Savings and Investment Behavior of Rural Investors Household A Case Study of Jhansi Region

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Abstract

Savings is a significant macro-economic element to be viewed in both individual and domestic economic circumstances. It provided that their small assets today are meant to fund the expenses of tomorrow, saving is one of the main considerations of any individual investor. The goal of the study was to analyze investment activity by conducting a survey of rural investors in Jhansi. Countries like, India are almost uncertain about income levels and lead to higher consumption rather than savings. If savings are weak, speculation will also be low, leading to a low accumulation of capital. This survey analyzes the determinants and patterns of saving practices in the rural household of Jhansi. The marginal propensity to consume is more rather than the marginal tendency to save. The saving determinants are analyzed empirically by a linear regression method. The study indicates that most rural households have poor educational status, which results in fewer people's understanding of the benefits of saving. The diversification of the company provides a wide range of investment options for the individual investor. Savings is a mantra recited by every financial planner. Savings are the difference between the investor's earnings and their spending. One theory may be that they prefer to maintain some of the content needs. In the post-economic reform era, Indian investor conduct, preference choices in various financial instruments, assessment and analysis of investment platforms have changed significantly.

Keywords: Savings, Investment pattern and financial market, Rural Investment Behavior.

1. Introduction

The definition of savings plays an important role in economic analysis. Savings is the difference between revenue and spending. A very good quality savings help the economy shift in the direction of continued growth, as investment is mainly funded by savings. Any country will be subject to its GDP growth rate, which is further driven by higher investment rates in capital production sectors, education, processing, inventions, etc.

To study on rural savings in India need to look into four aspects namely the determinants of savings, the composition of savings, the methods of measuring savings, and the pattern of saving. The present study seeks to analyze the determinants and patterns of saving behavior in rural households in Jhansi. Savings is an important variable for every country to be studied for the economic growth and development of any country. Savings is a significant macro-economic vector to be understood by both the human and household economic authorities. According to classical economists like Adam Smith, David Ricardo and J.S.Mill, “saving is an important determinant of economic growth”. The saving components can be planned for the well-being of an individual or on a household basis. The future interaction between the unpredictable and the coming and dangerous circumstances of life would be cushioned for the saved person. Recovery is the share of the income of the person. The median propensity of the world to save could be higher with higher economic growth, but it helps to multiply.

The determinants and ways in which we are saving differ from rural to urban. In rural areas, the tendency of the marginal consumer is more than the marginal saving tendency that exists vice versa in urban areas where the marginal saving tendency is less than that of the marginal consumer tendency. Lewis (1954) suggests that the central question of economic growth philosophy is the understanding of how a society that historically saved and invested 4-5 per cent of national income transitions to an economy where voluntary savings account for about 12-15 per cent or more of national income. According to Rao (1980), saving forms the basis of capital growth, and capital accumulation is a major determinant of economic progress.

Earnings are generated at a faster rate in developed nations, allowing people to invest more, opening up more savings that lead to more capital growth. But the amount of income is almost risky in a country like India, leading rather than saving to further use.

On average, East Asia saves more than 30% of its gross domestic disposable income, while Sub-Saharan Africa saves less than 15%. Regional inequalities have increased: savings have doubled in East Asia over the last three decades and have stagnated in sub-Saharan Africa, Latin America and the Caribbean. By-aggregate saving, the social value of saving in many developing countries would surpass its private value, particularly in the poorest countries with India. Most households are poor and do not invest in India, as is the case in many developing countries. Mobilizing rural savings is critical here for financial growth. In any economy, aggregate savings depend on a number of determinants. In the Indian economy a lion's share of the overall saving that must be intensified is made possible by the household sector.

Jhansi is positioned in northern India. It is bounded on the north by Uttar Pradesh, Jhansi is the administrative headquarters of the Jhansi district and of the Jhansi division. Also known as the Bundelkhand Gateway, Jhansi is located near and around the Pahuj and Betwa rivers at an average altitude of 285 m. (935 ft). The distance from New Delhi is about 420 kilometres and Gwalior is about 102 kilometres. Jhansi sits on the plateau of central India, a region characterised by rocky relief and minerals underneath the surface. The city is in the north, with its natural slope on the south-west edge of the vast Uttar Pradesh Tarai plains, while the high altitude lies in the south. The field is suited for citrus fruits, and barley, pulses, peas and oil seed is used in cultivation. As of 2011 Indian Census, Jhansi city had a total population of 505,693, of which 265,449 were males and 240,244 were females. Population within the age group of 0 to 6 years was 55,824.

The present study focuses on examining the key determinants of the saving trend in the rural population of Jhansi, especially in the sense of aggregate saving behaviour. As a nation of major savers, India rapidly loses its standing. "Inflation's continuing high average inflation of about 9 percent in 2011-2012 has further degraded to prevent downward pressure from their actual consumption or lifestyle," according to the RBI annual report (2011). The changing pattern of Indian household saving is the result of a number of factors. Household savings in India have undergone a series of changes over the past one to two decades as a result of lifestyle changes and patterns of consumption in a developing world like India. The Indian economy has noticed many household savings increases and falls. This may have been caused by the variable savings composition over time.

There are certainly significant differences in the buying behavior of the rural consumers of saving capital for the future. At any stage of the life cycle, a person still changes to save his goal. Such changes are not only due to investors' age but also because they fall in the category of profession and wages. The saving goal of household savers is often confirmed by their choice of investing alternative. Today's savings, primarily in rural areas, consists of investments in the form of cattle, metals and also, due to some knowledge of the savings institutions available in the vicinity, allows people to invest when they choose the interest rate from the amount deposited from time to time. The sources of household income are to be diversified.

2. Types of Savings

Saving is an incredibly secure and liquid security procedure for parking hard cash. The main objective should be the protection of capital and the secondary objective, if necessary, should receive such dividends. This includes, for example, checking accounts and bank certificates. Investment involves the use of money/capital for a secure and reasonable return over a period of time. Investments can include real estate, gold coins, bonds, mutual funds etc. The type of savings may be classified on the basis of the sectors accounting for the distribution of savings. It can be broadly classified under three headings, i.e.

• savings in the household sector,

• Private sector saving and

• Saving the public sector.

The following categories of savings are discussed:

2.1 The Household Sector's Savings

Individual household members' savings must be limited to savings made or accrued in the household sector. Individuals, financial and financial assets, as well as household saving, account for a higher share of Indians' saving behaviour. Household income is included in the country's national income calculation.

2.2 The Savings of the Private Sector

Private sector firms were defined as investments made in private companies.

Non-government non-financial entities; commercial banks and private sector insurance businesses; cooperative banks, credit corporations, and credit unions; private-sector non-banking financial firms.

2.3 **The Government Sector's Saving**

Savings made by public sector undertakings in the form of internal resources include I government savings and (ii) savings made by public sector firms in the form of internal resources. One of the public sector savings calculation processes is the relationship between public saviours and the combined government returns shortfall — an alternate estimate of government revenue.

2.4 Nature of Saving

Cash or physical things meant for future use are examples of savings. People in rural and other low-income communities will save if the government and banking institutions direct and help them. People in rural areas save by joining traditional credit rotation groups or purchasing domestic animals (goats, pigs, chickens or cows). People have shifted their saving practises to save tangible assets like as gold, property, and sustainable commodities, as well as financial assets such as equities, stocks, and bonds, as opposed to the traditional approach of saving in the countryside.

Savings are turned into investments, and wealth is created by micro-enterprises. In diverse cultures, there is a difference in saving trends due to natural, legal, economic, and cultural circumstances. As civilization advances, people must be altered, resulting in significant improvements in people's outlook on redemption. In low-income communities, investment opportunities are restricted, with the majority of investments being made in cash or other forms of currency. It is low-cost and simple to save money. Savings differ between societies due to differences in pay rates, expenditure trends, understanding of benefit savings, family dimension, investment options, and so on. Over the decades, human saving habit has improved, as has phenomenal societal growth.

3. Determinants of Savings Rate

In rural households, income plays a significant influence in financial decision-making. Based on the amount of money earned, it is distributed among expenses and savings. People with lower incomes spend and save less, whereas those with higher incomes spend and save more. The significance of 'incentives' as a predictor of saves is that, whereas the impact of family income on the proportion of income saved has long been debated, there has been no comparable worry about the impact of relative market fluctuation of new income sources on savings and investment.

3.1 Real per Capita Income

Gothaskar and Venkatachalam (1976) compared RBI estimates of household financial savings with estimates of capital formation from central statistics agencies. The liabilities ratio, on the other hand, has risen from 1.03 percent to 1.61 percent over the same time period. On the investment side, the net physical capital formation to personal disposable income ratio climbed from 3.50 percent to 6.45 percent, indicating that consumer durables increased from 2.04 percent to 3.77 percent. T. As an individual's income rises, his spending pattern shifts and, in the sense that a portion of it is saved to protect his uncertain future, a portion of it is left out.

4.0 Demographic Features

Savings are often calculated using effects such as the ratio, age range, and rate of dependent population. Saving is heavily dependent on whether the female contribution to saving is higher or whether the male contribution is at its optimum rate, as well as whether the age distribution in the saving population is ideal, and so the saving rate is determined in a certain manner. If the dependent population is larger than the income-generating groups, the aggregate savings ratio would be poor if the population's age distribution is underestimated.

4.1 Share of Agriculture to GDP

India is an agriculture-dominated country, with the majority of the population engaged in agricultural activities and a higher concentration of rural inhabitants.

The agricultural sector's progress may and has been quantified using a variety of main indicators such as income, employment, sales, value added, and economic multipliers. The agricultural or rural sector of the economy can exhibit. Savings behaviour differs from that of the urban/industrial sector, particularly in emerging nations with strong agricultural sectors. The agricultural industry may have a varied savings rate owing to a reduced access to the banking system, lower and imbalanced revenues in the agricultural sector, and occasionally owing to a lack of access to other local financial institutions. To have a clear grasp of the saving rate of a nation with a significant part of the GDP, adequate awareness and education are required.

4.2 Social Barriers

The society we live in is full with constraints, most likely as a result of differences and distinctions in age, sex, culture, tradition, social taboos, and many more, all of which play a significant part in determining the saving behaviour of any area, state, or country. It has a significant part in recognizing the distinctness of saving across various groups, but income cannot always eliminate all of the hurdles to availing of possibilities due to the variances given in the context of culture, gender, class, and so on. People from various ethnic groups might challenge the social and financial institutions' equitable access to education, employment, and other fundamental services, as well as the investment opportunities offered.

4.3 Salient Demographic Features and Social Scenario of Jhansi

Gender composition is an essential population trait that must be included for effective demographic analysis. Changes in its composition reflect a society's underlying socioeconomic and cultural patterns in many ways. It is one of the most significant social indices for determining the degree of gender equality at any particular moment. (Khullar, 2006, p.391). Gender and age structure of a population define the limits of society's reproductive potential (Premi, 2006, p.103). The sex ratio of any area will be greatly influenced by the effects of migration as well as the preponderance of male births and the differential mortality rates of the two sexes (Knowles and Wareing, 2007, p.83). According to the Census of India, 2011, out of the total population 2,89,698 are males and 2,57,940 are females (sex ratio 890) in Jhansi city which is less 22 points when compared to Uttar Pradesh (912) and 50 points less when compared to national level (940) while the sex ratio of municipal corporation was 905 which is close to the state level.

As per the census 2001 the category wise population was accounted as 49.49% general, 27.63% other backward castes, 22.86% scheduled castes and 0.024% scheduled tribes. More than 50% belong to category of backward castes, scheduled castes and scheduled tribes. The percentage of scheduled tribes is negligible but proportion of general population is predominant. In the Municipal Corporation of Jhansi (2011), 1,10,318 persons belonged to scheduled castes and 1,681 persons to scheduled tribes with their respective proportion being 21.81% and 0.33%. The percentage marginally declined due to inclusion of population of the cantonment board and railway settlements in which 21.62% people belong to scheduled castes and 0.32% to scheduled tribes.

5.0 Statement of the Problem

Saving is a critical component that is responsible for battling or addressing any emergency incurred by people, households, or business entities. Saving is primarily intended for emergency purposes, but it may also serve as a type of investment. However, some people are not motivated to save for a variety of reasons, the most important of which is a lack of knowledge. The current study may be important in determining the rationale for saving and, if saving occurs, what are the variables that are accountable for saving.

The population of Jhansi city is similar to that of other Indian cities. The city's historical past has influenced its demographic composition in religious and socioeconomic terms, while the lower sex ratio is the result of male selective movement from rural to urban areas. Lower-income communities have the highest density owing to a variety of variables such as a lack of living space, less urban amenities, and a lower literacy rate. Over the previous decade, there has been a more than 5% growth in labour participation. To advocate for saving appeals, it is necessary to understand the saving motivations of individuals. An understanding of the saving preferences also helps in calculating the saving instruments which can efficiently arouse saving.

6.0 Conceptual Framework

- Household: A residential social unit where everyone shares a kitchen.
- **Savings:** The part of disposable income not spent on consumer goods but instead saved or invested, either directly in capital equipment or to pay off a mortgage, or indirectly through the purchase of securities.
- **Financial institutions:** These are either private (shareholder-owned) or public (government-owned) institutions that act as a conduit for money between savers and borrowers (suppliers and consumers of capital).
- **Consumer spending habits:** Families buy goods and services to suit their wants and requirements. It includes non-durable items such as food, semi-durable items such as clothing, and durable items such as refrigerators.

6.1 Objectives of the study

To know the demographic profile of rural Jhansi household

To know the saving and Investment pattern of rural Jhansi household

7.0 Demographic Analysis

- Table 1

Variables of Demographic Factors	Variables	No. of respondents	percentage
Age	Below 25 years	55	22.63%
	26 to 35 years	28	11.52%
	36 to 50 years	140	57.61%
	More than 51 years	20	8.23%
	Total	**243**	**100.00%**
Gender	Male	190	78.19%
	Female	53	21.81%
	Total	**243**	**100.00%**
Educational Qualification	Till class 8th	50	20.58%
	Class X	53	21.81%
	Class XII	49	20.16%

	Graduation	43	17.70%
	Post-Graduation	5	2.06%
	Other	43	17.70%
	Total	**243**	**100.00%**
Occupation	Farmer	196	80.66%
	Handicraft Labourer	11	4.53%
	Labourer (Unskilled)	4	1.65%
	Non- Agricultural Farmer	8	3.29%
	Public sector employment	9	3.70%
	Self-employed	9	3.70%
	Semi Government / Government	6	2.47%
	Total	**243**	**100.00%**
Monthly Income	(below Rs.10001)	98	40.33%
	Rs.10001 to Rs. 50000	103	42.39%
	Rs.50001 to Rs. 100000	25	10.29%
	More than Rs.100001	17	7.00%
	Total	**243**	**100.00%**

According to the above table, 78 percent of the 243 respondents were male, 57 percent of the respondents were between the ages of 36 and 50, above 61 percent of the respondents had education up to 12th standard, 80 percent of the respondents were Agriculture farmers, 1.65 percent of the respondents were Labourer (Unskilled), 57 percent of the respondents had monthly expenses of less than Rs.10,001, and 40.33 percent of the respondents had monthly expenses of more than Rs.10,001.

7..1 Relationship between Saving and Income

The current study experimentally investigates the link between saving, income, and consumption and finds that there is a positive association between saving, income, and consumption. As an individual's income rises, so does his or her spending, while saving also rises. According to economic research, income is the key predictor of consumption and saving. Rich people save more than poor individuals, both in absolute and percentage terms. The poorest people are unable to save at all. Instead, they tend to save as long as they can borrow or draw down their riches. That is, they tend to spend more than they make, diminishing their savings or driving them deeper into debt. So we can argue that there is a strong link between consumption, income, and saving, and that they all have an impact on one another

Here, the analysis of the saving and income of the individuals with the other independent variables are given through a linear regression analysis. This can be given through the following description:

Y= f (G, AGE, E, O, MS)

Here,

Y=Income of the individuals

G=Gender

A=Age of the Respondents

E=Educational Qualification

O=Primary Occupation

Table 3

ANOVA[a]						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	115.643	4	28.911	29.810	.000[b]
	Residual	412.174	239	0.970		
	Total	527.816	242			

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	1.394	0.304		4.591	0.000
	Education	0.358	0.064	0.272	5.629	0.000
	Gender	-0.139	0.068	-0.092	-2.037	0.042
	Age	0.220	0.062	0.185	3.554	0.000
	Occupation	0.101	0.063	0.086	1.609	0.108

Y= 1.394+ (0.35) E+ (-0.139) G+ 0.22A+0.10O

The link between savings and income, as well as the other independent variables of gender, primary occupation age, and educational qualification, is examined in Table 3. The study demonstrates that the relationship between income and savings is quite substantial; as an individual's income rises, so does his or her savings. The results also reveal the relationship between individual income and other independent factors, such as gender (male and female) being adversely associated to individual income with an insignificant association, and the age of the household members being negatively significant. Although primary occupation has a positive relationship with income, it is minor.

8. Conclusion

As a result of the preceding theories and literature, we observed that saving is dependent not just on income but also on an individual's spending behaviour. The relative and stable income hypothesis proposes a proportional relationship between consumption and income.

On the other hand, the life cycle hypothesis has a non-proportional relationship. From the preceding assumptions, it is clear that when income rises, the public is encouraged to save, with the older generation accounting for the majority of the savings. Saves and investments are a necessary element of our daily lives, and it is extremely difficult to pay expected and unforeseen expenses without a sufficient quantity of savings and prudent investments. There are various investment avenues accessible for investors to invest their resources in the current market scenario, however these outlets have a greater focus on urban areas. As a result, rural investors are hesitant to spend their money due to a lack of information about how to manage their investment portfolio to optimize returns while minimizing risk. Rural people can enhance their financial health through education through various awareness programmes and the entry of institutional organisations into rural areas.

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