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Relationship between Age and Household Savings in India: Special reference to Gujarat.

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ABSTRACT

Aim: *The purpose of this paper is to understand the savings of urban households with special reference to the state of Gujarat in India.*

Methodology: *This study is based on secondary information related to various published articles in journals, thesis, Reserve Bank of India (RBI) Bulletin and survey reports and statistics had been reviewed.*

Overview of household savings and India and Gujarat*: The Covid-19 global pandemic and its associated repression measures greatly affected the Indian economy. The drop in overall banking business indicates that the circulation of money in the economy and business turnover has slowed down. However, RBI Bulletin 2021 revealed that the aggregate savings increased during the pandemic.*

Conclusion: *The study concluded that household savings being an important aspect of financing for the Indian economic growth is important in the context of the policy effort.*

Keywords: Urban, household, savings

1. INTRODUCTION

Savings is an important criterion for economic growth of an individual and or a household. Household savings contribute in state and national savings. According to saving is an important macroeconomic variable on an individual as well as household basis in the field of economics. Household savings is considered as the key domestic source of funds to finance capital investment, which is a major driver of long term economic growth (OECD, 2016). Household savings rates vary considerably between countries because of institutional, demographic and socio-economic differences (OECD, 2016). In India, the household sector contributes around 60 percent of gross savings in the Indian economy and thus remains the major supplier of financial resources for gross investment (RBI Bulletin June, 2020). However, there is decline in the savings rate. The household savings have been declining over time, whereas corporate savings have increased and public savings have remained more or less the same (Patnaik and Pandey 2019). Household savings are affected by macroeconomic factors such as interest rates, inflation, level of Gross Domestic Product (GDP), microeconomic factors such as the demand, willingness, and potential to save by households, and institutional factors such as households' access to financial services (Agrawal and Ponnathpur, 2021). The households can potentially save in formal savings instruments both physical and financial, after meeting their monthly expenses (Agrawal and Ponnathpur, 2021).

India is rapidly urbanizing. Table 1, based on Census of India 2001, 2011 is showing percentages of urban population of India and Gujarat in 2001 and 2011. The Table shows that the level of urbanization in India has increased from 27.8 percent in 2001 to 31.1 percent in 2011 with an increase of 3.3 percentage points during 2001-2011. Gujarat is showing higher level of urbanization than the Country which has increased from 37.4 percent in 2001 to 42.6 percent in 2011 with an increase of 5.2 percentage points during 2001-2011 (Census of India 2001, 2011).

Table 1: Percentages of urban population of India and Gujarat in 2001 and 2011

Country/State	**Percentage of urban population**		**Increase percentage points**
	2001	**2011**	**2001-2011**
India	27.8	31.1	3.3
Gujarat	37.4	42.6	5.2

Source: Census of India 2001, 2011 (cited in Handbook of Urban Statistics 2019)

Considering the rapid urbanization, it is important to understand how the urban populations are contributing in economic growth through household savings in India with special reference to the state of Gujarat.

1.1Objective: The objective of the study is to understand the savings of urban households with special reference to the state Gujarat of India.

2. METHODOLOGY

This study is based on the secondary information. Various published articles in journals, thesis, Reserve Bank of India (RBI) Bulletin and survey reports and statistics have been reviewed.

3. OVERVIEW OF HOUSEHOLD SAVINGS IN INDIA AND GUJARAT

The estimates of savings of the household sector consist of two segments-financial saving and saving in physical assets. The various estimates of financial saving are achieved by the changes in the key financial assets held by the households in the deposits with financial institutions, form of currency, shares and debentures, etc. Therefore, financial saving of households is derived as the increase in financial assets. The estimates in case of financial instruments, except for saving in the form of provident & pension funds, life insurance funds, are derived as a residual after estimation of such instruments held by the public and private sectors.

Household savings is the total income saved by a household during certain period of time (Reddy, 2021). Savings and investments in banks, stock markets, post office schemes, company deposits etc. are considered as Financial Savings and investments in properties (real estate), gold, silver etc. are Physical Savings (Reddy, 2021).

Table 2 shows the annual household sector savings in India during the years 2015-16, 2016-17, 2017-18 and 2018-19. The Table shows gradual increase in the savings of household sector from Rs.2474913 crores in 2015-16 to Rs.3446760 crores in 2018-19. Similarly, the gradual annual increase is observed in the savings in physical assets also. However, gross financial savings of the country is showing decrease in 2018-19 to Rs.1995706 crores from Rs.2061033 crores in the year 2017-18. Decline in savings of gold and silver is reflecting when compared between years 2016-17 (Rs.46532 crores) to 2017-18 (Rs.41489 crores) and to 2018-19 (Rs.35778 crores).

Table 2: Household Sector Savings in India

Savings	**Amount in Rs. (Crores)**			
	2015-16	**2016-17**	**2017-18**	**2018-19**
Household sectors	2474913	2787134	3277259	3446760
Gross financial savings	1496232	1614677	2061033	1995706
Savings in physical assets	1317599	1594573	1912803	2180798
Savings of gold and silver	46469	46532	41489	35778

Source: National Statistical Office (NSO) (cited in Reserve Bank of India, 2020)

Kapoor (2017) mentioned that Indian household savings patterns have witnessed changing over time, especially since demonetization in November 2016. In the last decade and a half ending March 2016, as the GDP grew from Rs 0.23 lakh crore to Rs 1.36 lakh crore, household savings as a ratio of GDP had fallen from 22 percent to 19 percent. At the same time, financial savings as a percentage of household savings has fallen from 45 to 40 percent (Kapoor, 2017).

As per Reserve Bank of India (RBI) press release of November 15, 2019, in India the household sector's share in total deposits was 63.2 percent. Individuals, who are the major constituent of the household sector, accounted for 55.0 percent of aggregate deposits. **Metropolitan areas** held 51.8 percent of bank deposits since March 2010 till `March 2019; however, the shares of other population groups have gradually increased to 10.5 percent in rural areas, 16.2 percent in **semi-urban** areas and 21.5 percent in **urban areas** by March 2019 (Reserve Bank of India, 2019).

A research was conducted by Agrawal and Ponnathpur (2021) using the income and expenditure data from the Centre for Monitoring Indian Economy (CMIE) to study the formal savings potential of the households over a period of six years, from January 2014 to December 2019. The authors defined the formal savings potential as the surplus that is left with households after meeting all their monthly expenditure Agrawal and Ponnathpur (2021). The study revealed that 75-80 percent of the households managed a surplus rate of almost 38.2 percent in India. This indicated an average increasing over time, unlike the household savings rate of the country. Agrawal and Ponnathpur (2021) argued that to increase the savings rate of the country, it is important to channelise this formal savings potential into formal savings instruments.

Based on the All India Investment and Debt Survey of 2012, Household Finance Committee (2017) showed in a table that **Gujarat** had assets of 72.5 percent Real estate, 13.7 percent Gold and 2.1 percent financial assets. Real estate includes all land and buildings owned by the household. Gold includes jewellery, bullion, ornaments and coins. Financial assets include bank deposits, publicly traded shares and government securities, mutual funds, managed accounts, and informal loans receivable (Household Finance Committee, 2017).

According to State Level Bankers' Committee (SLBC) (2016), the aggregate deposits of the banks in **Gujarat** increased by Rs.14,857 crores in absolute terms from Rs. 5,38,133 crores as of March, 2016 to Rs.5,52,990 crores as of June, 2016 registering a growth of 2.8 percent as against 1.7 percent growth for the corresponding period of the previous year (SLBC, 2016). According to the report of State Level Bankers Committee (SLBC) for January – March quarter of the fiscal 2018-19, total deposits in banks of **Gujarat** stood at Rs 6,97,250 crore, a rise of 5.26 per cent over Rs 6,62,394 crore in the previous fiscal (cited in Dhandeo, 2019). Similarly, total advances stood at Rs 5,90,664 crore, a rise of 9.51 per cent over Rs 5,39,392 crore in the previous fiscal. Total business mix of all the banks stood at Rs 12,87,914 crore, a rise of 7.17 per cent over Rs 12,01,786 crore in 2017-18 (cited in Dhandeo, 2019). The article of Dhandeo (2019) highlighted the insights of Vikramaditya Singh Khichi, chairman of SLBC and banker of a Public Sector Bank. They mentioned that deposits have slowed down as savings is shifting towards equity market and mutual funds. The drop in overall banking business indicates that the circulation of money in the economy and business turnover has slowed down.

It is mentioned in the compilation survey report of Azim Premji University (2020) that the Covid-19 global pandemic and its associated containment measures have taken a heavy toll on economies and societies worldwide. In India, the national lockdown had a profound effect on employment and earnings. The survey conducted measured the impact of the COVID-19 lockdown on employment, livelihoods and access to government relief schemes (Azim Premji University, 2020). The survey covered 161 districts and seven large cities. Respondents interviewed in **urban areas** spanned over 30 different occupations. The result showed a huge increase in unemployment and fall in earnings. More than 6 in 10 respondents in urban areas did not have enough money for week's worth of essentials (Azim Premji University, 2020). The study revealed that in **Gujarat**, 71 percent reported to lose their employment during lockdown.

Urban Gujarat has been more severely affected with more than 9 in 10 respondents having lost their employment (Azim Premji University, 2020). The drop in overall banking business indicates that the circulation of money in the economy and business turnover has slowed down. However, RBI Bulletin of March 2021 revealed that the aggregate savings increased during the pandemic. It however, might conceal the unequal impact in terms of household savings and consumption expenditures of non-essential items as several households in the unorganised sector suffered from loss of employment, income and borrowing opportunities (RBI Bulletin March, 2021).

4. CONCLUSION

This study is based on review of various previous researches and secondary information gathered from various secondary sources including RBI Bulletin and survey reports and statistics on savings of households in India and Gujarat. The Covid-19 global pandemic and its associated repression measures greatly affected the Indian economy. The drop in overall banking business indicates that the circulation of money in the economy and business turnover has slowed down. However, RBI Bulletin 2021 revealed that the aggregate savings increased during the pandemic. Household savings being an important aspect of financing for the Indian economic growth is important in the context of the policy effort. This research inflates the scope of state specific comprehensive urban household savings research in India.

Since classical days, savings have been considered as the greatest determinant of growth. To guide the underdeveloped countries to the path of development, the rate of savings must be initiated. Aggregate savings of any economy depends on a huge number of interdependent variables. For individuals and households, savings provide a great support of security against any future contingencies, whereas for the nation as a whole, savings provide the funds needed for the developmental efforts. To achieve a higher rate of growth with relatively greater price stability, the marginal propensity to save should necessarily be appropriate. Accordingly, in an era of international financial integration, to support macroeconomic stability, higher domestic savings is necessary. For the Indian economy, the household sector has been contributing a lion's share of the total savings and collected hence, to step up savings in the economy, savings rate of the household sector should be stepped up both in the urban and rural sectors.

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