A study on financial liabilities and saving of Indian household sector

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ABSTRACT:

Present research paper aims to analyse the recent situtation of financial liabilities of household sector in India. In order to determine the present situtaion of the financial liabilities of household sector in India, researchers have used linear regression analysis. It is found changes in financial liabilities has a negative and insignificant impact on the savings of household sector.

INTRODUCTION:

Saving is defined as the amount which is in surplus after reducing all the consumption expenditure from the income. Household sector savings are also assumed as an internal soruce of funds for an economy. It plays a fundamental role in the growth of the economy, because 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 increase 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.

REVIEW OF LITEARTURE:

There are few studies where researchers have examined factors, which may affect the saving behaviour of household sector.

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. Park and Shin (2009) found that the household sector savings get impacted by the type of residence also, urban people tends to save more than the rural people as the source of income and amount of income is higher for urban people and lower for rural people. Khrishnamra et al., (2010) stated that majority of the people save for the retirement benefits, and hence they are risk averse in nature.

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 liabilities of the household sector on their savings. Keeping in view, the importance of household sector savings current study

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will aim to measure the impact of changes in financial liabilities of the household sector on the household sector savings.

OBJECTIVES:

This paper aims to determine the current situtation of financial liabilities of household sector in India. The study have also measured the relationship between household sector savings and financial libaiities of the household sector.

RESEARCH METHODOLOGY:

Study utilised the secondary data taken from the annual publication of Reserve Bank of India tittles 'Statistics of Indian Economy'. Researchers have taken two constructs in the study namely; savings of household sector and chnges in financial libailities of the household sector. In order to determine the current situtaion of the financial liabilities of household sector in India, researchers have used graphical and tabular form of data representation while for measuring the impact of changes in financial libaiities 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 liabilities of the household sector on their savings.

Regression equation : $Y = \alpha + \beta_2.\chi + \alpha$

Y is dependent variable i.e. Household Sector Savings, α is contsant term, β_2 is slope of the regression line, χ is independent variable i.e. chnages in financial liabilities of the household sector, and α is error term.

FINDINGS AND RESULTS:

This section discusses the findings and results of the analysis of secondary data related to the savings of household sector and chnges in financial libailities of the household sector.

Interpretation: Table 1 depicts the changes in financial liabilities of the household sector component wise. Majority of the contribution bank advance and Loans & advances from other financial institutions in the financial liabilities of the household sector is from bank advance and Loans & advances from other financial institutions while least contributing component is found to be Loans & advances from government. Two components of the financial liabilities of household sector have shown an increasing trend namely; bank advance and Loans & advances from other financial institutions while the loans & advances from government has shown a mixed trend (both increasing and declining) during the year 2012 to 2017.

Table 1: Financial Liabilities of the Household Sector

Year	Bank advances	Loans & advances from other financial institutions	Loans & advances from Government	Changes in financial liabilities
2016-17	4419.90	1321.82	6.10	5747.82
2015-16	3470.59	837.75	9.21	4317.55
2014-15	2935.83	695.37	2.65	3633.85
2013-14	3023.36	556.78	6.65	3586.79
2012-13	3087.47	215.10	1.68	3304.25
2011-12	2725.09	173.10	3.01	2901.20

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

Table 2: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.778[a]	.606	.507	1127.82344
a. Predictors: (Constant), Changes in financial liabilities				

Table 3: ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	7811714.556	1	7811714.556	6.141	.068[b]
	Residual	5087942.804	4	1271985.701		
	Total	12899657.359	5			
a. Dependent Variable: Household sector savings						
b. Predictors: (Constant), Changes in financial liabilities						

Table 4: Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	18413.443	2007.137		9.174	.001
	Changes in financial liabilities	-1.237	.499	.778	-2.478	.068
a. Dependent Variable: Household sector savings						

Interpretation: It can be interpreted from the results of regression anaysis that changes in financial liabilities of the household sector causes 78 pecent varaince in the value of household sector savings while 22 percent of the varaince can be caused by other factors. Further, the value of Anova test depicts that there is an insignificant relationship between dependent variable (Household sector savings) and independent variable (changes in financial liabilities of household sector). Regression coefficients value shows that there is a negtaive but insignificant relationship between the household sector savings and changes in financial liabilities of the household sector.

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

CONCLUSION:

It can be concluded from the study that financial liabilities of the household sector are showing an increasing trend. Bank advances is the major component which is responsible for the incraesing trend of financial liabilities of the housheold sector in India. Further, it is found that changes in financial liabilities has a negative and insignificant impact on the savings of household sector.

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