A study on saving and financial assets of Indian family

SUKHVINDER[1]PARDEEP[2]

ABSTRACT:

This paper analyse the present situtation of financial assets of Indian family. The study have also depicts the relationship between household sector savings and the changes in financial assets of the household sector. It is found that the changes in financial assets of the household sector has a positive and significant impact on the savings of household sector

INTRODUCTION:

Saving is the part of income which is in surplus after deducting all the consumption or expenses from the income earned. Household sector savings can be defined as an internal soruce of funds for an economy. Household sector savings plays an important role in the growth of the economy, because if the household sector savings are huge then government need not to seek finance from other external sources even in the situation of economic slow-down. Household sector savings makes the economic situation of a nation strong enough with reduced level of debt burden on the nation. Household sector savings can be in various forms such as; deposits with the banks, or financial institutions, deposits with the post offices or other government organizations, deposits in the form of provident funds & pension funds, in stock market, or in any other forms. Household sector savings depends on various factors such as; consumption pattern of the nation people, interest rates on the investment, growth in population, employment, income level, financial literacy of the people, increase in young population and the attractive and growth ensuring investment avenues in the country (Dennis and Granbois, 1983). Financial inclusion is the most important step of government to increase the growth rate of the household sector savings especially from rural areas.

Growth of the economy mainly depends on the savings of the household sector, the amount which is saved when invested in order to earn return on the same is called investment (Xiao and Olson, 1993). And if the saving is invested for the purchase of some capital goods or machineries then it is called capital formation. All the three terms, savings, investment and capital formation leads to the growth of the economy. Higher savings leads to higher level of investment and higher investment leads to high level of capital formation. Hence, household sector savings plays an important role in the overall growth of the nation and is an important growth indicator itself.

[1] Research Scholar, HSB, GJUS&T, Hisar
[2] Research Scholar, HSB, GJUS&T, Hisar

Household sector savings can be increased with the increase in employment opportunities, competent wage rate determination, increasing the coverage of financial institutions in the country and providing high interest rate on the investments.

Keeping in view the importance of household sector savings, current study is conducted to measure the current situtaion of hosuehold sector savings in India.

REVIEW OF LITEARTURE:

There are many studies where researchers have examined factors, which may affect the saving behaviour of household sector. It was found from review literature that there are several factors, which have a significant effect on the household sector savings such as:

Jappelli and Padula (2011) stated that the financial literacy plays an important role in the household sector savings; if the financial literacy is higher, then household sector, saving will also be higher and vice versa

Mozzocco (2004) determined the components of the household sector savings and concluded that the banks are the major sources or modes for the savings of the household sector.

It is clear from the review of literature that personal characteristics of the savers affect the household sector savings, but there is a lack of studies where researchers have studied the impact of financial assets of the household sector on their savings. Keeping in view, the importance of household sector savings current study will aim to measure the impact of changes in financial assets of the household sector on the household sector savings.

OBJECTIVES:

The paper aims to analyse the present situtation of financial assets of household sector in India and the study have also analyse the relationship between household sector savings and the changes in financial assets of the household sector.

RESEARCH METHODOLOGY:

Study is utilising the secondary data derived from the annual publication of Reserve Bank of India tittles 'Statistics of Indian Economy'. Study covered the period from 2011-12 to 2016-17. Researchers have taken two constructs in the study namely; savings of household sector, changes in financial assets of the household sector. In order to analyse the present situtaion of the financial assets of household sector in India, researchers have used graphical and tabular form of data representation while for measuring the impact of changes in financial assets of the household sector on the savings of houshold sector, linear regression analysis has been used.

Null Hypothesis : There is no significant impact of changes in financial assets of the household sector on their savings.

Regression equation : $Y = \alpha + \beta_1.\chi + \alpha$

Y is dependent variable i.e. Household Sector Savings, α is contsant term, β_1 is slope of the regression line, χ is independent variable i.e. chnages in financial assets of the household sector, and α is error term.

FINDINGS AND RESULTS:

Table 1 shows the changes in financial assets of the household sector component wise. Majority of the contribution in the financial assets of the household sector is from bank deposits, followed by life insurance funds and provident & pension funds while least contributing component are found to be trade debt and non-banking deposits by household sector. All the components of the financial assets of household sector have shown an increasing trend except currency, the value of currency got declined in the year 2016-17 and showing a negative value that leads to reduction in the financial assets of the household sector.

Table 1: Financial Assets of the Household Sector

Year	Currency	Bank deposits	Non-banking deposits	Life insurance fund	Provident and pension fund	Claims on Govt.	Shares & debentures	Trade Debt(Net)	Changes in financial assets
2016-17	-3168.12	10957.71	341.42	4406.53	2960.78	836.97	1825.78	43.60	18204.68
2015-16	2005.18	6220.94	366.55	2660.63	2768.54	666.39	413.17	40.66	15142.06
2014-15	1333.45	6027.27	335.24	2992.96	1887.77	9.69	198.19	41.76	12826.33
2013-14	995.20	6393.04	228.16	2044.69	1778.41	230.53	189.30	48.38	11907.71
2012-13	1115.21	5750.80	279.11	1799.49	1564.79	-71.09	170.27	31.83	10640.41
2011-12	1062.42	5259.70	100.21	1956.73	956.80	-218.89	165.22	45.09	9327.28

Null Hypothesis : There is no significant impact of changes in financial assets of the household sector on their savings.

Table 2: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.872[a]	.760	.700	880.31860
a. Predictors: (Constant), Changes in financial assets				

Table 3: ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	9799814.014	1	9799814.014	12.646	.024[b]
	Residual	3099843.345	4	774960.836		
	Total	12899657.359	5			
a. Dependent Variable: Household sector savings						
b. Predictors: (Constant), Changes in financial assets						

Table 4: Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	17605.440	1628.811		10.809	.000
	Changes in financial assets	.434	.122	.872	3.556	.024
a. Dependent Variable: Household sector savings						

Interpretation: It can be concluded from the results of regression anaysis that changes in financial assets of the household sector causes 87 pecent varaince in the value of household sector savings while 13 percent of the varaince can be caused by other factors. Further, the value of Anova test depicts that there is a significant relationship between dependent variable (Household sector savings) and independent variable (changes in financial assets of household sector). Regression coefficients value shows that there is a positive and significant relationship between the household sector savings and changes in financial assets of the household sector. Regression model emerged from the current study is as follows:

$$Y = \alpha + \beta_1.\chi + \alpha$$

Houshold Sector Savings = 17605.440 + .872 * Changes in financial assets + α

It implies that if there will be any increase in the financial assets of the household sector their savings will get increase and vice versa. Hence, the null hypothesis which states that there is no significant impact of changes in financial assets of the household sector on their savings, got rejected in the study and it can be said that changes in financial assets of the household sector has a significant impact on their savings.

CONCLUSION:

It can be concluded from the study that the household sector savings are increasing and also the financial assets. The major component which is responsible for the growth of the financial assets of the household sector is Bank deposits of the housheold sector in India. Further, it was found that the changes in financial assets of the household sector has a positive and significant impact on the savings of household sector

REFERENCES:

T. Jappelli and M. Padula, “Investment in financial literacy and saving decisions,” CSEF Working Papers 272, Center for Studies in Economics and Finance (CSEF), University of Naples, Italy, 2011

L. R. Dennis and H. D. Granbois, “Determinants of role structure in family financial management,” *Journal of Consumer Research*, pp. 253-58, 10 September, 1983.

M. Mozzocco, “Saving, risk sharing and preferences for risk,” *The American Economic Review*, vol. 94, no. 4, pp. 1169-1182, 2004.