1951-90	11.1	13.5	13.5
1991-2017	13.2	15.4	15.6
1951-17	12.6	15.0	14.7

Source: Compiled from Handbook of Statistics on Indian Economy

The rate of gross domestic savings as a proportion of gross domestic product has more than doubled from an average of around 10 per cent in the 1950s to around 23.0 per cent in the 1990s and to 32 per cent in the 2000s. It scaled a peak of 36.8 per cent in 2006-07, the highest saving rate achieved since 1950's.The rate of gross domestic capital formation has more than doubled from an average of around 12 per cent in the 1950s to around 24 per cent in the 1990s and to 33 per cent in the 2000s, and it has peaked to 38 per cent during 2007 and 2012. During the post reform period the economy's growth phase is associated with higher order of increase in gross domestic savings and gross capital formation.

Table 3.4 exhibits the decadal growth rate of Gross Domestic Product along with Gross Domestic Savings and Gross Capital Formation as a percentage of GDP. The data show that GDP has shown minor variations after the period of 1991but gross domestic savings and gross capital formation has exhibited continuous increase and the decadal growth was faster after 2001 showing the effects of the new economic policy.

Table 3.4
Gross Domestic Product, Gross Domestic Saving and Gross Capital Formation of India

Period	GDP (Decadal growth rate as %)	Gross Domestic Savings (% of GDP)	Gross Capital Formation (% of GDP)
1951-60	6	10	12
1961-70	10	12	15
1971-80	14	18	18
1981-90	14	19	23
1991-2000	13	23	24
2001-2010	14	32	33
2011-2017	11	32	34

Source: Compiled from Handbook of Statistics on Indian Economy

3.5 Trend of savings in India

The three main features of saving in Indian economy are - there has been continuous increase in savings, the household sector remains the predominant sector and the share of household sector and private sector has increased while public sector has declined. Over the decades, the secular uptrend witnessed in domestic growth is clearly associated with the consistent trends of increasing domestic savings and investment. Within domestic resources, a nation's savings and investment propensities play a key role in reaching targeted economic growth. Gross domestic savings have increased continuously from an average of around 10.0 per cent of GDP during the 1950s to almost 32 per cent during 2017. It showed highest value during 2001-05 and after that it showed a decline and reached to 14 per cent during 2016-17.

Table 3.5 shows the five year average of Gross Domestic Saving, growth rate of GDS, GDS as percentage of GDP and average propensity to save over the period 1951-2017.The growth rate of GDS has shown a fluctuating trend, it was lowest during the period of 1956-60

but later increased its pace and showed the highest value during 2001-2005, from 2007 onwards it showed a declining trend.

Table-3.5
Gross Domestic Saving, APS and MPS

Period	GDS	Growth rate of GDS	APS
1951-1955	11251	10	0.10
1956-1960	15475	6	0.11
1961-1965	23837	11	0.13
1966-1970	40737	17	0.13
1971-1975	68622	19	0.16
1976-1980	117858	12	0.19
1981-1985	229521	14	0.18
1986-1990	443439	19	0.20
1991-1995	922418	17	0.22
1996-2000	1799116	14	0.29
2001-2005	2933851	20	0.29
2006-2010	5834760	14	0.34
2011-2015	11285418	11	0.32
2016-2017	16244987	14	0.32

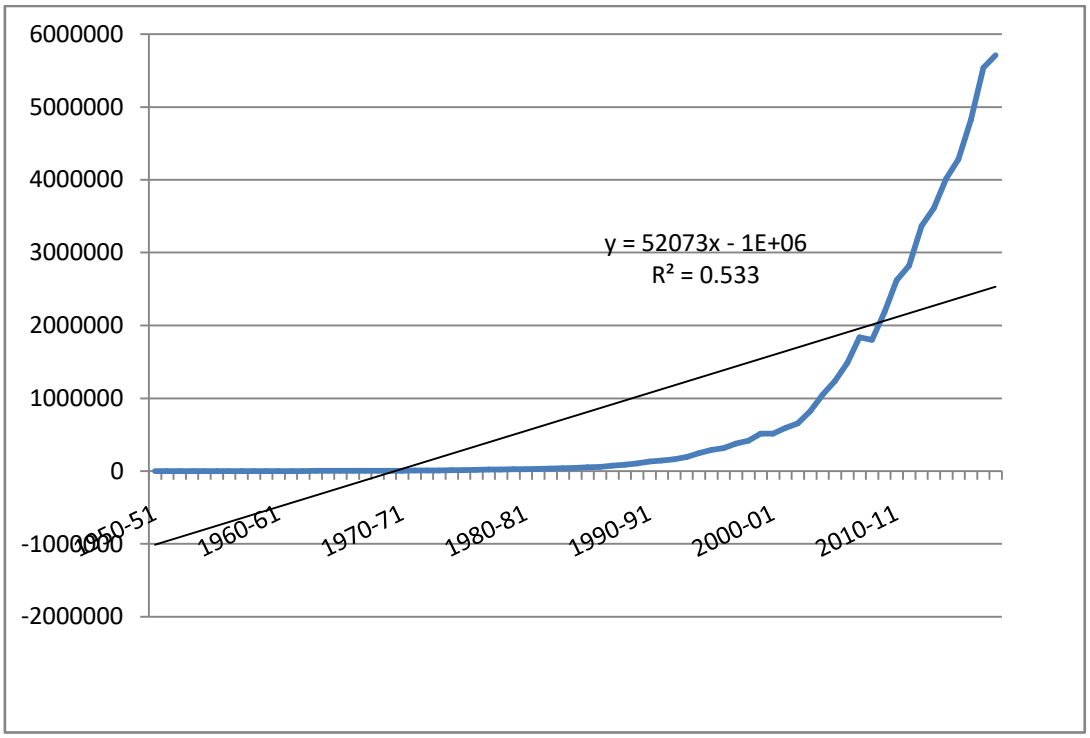
Source: Compiled from Handbook of Statistics on Indian Economy

The Average propensity to save showed an increase from 0.10 to 0.32 during the period 1951-55 and has registered the highest value 0.34 during the 2006-2010. The decline in saving from the period of 2007 was mainly due to the ill effects of global recession. However the intensity of the effects was cushioned to a great extend by the domestic demand generated and the propensity to save in the economy.

There has been a consistent increase in the saving rate and it is clearly depicted in Figure 3.1. The gross domestic savings has shown an increasing trend over the period from 1950-51 to 2016-17. It stood at around 23 per cent in 1990 has reached around 35 per cent in 2015. India's savings rate declined sharply in 2008, as it did in many other countries, due to the impact of the global financial crisis, but recovered, to some extent, in 2009. Even then

India's savings rate remained lower than that in 2007, but the extent of decline in India's savings rate was much lower than those in many emerging market economies.

Figure 3.1
Trend of Gross Domestic Saving



3.5.1 Components of Domestic Savings

Gross Domestic Savings of the Indian economy comprise of household savings, private corporate saving and public sector savings.

Household sector- "The household sector comprises, apart from individuals, all non government and non-corporate enterprises like sole proprietorships and non-profit institutions which provide educational, cultural, health, recreational and other social and community service to households" (CSO 1980) . Household savings is defined as the difference between a household's disposable income and its consumption of goods and services. It comprises of both physical and financial savings.

Private sector- The saving of the private corporate sector constitutes the net saving of non-government, nonfinancial companies, private financial institutions and cooperative

institutions as revealed from the profit and loss accounts placed in the balance sheet of these companies.

Public sector-The saving of public sector includes the net savings of both departmental and non-departmental enterprises and savings of administrative departments shown as the excess of current receipts over current expenditures of the government.

The growth rate of household sector increased with minor variations, and showed highest value during 1996-2000 The composition of GDS shows the continued predominance of household sector savings, the percentage share of household sector to GDS increased continuously and was around80 per cent during the period 1996-2005.After the 1990-91, the share of the private corporate sector in GDS has exceeded that of the public sector. With a rise in corporate profitability the percentage share of private corporate sector has doubled to 32.1 per cent in 2011-15 from 15.3 per cent in 1991-95.

The buoyant trend in the gross domestic savings is powered by savings in household sector until recent past, more recently the share of corporate sector has increased. The private corporate sector has become more vibrant with improved productivity, sales growth and increase in profit margin. The improvements in the private corporate sector have helped to narrow down the saving investment gap in the economy at a faster pace.

The public sector share to GDP was only 2 per cent during 1951-55 and its progress was very slow, it even turned negative during 1998-2000 and turned positive during 2003-04.The share of public sector to gross domestic saving was 21 per cent during 1951-55, it percentage share increased but in the post reform period its percentage share declined and it reached 3.6 per cent during 2011-15. The decline in this sector has been compensated to a greater extend by the increase in the private sector savings.

Figure 3.6 depicts the growth path of gross domestic saving along with the major components that comprises of household sector, private sector and public sector savings. The growth path from the period of 1951 – 2015 has been analysed and clearly shows the variations in savings corresponding to these sectors.

Table 3.6
Sectoral savings and contribution to GDP, GDS

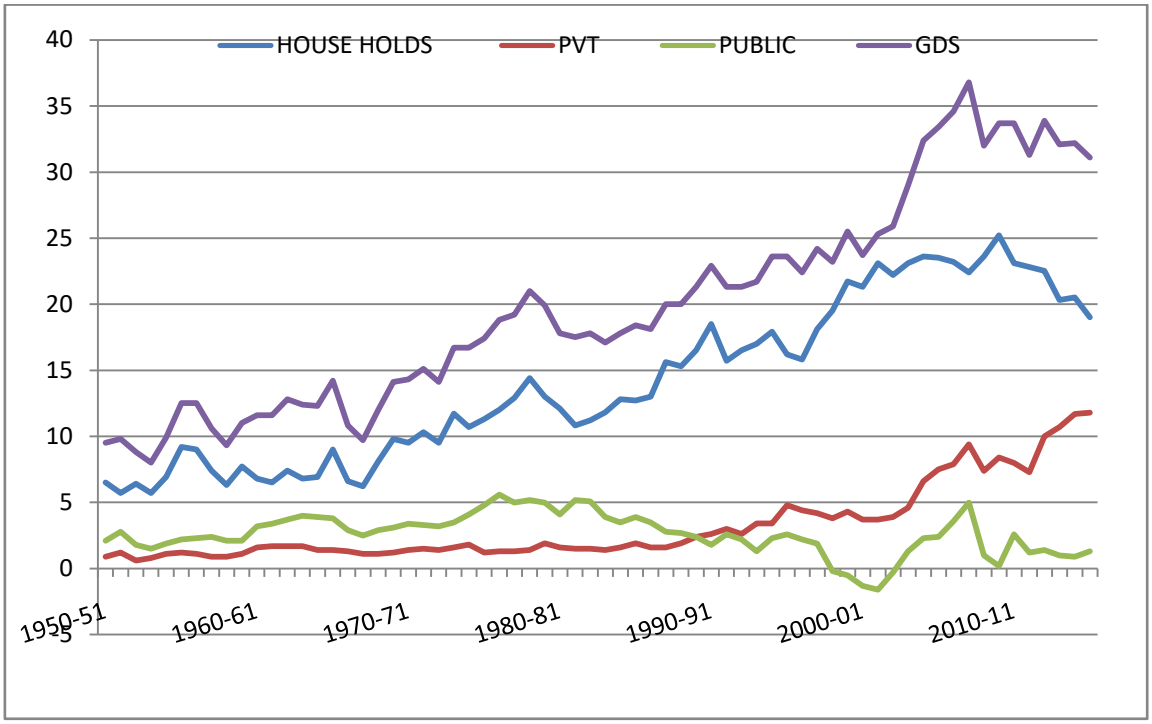
Period	Household sector			Private Corporate sector			Public sector		
	GR	% To GDP	% to GDS	GR	% to GDP	% to GDS	GR	% to GDP	% to GDS
1951- 1955	14.7	6.8	69.2	9.6	1.0	9.8	3.7	2.0	21.0
1956-1960	12.0	7.5	67.7	8.3	1.1	10.1	7.5	2.4	22.2
1961-1965	13.4	7.3	57.7	5.9	1.6	12.5	8.4	3.7	29.7
1966-1970	20.1	8.0	65.6	13.1	1.2	10.1	12.8	2.9	24.2
1971-1975	17.6	10.7	66.9	11.5	1.5	9.5	25.7	3.8	23.6
1976-1980	11.5	12.9	66.5	17.7	1.5	7.8	13.3	5.0	25.7
1981-1985	17.3	11.8	66.8	16.5	1.6	8.8	5.0	4.3	24.4
1986-1990	21.0	15.8	76.9	31.1	2.0	9.8	12.3	2.6	13.2
1991-1995	16.5	16.7	74.9	27.9	3.4	15.3	20.3	2.2	9.8
1996-2000	19.7	19.3	80.9	7.2	4.1	17.2	64.1	0.4	1.9
2001-2005	12.9	23.1	80.1	32.3	5.2	17.6	68.7	0.8	2.3
2006-2010	15.7	23.5	69.0	15.6	8.2	24.0	7.38	0.9	2.6
2011-2015	6.4	21.0	65.4	26.1	10.3	32.1	16.0	1.2	3.6

Note: GR-Growth Rate; GDS-Gross Domestic Saving; GDP-Gross Domestic Product

Source: Compiled from Handbook of Statistics on Indian Economy

Figure 3.2 clearly shows the increasing trend in Gross Domestic Saving and the prominence of the household sector. From 1995 onwards private corporate sector out geared public sector and the prominence continues. Except public sector the other two sectors depicted a continuous increase.

Figure 3.2
Gross Domestic Saving and its Composition

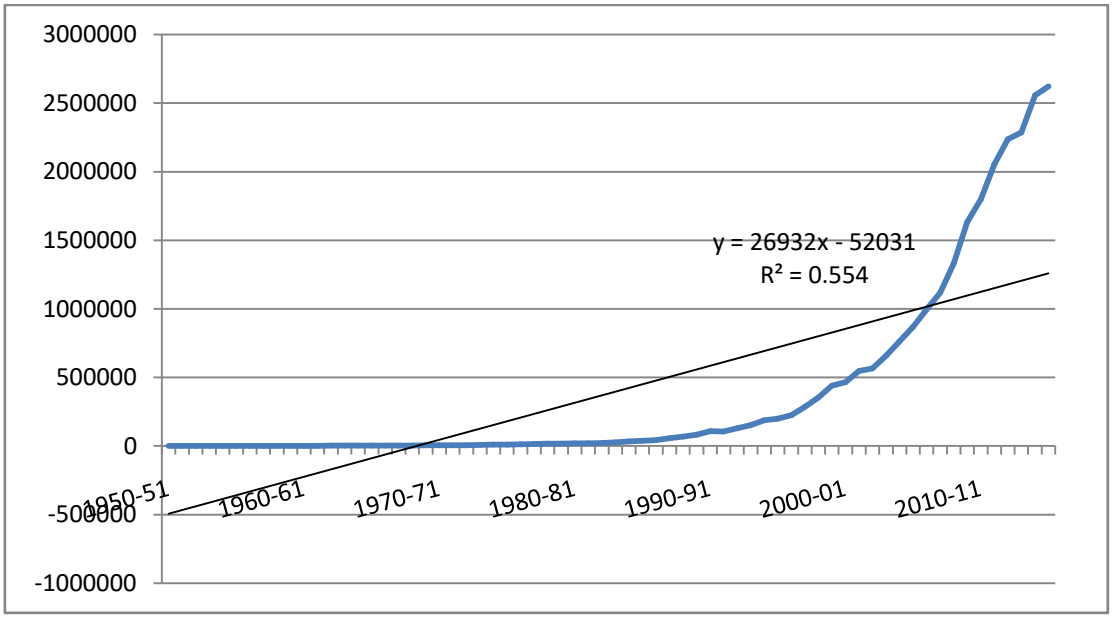


3.5.2 Trend and Composition of household sector savings

Household saving has always remained a major component of gross domestic savings followed by private corporate savings and public sector savings. The upward trend in the gross domestic savings is powered by savings in household sector. The household sector dominated the other two sectors by generating savings and pooling it into various financial sources. Thus it plays a crucial role in maintaining liquidity in the economy. It was the result of high savings rate that the Indian economy was able to surpass the negative impacts of the global recession of 2008.This clearly shows the vibrancy of this sector and the need to take measures to strengthen the savings from the household sector. There was a continuous increasing trend in household savings till 2002, after that period it leveled off at around 23 per cent with minor variation over the years till 2015.

Figure below clearly depicts the positive trend in household savings. It gained faster momentum after the period of the new economic policy. The liberalized policies, opening up of the markets, increase in saving and investment avenues and other related factors contributed to the faster pace of growth.

Figure 3.3
Trend of Household Savings



The household sector saving comprises of financial savings and physical savings. The physical savings include physical assets like property, gold etc and financial savings comprises of currency, deposits, non- banking deposits, insurance funds, pension and provident funds, claims on government, shares and debentures. Financial savings are treated on a net basis i.e. households' financial assets less their financial liabilities. It is evident from Table 3 that physical savings of the households increased continuously from 4.6 per cent during 1951-55 to 7.7 per cent in the period 1976-80. This clearly shows household sector's preference for savings in the form of physical assets and the trend continued till 1990's.

From 1990s onwards household's preference navigated towards financial savings and it was around an average of 10-11 per cent during the period 1991-2010.This has led to financialisation of savings and was mainly due to the factors like the impact of the post reform measures, steps taken as part of financial inclusion and weakness in the realty sector during this period. Gross savings in financial assets reached its peak in 2007 and then due to global economic recession it slowed down but again regained its momentum. Again in 2011 savings in financial assets came down at the same time physical assets regained and reached an average of 10.8 per cent during 2011-2015. Table 3.7 shows the composition of physical assets and financial assets of households as a per cent of Gross Domestic Savings.

According to RBI committee report in 2017, an average Indian household holds 84 per cent of its wealth in real estate and other physical goods, 11 per cent in gold and the residual 5 per cent in financial assets.

Table 3.7
Asset wise composition of household sector savings

Period	Physical Assets (per cent of GDS)	Financial Assets (per cent of GDS)
1951-1955	4.6	1.7
1956-1960	4.6	2.4
1961-1965	3.9	3.0
1966-1970	6.5	2.4
1971-1975	6.3	4.0
1976-1980	7.7	5.6
1981-1985	5.7	6.4
1986-1990	8.4	7.6
1991-1995	7.0	10.0
1996-2000	7.4	10.2
2001-2005	5.3	10.9
2006-2010	8.2	11.4
2011-2015	10.8	7.6

Source: RBI Bulletin

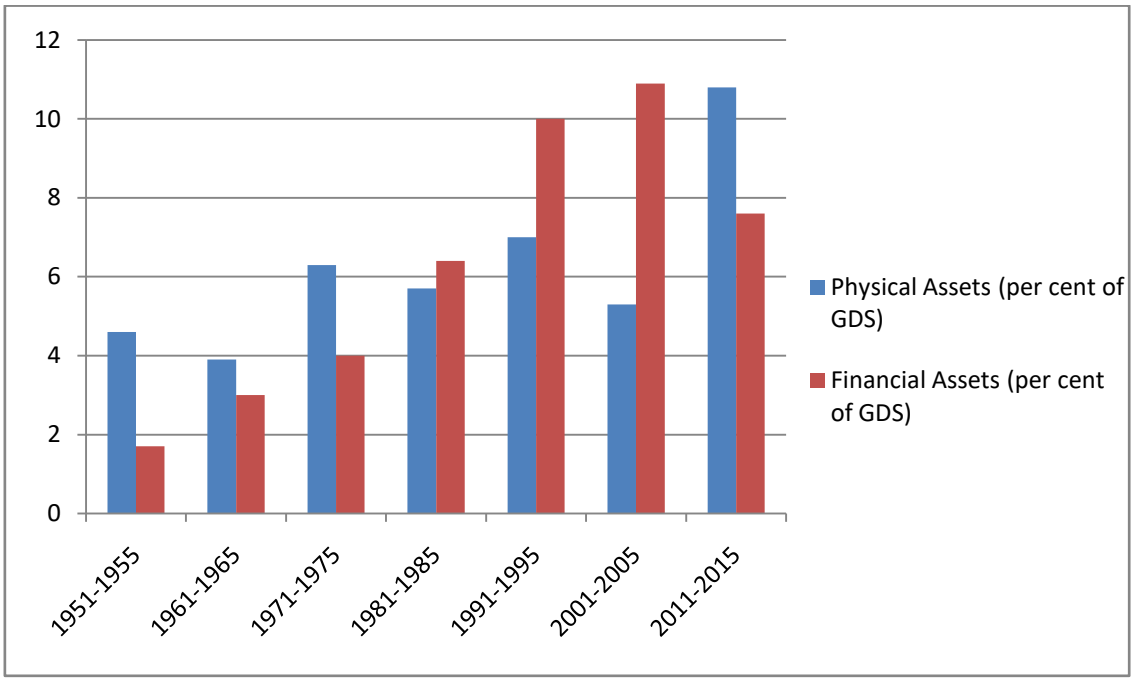
Indian household balance sheets exhibits a high share of wealth allocated to physical assets and a major component in it is gold. Also there is under-investment in long-term insurance and pension products. The household sector's saving rate was 23.6 per cent of GDP in 2011- 12 ,it declined to 17.2 per cent in 2017-18, mainly due to fall in saving in physical assets from a level of 15.9 per cent of GDP in 2011-12 to 10.3 per cent in 2017-18. Household financial saving accelerated to 6.6 per cent of GDP in 2017-18 from 6.3 per cent in 2016-17.

Figure 3.4 compositions of assets as a per cent of GDS and it clearly shows in most of the time period physical assets dominated over the financial assets and the prominence of

financial assets was seen mainly after the opening of the economy as a result of the new economic policy but after the recessionary phase again physical assets were preferred.

Figure 3.4

Physical assets and financial assets (per cent of GDS)



3.5.3 Structure of households gross financial savings

The household gross financial savings broadly include currency, deposits, net claims on Government, shares and debentures, insurance, pension funds and provident fund. Bank deposits and currency has remained a major component of financial assets in India. Table 3.8 shows the growth rate of savings in gross financial assets. Bank deposits continue to account for the predominant share of gross financial assets, and its growth rate was 27 per cent during the period 2003-05 and this was mainly due the financial inclusion measures taken leading to increase deposit mobilization by banks. The major share of the money with bank is deposited in term deposit schemes. The life insurance funds showed a consistent growth rate and maintain the growth with the sector was opening up to the private sector and higher insurance penetration.

The share of provident and pension funds has progressively declined over the years; this has been attributable to a number of factors and policy changes and its share is getting

substituted for life insurance funds. Claims on Government which includes small savings instrument and its growth rate was 25 per cent of the total financial savings. The share of shares and debentures in the gross financial assets of households has remained quite small in the early periods and has shown negative growth rate but later it improved in 2006-08 but during 2015-17 the growth rate has again declined.

Table 3.8
Growth rate of savings in Gross Financial Assets

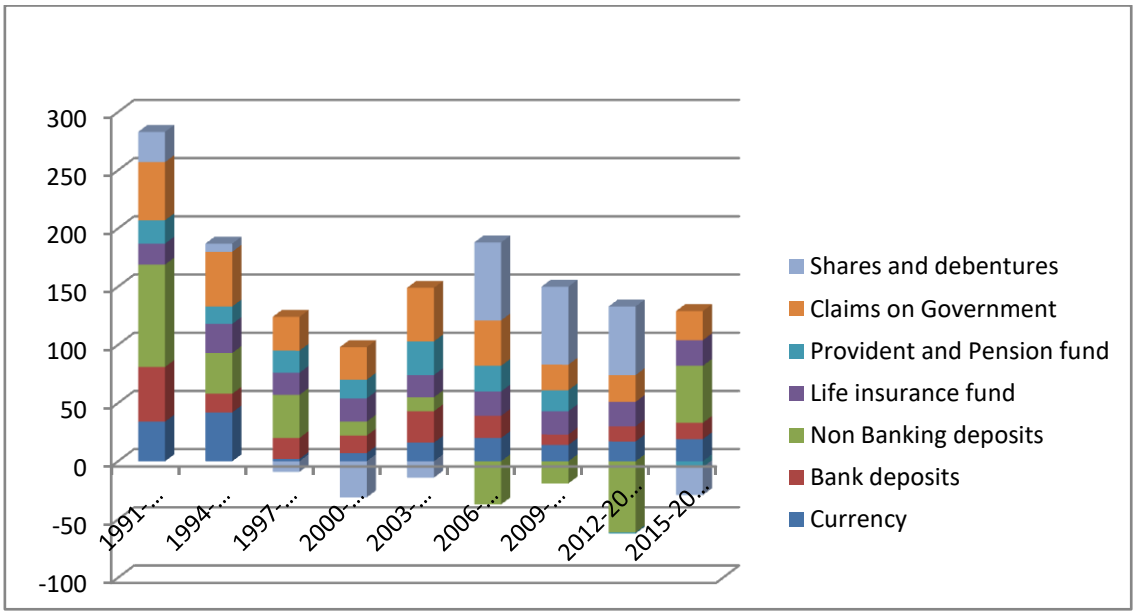
Period	Currency	Bank deposits	Non Banking deposits	Life insurance fund	Provident and Pension fund	Claims on Government	Shares and debentures
1991-1993	34	47	88	18	20	50	26
1994-1996	42	16	35	25	15	47	7
1997-1999	2	18	37	19	19	29	-9
2000-2002	7	15	12	20	16	28	-31
2003-2005	16	27	12	19	29	46	-14
2006-2008	20	19	-37	21	22	39	67
2009-2011	14	9	-19	20	18	22	67
2012-2014	17	13	-61	21	-1	23	59
2015-2017	19	14	49	22	-5	25	-24

Source: Compiled from Handbook of Statistics on Indian Economy

Figure 3.5 depicts composition of financial savings of the households, after the period of 2005 the volume of shares and debentures has increased while bank deposits has come down, non banking financial deposits has declined and even exhibited a negative growth rate. After the period of 2015 share of non banking financial deposits has again revived at the same time share and debentures has recorded negative growth rate. During 2009-11 there has been a fall in the share of claims on government but in later years it again showed improvements. Thus fluctuations are seen in the financial savings of households.

The life insurance funds showed a consistent growth rate and maintain the growth with the sector was opening up to the private sector and higher insurance penetration. There has been a decline during the period of 2008 and 2011 but it regained momentum from 2014 onwards. The share of provident and pension funds has progressively declined over the years; this has been attributable to a number of factors and policy changes and its share is getting substituted for life insurance funds. Claims on Government which includes small savings instrument and its growth rate was 25 per cent of the total financial savings.

Figure 3.5
Gross Domestic Financial Saving and its Composition



The share of shares and debentures in the gross financial assets of households has remained quite small in the early periods and has shown negative growth rate but later it improved in 2006-08 but during 2015-17 the growth rate has again declined. There is a need of more flow of funds into financial assets so that it enhances the liquidity as well as fund availability to finance the capital formation of the nation.

3.6 Saving-Investment gap

The saving-investment gap for the economy has come down over the years, and the household sector is still the dominant sector that supplies fund to the economy and to the related sectors. In recent years, the private corporate sector's has also become more vibrant

and this has paved the way for the reduction in saving investment gap. The productivity of investment has also shown an improvement, the Incremental capital output ratio (ICOR) has averaged from 4.6 during 2009-10 to 5.9 in 2013-14. Incremental capital output ratio has displayed an increasing trend from 2016-17 onwards. The correlation between saving and investment in India is about 0.99, exhibiting a very strong relationship.

3.7 Conclusion

There has been a consistent increase in the gross domestic saving rate in India. Private saving is the major source of domestic saving and within this household saving has remained the most important component. High saving rate has always strengthened the economy especially during recessionary periods. Recent year's private corporate sector has also registered a faster pace of growth and has raised above the public sector savings. Growth of financial sector and new financial instruments has accelerated the saving and capital formation in the economy. Indian household balance sheets exhibits a high share of wealth allocated to physical assets and a major component in it is gold. The financial savings of the household sector can be improved by introducing innovate financial products in accordance with the demand side need of this sector.

Chapter IV

Socio Demographic and Economic Profiles of Urban households in Kerala

4.1 Introduction:

Kerala accounts for 2.8 per cent of India's population, but its economy contributes nearly 4 per cent to the Indian economy. Kerala's economy is driven by the secondary and tertiary sectors. The state witnessed rapid urbanization, infrastructural development and technological change in all sectors during the post liberalization period. Kerala has been ahead of other Indian States in achieving demographic and human development indicators. In achievement of Sustainable Development Goals by the States in India as computed by the NITI Aayog, Kerala ranks first along with Himachal Pradesh, with a score of 69 against national average of 57.

Currently the economy exhibits high economic performance and high human development indicators. Kerala saw economic development at rates higher than national average in the period between 2016 and 2019; the GDP growth rate was 11.6 per cent during 2018-19. The growth process of the economy is closely related to a well developed financial system that channelizes savings to investment activities. The household sector is the major supplying economic unit and the flow of funds from this sector is used for the asset creation of the economy. Household saving is the main domestic source of funds to finance capital investments and a major impetus for economic growth.

The present study focuses on the saving and investment behavior of urban households in Kerala. There is a steady increase in the rate of urbanization in Kerala and is considered as an indicator of economic development. Urbanization, as measured by the share of urban population of the State, has shown a sharp increase from 25.96 per cent in 2001 to 47.72 per cent in 2011. The urban population of Kerala has registered a huge growth over the last decade as the number of towns in the state increased three times. The urban sector of Kerala consists of 6 municipal corporations and 87 municipalities.

4.2 An overview of Kerala's economic indicators

The state's economy registered a higher rate of growth during the post liberalization period compared to earlier period. The liberalized and market oriented policies along with

structural changes has paved way for integrating the state's economy with the world economy since 1991. The liberalized policies stimulated growth in all sectors and had accelerated a higher rate of growth in the tertiary sector activities. During the post liberalization the global economic crisis of 2008 has adversely affected the growth process of the state. The Net State Domestic Product and Per capita income of Kerala at constant prices also showed an improvement. The total net state domestic product of Kerala at constant prices increased from Rs 32802112 lakhs in 2011-2012 to 55941196 lakhs in 2018-19. The per capita income growth rate improved from 5.76 per cent in 2012-2013 to 7.02 in 2018-19 and the net state domestic product increased from 6.23 to 7.55 during the period.

Table 4.1
Net State Domestic Product and Per capita income of Kerala at constant prices

Period	NSDP (Rs in lakhs)	Growth Rate	Per Capita NSDP	Growth Rate
2011-2012	32802112	-	97912	-
2012-2013	34861581	6.23	102551	5.76
2013-2014	36470677	4.62	107846	4.26
2014-2015	38213426	4.78	112444	4.26
2015-2016	41115015	7.59	120387	7.06
2016-2017	44361530	7.90	129251	7.36
2017-2018	44361530	7.59	138368	7.05
2018-2019	55941196	7.55	148078	7.02

Source: Department of Economics and Statistics

According to quick estimates for 2018-19, per capita income of Kerala is Rs1, 48,078 while the corresponding national average is Rs.93, 655. The average income per person in Kerala is approximately 1.6 times the Indian average in 2018-19. Among the Indian States, Kerala is one of the leading ones with respect to per capita incomes, along with Haryana, Gujarat, Karnataka, Maharashtra and Tamil Nadu. Figure 4.1 shows that between 2012-13 and 2018-19, the per capita NSDP at constant prices was higher than the per capita NSDP at all India level.

Kerala's economic growth was slow and significantly slower than the Indian average for three years from 2013-14 to 2015-16. The rates of growth of Kerala's Gross State Value Added (GSVA) were 4.3 per cent, 3.8 per cent and 5.3 per cent respectively for the years 2013-14, 2014-15 and 2015-16 .It showed a revival in 2016-17, with GSVA growth accelerating to 7.1 per cent as shown in figure 4.1.Kerala's GSVA grew at relatively fast rates during the period from 2016-17 to 2018- 19 despite the many setbacks faced by the State, the crisis following the floods and landslides and the growing signs of recession in the national economy. GSVA in Kerala grew at the rates of 7.5 per cent in 2018-19 and Ernakulam District continues to have the highest income of Rs 85, 91,244 lakh in 2018-19.

Figure 4.1

Per capita NSDP and per capita NDP at constant 2011-12

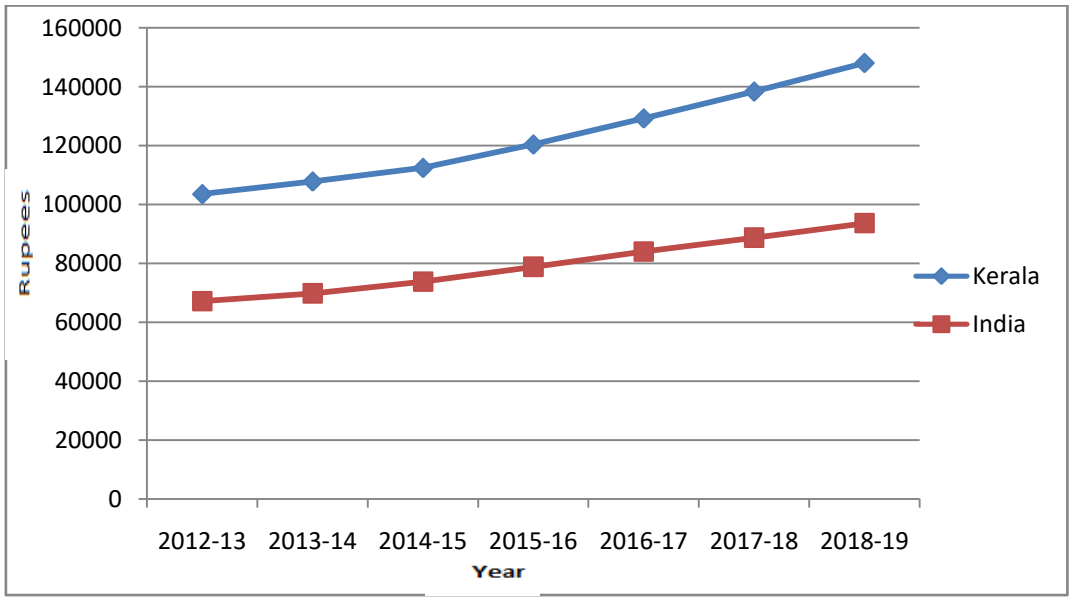
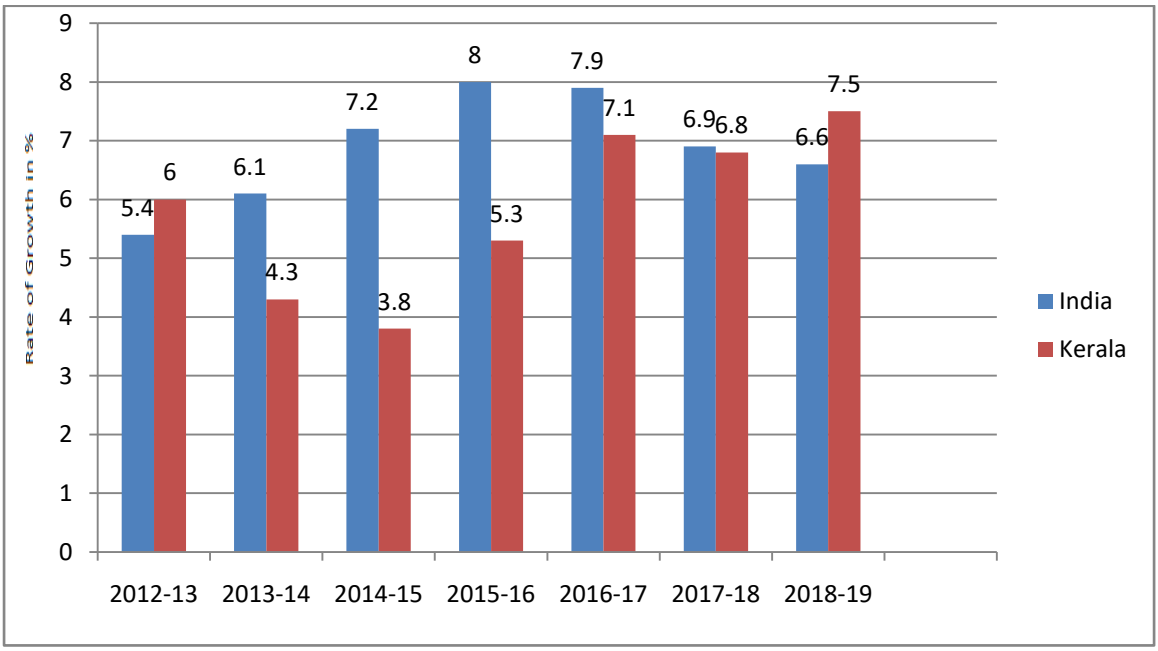


Figure 4.2 shows the annual rates of growth of GSVA for Kerala and GVA for India. The GSVA of Kerala was 6 per cent during 2012-2013 which was higher when compared to India, but in the later period it showed a decline but it started revving during in the period of 2016-2017. It is notable that the growth of GSVA in Kerala improved from 6.8 per cent in 2017-18 to 7.5 per cent in 2018-19 and this improvement in GSVA growth in Kerala occurred during a period of general slowdown in economic growth at the national as well as at the global level.

Figure 4.2

Annual rates of growth of GSVA for Kerala and GVA for India (at constant 2011-12 prices), in per cent



4.2.1 District-Wise distribution of Gross State Value Added and Per Capita Income

The analysis of District-wise per capita income (GSVA) reveals that Ernakulum District continues to have the per capita income of Rs1,83,258 at constant (2011-12) prices in 2018-19 against Rs 1,71,072 in 2017-18 and is ranked first in the two consecutive years. The percapita income directly shows income capacities as well as the ability to save and invest. The District-wise per capita income with corresponding rank and growth rate is given in Table 4.2.

It reveals that the districts of Kottayam, Kannur, Kollam, Alappuzha, Thrissur, Ernakulum, and Kozhikode had a higher growth than the State average growth rate in per capita income in 2018-19. However, the districts of Idukki, Thiruvananthapuram, Kasaragod, Malappuram, Palakkad, Pathanamthitta, and Wayanad showed lower per capita income growth compared to the State average growth. Idukki has registered the lowest growth rate of 3.2 and highest growth rate of 8.2 per cent goes to Kottayam.

Table 4.2
District-Wise distribution of Gross State Value Added at constant prices, 2011-12 prices

Sl.No.	District	2017-18 (P) Rs	Rank	2018-19 (Q) Rs	Rank	Growth Rate (%)
1	Thiruvananthapuram	150942	4	159489	5	5.7
2	Kollam	161014	2	173725	2	7.9
3	Pathanamthitta	114026	10	121725	10	6.8
4	Alappuzha	157984	3	169434	3	7.3
5	Kottayam	149535	5	161818	4	8.2
6	Idukki	138945	7	143329	7	3.2
7	Ernakulam	171072	1	183258	1	7.1
8	Thrissur	142206	6	152905	6	7.5
9	Palakkad	110861	12	117618	12	6.1
10	Malappuram	101641	14	108547	14	6.8
11	Kozhikode	123286	9	133056	9	7.9
12	Wayanad	105216	13	112346	13	6.8
13	Kannur	127598	8	137929	8	8.1
14	Kasaragod	113599	11	120985	11	6.5
	State	134851		144259		7

Note: P: Provisional: Quick estimate
Source: Department of Economics and Statistics

4.2.2 Role of Financial Institutions in Kerala's economic development:

Financial institutions play an important role in the economic development and smooth functioning of the economy. In the World Development Report, 1989, the role of financial institution is defined as, "A financial system provides services that are essential in a modern economy.... Access to a variety of financial instruments enables economic agents to pool, price, and exchange risk. Trade, the efficient use of resources, saving, and risk-taking are the cornerstones of a growing economy". Financial Inclusion and Financial Literacy are a twin pillars that fastens the growth process. While Financial Inclusion acts from supply side providing the financial services to people, financial literacy stimulates the demand side-making people aware of various financial services. Financial literacy effects all ages and low

level of financial literacy leads to poor saving behavior, portfolio choices. Kerala is the top state in India when it comes to financial inclusion with a score of 90.9.

Household savings are inextricably linked with economic growth and the financial institutions play a dominant role in pooling savings and channelizing it to investment channels. The banking institution along with other financial intermediaries has a prominent role in this area. The total number of bank branches in Kerala as on March 2019 is 7,421 Kerala has a total of 6,284 scheduled commercial bank branches and 630 branches of Kerala Gramin Bank. Kerala has the largest number of bank branches accounting to 4,592 among the semi-urban areas in the country. The District-wise analysis of banking statistics in Kerala by RBI reveals that Ernakulam has the highest number of branches accounting to 1,014, followed by Thrissur with 751 branches and Thiruvananthapuram with 723 branches.

4.2.3 Deposits, Advances and Credit-Deposit Ratio

As per SLBC data, the total bank deposits in Kerala as on March 2019 is Rs 4,93,562 crore as against Rs 4,47,235 crore in March 2018.. The share of deposits in scheduled commercial banks in Kerala to the total deposits in the country as on March 2019 is 3.95 per cent. Domestic deposits which constitute 61.5 per cent of total deposits of the state have increased by 9.45 per cent while the NRI deposits which constitute 38.5 per cent have increased by 11.83 per cent. State Bank of India is in the first position with 30.25 per cent share of NRI deposits among the public sector banks. The deposits of co-operative banks as on March 2019 is 12.44 per cent and the commercial banks and co-operative banks in Kerala disbursed Rs 3,80,619 crore as advances which is 13.7 per cent higher than March 2018 as per SLBC data.

According to the RBI quarterly statistics, the credit-deposit (CD) ratio of scheduled commercial banks at the end of March 2019 increased to 78.18 per cent from 75.64 per cent in March 2018. Among the major States, Andhra Pradesh has the highest CD ratio 121.84 per cent; the CD Ratio of public sector banks in Kerala shows a slight increase from 61.86 per cent to 64.93 per cent in March 2019. Table 4.3 shows the growth of deposits in Kerala. The annual growth rate of total deposits has declined from 10.01 per cent to 8.95 per cent, annual growth rate of domestic deposit also declined during this period but at the same time NRI deposit growth per cent has increased from -0.36 per cent to 11.55 per cent. The fall in the

growth rate of domestic deposits are mainly due to the economic slowdown and this fall was balanced to a great extend by the growth of NRI inflows.

Table 4.3
The growth of bank deposits in Kerala

Year	Total Deposit		Domestic Deposit		NRI Deposit	
	Amount	Annual Growth %	Amount	Annual Growth %	Amount	Annual Growth %
2010	143404	10.01	10.01	14.13	106518	-0.36
2011	161562	12.66	12.66	16.29	123872	2.18
2012	197557	22.28	22.28	20.37	149103	28.56
2013	229148	15.99	15.99	9.29	162958	36.6
2014	279655	22.04	22.04	14	185772	41.84
2015	319890	14.39	14.39	13.2	210287	16.74
2016	361593	13.04	13.04	7.46	225984	23.73
2017	410492	13.52	13.52	14.23	258143	12.34
2018	447235	8.95	303507	7.42	190055	11.55

Source: State Level Bankers Committee, March 2019

4.3 Demographic Profile of the Respondents

The study focuses on the saving and investment behavior of urban households in Kerala. The urban sector of Kerala consists of 6 municipal corporations and 87 municipalities. The primary data relating to the research work are collected through an interview schedule from 360 urban households, sixty each from the six municipal corporations of Kerala - Thiruvananthapuram, Kollam, Kochi, Thrissur, Kozhikode and Kannur. Thiruvananthapuram, Kochi and Kozhikode are the three major cities of Kerala with over 58 per cent of urban population.

Thiruvananthapuram is the largest urban metropolis of the state; the city is the biggest and most densely inhabited metro city in Kerala. Kochi is known as the economic, commercial and industrial capital of Kerala. It has the highest gross domestic product as well as the highest GDP per capita in the state. It is also a major port and has the Cochin SEZ, Kerala Industrial Infrastructure Development Corporation and Export

Promotion Industrial Park. Kozhikode is the second-largest urban agglomeration in the state of Kerala and nineteenth largest in the country with a population of two million according to 2011 census. It is a booming commercial area with various IT and industrial parks being built in the city.

Thrissur is the third largest urban agglomeration in Kerala after Ernakulam and Calicut, and is known as the cultural capital of Kerala and apart from that it is a major academic hub and serves as a major financial and commercial centre of Kerala. Kollam has a strong commercial reputation since the historic days and in terms of economic performance and per capita income, Kollam city occupies third position in Kerala with an excellent export background. Kannur is the largest city of North Malabar region and sixth largest urban agglomeration in Kerala with an urban population of 65.05 per cent to total population in the district.

Demographic profiles of the respondents give a detailed view of the respondents with regard to, age, social group, marital status, education, family size which are very essential for the analysis of the present study. Saving and investment behavior to a large extend are influenced by these basic characteristics of the households. The variation in the demographic factors brings about changes in the volume and pattern of savings.

"Household is one which consists of a group of persons usually living together for not less than six months and taking principal meals from one kitchen" (NCAER 2011). The activity statuses of the urban households are taken on the basis of the NSSO 70th Round Debt and Investment survey - 2014. According to activity or employment status a person who is working or being engaged in economic activity is associated with employment and being in labour force The report classified urban households into three categories, self-employed, regular wage/salaried employee and casual labour.

Socio demographic profile of the respondents such as age, social group, gender, marital status and education influences the household savings and investment behavior. The data pertaining to the socio-demographic status of the respondents are presented in Table 4.4. The various factors are analysed in relation to the occupation status of the households.

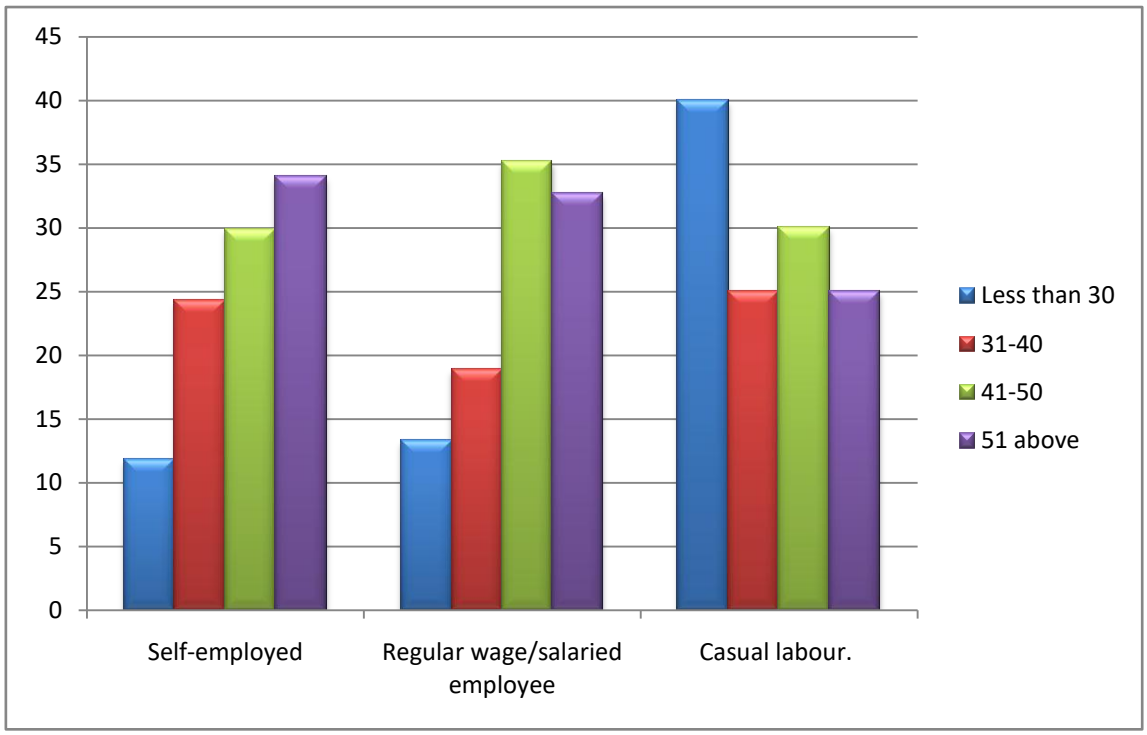
Table 4.4
Socio Demographic Profiles of the Respondents

Background variables	Attributes	Employment Status			
		Self-employed	Regular wage/salaried employee	Casual labour.	Total
Age	Less than 30	17(11.8)	26(13.3)	4(20)	47(13.1)
	31-40	35(24.3)	37(18.9)	5(25)	77(21.4)
	41-50	43(29.9)	69(35.2)	6(30)	118(32.8)
	51 above	49(34.0)	64(32.7)	5(25)	118(32.8)
Social Group	SC/ST	11(7.6)	22(11.2)	1.3(65.0)	46(12.8)
	OBC	68(47.2)	56(28.6)	5(25.0)	129(35.8)
	General	65(45.1)	118(60.2)	2(10.0)	185(51.4)
Gender	Male	134(93.1)	166(84.7)	19(95.0)	319(88.6)
	Female	10(6.9)	30(15.3)	1(5.0)	41(11.4)
Marital status	Married	109(75.7)	142(72.4)	16(80)	267(74.2)
	Unmarried	20(13.9)	25(12.8)	2(10.0)	46(12.8)
	Widow/Divorced	15(10.4)	29(14.8)	2(10)	46(12.8)
Education	SSLC	21(14.6)	15(7.7)	16(80.0)	52(14.4)
	Plus two	31(21.5)	18(9.2)	1(5.0)	50(13.9)
	Degree	56(38.9)	102(52.0)	2(10.0)	160(44.4)
	PG/Professional	36(25.0)	61(31.1)	1(5.0)	98(27.2)
	Total	144	196	20	360(100)

Source: Primary survey

Out of 360 sample respondents taken 144 belongs to the self employed category, 196 comes under regular wage employees and 20 belongs to the category of casual labourers. Age is an important factor determining the saving behavior of households. Majority of the respondents are above the age of 41 and within the self employed category 34per cent belong to the age group of 51 and above In the case of regular salaried and casual labour majority belongs to the age group of 41 to 50.

Figure 4.3
Age and Occupation of households



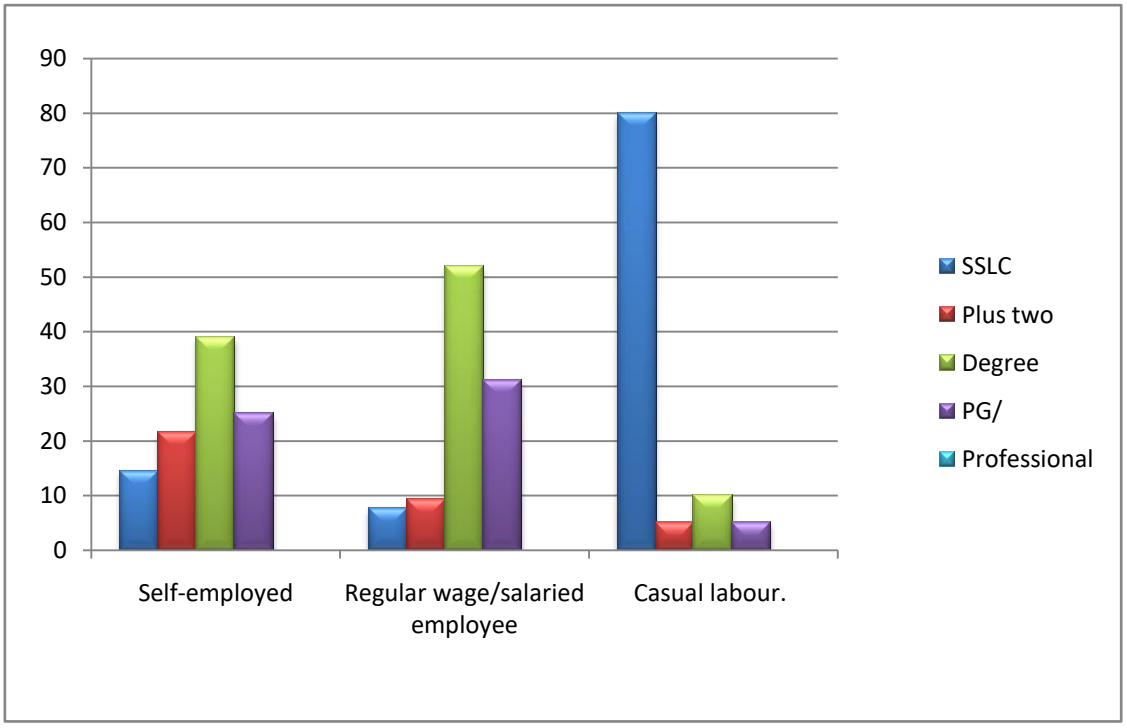
13 per cent of the total sample belongs to less than 30 years of age and from this it is observed that majority of the respondents are middle aged and are earning members capable of saving.

Among the social group 51.4 per cent of the respondents belong to the general category, 35.8 per cent are OBC and 12.8 per cent belong to SC/ ST category. Within the self employed 7.2per cent belong to OBC and in case of casual labourers only 10 per cent are in general category. Gender classification of the study shows that 18.6 per cent of the total sample respondents are male and 11.4 per cent are female respondents. The percentage of female respondents is high in the regular salary group and is about 15.3 per cent.

Among the casual labourers 95 per cent are males. Marital status of the individual is an important factor influencing the saving and investment behaviour. 74.2 per cent are married 12.8 per cent each belongs to the category of unmarried, widow and divorced respectively. Majority of the window and divorced respondents are found in the regular salaried group and the least among casual labourers. Education is an important factor in determining the standard of living and many empirical studies show that education and income are positively correlated.

Majority of the respondents in the sample are educated and 44.4 per cent are degree holders. Among the casual labourers educational qualification is less, 80 per cent have SSLC and only 5 per cent have a post graduate level of education.61 per cent of regular salaried employees have either a post graduate or professional degree. Higher level of education gives a path for better employment opportunities and thereby to earn higher level of income.

Figure 4.4
Education and Occupation of households



4.4 Socio Economic Profiles

Socio economic profiles of the respondents such as ownership of house, nature of family, family size , income and related factors plays an important role in determining the household savings and investment behavior the data pertaining to the socio-economic status of the respondents are presented in Table 4.5

Among the total sample respondents 80 per cent of the respondents have own house and only 20 per cent lives in rented houses. Ownership of house is an important physical asset and adds to the wealth of the household. The percentage of rented houses is high within the group of casual labourers and accounts to 60 per cent. Majority of the self employed and regular salaried employees have own house.

Table 4.5
Socio Economic Status of Respondents

Background variables	Attributes	Employment Status			
		Self-employed	Regular wage/salaried employee	Casual labour.	Total
Ownership of house	Own	124(86.1)	156(79.6)	8(40.0)	288(80)
	Rented	20(13.9)	40(20.4)	12(60.0)	72(20)
Type of family	Nuclear	103(71.5)	166(84.7)	15(75)	284(78.9)
	Joint	41(28.5)	30(15.3)	5(25)	76(21.1)
Nature of family	APL	134(93.1)	181(92.3)	12(60)	327(90.8)
	BPL	10(6.9)	15(7.7)	8(40)	33(9.2)
Family size	1	24(16.7)	32(16.3)	2(10)	58(16.1)
	2	30(20.8)	29(14.8)	4(20)	63(17.5)
	3	41(28.5)	59(30.1)	9(45)	109(30.3)
	4	31(21.5)	59(30.1)	4(20)	94(26.1)
	>5	18(12.5)	17(8.7)	1(5)	36(10.0)
Monthly income	≤25000	24(16.7)	49(25.0)	19(95.0)	92(25.6)
	25001-50000	33(22.9)	57(29.1)	1(5.0)	91(25.3)
	50001-75000	31(21.5)	44(22.4)	0(0.0)	75(20.8)
	75001-100000	15(10.4)	18(9.2)	0(0.0)	33(9.2)
	≥100001	41(28.5)	28(14.3)	0(0.0)	69(19.2)
	Total	144	196	20	360(100)

Source: Primary survey

Regarding the type of family 78.9 per cent belong to nuclear family and this shows the predominance of nuclear family system in modern world. Only 21.1 per cent falls under joint family category and the number of nuclear family is high among the regular salaried group ie 84.7 per cent. It is observed that 90.8 per cent of the respondents belong to the APL category while only 9.2 per cent belongs to the BPL category among the self employed and regular salaried majority belongs to APL group and within casual labourers 40 per cent falls under BPL category.

Household's family size is considered as an important determinant of household saving behavior at the microeconomic level. Family size of the respondents reveals that 13.3 per cent have a family size of 3 and only 10 per cent have members above 5. The size of the family positively contributes to saving, if the number of earning members also increases together with the family size

The study takes the households monthly income which comprises of the income of all the earning members of the family. Income plays an important role in determining household saving. Majority of the respondents that is 25.6 people belongs to the income group of less than 25000 the highest percentage is within the income proof of 25000 to 50000, the highest per cent in this income group is the casual labour accounting to 95 per cent. Only 19.2 per cent have monthly income of greater than Rs 1 lakh and 28.5 per cent under this category is within the self employed group, especially the respondents who are engaged in business activities are able to generate more income. In case of regular salaried employees 29.1 per cent comes under the income group 25000-50000.

Table 4.6
Number of dependents

Number of dependents	Employment Status			
	Self-employed	Regular wage/salaried employee	Casual labour.	Total
0	21(15.0)	26(14.3)	3(15.0)	50(14.6)
1	58(41.4)	82(45.1)	9(45.0)	149(43.6)
2	39(27.9)	48(26.4)	7(35.0)	94(27.5)
3	14(10.0)	23(12.6)	1(5.0)	38(11.1)
4 and above	8(5.7)	3(1.6)	0(0.0)	11(3.2)
Total	140(100)	196(100)	20(00)	342(100)

Source: Primary survey

The number of dependents is an important factor in determining the saving and investment capacities of the household. As the number of financial dependents increase, it brings constraints in the saving capacity of the households. If there are more children's as dependents then on one hand it can induce parents to save more as to finance for their future needs but on the other hand it can constrain them to decrease saving because of higher household consumption. Among the respondents 43.6 have only one dependent member in

the family and 3.2 per cent have the number of dependents 4 and above. Increase in the number of dependents restricts the flow of funds into saving, however in the urban region the number of dependents are less.

4.5 Saving-Income ratio of households

Saving is the outcome of refraining from present consumptions, it is carried out for better future utility and it varies from individual to individual. Increase in the level of income generally induces households to save more and it is related to the propensity to save and consume. Higher propensities to save leads to more savings and a better saving income ratio. Household's savings depends on several socio-economic characteristics as the level of education, income, age, employment, marital status, etc.

Table 4.6 shows the saving income ratio of households. The data reveal that the average saving and saving income ratio is high among the age group of 51 and above and this is due to the increase in income level and concerns about old age. Educational attainment is one of the predominant variables related to the saving behavior. As the educational attainment is high the saving – income ratio also moves in a positive direction. It is high among professionally qualified persons as such it goes along with the generally expected notion that higher education attainment will increase savings through its positive effect on expected income.

The amount of income one makes mostly depends on occupation, better occupational standards generates higher income and paves way for higher saving. The saving income ratio of the regular salaried group is 0.128 and this is high when compared to the other two groups. The casual labour category has low level of average savings.

In case of the relationship between saving and marital status, married persons have a higher saving income ratio of 0.124. The higher responsibilities and requirements induces them to save more. Among the social group average saving is low among SC/ST category and is only 5362.the general category has a saving income ratio of 0.127, which is higher than the other two categories. Within the nature of family, the BPL group has low potential of saving and this is implied with the classification of the group. Families under the APL category have an average saving of Rs. 9440, the saving income ratio is also high among the APL category.

Table 4.7

Saving-Income ratio of households

Background variables	Attributes	Average income	Average saving	Saving – Income ratio(S/Y)
Age group	Less than 30	35195	3918	0.111
	31-40	60394	7640	0.118
	41-50	90315	9670	0.115
	51 above	94721	10610	0.131
Education	SSLC	29660	3429	0.106
	Plus two	82649	7350	0.101
	Degree	66451	7551	0.121
	PG/Professional	120731	14405	0.137
Employment	Self Employed	108431	10410	0.115
	Regular salaried	62250	8341	0.128
	Casual labour	16183	1583	0.102
Marital status	Married	88146	9906	0.124
	Unmarried	39586	4566	0.111
	Widow/Divorced	48704	5359	0.106
Social Group	SC/ST	47906	5362	0.114
	OBC	68202	7589	0.116
	General	92632	10486	0.127
Nature of family	APL	83725	9440	0.123
	BPL	23053	2386	0.107
	Total	78163	8794	0.121

Source: Primary survey

Thus the changes in socio-demographic variables have impact on the saving – income ratio and the average saving level also varies with the changes in education, employment, marital status and also with the changes in social groups.

4.6 Conclusion

The state of Kerala has witnessed rapid urbanization during the post liberalization period and has been ahead of other Indian States in achieving demographic and human development indicators. There is a steady increase in the rate of urbanization in Kerala and is considered as an indicator of economic development. The urban population of Kerala has registered a huge growth over the last decade and the savings from the household sector plays a dominant role in the growth process. The average income per person in Kerala is approximately 1.6 times the Indian average among the Indian States; Kerala is one of the leading ones with respect to per capita income. The population density, employment diversity and financial exposure of the urban population are high and this has a direct impact on the saving pattern of the households. Educational attainment is one of the predominant variables related to the saving behavior. As the educational attainment is high the saving – income ratio also moves in the positive direction. The socio economic attributes has profound influence on the saving behavior of the households.

Chapter – V

Preference, Purpose and Awareness of Households towards Saving and Investment

5.1 Introduction

Households plan for the future and the present by making appropriate saving and investment decisions, that are influenced by many factors. The socio economic and demographic status of the respondents has been discussed in the previous chapter and it showed the distribution of households in this regard and the saving income ratio of the households. All these factors has profound influence on the financial decision making process of the households.

Saving enables individuals to meet their financial needs and also ensures financial security. Saving is a habit that is instilled at a very young age. “Investment means the use of funds for productive purposes for securing appreciation of income and assets” (Avadhani 1992). The saving and investment pattern of households has undergone various structural shifts in the past years especially after the economic reforms. The change in lifestyle, consumption pattern, financial inclusion and financial literacy has brought changes in household’s preference towards various assets. The choice of assets, specifically financial instruments available has increased and this has brought about changes in saving and investment behavior of households.

5.2 Composition of savings and investment of the households

Household’s asset portfolio comprises of various types of assets according to the financial interests, and this varies from one person to the other. The different types of assets available to the households can be classified into physical assets and financial assets. According to CSO and RBI data- Financial saving and investment comprises of currency, net deposits, insurance, government securities, provident & pension funds, shares, debentures, mutual funds etc. Physical asset consist of construction, machinery, equipment and precious metals.

The asset portfolio of the households reveals that households hold both physical and financial assets. Physical assets are investment in tangible assets while financial asset is the purchase of an instrument against which the buyer gets a document declaring his ownership.

In case of physical assets people are more inclined towards gold, 63.9 per cent invest in gold which is considered safe and due to its value appreciation. Gold is a highly popular physical asset in India, also from the social, psychological and religious context people are attracted towards this yellow metal. Gold not only possess the characteristic of an asset but also possess the characteristic of consumption expenditure. 21.4 per cent has investment in real estate like land, building and similar fixed assets and generally receive return in the form of rent and holds it on the expectation of future value appreciation. Investment in real estate is either carried out as a necessity like to own a house or to earn return by investment avenues like land, building or other tangible properties.

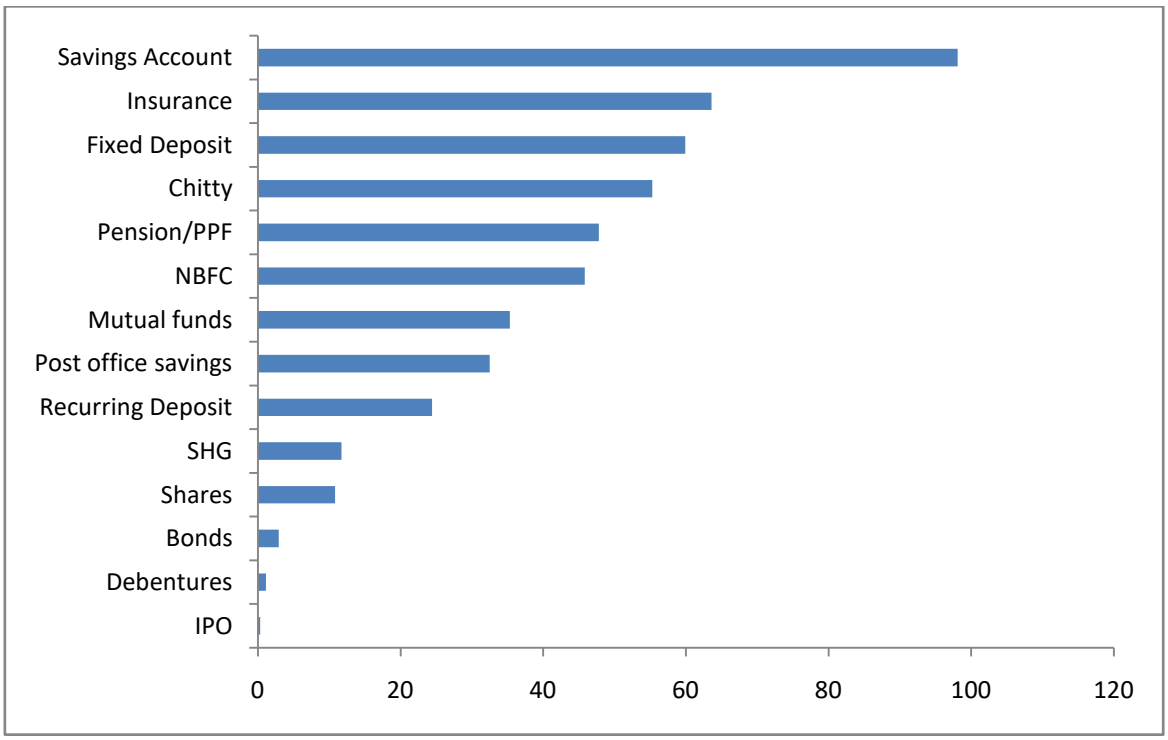
With regard to financial assets majority of the households hold a savings account, 98 per cent own a savings account and this clearly shows that there is financial inclusion among the urban households. As the households possess financial account of their own, transactions can be carried out with ease and transparency. Along with financial inclusion financial literacy also has a crucial role. Only if the person is financially literate, he can properly make use of the financial instruments. As such procession of a bank account is worthy but the way in which it is used enhances its role in the saving and investment process of the individual.

The opening up of the economy and emergence of private insurance companies has its impact on household saving portfolio. 63.6 per cent has taken insurance and it shows the households concern about future uncertainties and the way to cushion out these through various insurance schemes. Apart from this, the preferred modes are fixed deposits, chitty, NBFC, post office saving and recurring deposits. 47.8 per cent holds saving in pension and provident fund and it is more of a compulsory mode of saving. Even though it is a compulsory form of savings especially among the employed category, it safeguards the individuals' future needs and interests. A very small percentage is invested in the stock market instruments. Among this the most preferred instrument is mutual funds, 35.3 per cent invest in mutual funds and it shows common mans interest in stock market has increased.

At the same time investment in more risky assets is very meager. 10.8 per cent has investment in shares. In case of bonds it is 2.9, debentures is 1.1 per cent and IPO'S it is only 0.3 per cent. The data clearly reveal the risk averse nature of the households and also the penetration into the stock market is less. People do not fully understand the intricacies of

stock market and are not willing to invest in avenues that are more risky. Figure 5.1 shows the distribution of financial assets holdings of households.

Figure 5.1
Financial Asset holdings of households (Percentage)



The figure clearly states the preference pattern of the households towards various financial assets. 98 per cent possess a savings bank account and it's a positive sign, as these households are a part of the financial system. Insurance sector shows vibrancy and reveals individuals interest to cover up the risk that they may face in future. Majority prefer to hold conventional mode of assets as they are generally having low risk element. At the same time involvement in the stock market instruments is low. This point towards the risk averse nature of the households. They also lack information and proper knowledge in accessing these instruments and this creates a stigma towards these assets. Mutual funds are becoming slightly popular but investments in stocks, bonds, debentures and related instruments are relatively very low.

5.2.1 Asset portfolio in relation to income level.

Among the lower income strata 89.1 per cent hold savings in the form of chitty, as it can be in small denominations, convenient and can be used for immediate needs. Next to it is

saving in Self help group and NBFC'S. Only 19.6 per cent save in pension and PPF and financial investment in stock market is more or less equal to zero. Among the middle and upper middle income group priority is given to fixed deposits and insurance. As the income level progresses more space is given to investment instruments like bonds, shares and mutual funds. Above 100000 lakh monthly income 91.3 per cent hold mutual funds and it shows their increasing interest towards more diversified investment plans. Among the physical assets gold is pocessed by all families even though the quantity held differs. Next to it is real estate investment and among the affluent income group it is 62.3 per cent.

Table 5.1
Asset portfolio in relation to income level (Percentage)

	Income					
Type of asset	< 25000	25000 – 50000	50000 – 75000	75000-100000	>100000	Total
Financial Assets						
Chitty	89.1	50.5	44.0	63.6	24.6	55.3
SHG	34.8	8.8	1.3	3.0	11.0	11.7
NBFC	39.1	36.3	52.0	54.5	56.5	45.8
Savings Account	97.8	96.7	100.0	97.0	98.6	98.1
Fixed Deposit	6.5	64.8	69.3	93.9	82.6	59.9
Recurring Deposit	12.0	24.2	34.7	39.4	23.2	24.4
Post office savings	14.1	33.0	44.0	33.3	43.5	32.5
Pension/PPF	19.6	58.2	68.0	60.6	43.5	47.8
Insurance	19.6	70.3	70.7	90.9	92.8	63.6
Shares	1.1	0	9.3	15.2	37.7	10.8
Bonds	0	4.4	5.3	6.1	23.2	2.9
Debentures	0	0	1.3	3.0	2.9	1.1
IPO	0	0	0	0	1.4	0.3
Mutual funds	1.1	17.6	40.0	51.5	91.3	35.3
Physical Assets						
Real estate	1.1	11.0	14.7	36.4	62.3	21.4
Gold	42.4	67.0	61.3	72.7	87.0	63.9

Source: Compiled from primary data

As the income level progresses more space is given to investment instruments like bonds, shares and mutual funds. Above 100000 lakh monthly income 91.3 per cent hold mutual funds and it shows their increasing interest towards more diversified investment plans. Among the physical assets gold is processed by all families even though the quantity held differs. Next to it is real estate investment and among the affluent income group it is 62.3 per cent. Lower income group are interested in avenues like chitty, NBFC'S etc as it can be done with more ease and in smaller amounts. At the same time they are unaware of the opportunities in similar pattern that exists in other new instruments.

5.2.2 Asset portfolio in relation to Education level.

The education wise analysis of asset holdings shows, education has a positive impact among the households. People with low education level have affinity towards conventional instruments and low affinity towards stock market instruments.

Table 5.2 shows the asset portfolio of households in relation to education level. Among the respondents with education level of SSLC, chitty occupies the dominant position with 67.3 per cent and investment in stock market instruments is zero. Respondents with plus two level holds 60.0 and 52.0 per cent in the form of NBFC and insurance. Within the degree holders the asset portfolio consists of risk free assets and holds 68.1 and 60.1 in the form of insurance and fixed deposits. The respondents with PG and professional education, asset portfolio is more diversified and possess both risk less and risky assets. Higher education has thus a positive relation in holding diversified instruments; penetration into the stock market is high. 73.5 holds mutual funds, 25.5 per cent ha investment in shares, 3.1 and 1.0 per cent in debentures and IPO's respectively.

Households prefer physical assets and gold occupies an upper hand and next to it is real estate investment. Among the respondents with SSLC level of education 5.8 per cent possess real estate investment, and among plus two levels it is 20.0 per cent but compared to this it is slightly low among degree holders i.e. 17.5 per cent.

Table 5.2
Asset portfolio in relation to education level (Percentage)

Instruments	**Education**				
Financial Assets	SSLC	Plus Two	Degree	PG/Professional	Total
Chitty	67.3	76.0	58.1	33.7	55.3
SHG	32.7	12.0	11.2	1.0	11.7
NBFC	36.5	60.0	47.5	40.8	45.8
Savings Account	98.1	90.0	97.5	99.0	98.1
Fixed Deposit	26.9	42.0	60.0	75.5	56.9
Recurring Deposit	23.1	30.0	21.2	27.6	24.4
Post office savings	11.5	28.0	30.0	50.0	32.5
Pension/PPF	26.9	26.0	53.1	61.2	47.8
Insurance	25.0	52.0	68.1	82.7	62.6
Shares	0.0	4.0	7.5	25.5	10.8
Bonds	1.9	4.0	5.0	15.3	7.2
Debentures	0.0	0.0	0.6	3.1	1.1
IPO	0.0	0.0	0.0	1.0	0.3
Mutual funds	1.9	14.0	29.4	73.5	35.3
Physical Assets					
Real estate	5.8	20.0	17.5	36.7	21.4
Gold	50.0	68.0	61.2	73.5	63.9

Source: Compiled from primary data

5.2.3 Asset portfolio in relation to Age.

Age wise analysis of assets reveals that, as the age progresses the earning capacity generally shows an increasing trend and this brings changes in the saving and investment pattern. Among the respondents below the age of 30 years, 32.4 per cent invest in mutual funds. Between the age group of 31-40 the asset portfolio consist of all prominent financial and physical assets except investment in IPO's.

Within the age group of 41-50, 70.3 per cent has insurance, chitty and fixed deposit accounts to 55.9 per cent. This age group has the highest representation in mutual fund ie

47.5 per cent. Above the age of 51 portfolio includes diversified assets but more weightage is towards risk less assets and gold and real estate occupy 70.3 and 25.4 per cent respectively.

Higher age group has a tendency to diversify their portfolio, thereby to reduce risk and to safeguard their old age in a comfortable way. At the same time their participation is there in the financial market, 29.7 per cent has mutual fund holdings; along with this they have investment in bonds and shares in a small proportion. This shows the increasing interest to invest funds from which higher returns can be expected. Insurance is aso given priority so as to safeguard oneself from future uncertainties.

Table 5.3
Asset holdings in relation to age (Percentage)

Instruments	**Age**				
Financial Assets	Less than 30	31-40	41-50	51 above	Total
Chitty	72.3	58.4	55.9	45.8	53.3
SHG	23.4	18.2	11.0	3.4	11.7
NBFC	42.6	54.5	44.9	42.4	45.8
Savings Account	97.9	94.8	99.2	99.	98.1
Fixed Deposit	25.5	48.1	55.9	76.3	56.9
Recurring Deposit	25.5	20.8	33.1	17.8	24.4
Post office savings	14.9	42.9	28.8	36.4	32.5
Pension/PPF	31.9	39.0	51.7	55.9	47.8
Insurance	38.3	54.5	70.3	72.9	63.6
Shares	12.8	15.6	9.3	8.5	10.8
Bonds	0.0	6.5	7.6	10.2	7.2
Debentures	0.0	3.9	0.0	0.8	1.1
IPO	0.0	0.0	0.0	0.8	0.3
Mutual funds	23.4	32.5	47.5	29.7	35.3
Physical Assets					
Real estate	10.6	16.9	24.6	25.4	21.4
Gold	38.3	57.1	72.0	70.3	63.9

Source: Compiled from primary data

As age progresses asset pattern changes and people are willing to undertake risk and also to possess different type of instruments so that the risk of pooling all funds into one channel can be avoided and also the variety of financial needs can be meet according to the needs of the family members of different age levels. Also there is the predominance of gold among the physical assets and the share of it shows an upward trend.

5.2.4 Asset portfolio in relation to Occupation.

Income earned by the households is mainly dependent on the employment status and this has profound influence on the saving preference pattern. Regular source of income helps to adopt a systematic pattern to save and also to possess mandatory forms of saving like pension funds, insurances and provident fund. In case of self employed there may be various in income flow and this manifest them to rely on those sources which match their financial flows.

Table 5.4 reveals that among the self employed with good business earnings has larger income inflows and are willing to hold those assets with high level of investment and at the same time which yield good returns in the future. In case of casual labourers income level is generally low and regular and continuous flow of income may not be there and due to this, assets with low volume of investment, low risk and ease of liquidity are generally preferred.

Self employed and regular salaried persons hold varied forms of asset giving higher place to insurance, fixed deposit and NBFC's. Among the regular salaried pension and provident fund is 62.8 per cent as it is a compulsory mode of saving. Within casual laboures very few assets occupy their portfolio and the prominent one is chitty accounting to hundred per cent. Only 5 per cent holds pension and provident fund, no investment is seen in stock market instruments. Gold is possessed by all, but its percentage is less among casual labourers i.e. 10 per cent. Real estate investment is high among the self employed category and is 33.3 per cent.

Table 5.4
Asset holdings in relation to Occupation (Percentage)

Instruments	Occupation			
Financial Assets	Self employed	Regular salaried	Casual labor	Total
Chitty	48.6	55.6	100.0	55.3
SHG	4.2	13.8	44.0	11.7
NBFC	54.2	42.3	20.0	45.8
Savings Account	97.9	98.0	100.0	98.1
Fixed Deposit	58.3	61.7	0.0	56.9
Recurring Deposit	28.5	24.0	0.0	24.4
Post office savings	31.2	35.7	10.0	32.5
Pension/PPF	33.3	62.8	5.0	47.8
Insurance	61.8	70.9	5.0	63.6
Shares	18.8	6.1	0.0	10.8
Bonds	10.4	5.6	0.0	7.2
Debentures	2.1	0.5	0.0	1.1
IPO	0.0	0.5	0.0	0.3
Mutual funds	43.8	32.1	0.0	35.3
Physical Assets				
Real estate	33.3	14.8	0.0	21.4
Gold	70.8	64.3	10.0	63.9

Source: Compiled from primary data

5.2.5 Asset portfolio in relation to Martial status.

The financial responsibilities of married households are more when compared to unmarried. This induces them to carry out sound savings to meet the needs of the family and the needs of children related to their education and future expenses. As future requirements are taken at par with the present systematic and regular savings are undertaken.

Physical assets are preferred and within it gold is given higher weightage mainly because of its economic and social dimensions. Assets that satisfy these needs are given priority and return is also given higher emphasis. The households in the unmarried category

are more inclined towards conventional modes of saving and interest to undertake risk is also low. Also there preference towards physical assets is comparatively less, especially gold does not occupy a prime position in their portfolio.

Marital status wise analysis of assets shows that married category gives more prominence to assets like insurance, chitty and fixed deposits. 40.1 per cent has mutual funds and 11.6 per cent has shares. 71.2 per cent possess gold and 26.2 holds investments in real estate; this is highest when compared to the other two categories. Possession of stock market instruments is very low among the widow and divorced.

Table 5.5
Asset holdings in relation to Martial status (Percentage)

Instruments	Marital status			
Financial Assets	Married	Unmarried	Divorced/Widow	Total
Chitty	70.2	54.3	45.7	55.3
SHG	9.7	25.5	8.7	11.7
NBFC	50.9	38.3	23.9	45.8
Savings Account	98.1	95.7	100.0	98.1
Fixed Deposit	61.8	27.7	58.7	56.9
Recurring Deposit	28.1	17.0	10.9	24.4
Post office savings	33.0	17.0	45.7	35.5
Pension/PPF	52.8	21.3	45.7	47.8
Insurance	71.9	25.5	54.3	63.6
Share	11.6	12.8	4.3	10.8
Bonds	8.2	1.1	8.7	7.2
Debentures	1.5	1.0	0.0	1.1
IPO	0.4	1.0	0.0	0.3
Mutual funds	40.1	21.3	21.7	35.3
Physical Assets				
Real estate	26.2	8.5	6.5	21.4
Gold	71.2	29.8	56.5	63.9

Source: Compiled from primary data

Among the unmarried group the per cent of gold is low, only 29.9 per cent while there is representation in stock market instruments and 21.3 per cent has investment in mutual funds. Within the divorced/widowed category different assets are given importance, 100 per cent have a bank account and also show preference towards procession of gold.

5.3 Analysis of purpose of savings

Households save their income for various purposes. The motive behind saving differs from one person to another. According to Keynes (1936) people save with different motives for different purposes. The reason for saving is analysed on the basis of their desire to acquire physical asset, with the motive to earn interest, to meet unforeseen contingencies in life, old age security, for tax exemptions, educational purposes of children, marriage and other ceremonial expenses in life. Figure 5.2 reveals the priority given by savers in relation to the purpose for which they keep money aside. The prime motive is to acquire physical assets and then to receive a return out of the saved money. Education of children also has been given due importance and this positively influences the growth of human capital formation, while marriage and other ceremonial expenses are given lesser weightage.

Figure 5.2
Purpose of Saving

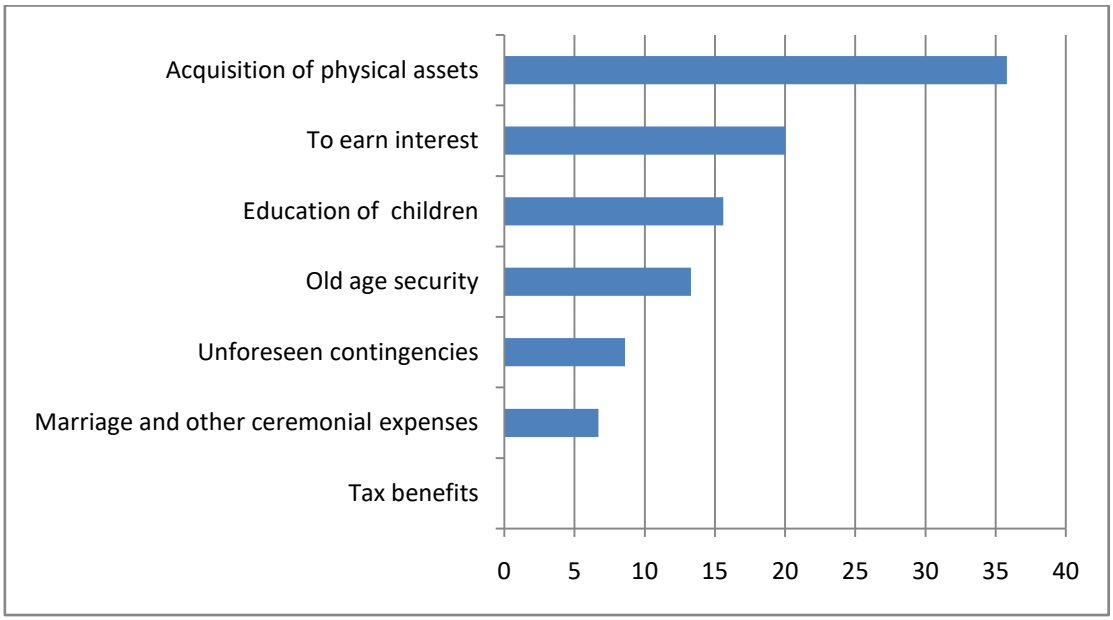


Table 5.6 shows the preference order of households related to various purposes behind savings. As per the first order of preference acquisition of physical assets have been

given importance. In case of the second preference 32.2 per cent has stated that the purpose of saving is to earn interest. 30.3 and 23.6 per cent has ranked unforeseen contingencies as the important reason for saving. As the fifth order of preference 24.7 per cent has stated the importance of saving in relation to make the old age period secure with comforts. Only as the sixth choice 21.7 has given the reason for saving is to meet marriage and other ceremonial expenses. 23.9 per cent save to get benefit of tax exemptions, but it has not been given the as a prime choice for savings.

Table 5.6
Preference order related to purpose of savings (Percentage)

Preference order	Acquisition of physical assets	To earn interest	Unforeseen contingencies	Old age security	Education of children	Marriage and other ceremonial expenses	Tax benefits
1	35.8	20.0	8.6	13.3	15.6	6.7	0.0
2	18.6	32.2	16.4	11.9	9.2	8.9	3.9
3	8.6	18.6	30.0	13.9	15.3	7.2	6.1
4	10.3	10.0	23.6	13.9	17.8	16.4	7.5
5	7.5	7.5	12.5	24.7	13.6	20.6	14.2
6	7.7	5.8	7.5	13.9	17.8	18.6	23.9
7	7.5	5.8	1.4	8.3	10.8	21.7	4.4
Total	100	100	100	100	100	100	100

Source: Compiled from primary data

According to the study 35.6 per cent has given highest priority for acquisition of physical asset. 20 per cent has sighted that the main motive for saving is to earn interest. 15.6 per cent has given their first priority for education of their children as the main purpose of saving. Old age security has been the first preference for 13.3 per cent of households. An unforeseen contingency has been prioritized by 8.6 per cent and only 6.9 per cent has given their first preference for marriage and other ceremonial activities as the main reason for saving. The purpose of savings and the highest priority given by the respondents across income, education, age, occupation, and marital status is exhibited in Table 5.7. The percentage values clearly show the variations in relation to the motive behind saving.

Table No 5.7
Analysis of purpose of savings (Percentage)

variables	Attributes	Purpose of savings						
		Acquisition of physical assets	To earn interest	Unforeseen contingencies	Old age security	Education of children	Marriage and other ceremonial expenses	Total
Income	≤25000	50.0	16.3	3.3	7.6	8.7	14.1	100
	25000-50000	25.3	20.9	11.3	22.0	17.6	3.3	100
	50000-75000	32.0	14.47	9.3	21.3	18.7	4.0	100
	75000-100000	21.2	27.3	12.1	9.6	18.2	12.1	100
	≥100000	42.0	26.1	10.1	2.9	17.4	2.9	100
Education	SSLC	48.1	19.2	7.7	13.5	1.9	9.6	100
	Plus two	36.0	30.0	8.0	2.0	18.0	8.0	100
	Degree	30.0	18.1	9.4	16.9	19.4	6.2	100
	PG/ Professional	38.8	18.4	8.2	13.3	15.3	6.1	100
Age	Less than 30	66.0	8.5	4.3	8.5	0.0	12.8	100
	31-40	51.9	18.2	5.2	6.5	15.6	2.6	100
	41-50	34.7	27.1	7.6	2.5	22.0	5.9	100
	51 above	14.4	18.6	13.6	30.5	15.3	7.6	100
Occupation	Self employed	39.6	27.7	9.0	9.7	9.7	6.9	100
	Regular salaried	30.6	15.8	8.2	17.3	21.4	6.6	100
	Casual labor	60.0	20.0	10.0	0.0	0.0	10.0	100
Marital Status	Married	33.0	19.9	10.1	11.6	20.6	5.2	100
	Unmarried	59.6	12.8	4.3	6.4	0.0	17.0	100
	Divorced/Widow	28.3	28.3	4.3	30.4	2.2	6.5	100
Total		35.6	20.0	8.6	13.3	15.6	6.9	100

Source: Compiled from primary data

Within the income group the main priority behind saving is given to the acquisition of physical asset especially 50 per cent in the income category with monthly income less than 25000, ranked it as the prime objective behind saving. Among the income group of 75000-100000 the main objective behind saving is to earn interest. With regard to the purpose of

earning interest and to meet unforeseen contingencies more importance is given by the monthly income group 75000-100000.

The motive of saving for old age security was given great priority within the income range between 25000 – 75000 while income class of above 100000 has given least preference to it i.e. only 2.9 per cent and this may be due to the affluence level that they already possess. Above the income level of 25000 somewhat equal importance is given for education of children as the reason for saving and it shows that as income progresses significance given to education is in a similar pattern. Saving for the purpose of marriage and other ceremonial expenses was given more importance by the households with less than 25000 monthly earnings.

The education wise analysis of purpose of saving shows that the motive to earn interest has been given more importance by the respondents with plus two level of education. Within education group the preference given for unforeseen contingencies is similar ranging from 7 to 10 per cent.

Saving for the purpose of educating children was given very low preference by the respondents with only SSLC while this category has given more importance to marriage and other ceremonial expenses.

Within the age group higher priority for acquisition of physical assets is given by the younger age group i.e. age less than 40 about 51-66 per cent and this point out the need to possess their own house. At the same time saving for this purpose is given only 14.4 per cent above the age of 51 years. The respondents above the age of 51 has given high priority to set apart saving for their old age and this shows their concern of future and to safe guard them against economic uncertainties. The age group of 41-50 has shown greater concern with regard to setting apart saving for the purpose of educating their children.

The occupation wise analysis of purpose of saving shows that the casual labourers has given more preference for acquisition of physical assets especially for acquiring a house of their own as a prime factor behind saving but zero per cent for old age and children's education. While the regular salaried has given 17.3 and 21.4 for the above two purposes.

27.7 per cent of the self employed shows greater concern, with regard to the motive of earning interest.

The marital status wise analysis of purpose of savings shows that old age security was given much importance by the widowed and divorced category and next to this is interest gain ownership of physical assets. The unmarried has given the highest percentage of 17.0 per cent for marriage and related expenses. Within the married category the highest percentage of 20.6 per cent was devoted to meet the educational expenses of their children and this shows parent's interest to educate the next generation so that they can lead a good way of life.

5.4 Analysis of Investment Preference of Households

Investment is carried out with a goal of getting a good return from the amount that is invested in various avenues. It is essentially the use of funds for productive purpose and done with the intention of allowing money to grow. Investment is channelizing savings into assets that will help to produce an income in relation to a specified time. While saving means putting aside a part of one's earnings subject to low risk and capital appreciation, investment focuses on earning return on the money invested and thus involves more risk.

Investment can be mainly in three forms, ownership investments like investing money in stocks, real estate properties etc. Lending investments include government bonds, corporate bonds etc and investments that are highly liquid are called cash equivalents. It comprises of money market instruments and similar other assets.

Regarding the source of money for investment 91.4 per cent preferred to use their own savings based on their existing financial capabilities for investment activities, only 8.6 per cent prefer to use borrowed funds for investment purposes and there by exhibits their nature to undertake risk. With regard to the asset portfolio of the households there is the presence of physical and financial assets.

The preferences for different assets depend on various factors such as risk and return, liquidity, safety, capital appreciation etc. An analysis of preference of investment shows that majority of households prefer investment in financial assets. 69.4 per cent prefer to invest their money in financial assets while only 2.5 per cent prefer to invest in physical assets. At

the same time 28.1 per cent prefer to invest money by giving a similar weightage to both financial and physical assets.

Table 5.8
Investment Preference of Households

Background variables	Attributes	Assets			
		Physical assets	Financial assets	Both	Total
Income	≤25000	2.2	90.1	7.5	100
	25000-50000	2.4	76.9	20.9	100
	50000-75000	4.0	74.7	21.3	100
	75000-100000	5.1	48.5	46.4	100
	≥100000	5.4	33.3	61.3	100
Education	SSLC	1.9	86.5	11.5	100
	Plus two	6.0	64.0	30.0	100
	Degree	2.5	71.2	26.2	100
	PG/ Professional	1.0	60.2	38.8	100
Age	Less than 30	0.0	80.9	19.1	100
	31-40	0.0	79.2	20.8	100
	41-50	4.2	58.5	37.3	100
	51 above	3.4	69.5	27.1	100
Occupation	Self employed	2.8	59.0	38.2	100
	Regular salaried	2.6	74.5	23.0	100
	Casual labor	0.0	95.0	5.0	100
Marital Status	Married	3.0	65.9	31.1	100
	Unmarried	0.0	83.0	17.0	100
	Divorced/Widow	2.2	76.1	21.7	100
Total		2.5	69.4	28.1	100

Source: Compiled from primary data

Within the income group as income level increases the preference for investment in physical assets increases and financial assets decreases. Higher the income the number of respondents who prefer to invest in both the assets increases. In the category of respondents

with monthly income above 100000, 61.3 per cent has preference towards both the assets. Lower income group prefer investment in financial assets, mainly because investment can be in smaller denominations. At the same time higher income group's affinity towards physical assets increases as income rises.

Education wise analysis of investment preferences shows that, household with higher level of education diversifies their investment portfolio by showing preference to both assets. As educational attainment is high people are more aware of various investment avenues and ties to attain their investment goals by reducing risk. Respondents with SSLC level of education prefer financial asset, 86.5 per cent prefer it, which is highest among the financial asset category. Within the investment in physical asset, highest per cent of 6.0 comes from the educational group with plus two qualifications, especially their interest to invest money in real estate business.

Respondents below the age group of 40 shows no preference to invest in physical asset and this may be due to the shortage of lump sum amount for investment. At the same time within this category 80.9 per cent shows preference towards financial assets and this is the highest value when compared to other age group. As age progresses inclination towards physical assets increases and this is mainly due to the risk aversion tendency.

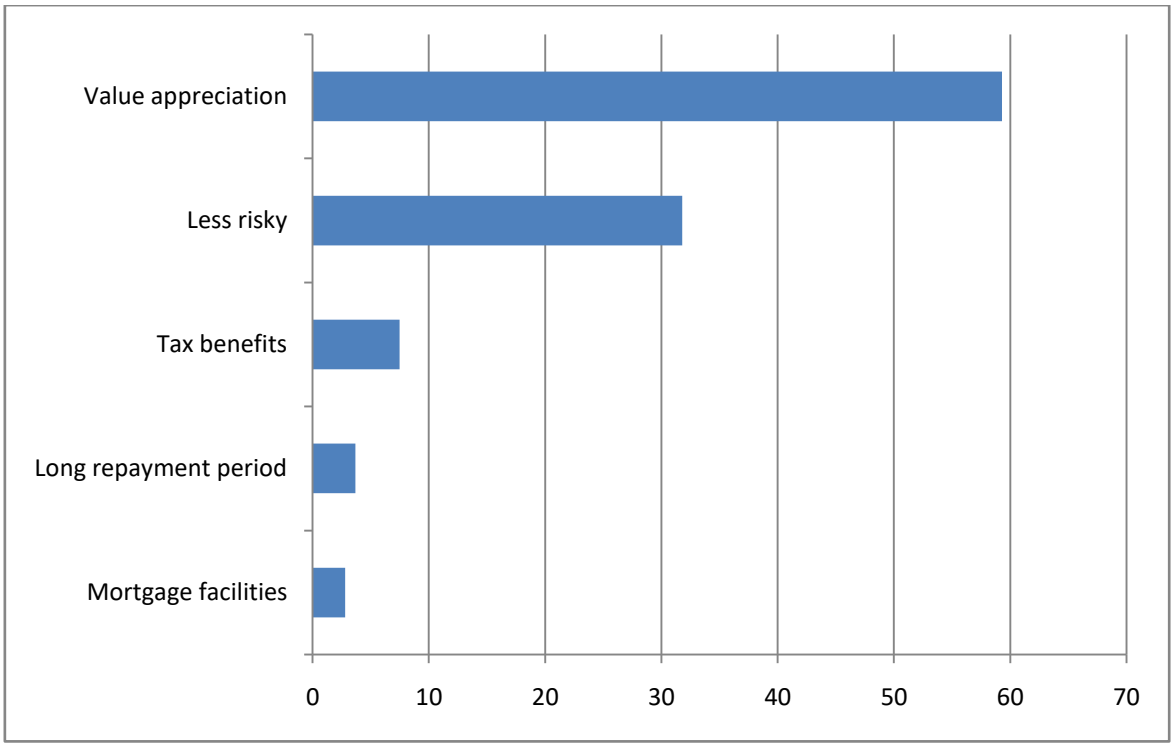
Married households give due weightage to a mixed portfolio, 31.1 per cent prefer both type of assets. In case of financial assets, highest per cent of 83.0 per cent comes from the category of unmarried persons. Divorced and unmarried group shows preference to both categories of assets but more inclination is towards financial assets.

5.5 Reasons for investment in physical assets

Physical assets are generally considered as less risky, with future value appreciation, but these are less liquid, not easily marketable and generally low income groups cannot afford to invest in it. People invest their funds with specific investment goals and this varies from one person to other. An analysis of the reasons of household's preference towards physical assets shows that 59.3 per cent has given importance to value appreciation as the main motive behind their preference towards physical assets. 31.8 per cent has pointed that less risk associated with the asset is the main reason. The other reasons sighted are tax benefits, long repayment period and mortgage facilities associated with physical assets.

Figure: 5.2 show the major reasons and the priority given by the households in choosing physical assets. Every individual expects to get maximum return from the money they invest. From this point itself it is evident that value appreciation which is sighted as the prime reason is highly relevant. The value of physical assets on a whole appreciates, even if it is investment in real estate or precious metals, at the same time the element of risk is low. The value of the yellow metal gold which has always a place in household's portfolio has shown an increase. In case of physical assets long repayment period and mortgage facilities are also considered but has not been of high relevance. One of the major setbacks stated with physical assets was the volume of investment and the low liquidity factor. The main factors highlighted where better returns together with low risk.

Figure 5.3
Reasons for investment in physical assets



The main reasons for investment in physical assets across income, education, age, occupation, and marital status are exhibited in Table No 5.9. Value appreciation has been the main objective of investment for the households with monthly income greater than one lakh. Within the lower income group 85.7 per cent has given importance to the low risk associated with physical assets as the most important reason. Tax benefits and mortgage facility has been considered by the respondents with income level above 25000 and has been least

considered by those with less than 25000 income. Long repayment period has been given importance by the households with the income range of 50000-75000.

Table 5.9
Reasons for investment in physical assets

Background variables	Attributes	Reasons				
		Value appreciation	Less risky	Tax benefits	Mortgage facilities	Long repayment period
Income	≤25000	14.3	85.7	0.0	0.0	1.1
	25000-50000	61.9	35.0	5.0	2.0	4.8
	50000-75000	38.9	33.3	5.6	5.6	10.0
	75000-100000	56.2	37.5	18.8	1.0	2.0
	≥100000	73.9	19.6	6.5	4.3	2.2
Education	SSLC	14.3	83.3	0.0	0.0	14.3
	Plus two	88.9	11.1	16.7	0.0	0.0
	Degree	61.4	27.3	4.5	4.5	0.0
	PG/ Professional	51.3	38.5	7.7	2.6	7.7
Age	Less than 30	66.7	33.3	0.0	0.0	0.0
	31-40	66.8	18.8	0.0	6.2	6.2
	41-50	56.2	33.3	0.0	0.0	4.2
	51 above	57.1	35.3	0.0	5.7	2.9
Occupation	Self employed	64.4	27.6	6.9	5.1	3.4
	Regular salaried	54.2	35.4	8.3	0.0	4.2
	Casual labor	0.0	100.0	0.0	0.0	0.0
Marital Status	Married	60.0	29.2	9.0	3.3	4.4
	Unmarried	50.0	50.0	0.0	0.0	0.0
	Divorced/Widow	60.0	40.0	0.0	0.0	0.0
Total		59.3	31.8	7.5	2.8	3.7

Source: Compiled from primary data

Education wise analysis shows that, among the different groups a large percentage has considered value appreciation and low risk as the major reasons for preferring investment in

physical assets. 14.3 per cent with SSSLC has considered long repayment period also an important factor of investment. Across the age group the first two factors were given prime importance.

Within occupation the casual labourers has given their first priority to only one factor that is low risk associated with physical assets. The self employed has considered all the five factors while the regular salaried has not given priority to the mortgage facility. When tax benefits are taken, regular salaried has given more importance to it. A married household has taken all the factors while the other two groups have given their preference only to capital appreciation and risk factor.

5.6 Reasons for investment in financial assets

Channelization of funds into financial assets helps to accelerate economy's growth process. Household's interest to invest in financial assets is more when compared to physical assets. The features of financial assets mainly include, periodical returns, flexibility in the term of maturity, level of risk varies, generally as return increases risk also increases, marketability and liquidity is more when compared to physical assets, different income groups can invest including the low income group. The main reasons for investment in financial assets are analyzed on the basis of include higher return, quick gain, tax benefits, liquidity and portfolio diversification. As in the case of physical assets higher return is the dominant reason and together with in case of financial assets faster gain in short span of time is also highlighted.

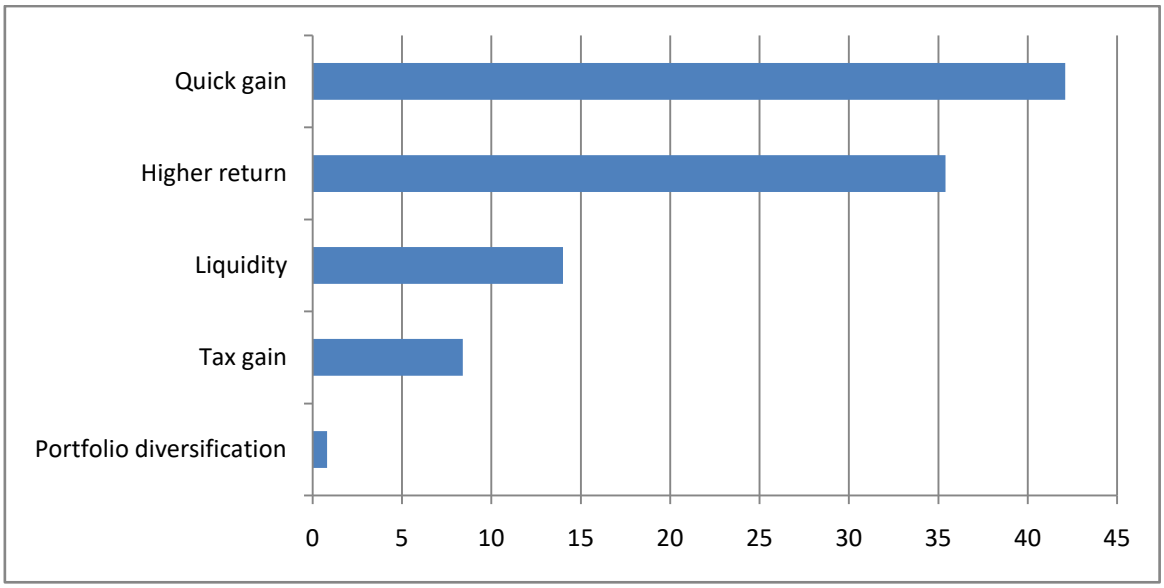
Figure: 5.4 shows the main objectives considered by household while investing in financial assets. Quick gain is considered as the dominant factor with regard to investment in financial asset, 42.1 per cent has given this factor as the first priority. 35.4 per cent has considered higher return as the prime objective while they invest in financial asset. Thus higher gain and higher return are the major factor that households consider while investing in financial assets. Liquidity is the third important factor; the ease at which they can retrieve money is more in case of financial assets when compared to that of physical assets.

Financial instruments with tax benefits have an upper hand when compared to other instruments that do not provide tax benefits. 8.4 per cent has the objective of getting tax benefits by investing in schemes that offer tax exemptions. In case of higher income group

with a regular source of income this is beneficial to a greater extend. A negligible per cent of 0.8 has given importance to portfolio diversification and this clearly states that households are less aware about gaining more from a balanced portfolio. Also they are not able to invest in varied assets according to their financial objectives.

Figure 5.4

Reasons for investment in financial assets



The major reasons for investment in financial assets and the first priority given are analyzed across income, education, age, occupation, and marital status in Table 5.10. Lower income group has given more preference for faster gain and higher return as the main reason while investing in financial assets while portfolio diversification is not at all ranked as the main objective. Tax gain through investment is the main concern of higher income group and it has been given high priority by the income group with monthly earnings between the ranges 750000-100000.

An analysis of the reasons for investment in financial assets within the income group reveals that quick gain from invested fund is the main objective of the lower income group as well as the higher income group. As income increases importance is given for tax benefits derived out of investment options and 19.4 per cent within the income group 75000-100000 are interested to invest fund in those instruments that gives tax exemptions. Lower middle and upper middle income group has given more importance to portfolio diversification when

compared to other income groups, and this is one of the major factors that help to reduce the risk element associated with investment.

Table 5.10
Reasons for investment in financial assets

Background variables	Attributes	Reasons				
		Quick gain	Higher return	Tax gain	Liquidity	Portfolio diversification
Income	≤25000	48.9	39.1	2.2	9.8	0.0
	25000-50000	35.6	41.1	5.6	15.6	2.2
	50000-75000	40.0	34.7	13.3	13.3	1.3
	75000-100000	32.3	41.9	19.4	9.7	0.0
	≥100000	48.5	20.6	10.3	20.6	0.0
Education	SSLC	46.2	34.6	3.8	13.5	0.0
	Plus two	38.3	40.4	8.5	12.8	1.9
	Degree	40.3	39.6	8.8	12.6	0.6
	PG/ Professional	44.9	26.5	10.2	17.3	1.0
Age	Less than 30	55.3	34.0	2.1	8.5	0.0
	31-40	49.4	33.8	5.2	11.7	0.0
	41-50	29.9	41.9	13.7	16.2	0.9
	51 above	44.3	30.4	7.8	15.7	1.7
Occupation	Self employed	42.6	33.3	7.1	16.3	0.7
	Regular salaried	42.1	35.9	9.7	12.8	1.0
	Casual labor	40.0	45.0	5.0	10.0	0.0
Marital Status	Married	42.4	33.7	10.2	13.6	1.1
	Unmarried	42.6	48.9	4.3	4.3	0.0
	Divorced/Widow	40.0	31.1	2.2	26.7	0.0
Total		42.1	35.4	8.4	14.0	0.8

Source: Compiled from primary data

Education helps to increase the awareness of different aspects of varied instrument avenues. Higher return, faster gain and liquidity are the major concern of investors within different level of education. As the education level increases tax benefits and portfolio

diversification is also given importance but respondents with SSLC level of education has not prioritized portfolio diversification as their first concern and this may be due to the lack of awareness regarding risk diversification.

Age wise analysis shows that respondents below the age group of thirty has given more importance to faster gain and return while tax gain and portfolio diversification has been given least importance. Within the age group of 41-50, 13.7 and 16.2 per cent has given high importance to tax benefits and liquidity. Portfolio diversification is given importance only by the respondents above 41 years, as age progresses more concern is given to reduce the risk element.

Within occupation the regular salaried group has given more importance to tax gain. Self employed group has considered all factors and 42.6 per cent prioritized quick gain as the prime reason for their preference towards financial assets. Casual laborers category has given least priority to tax benefit and asset diversification. Married respondents have given highest relevance to faster gain and the other reasons are also taken into account. While the unmarried has considered the return factor as the prime reason, while least preference is given to liquidity, tax gain and portfolio diversification.

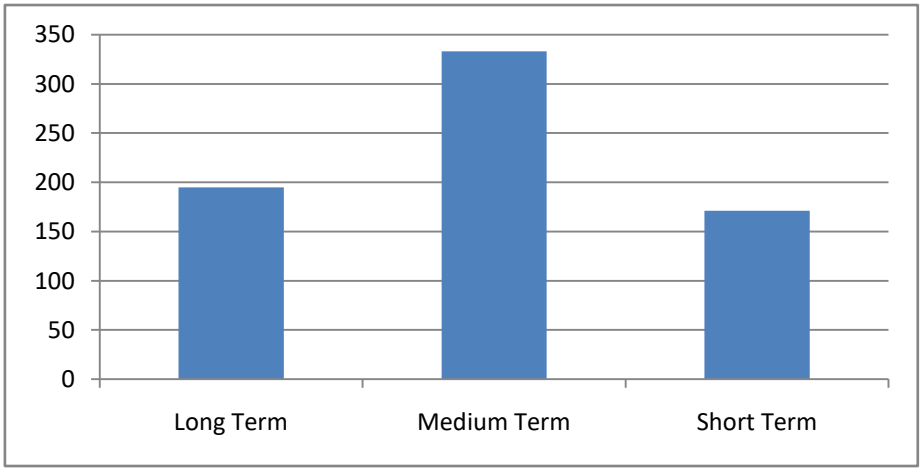
5.6 Preference of time period for saving and investment

An analysis of preference of time period for saving and investment of households shows that majority of them prefers medium term for their saving and investment activities. Short term investments with higher return are more attractive and individuals are more inclined towards it. Households with systematic and long term planning are moving along with investment avenues of long time periods. Liquidity is one of the prominent factors that induce households to hold assets with short term and medium term maturity. In case of long term investments periodic returns and shorter lock in periods are taken into account by the investors. Figure 5.5 depicts the preference pattern of households in relation to the duration of saving and investment of households.

The preference pattern of time horizon for saving and investment and the first priority given are analyzed across income, education, age, occupation, and marital status in Table 5.11. As monthly income level progress preference towards long term investment also increases. Within the lower income group only 4.1 per cent prefer longer durations at the same time 48.5 in this category prefer short term and are due to low level of funds and difficulty to plan for longer time periods. Respondents within the income category of 25000-50000 give more priority to medium term allocations.

Figure 5.5

Time horizon of saving and investment



Education wise analysis shows that respondents with lower educational attainment prefer short term investments. Degree holders has given importance to all categories while those with PG and professional degrees has prioritized long term saving and investments. Age wise analysis does not show much variation however lower income group prefers medium term and short term allocations.

Within occupation category self employed and regular salaried has given more or less equal percentages to long, medium and short term while casual laboures has given more preference towards short term saving and investments. 82.6 per cent of married respondents prefer long term allocations and this shows their interest in long term financial planning and concern for future. Unmarried has given importance to short time span while widow and divorced shows their preference towards long term and medium term avenues.

Table 5.11
Time Horizon

Background variables	Attributes	Long term	Medium term	Short term
Income	≤25000	4.1	23.4	48.5
	25000-50000	25.1	25.5	22.2
	50000-75000	27.2	21.6	10.5
	75000-100000	11.8	9.0	7.6
	≥100000	31.8	20.4	11.1
Education	SSLC	7.7	14.1	21.1
	Plus two	13.8	13.5	13.5
	Degree	41.5	43.8	50.3
	PG/Professional	36.9	28.5	15.2
Age	Less than 30	3.6	12.0	22.2
	31-40	15.9	21.6	26.3
	41-50	38.5	32.1	30.4
	51 above	42.1	34.2	21.1
Occupation	Self employed	44.6	40.5	34.5
	Regular salaried	54.9	53.8	53.8
	Casual labor	0.5	5.7	11.7
Marital Status	Married	82.6	75.1	70.2
	Unmarried	4.1	12.0	20.5
	Divorced/Widow	13.3	12.9	9.4
Total		100	100	100

Source: Compiled from primary data

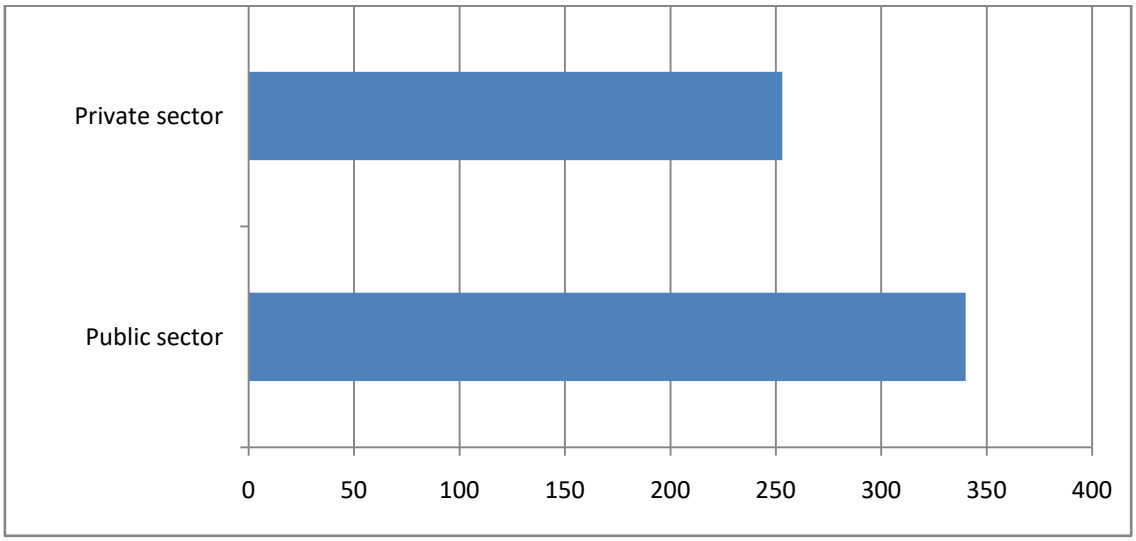
5.7 Sectoral preference of saving and investment

Households largely prefer to invest in public sector, majorities are risk averse and public sector is considered as a safe mode of saving and investment. The surety of return and security are the two main factors that increase the preference towards public sector. Return from the asset in public sector may be less when compared to private sector but the element of safety is highlighted. At the same time preference towards private sector avenues are also

increasing and certain group of respondents give equal preference to these sectors. Figure 5.6 shows the private sector and public sector preference of households.

Figure 5.6

Sectoral preference of saving and investment



An analysis of the preference of households for public sector and private sector across income, education, age, occupation, and marital status is exhibited in Table No 5.12. Within income group private sector is most preferred by the household with monthly income less than 50000. 26.7 per cent of households, with income above Rs 100000 prefer to save and invest in private sector.

The main factor related to public sector is the surety of the return and the minimization of risk. As income increases respondents inclination towards private sector also increases showing interest to undertake risk and to get more return.

Education wise analysis shows that, higher level of education, preference towards private sector is high. Among the category with degree and PG level of qualification 45.5 and30.4 per cent prefers investment in private sector. Lower education group has more affinity towards public sector. 15.3 per cent respondents with SSLC level of education prefer public sector while only 9.9 per cent is given to private sector.

As age progresses there is a tendency to move towards public sector, as people prefer to invest in more secure areas with less risk. 17.0 per cent of households below the age of 30

prefer private sector. Respondents between the age group of 30-50 give somewhat similar interest towards investing in public and private sector.

Table 5.12
Preference of sector

Background variables	Attributes	Sector	
		Public Sector	Private Sector
Income	≤25000	26.8	25.9
	25000-50000	26.5	20.2
	50000-75000	20.6	19.4
	75000-100000	8.5	7.9
	≥100000	17.6	26.7
Education	SSLC	15.3	9.9
	Plus two	13.5	14.2
	Degree	46.5	45.5
	PG/Professional	24.7	30.4
Age	Less than 30	12.4	17.0
	31-40	20.6	22.1
	41-50	34.1	37.2
	51 above	32.9	23.7
Occupation	Self employed	38.5	41.5
	Regular salaried	55.6	52.6
	Casual labor	5.9	5.9
Marital Status	Married	75.3	75.1
	Unmarried	12.1	15.4
	Divorced/Widow	12.6	9.5
Total		94.4	70.3

Source: Compiled from primary data

Within occupation self employed gives more interest towards private sector while regular salaried and casual labourers are giving importance to public and private sector for saving and investment. Marital status of the households reveals that married persons give

equal weight age to private and public sector as this helps to reduce risk and at the same time to increase returns. Unmarried categories are interested to put their money more in private sector.

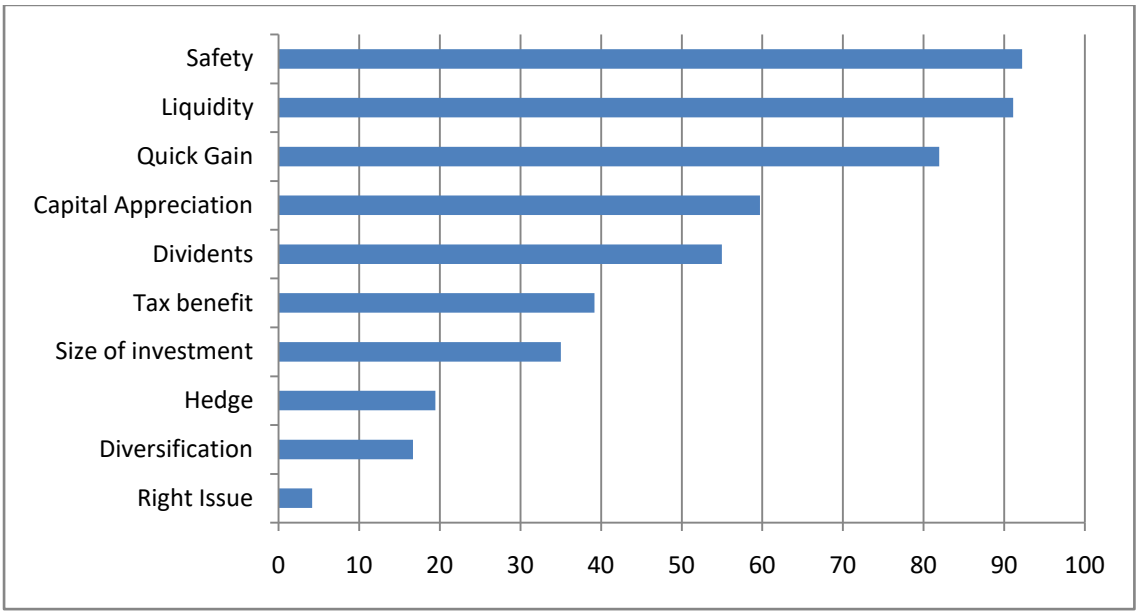
5.8 Factors considered at the time of saving and investment.

Each household has different preference, pattern and goal while they save and invest; depending upon all these various factors are taken into consideration as they divert their money into various assets. As far as physical and financial assets are taken the risk and return aspect differs. The purpose for which individuals save and invest differs and the priority of assets changes with the change in the purpose for which the funds are employed. These differences bring about variations in the factors that saver and investors considers at the time of choosing an asset.

Some of the major factors that are given priority by savers and investors are depicted in Figure 5.7. Among the various factors listed, safety and liquidity are the major factors, 90 per cent of the respondents has considered it as their prime concern.

Figure: 5.7

Factors considered at the time of saving and investment.



Next to this is the quick gain and return that they expect, 82 per cent considers faster returns as a main factor. While investing in stock market instruments dividends received is

the major factor while hedge against inflation and right issue are given lesser importance. 39 per cent and 35 per cent are giving tax benefit and size of investment as the other two factors considered while they save and invest their funds.

Various factors considered at the time of saving and investment across the variables like income, education, age, occupation, and marital status are is revealed in Table 5.13. 82.6 per cent of married respondents prefer long term allocations and this shows their interest in long term financial planning and concern for future.

While other factors that are listed are given less importance. As income progresses all factors are taken into account as such there is more diversification in the asset portfolio. Income group with monthly income above 100000 has given more importance to right and bonus issue, hedge against inflation and diversification, showing their inclination to invest in stock market instruments.

Education wise analysis shows that higher level of educational attainment gives importance to all factors, especially degree holders give more importance to the dividend aspect while PG and professionally qualified persons gives more concern to hedge against inflation and right issues. While these aspects are not taken into account by respondents with low level of education and this shows their lower participation in stock market instruments.

Better education enhances the knowledge of the saver regarding the assets and this helps him to consider all pros and cons while investing in that asset. As such the person gives importance not only to the return factor but also to the other benefits that he derives from that asset.

Age wise analysis shows that respondents less than 30 years mainly considers faster gain , return and liquidity while those between 31-40 gives more priority to right and bonus issue and this shows their willingness to take risk. Above the age of 51 higher concern is given to the dividends received. Regarding occupation regular salaried and self employed considers all the factors while regular salaried gives more importance to tax benefits. 61 per cent wish to save and invest in those instruments that are tax saving. Married households considers all factors while unmarried and widow shows less concern to factors such as diversification, right issue and hedge against inflation.

Table 5.13
Factors considered at the time of saving and investment (Percentage)

Background variables	Attributes	Safety	Dividend	Capital Appreciation	Quick Gain	Liquidity	Tax Benefit	Size of investment	Diversification	Right /bonus Issue	Hedge against inflation
Income group	<= 25000	27	17	20	28	26	4	12	7	0	6
	25001 - 50000	24	24	27	25	25	24	24	12	0	11
	50001 - 75000	16	15	12	15	15	23	15	20	18	24
	75001 - 100000	15	14	13	12	13	21	16	20	22	14
	>100000	18	30	29	19	20	28	33	42	60	44
Education	Less than or equal to SSLC	14	8	7	14	13	6	10	2	0	0
	Plus Two	15	10	13	13	14	8	13	13	0	1
	Degree	43	49	47	46	43	47	40	27	47	39
	Professional	27	33	32	26	29	40	37	58	53	60
Age	Less than 30	14	12	12	15	14	6	10	13	7	13
	31-40	21	16	18	20	22	18	25	28	47	26
	41-50	31	41	39	32	32	40	33	33	40	39
	51 above	33	92	31	33	32	37	33	35	7	23
Occupation	Self- Employed	41	40	41	39	41	39	48	53	47	56
	Regular Salaried	53	58	55	55	55	61	49	45	53	44
	Casual Labour	6	3	4	6	5	0	2	2	0	0
Marital Status	Married	73	79	79	74	72	84	77	75	10	81
	Unmarried	14	10	9	16	14	6	9	17	0	14
	Divorced/Widow	13	11	13	11	14	10	14	8	0	4
Total		92	55	60	82	91	39	35	17	4	19

Source: Compiled from primary data

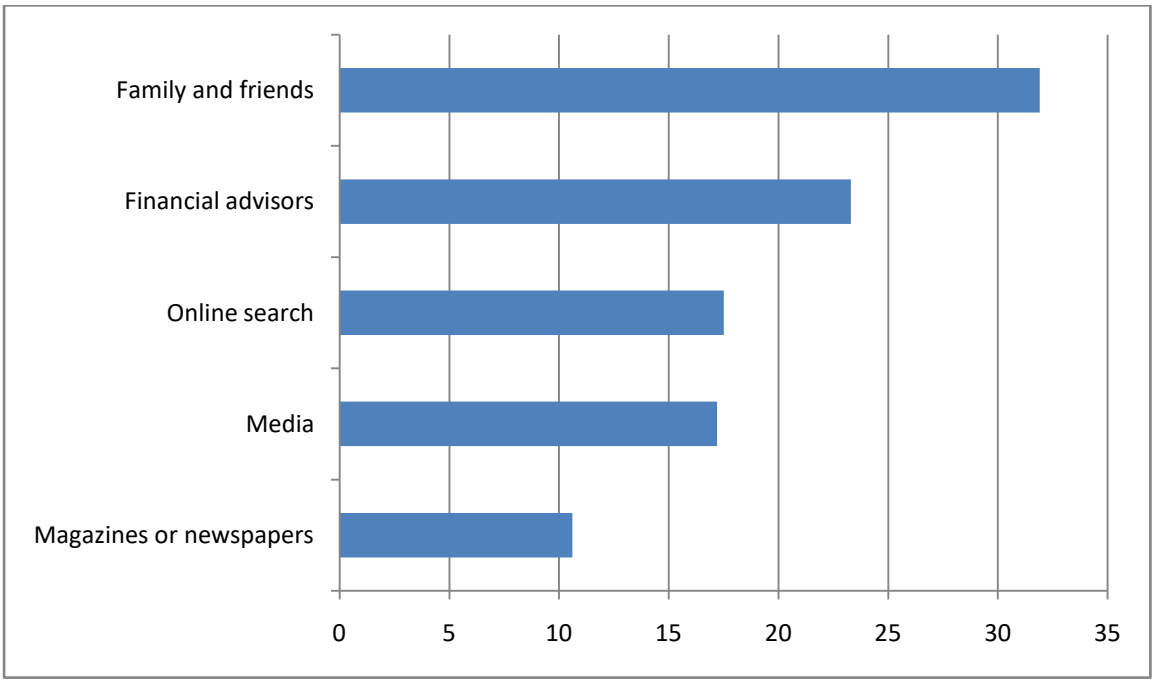
5.8 Source of information in financial decision making process

The financial decision making process of households are influenced by various factors and the sources from which they gather information is one of the important factor in this regard. In the modern world there are various sources from which information can be gathered and accordingly the saving and investment avenues changes. The decision making process is very crucial as it determines the benefits as well as the loss that one may incur. The right source of information helps a person to choose the right type of asset and thereby to

satisfy the perceived financial goal. If the information gathered is not reliable then the chance of risk of risk is high and the individual may incur huge losses. The most reliable source needs to be adopted so that best results can be accrued from the financial activity. The prominent sources upon which the respondents rely on while making their decisions are depicted in Figure 5.8.

The most relied source upon which the respondent gives their first priority is the information gathered from family and friends. 31.9 per cent has given the highest priority to the information that they receive from their near one's as many considers it as safe and secure to depend on the information from this source. 23.3 per cent depend on the advices and in formations that they receive from financial advisors. Financial advisors and consultants give more technical details, the risk and return from various instruments. The sources like media and online platforms are given similar priorities and 10.6 per cent gives priority to in formations received through newspapers and other published sources.

Figure 5.8
Source of information



The source of information relied by the respondents and the first priority given is analyzed across the variables- income, education, age, occupation, and marital status. Income wise study shows that lower and higher income group considers online searches and

resources available as important in their financial decision making process. The income category 25000 – 50000 gives more priority to information and advices from family and friends. Now a day's information through electronic media is easily and quickly available as such people has inclination towards it when compared to newspapers, magazines etc.

Table 5.14
Source of information in financial decision making

Background variables	Attributes	Reasons				
		Media	Family/ friends	Newspaper/ magazines	Financial advisors	Online search
Income	≤25000	16.3	33.7	13.0	9.8	35.9
	25000-50000	19.8	42.9	13.2	14.3	37.4
	50000-75000	20.0	29.3	6.7	29.3	30.7
	75000-100000	12.1	24.2	21.2	30.3	51.5
	≥100000	14.5	21.7	2.9	43.5	31.9
Education	SSLC	13.5	44.2	15.4	3.8	23.1
	Plus two	12.0	46.0	8.0	20.0	14.0
	Degree	24.4	30.0	10.6	20.0	15.6
	PG/ Professional	10.2	21.4	6.1	40.8	22.4
Age	Less than 30	6.4	21.3	25.5	14.9	31.9
	31-40	19.5	32.5	7.8	16.9	24.7
	41-50	25.4	47.5	3.4	34.7	16.9
	51 above	11.9	31.9	13.6	19.5	7.6
Occupation	Self employed	19.4	26.4	10.4	26.4	18.8
	Regular salaried	15.8	36.2	11.7	23.5	12.8
	Casual labor	15.0	40.0	0.0	0.0	45.0
Marital Status	Married	20.2	28.8	9.4	25.1	17.2
	Unmarried	10.6	31.9	17.0	14.9	25.5
	Divorced/Widow	6.5	50.0	10.9	21.7	10.9
Total		17.2	31.9	10.6	23.3	17.5

Source: Compiled from primary data

Regarding the education wise analysis the first priority is given to information and advices received from family and friends as it is considered as more reliable. Respondents with PG and professional degree, the highest priority i.e. 40.8 per cent make use of the information available from financial experts. This shows that higher educational qualification helps them to use more specialized and qualitative information to invest funds especially in financial assets. This helps them to have a balanced portfolio whereby risk can be reduced and return can be increased.

Within the age group, respondents less than 30 years of age prefer to make use of information available from online platforms as important in framing their saving and investment decisions. This shows the exposure of younger generations to electronic resources and it also helps them to get information's quickly and easily. Above thirty years of age affinity towards family and related sources is high. Next to it is information received from media and the advices from financial experts. As age progresses less importance is given to online searches and this may be due to the lack of skill to use the electronic resources.

Occupation wise analysis shows that all the three groups give high value to the information and advices from family members, friends and relatives. 26.4 per cent of the self employed gives equal importance to resources available from family as well as from financial advisors. Casual labourers give least priority to information from news papers and the role of financial advisors. Among the marital status all three groups rank family in the first position. Next to it 25.1 per cent of married respondents value advices from financial experts while 25.5 per cent of unmarried gives importance to online searches as an important source in financial decision making.

It is noted from the analysis that a large fraction of households depends on the information's provided by their family members, relatives and friends rather than from any formal or expert channels. To attain better financial standards and to achieve financial goals there should be provisions for better and formal financial advice.

5.9 Level of awareness of assets

Good financial decisions can be made with proper knowledge of various instruments that are available and this is related to households' awareness about different financial and physical avenues for saving and investment. Awareness and perception of assets helps the

person to choose the best according to the financial need as well as goal. In the present era of information revolution there are various sources through which wide arena of information about financial instruments are available. Dissemination of proper information is very crucial in the decision making process. Even though large numbers of options are available to households, many are not aware about all and also within the common avenues in which they save and invest the level of awareness vary. An analysis has been carried out to measure the level of awareness in relation to nine instruments.

The awareness level has been measured on a five point Likert scale, where it ranges from very high level of awareness to very low level of awareness. This tool help to quantify response or opinion based items. For evaluating the level of responses a maximum score of 4 was given to best i.e. with high level of awareness, followed by 3, 2, 1 to low level of awareness. For no opinion or neutral responses the score assigned was zero. The level of awareness is analyzed by using the statistical index constructed .The index score ranges from one to hundred and the household awareness about the instrument is high with index scores ranging from 66.66-100 ,moderate for index scores ranging from33.33-66.66 and low for scores ranging from 0-33.33. On the basis of the index value the instruments can be ranked accordingly.

Table 5.14 shows the level of awareness of the respondents in relation to the financial and physical instruments. Bank deposit has the highest index value and it shows that respondents are highly aware of this conventional mode. High level of awareness is seen in the case of bank deposits and post office savings as the index value is 84.4 and77.0. These two are the traditional avenues and generally considered as the safest mode. Moderate level of awareness is seen in the case of instruments like pension, insurance, mutual funds, bonds. Pension and provident fund are generally compulsory mode of saving and respondents are highly aware of the long term benefits derived out of these instruments.

In the post liberalization period the insurance sector has become more vibrant and people are interested towards it and are highly aware about. Among the various investment avenues the popularity of mutual funds are increasing and within this varied types of options are available. Mutual funds are ranked high among the stock market instruments. Low level of awareness is seen in the case of derivatives and the score is 31.5. Indian derivative market is still in an embryonic stage and its penetration into households is very less.

Among the physical assets both real estate and gold falls under the category of moderate awareness. The index value of gold is 49.9 and is slightly higher than that of real estate holdings. This moderate level of awareness may be one of the reasons for holding physical assets even when better options are available in case of financial instruments.

The level of awareness of various instruments shows that people are highly aware about the traditional instruments and moderately aware of the new options especially stock market instruments. This is one of the main reasons for lesser participation of households in stock markets and prefers to hold conventional modes even though the return is less and this also reduces the diversification of asset holdings in their portfolio.

Table 5.15
Level of awareness

Instruments	1*	2*	3*	4*	5#	Index^	Rank
Bank Deposits	182	142	28	6	2	84.4	I
Post Office Savings	109	221	5	0	25	77.0	II
Pension/PPF	78	165	10	4	103	57.7	III
Insurance	33	192	20	3	112	52.2	IV
Mutual funds	15	131	86	22	106	44.9	VII
Bonds/ Debentures	4	66	126	70	94	37.2	VIII
Derivatives	2	26	126	116	90	31.5	IX
Real Estate	11	151	60	34	104	45.2	VI
Gold	3	210	34	8	105	49.9	V

Note: * 1 to 4 shows level of awareness from highest to lowest
No opinion
^ [(1x 4+ 2 x 3+3 x 2+4 x 1+5 x 0) /(360x4)] x 100
Source: primary survey

5.9.1 Level of awareness about bank deposits

An enquiry in the level of awareness about bank deposits across different socio economic variables revels that within income group the awareness index reveals that, all income group has high level of awareness. Very high level of awareness is related to respondents with income above 100000. Median value also suggests high and very high values, that on an average all income groups are very much aware of this financial instrument.

Table 5.16
Level of awareness about bank deposits (Percentage and Median)

Background variables	Attributes	Awareness						
		Very high	High	low	Very low	Neutral	Median	Awareness Index
Income	≤25000	20.7	77.2	0.0	1.1	1.1	4	78.8
	25000-50000	56.0	33.0	8.8	1.1	1.1	5	85.4
	50000-75000	65.3	29.3	2.7	2.7	0.0	5	89.3
	75000-100000	45.5	36.4	12.1	6.1	0.0	4	80.3
	≥100000	69.6	10.1	20.3	0.0	0.0	5	87.3
Education	SSLC	30.8	61.5	5.8	0.0	1.9	4	79.8
	Plus two	44.0	48.0	6.0	0.0	2.0	4	83.0
	Degree	48.1	40.6	8.1	3.1	0.0	4	83.4
	PG/ Professional	68.4	21.4	9.2	1.0	0.0	5	89.3
Age	Less than 30	46.8	51.1	2.1	0.0	0.0	4	86.2
	31-40	35.1	54.5	10.4	0.0	0.0	4	81.2
	41-50	55.1	32.2	7.6	5.1	0.0	5	84.3
	51 above	57.6	32.2	8.5	0.0	1.7	5	86.0
Occupation	Self employed	52.8	39.6	6.2	0.7	0.7	5	85.8
	Regular salaried	53.1	34.2	9.7	2.6	0.5	5	84.2
	Casual labor	10.0	90.0	0.0	0.0	0.0	4	77.5
Marital Status	Married	55.5	33.3	8.2	2.2	0.4	5	85.5
	Unmarried	31.9	66.0	2.1	0.0	0.0	4	82.4
	Divorced/Widow	39.1	47.8	10.9	0.0	2.2	4	80.4

Source: Compiled from primary data

Within education level the highest index value of 89.3 is with respondent's having post graduate level of education. As education level progresses the awareness level also increases and this helps them to take more wise investments. Respondents with low level of education are also aware of this financial instrument and in the process of financial inclusion

as a prior step individuals hold a bank account to carry out their financial transactions in a more transparent manner. The variation in index is less and the lowest value is only 79.8.

Among age group the index value is above eighty and this shows very high level of awareness about the different aspects of this financial instrument. The employment aspect revels that among casual labourers the index value is 77.5 which is slightly less when compared to the other two categories. But overall the awareness level is high. In relation to the marital status married households have very high level of awareness about bank deposits. The average and index value is high.

5.9.2 Level of awareness about post office schemes

Post office schemes are generally considered as one of the conventional and safest mode of savings. Table 5.17 shows the awareness level of this instrument among the respondents.

Within the income category there is high level of awareness, but very high level response is not recorded. This may be one of the reasons that even though it is a riskless asset affinity towards it is low. The average and index value is high among households with income above 10000.

In case of education those with SSLC level of education has moderate awareness about the various post office schemes and its benefits. Above this level of education all other groups have high level of awareness. Among the age group the index value varies around 74 – 78, showing high level of awareness. No one has very low level of awareness and it shows that all respondents in all age group are aware of this financial instrument.

Occupation wise analysis reveals that respondents have high level of awareness in relation to post office schemes. In case of marital status all categories have high awareness and the index value is high among regular salaried. As systematic way of savings the regular salaried are interested in this asset and it also has tax saving schemes that attracts this group. Marital status shows that all groups have high level of awareness. Very few responses are recorded under low level of awareness and no respondent has very low awareness showing the penetration of postal schemes and the agents play an important role in pooling the postal savings even in small denominations.

Table 5.17
Level of awareness about Post office schemes (Percentage and Median)

Background variable	Attributes	Awareness					
		Very high	High	low	Neutral	Median	Awareness Index
Income	≤25000	6.5	88.0	0.0	5.4	4	72.6
	25000-50000	25.3	68.1	0.0	6.6	4	76.4
	50000-75000	40.0	46.7	2.7	10.7	4	76.3
	75000-100000	42.6	45.5	9.1	3.0	4	81.1
	≥100000	52.2	40.6	0.0	7.2	5	82.6
Education	SSLC	7.7	75.0	0.0	17.3	4	63.9
	Plus two	10.0	86.0	0.0	4.0	4	74.5
	Degree	28.1	62.5	2.5	6.9	4	76.3
	PG/Professional	56.1	39.8	1.0	3.1	5	86.5
Age	Less than 30	80.9	4.3	0.0	0.0	4	75.5
	31-40	59.7	10.4	0.0	0.0	4	74.7
	41-50	55.9	5.9	0.0	4.2	4	78.0
	51 above	60.2	6.8	0.0	0.0	4	78.2
Occupation	Self employed	27.8	61.8	0.7	9.7	4	74.5
	Regular salaried	35.2	57.7	2.0	5.1	4	79.5
	Casual labor	0.0	97.0	0.0	5.0	4	71.3
Marital Status	Married	33.7	56.6	1.9	7.9	4	77.1
	Unmarried	14.9	83.0	0.0	2.1	4	77.1
	Divorced/Widow	26.1	67.4	0.0	6.5	4	76.6

Source: Compiled from primary data

5.9.3 Level of awareness about Pension/PPF

Within the income category respondents with monthly income less than 25000 have low level of awareness regarding pension and provident fund. As these instruments are generally of a compulsory mode of saving only those who are into it tries to get the

information's related to it. Low income earners, especially those without a regular source of salary are not involved in allocating funds to these instruments. Income earners amid 25000-50000 have moderate level of awareness and those with income above 50000 have high level of awareness.

Table 5.18
Level of awareness about Pension/PPF (Percentage and Median)

Background variables	Attributes	Awareness						
		Very high	High	Low	Very low	Neutral	Median	Awareness Index
Income	≤25000	0.0	43.5	0.0	0.0	56.5	4	32.6
	25000-50000	19.8	48.4	3.3	2.2	26.4	4	58.2
	50000-75000	37.3	42.7	6.7	0.0	13.3	4	72.7
	75000-100000	27.3	54.5	3.0	6.1	9.1	4	71.2
	≥100000	33.3	44.9	1.4	0.0	20.3	5	67.8
Education	SSLC	1.1	28.8	9.6	3.8	55.8	3	29.3
	Plus two	10.0	32.0	2.0	0.0	56.0	3	35.0
	Degree	22.5	51.9	1.2	0.6	23.8	4	62.2
	PG/Professional	36.7	52.0	2.0	1.0	8.2	4	77.0
Age	Less than 30	8.5	53.2	2.1	0.0	36.2	4	49.5
	31-40	20.8	45.5	5.2	0.0	28.6	4	57.5
	41-50	22.9	41.5	1.7	1.7	32.2	4	55.3
	51 above	26.3	47.5	2.5	1.7	22.0	4	63.6
Occupation	Self employed	16.7	38.2	6.9	0.7	37.5	4	49.0
	Regular salaried	26.6	53.6	0.0	1.5	17.3	4	68.1
	Casual labor	0.0	25.0	0.0	0.0	75.0	3	18.8
Marital Status	Married	25.1	46.4	3.1	0.7	24.7	4	61.6
	Unmarried	12.8	36.2	0.0	4.3	46.8	3	41.0
	Divorced/Widow	10.9	52.2	4.3	1.1	32.6	4	52.2

Source: Compiled from primary data

The values clearly show the disparity in the level of awareness among different level of earners. In case of education wise analysis larger disparity is seen .Respondents with lower level of education has low level of awareness. Those with SSLC level of education has low awareness ,while those with plus two and degree has moderate level of awareness and above that there is high level of awareness.

Age wise analysis shows that ,respondents in all age levels has moderate level of awareness regarding this financial instrument and persons above the age of 51 shows more affinity and it is mainly to secure a regular source of income in their old age so as to lead a comfortable life . Related to occupation the regular salaried and self employed has moderate level of awareness. As far as regular salaried are concerned as part of a compulsory contribution they hold this asset.

Casual labourers have only low level of awareness. They do not have a regular source of income and the nature of employment itself is one of the main reasons for the lack of awareness with regard to these assets. Even though various types feasible pension funds are available, that ensures future security and flow of income many are unaware about such options and because of that they do not get benefits out of it. Among marital status all categories are moderately aware of this financial instrument while highest index value of 61.6 is in relation to married household. Unmarried have a lower index value of 41 when compared to the married and because of this their participation in these instruments is low. In case of widowed and divorced the index value is 52.2, showing moderate level of awareness.

5.9.4 Level of awareness about Insurance

Insurance is always a safety cover to reduce the negative impacts of future uncertainties; as such it helps to reduce the risk and to face future with more comforts. Income wise analysis shows that a respondent with less than 25000 monthly incomes has low level of awareness regarding various types of insurance. Households with income around 75000-100000 has high level of awareness and the remaining with moderate level.

Education wise analysis shows that as education level progresses the awareness of this financial instrument also increases and this helps respondents with higher education to take wise financial decisions. The post graduate and professional degree holders has high level of awareness while the remaining has moderate level of awareness.

Table 5.19
Level of awareness about Insurance (Percentage and Median)

Background variables	Attributes	Awareness						
		Very high	High	low	Very low	Neutral	Median	Awareness Index
Income	≤25000	0.0	28.3	7.6	1.1	63.0	3	25.3
	25000-50000	13.2	59.3	2.2	2.2	23.1	4	59.3
	50000-75000	9.3	64.0	6.7	0.0	20.0	4	60.7
	75000-100000	12.1	75.8	9.1	0.0	3.0	4	73.5
	≥100000	14.5	56.5	4.3	0.0	24.6	4	59.1
Education	SSLC	1.9	30.8	19.2	3.8	44.2	3	35.6
	Plus two	2.0	46.0	4.0	0.0	48.0	3	38.5
	Degree	8.8	56.9	3.1	0.6	30.6	4	53.1
	PG/ Professional	17.3	63.3	3.1	0.0	16.3	4	66.3
Age	Less than 30	8.5	38.3	2.1	0.0	51.1	3	38.3
	31-40	3.9	55.8	6.5	1.3	32.5	4	49.4
	41-50	7.6	54.2	7.6	0.0	30.5	4	52.1
	51 above	14.4	56.8	4.2	1.7	22.9	4	59.5
Occupation	Self employed	9.0	47.9	6.9	0.0	36.1	4	48.4
	Regular salaried	10.2	60.7	2.6	1.5	25.0	4	57.4
	Casual labor	0.0	20.0	25.0	0.0	55.0	3	27.5
Marital Status	Married	9.4	59.6	5.6	0.0	25.5	4	56.8
	Unmarried	8.5	25.5	0.0	4.3	61.7	3	28.7
	Divorced/Widow	8.7	45.7	10.9	2.2	32.6	4	48.9

Source: Compiled from primary data

Within the age group moderate level of awareness is seen in relation to insurance schemes, and due to this many may not be able to choose the right schemes suitable to their financial goals. Respondents below the age of 30 years have comparatively less awareness

when compared to other age groups. Low age group is less concerned about future uncertainities and because of that is less interested to invest in insurance schemes.

Occupation wise casual laboures has low level of awareness while regular salaried and self employed are moderately aware. The source of income is not regular for the casual labourers and because of that they show less awareness and investment in these assets is comparatively less by this category. Unmarried persons have low level of awareness about investment in insurance schemes while the other two groups are moderately aware.

5.9.5 Level of awareness about Mutual funds

Investment in Mutual funds has gained popularity and households are interested to invest in this instrument as varied types of products are available in relation to this instrument. Table 5.18 depicts household's awareness level about mutual funds across different economic and social variables. Within the income classes respondents with income above 100000 has high awareness about mutual funds and the index value is 68.1. Those with income amid 25000-100000 have moderate awareness and lower income group has low level of awareness. This clearly shows those higher income groups are more aware of the possibilities of investment in mutual funds to earn more return.

Education wise analysis shows that , those with qualification degree level and above are moderately aware of this instrument while households with lower level of education has low index value showing low awareness level. This low awareness level pulls back the household in investing in mutual funds. An analysis of age group shows that higher age group is more aware of the various aspect of this instrument.

Respondents less than 30 years of age have low awareness while above 30 years of age respondents have moderate awareness. Regular salaried and self employed has moderate level of awareness about investing in mutual fund while casual laborers has low level of awareness and because of this their investment participation is low in mutual funds. Unmarried group has low awareness while the other two categories have moderate awareness.

Table 5.20
Level of awareness about Mutual funds (Percentage and Median)

Background variables	Attributes	Awareness						
		Very high	High	Low	Very low	Neutral	Median	Index
Income	≤25000	0.0	5.4	32.6	12.0	50.0	3	23.4
	25000-50000	0.0	29.7	30.8	5.5	31.1	3	39.0
	50000-75000	8.0	30.7	33.3	4.0	24.0	3	48.7
	75000-100000	12.1	63.6	6.1	6.1	12.1	4	64.4
	≥100000	7.2	79.7	1.4	1.4	10.1	4	68.1
Education	SSLC	0.0	1.9	51.9	11.5	34.6	2	30.3
	Plus two	2.0	18.0	28.0	14.0	38.0	3	33.0
	Degree	1.2	40.0	22.5	2.5	33.8	3	43.1
	PG/ Professional	12.2	58.2	9.2	5.1	15.3	4	61.7
Age	Less than 30	6.4	14.9	19.1	4.3	55.3	3	28.2
	31-40	1.3	35.1	24.7	10.4	28.6	3	42.5
	41-50	5.1	43.2	18.6	5.1	28.0	3	48.1
	51 above	4.2	39.0	30.5	5.1	21.2	3	50.0
Occupation	Self employed	6.2	34.0	22.9	4.9	38.9	3	44.4
	Regular salaried	0.1	41.8	21.9	6.1	27.0	3	46.9
	Casual labor	0.0	0.0	50.0	15.0	35.0	2	28.8
Marital Status	Married	4.5	41.2	20.6	4.5	29.2	3	46.8
	Unmarried	6.4	14.9	25.5	10.6	42.6	3	33.0
	Divorced/Widow	0.0	30.4	41.3	10.9	17.4	2	46.2

Source: Compiled from primary data

5.9.6 Level of awareness about Bonds/Debentures

Table 5.18 depicts the level of awareness of respondents in relation to bonds and debentures. Income wise analysis shows that low income group has very low level of awareness about stock market instruments.

Table 5.21
Level of awareness about Bonds/Debentures (Percentage and Median)

Background variables	Attributes	Awareness						
		Very high	High	Low	Very low	Neutral	Median	Awareness index
Income	≤25000	0.0	1.1	31.5	35.9	31.5	2	25.5
	25000-50000	0.0	3.3	57.1	16.5	23.1	2	35.2
	50000-75000	2.7	16.6	28.0	25.3	28.0	2	35.0
	75000-100000	0.0	24.2	39.4	0.0	26.4	3	37.9
	≥100000	2.9	60.9	15.9	4.3	15.9	4	57.6
Education	SSLC	0.0	1.9	28.8	51.9	17.3	1	28.8
	Plus two	0.0	6.0	46.0	24.0	24.0	2	33.5
	Degree	1.2	13.8	40.6	13.1	31.2	2	35.2
	PG/ Professional	2.0	40.8	23.5	10.2	73.5	3	46.9
Age	Less than 30	0.0	12.8	29.8	14.9	42.6	3	28.2
	31-40	0.0	20.8	36.4	26.0	16.9	2	40.3
	41-50	2.5	19.5	32.2	20.3	25.4	2	38.3
	51 above	0.8	17.8	39.0	16.1	26.3	2	37.7
Occupation	Self employed	0.0	25.7	30.6	22.2	21.5	2	40.1
	Regular salaried	2.0	14.8	40.3	13.3	29.6	2	36.6
	Casual labor	0.0	0.0	15.0	60.0	25.0	1	22.5
Marital Status	Married	1.5	9.9	33.3	17.6	27.7	4	39.7
	Unmarried	0.0	12.8	36.2	23.4	27.7	2	33.5
	Divorced/Widow	0.0	15.2	43.5	26.1	15.2	2	37.5

Source: Compiled from primary data

Respondents with income level greater than 25000 have moderate level of awareness. High level of awareness is not recorded and it shows that majority lacks knowledge about these financial instruments and that is one of the main reasons for less participation in such financial instruments. Above 100000 monthly income the index value is 57.6, and this reveals that even in high income strata the awareness towards bonds and debentures is only moderate.

Educational attainment and level of awareness of bonds and debentures shows that even with high level of educational attainment the index value shows that respondents has moderate awareness. Generally as education level increase the awareness must also increase but this is not seen in the case of stock market instruments. Even though financial inclusion is high financial literacy of such instruments are low. Due to the lower awareness people are not able to invest money in such channels and this prevents them from reaping gain from financial markets.

Regarding age, younger generations must be more aware of the new instruments but this is not happening. The index value shows that respondents less than 30 years of age has low awareness, the value is only 28.2. Awareness level is highest among the age group 31-40 and this also shows their interest to earn more by investing in avenues with higher return. Occupation wise analysis shows that casual labourers have very low level of awareness, only 22.5. The other two categories have moderate awareness and the highest index value of 40.1 is among the self employed category. Within marital status all the three categories has moderate level of awareness about bonds and debentures.

5.9.7 Level of awareness about Derivatives

Derivatives are financial securities and its main purpose is to reduce and hedge risk. Among the financial instruments respondents have shown lower awareness regarding this instrument.

The income wise analysis shows that respondents with less than 25000 incomes have very low level of awareness and the index value is only 26.4. Higher income group has only moderate level of awareness and the highest index value is 35.3. Due to the low awareness of this instrument many are not interested in investing in this asset. There is a need to make these instruments popular so that many will actively participate in it.

Table 5.22
Level of awareness about Derivatives (Percentage and Median)

Background variables	Attributes	Awareness						
		Very high	High	Low	Very low	Neutral	Median	Awareness Index
Income	≤25000	0.0	1.1	30.4	41.3	27.2	2	26.4
	25000-50000	0.0	2.2	49.5	34.1	14.3	2	34.9
	50000-75000	2.7	10.7	28.0	42.7	16.0	2	35.3
	75000-100000	0.0	9.1	36.4	24.2	30.3	2	31.1
	≥100000	0.0	17.4	29.0	10.1	43.5	3	30.1
Education	SSLC	0.0	1.9	17.3	67.3	13.5	1	22.9
	Plus two	0.0	6.0	40.0	36.0	18.0	2	33.4
	Degree	1.2	6.2	43.1	25.0	20.4	2	33.7
	PG/ Professional	0.0	12.2	28.6	23.5	35.7	2	31.6
Age	Less than 30	0.0	2.1	29.8	25.5	42.6	3	22.9
	31-40	0.0	6.5	36.4	41.6	15.6	2	33.4
	41-50	0.8	10.2	35.6	29.7	23.7	2	33.7
	51 above	0.8	6.8	35.6	31.4	25.4	2	31.6
Occupation	Self employed	0.0	11.1	26.4	37.5	25.0	2	30.9
	Regular salaried	1.0	5.1	43.9	25.0	25.0	2	33.0
	Casual labor	0.0	0.0	10.0	65.0	25.0	1	21.3
Marital Status	Married	0.7	9.0	35.6	31.1	23.6	2	33.1
	Unmarried	0.0	0.0	29.8	36.2	34.0	2	23.9
	Divorced/Widow	0.0	4.3	37.0	34.8	23.9	2	30.4

Source: Compiled from primary data

Educational attainment of the respondents shows that even households with higher educational qualification are less aware of this instrument. Respondents with SSLC level of education have low awareness while other categories are moderately aware and the highest

value of index is only 33.7. The other variables like age, occupation and marital status also show a similar result and respondents are only moderately aware of derivatives.

5.9. 8 Level of awareness about Real estate

In case of awareness of real estate, higher income group has more affinity towards it. Respondents with monthly income above 100000 have awareness about the various aspects of investment in real estate and the index value is 64.9. The other income groups except the low income group are moderately aware of this particular physical asset. The least aware are the lower income group with low index value of 32.1, and this may be due to the reason that this field requires large volume of funds which may not be affordable by the low income group.

Table 5.23
Level of awareness about Real estate (Percentage and Median)

Background variables	Attributes	Awareness						
		Very high	High	low	Very low	Neutral	Median	Awareness Index
Income	≤25000	0.0	21.7	26.1	10.9	41.3	3	32.1
	25000-50000	0.0	39.6	17.6	16.5	26.4	3	42.6
	50000-75000	1.3	49.3	13.3	4.0	32.0	4	46.0
	75000-100000	0.0	48.5	15.2	9.1	27.3	3	46.2
	≥100000	14.5	60.9	7.2	4.3	13.0	4	64.9
Education	SSLC	0.0	15.4	25.0	19.2	40.4	3	28.8
	Plus two	0.0	60.0	14.0	6.0	20.0	4	53.5
	Degree	3.1	43.1	17.5	7.5	28.8	3	46.1
	PG/Professional	6.1	44.9	12.2	9.2	27.6	4	48.2
Age	Less than 30	0.0	27.7	10.6	6.4	55.3	3	27.7
	31-40	2.6	35.1	24.7	10.4	27.3	3	43.8
	41-50	3.4	50.0	14.4	9.3	22.9	4	50.4
	51 above	4.2	44.1	16.1	10.2	25.4	3	47.9
Occupation	Self employed	6.2	46.5	11.8	5.6	29.9	4	48.4
	Regular salaried	1.1	42.9	17.9	10.7	27.6	3	44.8
	Casual labor	0.2	0.0	40.0	25.0	35.0	2	26.3
Marital Status	Married	4.1	47.6	12.4	9.0	27.0	4	48.2
	Unmarried	0.0	25.5	19.1	8.5	46.8	3	30.9
	Divorced/Widow	0.0	26.1	39.1	13.0	21.7	3	42.4

Source: Compiled from primary data

Education wise analysis shows that, respondents with plus two level of education exhibits higher awareness and the index value is 53.3. Higher education group are not showing much awareness and this shows that higher the educational attainment the attraction towards this physical asset is not high.

Within the age group the index varies between 27.7 and 50.4, younger generations are less aware while the age group around 41-50 shows higher level of awareness when compared to other groups. Occupation wise, casual laboures has low awareness while regular salaried and self employed are moderately aware of the various aspects of investment in real estate. In case of marital status unmarried have low level of awareness while married and divorced have moderate level of awareness. The index ranges in around 30.9 to 40.2.

5.9. 9 Level of awareness about Gold

Households always have an attraction towards gold due to many reasons. Majority of households hold some amount of gold and has desire to increase its volume. The level of awareness about this asset is shown in Table 5.24.

The awareness level in relation to income group shows that respondents having income up to one lakh are moderately aware of investment in this physical asset. Very low level of awareness is given by a small percentage and it shows households interest towards this asset.

Education wise analysis shows that majority has a moderate level of awareness and the index ranges around 32.7 to 55.9. Within the age group all categories are moderately aware of this physical asset, especially with regard to the benefits reaped out of this asset. Marital status wise analysis shows that a married household has more awareness and the index value is 54.4. The other two categories are moderately aware with index value around 35-37.

The analysis of the awareness level of savers and investors reveals that respondents are highly aware of the conventional form of financial instruments especially bank deposits and post office savings. Income, age and educational attainment show a positive impact on the level of awareness. Awareness of mutual funds, bonds /debentures are moderate while that of derivatives is less. There is a need to increase the financial literacy and awareness of

diversified investment avenues. Regarding the physical assets like gold and real estate respondents are moderately aware as such investment in these assets are carried out not by understanding all dimensions of these assets.

Table 5.24
Level of awareness about Gold (Percentage and Median)

Background variables	Attributes	Awareness						
		Very high	High	Low	Very low	Neutral	Median	Awareness Index
Income	≤25000	0.0	33.7	9.9	2.2	4.3	3	30.7
	25000-50000	0.0	53.8	12.1	2.2	31.9	4	47.0
	50000-75000	1.3	66.7	10.7	1.3	20.0	4	57.0
	75000-100000	0.0	66.7	9.1	6.1	18.2	4	56.1
	≥100000	2.9	84.1	4.3	1.4	7.2	4	68.5
Education	SSLC	0.0	36.5	9.6	1.9	51.9	3	32.7
	Plus two	0.0	64.0	6.0	4.0	26.0	4	52.0
	Degree	0.6	60.0	10.6	0.6	28.1	4	51.1
	PG/ Professional	2.0	64.3	9.2	4.1	20.4	4	55.9
Age	Less than 30	0.0	55.3	6.4	4.3	34.0	4	45.7
	31-40	3.9	46.8	5.2	1.3	42.9	4	41.9
	41-50	0.0	61.9	10.2	3.4	24.6	4	52.3
	51 above	0.0	63.6	12.7	0.8	22.9	4	54.2
Occupation	Self employed	2.1	65.3	5.6	2.1	25.0	4	54.3
	Regular salaried	0.0	57.7	12.2	2.0	28.1	4	49.9
	Casual labor	0.0	15.0	10.0	5.0	70.8	3	17.5
Marital Status	Married	1.1	65.5	7.1	2.2	24.0	4	54.4
	Unmarried	0.0	40.4	12.8	4.3	42.6	3	37.8
	Divorced/Widow	0.0	34.8	19.6	0.0	45.7	3	35.9

Source: Compiled from primary data

5.10 Perception of investors in relation to saving and investment

Households save and invest with various motives and intentions. The perception of investors in relation to saving and investment also differs. The perception has been analysed in relation to six statements related to saving and investment-

Savings and investment increases income of the family;
It improves one's standard of living;
Savings and investment are carried out mainly with the purpose of tax exemption;
Helps to accumulate financial and physical assets;
Increases the ability to meet unexpected contingencies;
Savings and investment helps to enhance social recognition.

The perception of investors has been analyzed on a five point likert scale; where the responses vary from strongly agree to strongly disagree. On the basis of the responses a perception index was generated and the responses were ranked accordingly. Table 5.25 shows the perception of investors and the ranks in accordance with the index evaluated.

Table 5.25
Perception of investors in relation to saving and investment

Statement	1*	2*	3*	4*	5#	Perception Index^	Rank
S1	196	158	2	0	4	87.63	II
S2	131	222	0	0	7	88.05	I
S3	78	218	0	5	59	67.43	III
S4	55	238	0	3	64	65.06	IV
S5	44	196	12	5	103	55.06	V
S6	24	111	58	27	140	39.70	VI

Note: * 1 to 4 shows the response level from highest to lowest
No opinion
^ [(1x 4+ 2 x 3+3 x 2+4 x 1+5 x 0) /(360x4)] x 100
Source: Primary survey

The index score ranges from one to hundred and the household perception related to these statements varies around the index value of 39.7 to 88.05. Majority of the household moves along with the perception that saving and investment improves one's standard of

living. 196 respondents state that they strongly agree with this statement. Next to this is the belief that saving and investment increases income of the family 222 respondents agree with this. The index value of 67.43 is associated with the statement that saving and investment are carried out for tax exemption purposes and it is ranked in the third position.

The statement savings helps to acquire more of financial and physical asset is ranked as fourth, with index value 65.06. A moderate level of perception is given to the statement that saving and investment increases the ability to meet unexpected contingencies, 196 respondents agree with this perception .The least index value of 39.7 is given to the statement that saving and investment helps to enhance social recognition. Thus the perception of savers and investors varies as such differences occur in their saving and investment behavior.

5.11 Conclusion

The saving and investment pattern of households has undergone various structural shifts in the past years especially after the economic reforms. Household's asset portfolio comprises of various types of assets according to the financial interests, and this varies from one person to the other. In case of physical assets people are more inclined towards gold, as investment in gold is considered safe and due has value appreciation. The opening up of the economy and emergence of private insurance companies has its impact on household saving portfolio. Among the most preferred stock instrument is mutual funds, but still people do not fully understand the intricacies of stock market and are not willing to invest in financial markets. Household largely prefer to invest in public sector, majority are risk averse and public sector is considered as a safe mode of saving and investment. The level of awareness of various instruments shows that people are highly aware about the traditional instruments and moderately aware of the new options especially stock market instruments. Regarding the perception of households related to saving and investment, majority of the them moves along with the perception that saving and investment improves one's standard of living and ensures better quality of life.

Chapter- VI

Determinants of Saving Behaviour of Urban Households

In the last chapter the preference, awareness and perception of households with regard to saving and investment among the different income, education, age, occupation, and marital status has been analyzed. Households need to make successful financial plan to preserve apart funds for savings and invest it wisely. Savings are significant to maintain a good level of investment and thereby to get better returns .Economic; social and demographic factors influence the saving behavior of households. Saving is carried out to meet the needs of future and the saving behavior varies from one person to another. Household's rate and size of savings are determined by multitude of factors, an attempt is made to analyze the vital determinants related to saving.

6.1 Monthly savings of the households

The monthly savings of the households are categorized into different groups, the lower class include the respondents with less than 2500 and the upper class include saving above 20000. Table 6.1 depicts that 51.4 per cent has monthly savings below 5000 and only 15.6 per cent has monthly saving above 20000. 19.4 per cent has monthly saving between5000-10000, as such out of the total respondents 70 per cent has saving less than 10000.

Table 6.1
Saving profile

Saving group	Frequency	Percentage
Below 5000	185	51.4
5000-10000	70	19.4
10000-15000	23	6.4
15000-20000	26	7.2
20000 and above	56	15.6
Total	360	100

Source: Primary survey

6.2 Saving pattern under different socio economic factors

The pattern of savings of the households depends on various socio economic factors. Tables 6.2 show the saving pattern and extend of variations under different level of income, educational attainment, ownership pattern, dependents, marital status and family size.

Table 6.2
Saving pattern under different socio economic factors

Background variables	Attributes		Monthly savings				
		Below 5000	5000-10000	10000-15000	15000-20000	20000 and above	Total
Monthly income	≤25000	92(49.7)	0(0.0)	0(0.0)	0(0.0)	0(0.0)	92(25.6)
	25001-50000	68(36.8)	22(31.4)	1(4.3)	0(0.0)	0(0.0)	91(25.3)
	50001-75000	22(11.9)	30(42.9)	14(60.9)	4(15.4)	5(8.9)	75(20.8)
	75001-100000	2(1.1)	8(11.4)	8(34.8)	7(26.9)	8(14.3)	33(9.2)
	≥100001	1(0.5)	10(14.3)	0(0.0)	15(57.7)	43(76.8)	69(19.2)
Education	SSLC	44(23.8)	5(7.1)	0(0.0)	1(3.8)	2(3.6)	52(14.4)
	Plus two	29(15.7)	11(15.7)	3(13.0)	2(7.7)	5(8.9)	50(13.9)
	Degree	93(15.3)	30(42.9)	12(50.2)	10(38.5)	15(26.8)	160(44.4)
	PG/ Professional	19(10.3.)	24(34.3)	8(34.8)	13(50.0)	34(60.7)	98(27.2)
Ownership of house	Own	64(34.6)	5(7.1)	3(13.0)	2(7.1)	1(1.8)	288(80)
	Rented	121(65.4)	65(92.9)	20(87.0)	24(92.3)	55(98.2)	72(20)
Dependents	0	24(13.6)	10(15.2)	3(13.6)	2(8.7)	11(20.4)	50(14.6)
	1	80(45.2)	26(39.4)	10(45.5)	7(30.4)	26(48.1)	149(43.6)
	2	46(26.0)	22(33.3)	7(31.8)	8(34.8)	11(20.4)	94(27.5)
	3	23(13.0)	6(9.1)	1(4.5)	5(21.7)	3(5.6)	38(11.1)
	4 and above	4(2.3)	2(3.0)	1(4.5)	1(4.3)	3(5.6)	11(3.2)
Marital Status	Married	119(64.3)	59(84.3)	19(82.6)	19(73.1)	51(91.1)	267(74.2)
	Unmarried	39(21.1)	3(4.3)	1(4.3)	2(7.7)	2(3.6)	46(12.8)
	Widow/ Divorced	27(14.6)	9(11.4)	3(13.0)	5(19.2)	3(5.4)	46(12.8)
Family size	1	121(65.4)	44(62.9)	15(65.2)	14(53.8)	36(64.3)	230(63.9)
	2	63(34.1)	26(37.1)	8(35.8)	10(38.5)	16(28.6)	123(34.2)
	3 and above	1(0.05)	0(0.0)	0(0.0)	2(7.7)	4(7.1)	7(1.9)
	Total	185	70	23	26	56	360(100)

Source: Primary survey

6.2.1 Saving pattern under different level of income

Economic factors influence the saving behaviour of households, and income is one of the most important variables that influence the saving and investment of households. In Keynesian model saving depended upon disposable income, as such the current disposable income is one of the basic determinants of savings. The life cycle hypothesis propounds that there exists a positive relation between income and saving. Kraay (2000) has found that saving rates and levels of income per capita show positive correlation and the average saving rates increases as household income progresses. The relation between monthly saving and monthly income reveals that the respondents with monthly income less than 25000 has monthly savings less than 5000. As income level increases the saving level also increases and the respondents with monthly income greater than one lakh, 76.8 per cent has monthly savings above 20000.

6.2.2 Saving pattern under different level of educational attainment

Literature about saving behavior shows that educational attainment is one of the major variables to be dealt with while analyzing the saving behavior. As educational attainment has a positive relation on earnings, savings generally increase with higher level of education. Educated households are more aware of the need for savings and investment and plan in accordance with their financial goals. Literature related to this aspect reflects positive and negative relation between saving and level of education but majority of the studies moves along with the positive dimension Fisher (2013) has examined the impact of education on household savings and finds that a higher level of educational attainment substantially increases the likelihood of saving at the household level. Also lower education may be a hurdle to get information's about various feasible saving options. Education also helps one to be more financially literate. The income wise analysis shows that as educational attainment increases monthly saving also increases.

6.2.3 Saving pattern under different ownership pattern of house

Ownership of a house is an important physical asset and it enhances the wealth of a person. Households always set apart their income, to own a house of their own. Among the respondents majority ie 80 per cent has ownership of house. Saving level of households with own house is more when compared to the group that do not possess a house.

6.2.4 Saving pattern in relation to the size of dependents

The number of dependents has an important impact on savings and saving rate. Dependents as a determinant of saving are relevant, as the number of dependents increases the saving potential declines. Dependents generally constitute children and old age group, and as the number increases the propensity to save falls. The analysis of primary data shows that as the number of dependents increase savings declines.

6.2.5 Saving pattern in relation to marital status

Married households are more inclined to save as they give more priority to the needs and overall welfare of the family .As such they set apart money for the financial well being in a more systematic manner than the unmarried. Compared to unmarried category married persons focus on getting high returns by channelizing funds in more productive avenues. They keep aside money for their children's education and related aspects and also for future needs.

6.2.6 Saving pattern in relation to family size

There exists a positive relation between large families, as additional members add to the income of the family. As the numbers of earning members are more there is a positive relation between income and savings. Increase in the size of family, improves the propensities to save.

6.3 Factors determining household savings

A multiple regression model has been employed to determine the determinants of saving among the urban households. The independent variables taken are income, education, dependents, family size, household ownership and marital status. The model can be stated as

$$S = \alpha + \beta_1 Y + \beta_2 ED + \beta_3 DE + \beta_4 FS + \beta_5 HO + \beta_6 MS$$

Where,

S - is the amount of savings

Y – indicates household income

ED – indicates the level of education

DE – number of dependents

FS – indicates the family size

HO – indicates household ownership

MS – indicates marital status.

Based on the above model the regression results are stated in Table 6.3

Table 6.3
Regression Results of the Determinants of Household Saving Rate

Variables	Model
Constant	-10095.53 (.000)
Income	0.062 (.000)
Education	752.66 (0.000)
Dependents	-1285.78 (0.000)
Family size	840.41 (.000)
Household ownership	1596.82 (.031)
Marital status	1608.13 (.015)
R^2	0.688
F test	129.71 (0.00)

Note: The figure in parentheses underneath each coefficient is the p-ratio of the Coefficient

Source: Computed from primary data

The empirical household saving function can be stated as-

SAVIN = -10095.53 + 0.062INCOME + 752.66EDUCATION -1285.78 DEPENDENTS + 840.41 FAMILY SIZE + 1596.82 HOUSEHOLD OWNERSHIP + 1608.13 MARITAL STATUS

The estimated savings equation of model is statistically significant at the one-per cent level in terms of the F test. The F value 129.711(sig 0.000) shows the overall acceptance of the model and that collectively all the explanatory variables have impact on the dependent variable. The R^2 value of the model is 0.688 and it shows that 68 per cent of the variations in the dependent variable-savings are explained by the independent variables taken in the model. The presence of multicollinearity is not detected as none of the VIF values is greater than 5.

The coefficient of income is positive and is statistically significant at one per cent level. Holding all other variables constant, saving increases by about 0.062 for every one unit increase in income. As income increases' saving also increase and this is in conformity with Keynesian Absolute income hypothesis. Thus households experience shows that the level of income is an important determinant of savings and propensity to save.

The results show that there exist a positive relationship with education and saving. The educational attainment of the household is found to be significant at 1 per cent level. The average saving increases by about 752.66 for every additional year of education, holding all other variables constant. This also confirms with the literature and theoretical aspects stated earlier. Higher education helps to generate better knowledge about the financial instruments and also to gain financial literacy.

The number of dependents has found to be negatively related to savings, as the number of dependents increases the saving declines. It can be interpreted as a rise in one dependent member is associated with a decline in household saving of about 1285.78. As number of dependents increase their need also has to be catered and this leads to higher expenditure and reduces saving.

Family size has a positive relation with savings, as the numbers of earning members are increasing along with increase in size of family this relation exists. The result shows that as there is increase in one member the savings increase by about 840.41, keeping all other variables constant.

The coefficient of household ownership is positive and statistically significant at 5 per cent level. It shows that holding all other variables constant the average saving of the

household with own house is higher than the average saving of others by about 1596.82. The procession of house is having a positive relation with savings. It is an important physical asset and contributes towards the total wealth of the household.

Marital status also holds a positive relationship and is found to be significant at 5 per cent level. The marital coefficient of 1608.135 means, holding other variables constant, the married persons saving is higher than the saving of others by about 1608.135. Financial planning is more among married households as they want to cater to the needs of different age groups especially to the education and related needs of their children.

6.4 Conclusion

Family income determines saving and it is the major source out of which saving is generated. Educated households have a better understanding and knowledge of financial products and this reduces their stigma towards investing in new assets, according to their changing financial needs. Increase in the number of dependents negatively influences saving as more money may be allocated for consumption purposes and less flow will take place towards savings. Family size positively contributes towards saving and is one of the important determinant factors. Procession of own dwelling enhances saving, and is an important component as far as physical savings are considered. Married households have a significant positive influence on household saving. Thus based on the above regression analysis, household income, education, dependents, family size, ownership of house and marital status are significant determinants of household saving in the study area.

Chapter – VII

Summary, Findings, and Suggestions

7.1 SUMMARY

Saving and investment are two crucial factors that play an important role in determining the growth process of the economy. Sound domestic savings accelerates the investment process and helps in capital formation; Indian economy is one of the fastest growing economies in the world, and its growth process is primarily financed by domestic savings. There is a secular uptrend in domestic growth and this is clearly associated with the increase in domestic savings and investment. The performance of the Indian economy suggests that there is a quantum jump in the real GDP growth rate in the post-reform period and the high growth phase is associated with higher order of increase in domestic savings. In India household sector occupies the dominant position over the private corporate sector and public sectors in terms of generating savings. The household sector has a very vibrant role in pooling savings, creating liquidity and channelizing funds into investment. As such household's income, saving and its distribution is fundamental to any economic analysis. Households plan for the future by making saving and investment decisions according to their financial goals. The financial success of an individual is related to proper financial planning and this depends on proper allocation of funds into various assets. The present study has analysed the saving and investment of Indian economy, allocation of resources within urban household, specifically focusing on asset portfolio, preference toward various saving and investment avenues, awareness levels and the major determinants of saving behaviour of urban households in Kerala based on the following objectives-

1. To examine the trends of saving and investment in Indian Economy.
2. To assess the saving pattern and investment preferences of urban household.
3. To examine the level of awareness towards various financial and physical assets.
4. To study the determinants of savings of the urban households.

The study relies on both primary and secondary data and is both analytical and descriptive. Secondary data has been obtained from various published reports, surveys, research papers and websites. Primary data relating to the research work was collected through the pre-tested structured interview schedule from 360 urban households, sixty each

from the six municipal corporations of Kerala. The data obtained are analyzed with the appropriate mathematical and statistical tools.

The study intended to cover the various aspects of saving and investment of Indian economy and households saving and investment behavior by analyzing the preference, pattern, purpose, awareness, perception and determinants of saving. The whole work has been divided into seven chapters, the first and second reflects the design of the study along with the theoretical background and literature review. The third chapter details on the saving and investment trends in Indian economy .The fourth chapter gives a synoptic view of the profile of the study area and the fifth and sixth chapter give a detailed analysis of the primary data giving focus on the objectives taken.

MAJOR FINDINGS

7.2.1 The trends of saving and investment in Indian Economy.

- India continues to remain one of the high savings economies among the emerging market economies. The compound growth rate of Gross Domestic product during the period 1951 -17 is 12.6 and the growth rate of saving and capital formation is 15 and 14.7 during the period. The growth rate of investment was 15.6 during 1991-2000 and it has increased to 20 during 2001-2010. The growth rate of domestic saving and investment has got a greater momentum in the post reform period.

- From the mid of 1970's onwards the economy started progressing at a faster rate with acceleration in the gross domestic savings. The major share of saving came from the household sector and this period witnessed faster developments in agricultural sector, development of financial institutions, nationalization of banks and increase in foreign inward remittances. During this period the average annual capital formation also increased mainly due to increase in private corporate investment and household investment.

- The economic crisis in 1991 decelerated the growth process but the economy revived after the adoption of new economic policy. From the period of 1991 to 1994 a consistent increase was seen in Gross Domestic Product, Gross Domestic Saving and Gross Capital Formation. From 1991-2000 the decadal growth rate of GDS and GCF was 23 per cent and 24 per cent.

- The global recession of 2007-08 has its impact on Indian economy as a result there was a mild deceleration in the growth rate and a fall in gross domestic savings , but the economy started reviving from 2009-2010 onwards. The decadal growth rate of GDS and GCF was 32 per cent and 33 per cent respectively.

- The rate of gross domestic savings as a proportion of gross domestic product has more than doubled from an average of around 10 per cent in the 1950s to around 23.0 per cent in the 1990s and to 32 per cent in the 2000s. It scaled to a peak of 36.8 per cent in 2006-07. Gross domestic savings have increased continuously from an average of around 10.0 per cent of GDP during 1950s to almost 32 per cent during 2017. The average propensity to save showed a steady increase from 0.10 to 0.32 during the period.

- The rate of gross domestic capital formation has more than doubled from an average of around 12 per cent in the 1950s to around 24 per cent in the 1990s and to 33 per cent in the 2000s, and it has peaked to 38 per cent during 2007 and 2012.

- The composition of GDS shows the continued predominance of household sector savings. After 1990-91 the share of the private corporate sector in GDS has exceeded that of the public sector mainly due to rise in corporate profitability. The percentage share of private corporate sector has doubled to 32.1 per cent in 2011-15 from 15.3 per cent in 1991-95. The upward trend in the gross domestic savings is powered by savings in household sector and it continued till 2002, after that period it leveled off at around 23 per cent with minor variation over the years till 2015.

- The physical savings of the households increased continuously from 4.6 per cent during 1951-55 to 7.7 per cent in the period 1976-80. From 1990's onwards household's preference navigated towards financial savings and it was around an average of 10-11 per cent during the period 1991-2010. Gross savings in financial assets reached its peak in 2007 but in later periods it declined and preference was seen towards physical assets. During 2011 savings in financial assets came down at the same time physical assets regained and reached an average of 10.8 per cent during 2011-2015.

- Bank deposits continue to account for the predominant share of gross financial assets, and its growth rate was 27 per cent during the period 2003-05. The major share of the

money with bank is deposited in term deposit schemes. The life insurance funds showed a consistent growth rate and maintained the growth as the sector was opened up to private sector and as a result of it there was higher insurance penetration. The volume of shares and debentures in the gross financial assets of households is very low and has even showed negative growth rate but later it progressed with lower growth rate.

- The saving-investment gap for the economy has come down over the years, recent years; the private corporate sector's has also become more vibrant. The Incremental capital output ratio (ICOR) has averaged from 4.6 during 2009-10 to 5.9 in 2013-14. Incremental capital output ratio has displayed an increasing trend from 2016-17 onwards. The correlation between saving and investment in India is about 0.99, exhibiting a very strong relationship.

7.2.2 Saving pattern and investment preferences of urban household.

- The asset portfolio of the households revels that households hold both physical and financial assets. In case of physical assets people are more inclined towards gold, 63.9 per cent invest in gold which is considered safe and due to its value appreciation. 21.4 per cent has investment in real estate like land, building and similar fixed assets and generally receive return in the form of rent and holds it on the expectation of future value appreciation.

- Majority of the households hold a savings account, 98 per cent own a savings account and this clearly shows that there is financial inclusion among the urban households. The preferred modes of saving are fixed deposits, chitty, NBFC, post office saving and recurring deposits. 47.8 per cent holds saving in pension and provident fund and it is more of a compulsory mode of saving.

- Among the financial investment instruments in the stock market the most preferred instrument is mutual funds, 35.3 per cent invest in mutual funds. Investment in more risky assets is very low, 10.8 per cent has investment in shares 2.9 in bonds, 1.1 per cent in debentures and only 0.3 per cent in IPO'S. The data clearly reveal the risk averse nature of the households and also less penetration into the stock market.

- Asset portfolio in relation to income level of households shows that among the lower income strata 89.1 per cent hold savings in the form of chitty, as it can be in small denominations, convenient and can be used for immediate needs. The middle and upper middle income group shows priority to fixed deposits and insurance and as the income level progresses, more space is given to investment instruments like bonds, shares and mutual funds.

- The education wise analysis of asset holdings shows that among the respondents with education level of SSLC, chitty occupies the dominant position with 67.3 per cent and investment in stock market instruments is negligible. Among the degree holders the preference is towards risk free assets. 68.1 per cent and 60.1 per cent is in the form of insurance and fixed deposits. . Higher education has thus a positive relation in holding diversified instruments and penetration into the stock market is high in this category. Among physical assets gold occupies an upper hand and next preference is given to real estate investment.

- The age wise analysis reveals that, among the age group of 31-40 the asset portfolio consist of all prominent financial and physical assets except investment in IPO's. Within the age group of 41-50, 70.3 per cent has insurance, 55.9 per cent holds chitty and fixed deposit. Above the age of 51 households portfolio includes diversified assets, but more weightage is towards risk less assets. Gold and real estate occupy 70.3 and 25.4 per cent respectively.

- Asset portfolio in relation to occupation reveals that self employed and regular salaried persons give higher place to insurance, fixed deposit and NBFC's. Among the regular salaried, pension and provident fund accounts to 62.8 per cent and is generally a compulsory mode of saving. Within casual laboures very few assets occupy their portfolio and the prominent one is chitty.

- Marital status wise analysis of assets shows that married category gives more prominence to assets like insurance, chitty and fixed deposits. 40.1 per cent has mutual funds and 11.6 per cent has shares. 71.2 per cent possess gold and 26.2 holds investments in real estate. Among the unmarried group the per cent of gold is low while 21.3 per cent has investment in mutual funds.

- Analysis of purpose of savings shows that the first order of preference is given to acquisition of physical assets. Among the income group of 75000-100000 the main objective behind saving is to earn interest. Saving for the purpose of marriage and other ceremonial expenses was given more importance by the households with less than 25000 monthly earnings. Preference was given to tax benefits, 23.9 per cent save to get benefit of tax exemptions.

- The education wise analysis of purpose of saving shows that the motive to earn interest has been given more importance by the respondents with plus two level of education. Within education group the preference given for unforeseen contingencies is similar, ranging from 7 to 10 per cent. As educational attainment is high people are more aware of various investment avenues and try to attain their investment goals by reducing risk.

- Analysis of investment preference of household's shows that majority of households prefer investment in financial assets. 69.4 per cent prefer to invest their money in financial assets while only 2.5 per cent prefer to invest in physical assets. Even though they show their preference is towards financial assets more volume of savings need to be channeled towards it.

- An analysis of the reasons of household's preference towards physical assets shows that 59.3 per cent has given importance to value appreciation as the main motive behind their preference towards physical assets.

- Reasons of household's preference towards physical assets reveals that quick gain is considered as the dominant factor with regard to investment in financial asset, 42.1 per cent has given this factor as the first priority. 35.4 per cent has considered higher return as the prime objective while they invest in financial asset.

- The time horizon of investment shows that majority of the respondents prefers medium tenure for investment purposes next to it is long term and the remaining prefer short term investments. As monthly income level progress preference towards long term investment also increases. Respondents within the income category of 25000-50000 give more priority to medium term allocations. Age wise analysis does not show much variation however lower income group prefers medium term and short

term investments. 82.6 per cent of married respondents prefer long term allocations and this shows their interest in long term financial planning and concern for future.

- Households largely prefer to invest in public sector, majorities are risk averse and public sector is considered as a safe mode of saving and investment. As income increases respondents inclination towards private sector also increases showing interest to undertake risk and to get more return. 82.6 per cent of married respondents prefer long term allocations and these points towards systematic long term financial planning and expectations of continuous and regular flow of income.

- Among the factors considered at the time of saving and investment, safety and liquidity are given high priority, 90 per cent of the respondents has considered it as their prime concern. 82 per cent considers faster returns as the main factor. While investment in stock market instruments are concerned, dividends received is sighted as the major factor, while hedge against inflation and right issue are given lesser importance. 39 per cent and 35 per cent are giving prominence to tax benefit and size of investment while allocating funds for saving and investment.

- Regarding the source of information relied by the households while taking financial decisions, the respondents gave first priority to the information gathered from family and friends. 23.3 per cent depend on the advices and information that they receive from financial advisors. The sources like media and online platforms are given similar priorities and only 10.6 per cent was given to information's received through newspapers and other published sources.

7.2.3 Level of awareness towards various financial and physical assets.

- The level of awareness of the respondents in relation to the financial and physical instruments shows that bank deposit has the highest index value and it shows that respondents are highly aware of this conventional mode. High level of awareness is seen in the case of bank deposits and post office savings as the index value is 84.4 and 77.0. Moderate level of awareness is seen in the case of instruments like pension funds, insurance, mutual funds and bonds. Mutual funds are ranked high among the

stock market instruments and low level of awareness is seen in the case of derivatives and the score is 31.5.

- The level of awareness of bank deposits reveals that, within education level the highest index value of 89.3 was with respondent's having post graduate level of education. As education level progresses the awareness level also increases and this helps them to take more wise investments. The variation in index is less and the lowest value is only 79.8.

- Post office schemes are generally considered as one of the conventional and safest mode of savings. Among the age group the index value varies around 74 – 78, showing high level of awareness. As systematic way of savings the regular salaried are interested in this asset and are also aware of the saving schemes related to this instrument.

- Within the income category respondents with monthly income less than 25000 have low level of awareness regarding pension and provident fund. Income earners amid 25000-50000 have moderate level of awareness and those with income above 50000 have high level of awareness. Respondents with lower level of education have low level of awareness.

- Income wise analysis shows that a respondent with less than 25000 monthly incomes has low level of awareness regarding various types of insurance. Education wise analysis shows that as education level progresses the awareness of this financial instrument also increases and this helps respondents with higher education to take wise financial decisions.

- Within the income classes respondents with income above 100000 has high awareness about mutual funds and the index value is 68.1. . Respondents less than 30 years of age have low awareness while above 30 years of age respondents have moderate awareness. Regular salaried and self employed has moderate level of awareness about investing in mutual fund while casual laborers has low level of awareness and because of this their investment participation is low in mutual funds.

- Regarding the level of awareness of bonds and debentures, moderate and low level of awareness is recorded and it shows that majority lacks knowledge about these

financial instruments and that is one of the main reasons for less participation in such financial instruments. Above 100000 monthly income the index value is 57.6, and this reveals that even in high income strata the awareness towards bonds and debentures is only moderate. The index value shows that respondents less than 30 years of age has low awareness, the value is only 28.2. Awareness level is highest among the age group 31-40 and this also shows their interest to earn more by investing in avenues with higher return. Occupation wise analysis shows that casual labourers have very low level of awareness, only 22.5.

- In case of awareness of real estate, higher income group has more affinity towards it. Respondents with monthly income above 100000 have awareness about the various aspects of investment in real estate and the index value is 64.9. Education wise analysis shows that, respondents with plus two level of education exhibits higher awareness and the index value is 53.3. Regarding the awareness of gold all categories are moderately aware of this physical instrument.

- Perception of investors in relation to saving and investment shows that household perception varies around the index value of 39.7 to 88.05. Majority of the household moves along with the perception that saving and investment improves one's standard of living. The least index value of 39.7 is given to the statement that saving and investment helps to enhance social recognition.

7.2.4 Determinants of savings of the urban households.

- Saving rates and levels of income per capita show positive correlation and the average saving rates increases as household income progresses. The relation between monthly saving and monthly income reveals that the respondents with monthly income less than 25000 has monthly savings less than 5000. As income level increases the saving level also increases and the respondents with monthly income greater than one lakh, 76.8 per cent has monthly savings above 20000.

- As educational attainment has a positive relation on earnings, savings generally increase with higher level of education. Educated households are more aware of the need for savings and investment and plan in accordance with their financial goals.

- Multiple regression model employed to determine the determinants of saving among the urban households shows that, the estimated savings equation of model is statistically significant at the one-per cent level in terms of the F test. The F value 129.711(sig 0.000) shows the overall acceptance of the model and that collectively all the explanatory variables have impact on the dependent variable.

- The R^2 value of the model is 0.688 and it shows that 68 per cent of the variations in the dependent variable-savings are explained by the independent variables taken in the model.

- The coefficients of income, education, family size are is positive and is statistically significant at one per cent level. The coefficient of household ownership and marital status are positive and statistically significant at 5 per cent level. The number of dependents has found to be negatively related to savings, as the number of dependents increases the saving declines.

- Overall the regression analysis shows that household income, education, dependents, family size, ownership of house and marital status are significant determinants of household saving in the study area.

7.3 Suggestions

- Households saving and investment preferences and pattern vary across socio, economic and demographic conditions as such they require customized financial products in accordance with their financial needs and economic conditions.

- There should more awareness and easy accessibility to the products available in the market so that households can diversify their asset portfolio to reduce risk and to enhance return.

- The incentives attached to various instruments must be more attractive so that households are more interested to save and channelize the funds into investment avenues.

- There is a need to provide more awareness about the various financial products available in the market. For the successful mobilization of savings of the household sector there is a need for more players and more financial products.

- Households especially with low income and educational attainments have certain embarrassment and aversion to engage in financial markets. This condition must change and for this financial product terms and conditions should be provided in a lucid, intuitive and salient manner.

- There is a need to increase financial literacy and channelization of funds into financial assets. This leads to the expansion of the financial intermediation and more funds will move to productive investment channels.

- Complicated paper works and procedures must be avoided, technological up gradation in a more customer friendly manner should be adopted.

- Financial products must be provided at attractive terms and conditions along side with good financial advice that moves along with the interests of the households. There should be efficient and quality service along with stringent statutory protection for the asset holders.

- In the present scenario the delivery and access to various financial products must be made easy through digital end to end distribution networks. Information's related to various assets must be disseminated in a timely manner

- Financial institutions must organize awareness programmes and seminars so that households can get useful information's and can divert fund into more productive channels according to their financial interest.

7.4 Scope for future research

Household saving and investment always has a prime position in the growth and development of the economy. Continuous changes occur in the pattern and behaviour of households and in relation to these changes customized financial products and reforms should take place in this area. Thus sustained research in the field of household saving and investment is imperative in order to understand the changes in this sector so that conducive and appropriate measures can be taken.

7.5 Conclusion

Household finance occupies a very important role in the long term growth process of the economy. As the economy expands and become more dynamic, there is a need to raise the level of saving and investment to finance the growing needs. Household sector plays a critical role in this regard and the savings generated in this sector need to be properly channelized into productive sectors. The different segments of the financial market are interconnected and there is a need for unified financial market regulation. A robust household sector always strengthens the economy to faster its pace of growth and to enjoy sustained development.

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Appendix

Survey Schedule on Saving and Investment Behaviour of Urban Households in Kerala

GENERAL INFORMATION

1. Name of the head of family:

2. Address:

3. Telephone Number:

4. District:

5. Ward:

6. Sex ☐ Male ☐ Female

7. Age ☐ 20-40 years ☐ 40-60 years ☐ above 60

8. Religion:

9. Caste:

10. Marital Status: ☐ Married ☐ Unmarried ☐ Widowed ☐ Divorced

11. Education:

12. Occupation: ☐ Self employed ☐ Regular salaried ☐ Casual labour

13. House type: ☐ Own ☐ Rented

14. Nature of the family: ☐ APL ☐ BPL

15. Family type: ☐ Nuclear ☐ Joint

16. Details of household members:

SL. NO	Name	Relation to Head of the family	Age	Sex	Marital Status	Education	Occupation	Monthly income

17. Monthly income:

18. Other sources of income: ☐ Agricultural ☐ Rent ☐ Other sources

19. Amount earned from other sources annually:

☐ less than 50000 ☐ 50000-100000 ☐ 100000-150000

☐ 150000-200000 ☐ above 200000

SAVING DETAILS:

20. Amount of annual savings:

☐ less than 50000 ☐ 50000-100000 ☐ 100000-150000

☐ 150000-200000 ☐ above 200000

21. Purpose of saving

Purpose	priority	Amount allocated (annually)
Acquisition of physical assets		
Debt repayment		
Unforeseen contingencies		
Old age security		
Education of children		
Marriage or other ceremonial expenses		
Tax benefits		

22. Mode of Saving

Mode of Saving	Amount allocated	Frequency of savings			
		Monthly	Quarterly	Half – Yearly	Annually
INFORMAL					
saving in cash at home					
saving in the form of jewellery					
Chitty (Rotation Saving)					

SEMI FORMAL					
SHG					
Chitty/Kury					
Gold Schemes					
NBFC					
FORMAL					
1)Commercial Bank Saving Account					
2)Fixed Deposit					
3)Recurring Deposit					
4)Post Office Saving					
5)National Saving Certificate					
6)Insurance					
7)Pension fund					
8)Provident Fund					
9)NBFC(KSFE,Kur)					

INVESTMENT DETAILS

23. Investment in stock market instruments

Stock market instruments	Amount allocated	Frequency of Investment			
		Monthly	Quarterly	Half – Yearly	Annually
Shares					
Bonds					
Debentures					
IPO					
Derivatives					
Mutual fund					

24. State the source of investment

☐ Own savings ☐ Borrowings ☐ Both

25. Which type of investment is preferred more?

☐ Physical assets ☐ Financial assets

26. Reasons for investment in physical assets

SL.No	Reasons	Rank
1	Value appreciation	
2	Less risky	
3	Tax benefits	
4	Mortgage facilities	
5	Long repayment period	

27. Reasons for investment in financial assets

SL.No	Reasons	Rank
1	Quick gain	
2	Higher return	
3	Tax gain	
4	Liquidity	
5	Portfolio diversification	

28. Time horizon of investment

☐ Long term ☐ Medium term ☐ short term

29. Factors considered at the time of investment

SL.No	Factors	Rank the factors(1-10)
1	Safety	
2	Dividents	
3	Capital appreciation	
4	Quick gain	
5	Liquidity	
6	Tax benefits	
7	Size of investment	
8	Diversification of asset holdings	
9	Rights/Bonus issues and stock splits	
10	Hedge against inflation	

30. In which sector do you prefer to invest?

☐ Public sector ☐ private sector ☐ foreign sector

31. Rank the influence of the following in your financial decision making process

SL.No	Source	Rank(1-5)
1	Family and friends	
2	Newspapers/ Magazines	
3	Media	
4	Financial advisors	
5	On line search	

32. Indicate the level of awareness regarding the financial instruments

SL.No	Investments	Awareness level				
		Very high	High	Low	Very low	Neutral
1.	Bank deposits					
2.	Post office schemes					
3.	Pension/PPF					
4.	Insurance					
5.	Mutual funds					
6.	Debentures / Bonds					
7.	Derivatives					
8.	Real Estate					
9.	Gold / Silver					

33. Perception of households relating to saving and investment.

SL.No	Statement	Response				
		Strongly agree	Agree	Disagree	Strongly disagree	Neutral
1.	Saving and investment increase income of the family					
2.	Helps to improve one's standard of living					
3.	Done with the purpose of tax exemption					
4.	Help to acquire more financial and physical assets					
5.	Enhances the ability to meet unexpected contingencies					
6.	Helps to enhance social recognition					