

Savings and Investment Pattern of Households in Kurnool District, India

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ABSTRACT

Attitude of Individual households towards money diverge greatly. People exhibit different behavior towards savings and have disparities in earning levels. Investment is the primary concern of every individual investor as their small savings of today will provide security for the future expenses. In this paper an attempt is made to analyze the saving objective, investment pattern and preferences of individual investors for various investment options available in India. The study used a structured questionnaire in which 100 potential investors from Kurnool District (India) were asked for their reactions under some specific circumstances. The result of the study reveals that, objective to saving is significantly influenced by demographic factors such as age, occupation and the income level of investors. The study also shows the saving habit of individual investors across the different income levels. Savings habit is especially alive into women. It was found that female investors tend to save in a more disciplined way than the male investors. It was observed that women save more than the male as the income level rises. From the research point of view, such a study will help in developing and spreading the knowledge in the area of personal finance.

Keywords: Savings, Investment, Investment Pattern, Households, Financial Instrument

INTRODUCTION

Savings play vital role for supporting and developing industries. They also provide various benefits for individual households. Savings can be transformed into investments. Saving can be defined as the income which cannot be spent on current consumption. Total savings comes from individual save out of their personal incomes. Household savings is usually the

largest components of domestic savings in developing countries.

The purpose of investment can be related with saving objective. Each and every individual investor will select the investment option based on their personal financial goals. The investment behavior of savers consists of why individuals want to invest, how much of fund they want to invest, for a particular period and the timing

of such investment. The study focuses on to know about the perception of individual investor towards the deciding on the objective for their savings. At different stages of life cycle, saving objective of an individual always changes. Such change may occur due to the age, occupation and income level of investor. The objectives of saving by individual household are always substantiated by the investment option they choose to attain those objectives.

LITERATURE REVIEW

Gupta (1970) using annual time series data from India analyzed the determinants of saving. He found that permanent income hypothesis is a better fit in the urban areas in India whereas in the rural area saving behaviour is more in accordance with the absolute income hypothesis. He found that marginal propensity to save is an increasing function of income at lower level of development.

Ippolito (1992) and *Bogle (1992)* concluded that fund selection by investors is based on past performance of the funds and money flows into winning funds more rapidly than they flow out of losing funds.

Shanmugasundaram and Balakrishnan (2011), they conducted research to analyse the factors influencing the behaviour of investors in capital market. They concluded that demographic factors influence the

investors' investment decisions.

Murithi Suriya, Narayanan and Arivazhagan (2012), in their study reveal that female investors dominate the investment market in India. According to their survey, majority of the investors are found to be considering two or more sources of information to make investment decisions. Most of the investors discuss with their family and friends before making an investment decision.

Dr. Ananthapadmanabha Achar (2012) studied on —Saving and Investment Behaviour of Teachers - An empirical study. In the ultimate analysis individual characteristics of teachers such as age, gender, marital status, and lifestyle determined the savings and investment behaviour of teaching community in the study region. In a more or less similar manner, their family characteristics such as monthly family income, stage of family life cycle, and upbringing status emerged as determinants of their savings and investment behaviour.

Objective of the study

- To understand the saving objectives of individual household investor
- To analyze the saving habit of individual household investors across various income level
- To suggest the preferred investment avenue for retail investors.

Method of Study

This study is empirical in nature. The scope of the study extends to Kurnool District (India). Various statistical tools like mean, standard deviation, rank correlation, chi-square, ANOVA, factor analysis were applied.

Hypothesis

- a) H_{01} : Saving objective of investor is independent of their age
- b) H_{02} : Saving objective of investor is independent of their income level
- c) H_{03} : Saving objective of investor is independent of their occupation.
- d) H_{04} : There is no significant difference in the responses between male and female in proportion of saving to total income across the income level.

Type and sources of data:

This study mainly deals with the savings and investment pattern of household investors as well as their preferences towards investment. A pre-tested questionnaire we framed to collect the required data. The respondents for the survey are salaried investors, self employed professionals or entrepreneurs, who were screened and considered based on their knowledge about financial markets, and various savings options. Primary data has been collected through a personal interview and structured questionnaire.

Analysis and interpretation

Demographic factors such as age, income, occupation and gender are some of the important determinant in the decision of saving and investment. The study is conducted with reference to the investors of Kurnool district. The demographic profile of the respondents is analyzed on the basis of age, monthly income, gender and occupation. The distribution of sample respondents is shown in table no. 1 and it is quite evident from the table that a majority of the respondents (40%) fall in the age band of 31-45 years. Out of 100 samples drawn, 70% are male and it depicts the domination of male in savings and investment. Occupation-wise, around 60% respondents are salaried Employees followed by self employed and Entrepreneurs respondents with 21% and 19% respectively.

Table No. 1: Demographic Pattern of Individual Investors (Age, Gender, occupation and Income wise)

Demographic Category of investor	Parameters	Number of Respondents Total (100)	(%)
Gender	Male	70	70%
	Female	30	30%
Age	Up to 30 years	20	20%
	31 to 45 years	40	40%
	46 to 60 years	30	25%
	61 & above	10	15%
Occupation	Self employed	21	21%

	Professional		
	Entrepreneurs	19	19%
	Salaried employees	60	60%
Annual Income	up to 3 Lakhs p.a.	20	20%
	3 – 5 Lakhs p.a.	35	35%
	5 – 7 lakhs p.a.	30	30%
	more than 7 Lakhs per annum	15	15%

Source: Primary data

Savings Objective of Household Investors:

In India, parents spend a large amount for their children’s marriage and education. So it

would be wise enough to save money with a specific goal to achieve in future such as, for purchasing a house, accumulate wealth for retirement life, to spend for son’s or daughter’s marriage or education. To achieve or to attain such financial goals, individual investors should always resort to discipline and systematic savings and investments. An effort has been made to explore the association between saving objectives and age, occupation, and income level (table no. 2, 3 and 4).

Table no. 2: Observed values of responses of individual investors (Occupation-wise)

Saving Objective	Self-employed professionals	Entrepreneurs	Salaried individuals	Total
To save & invest for retirement	4	3	10	17
To invest for tax reduction	4	2	13	19
To invest for meeting future contingencies	6	8	16	30
To provide for children education, marriage or other social ceremony	3	2	5	10
Purchase of assets	4	4	16	24
	21	19	60	100

Source: Primary data

Table no. 3: Observed values of responses of individual investors (age-wise)

Saving Objective	Upto 30 years	30– 45 years	45– 60 years	60 years and above	Total

To save & invest for retirement	2	3	12	5	22
To invest for tax reduction	4	7	5	2	18
To invest for meeting future contingencies	8	6	4	1	19
To provide for children education, marriage or other social ceremony	2	10	4	1	17
Purchase of assets	4	14	5	1	24
	20	40	30	10	100

Source: Primary data

Table no. 4: Observed values of responses of individual investors (Income-wise)

Objective	Up to Rs 3 lakhs	Rs 3 to 5 lakhs	Rs 5 to 7 lakhs	Rs 7 lakhs and above	Total
To save & invest for retirement	5	4	5	5	19
To invest for tax reduction	2	6	6	2	16
To invest for meeting future contingencies	5	3	2	4	14
To provide for children education, marriage or other social ceremony	3	7	7	1	18
Purchase of assets	5	15	10	3	33
	20	35	30	15	100

Source: Primary data

H₀₁: Saving objective of investor is independent of their age

H₀₂: Saving objective of investor is independent of their income level

H₀₃: Saving objective of investor is independent of their occupation.

Table no. 5: Chi-square results

Demographic Profile	Degree of freedom	Chi Square Value	Table value	Significant / Not significant

Occupation wise	8	18.6	15.5	Significant
Age wise	12	38.0231	21	Significant
Income wise	12	31.02592	21	Significant

Source: Calculated

The above hypotheses have been formulated to understand whether the saving objectives are dependent on the demographic factors such as age, occupation and income level of the investors.

Chi-square test has been applied to determine the dependency (or independency) between saving objective and occupation. Table no. 5, shows the calculated Chi-square (X^2) value which is 18.6 and the table value of X^2 is 15.50 at 5% significance, with a level of degree of freedom (df)= 8

Since calculated value is more than the table value, hence H_{o1} is rejected. It is concluded that occupation is dependent on the saving objective.

Similarly, we have calculated X^2 to find out the dependency of saving objective and age of the investors. We found the calculated X^2 value is 38.0231, whereas the table value of X^2 is 21 at 5% significance level with df of 12. Since calculated value is more than the table value therefore our null hypothesis H_{o2} is rejected and it can be concluded that age of investors is dependent with the saving objective. In case of income level, the calculated chi-square value is 31.02592 and table value with df of 12 is 21.0 which is less than the calculated value. So, null hypothesis H_{o3} is rejected. It can be concluded that income level of the respondents are dependent to saving objectives.

Table no. 6: Distribution of “Savings to Total Income” across the income categories of male and female.

Percentage of savings to total income	Upto Rs 3 lakhs		Rs 3 to 5 lakhs		Rs 5 to 7 lakhs		Rs 7 lakhs & above		Total	Total
	Male	Female	Male	Female	Male	Female	Male	Female	Male	Female
Upto 10%	2	2	5	2	8	1	4	1	19	6
10% to 15%	2	1	6	2	6	1	2	1	16	5
15% to 20%	8	1	7	4	5	3	2	1	22	9
20% and above	3	1	5	4	4	2	1	3	13	10
	15	5	23	12	23	7	9	6	70	30

Source: Compiled

H₀₄: There is no significant difference in the responses between male and female in proportion of saving to total income across the income level.

One for male and another for female respondents, two more sub hypothesis has been created

H_{04(a)}: There is no significant difference in the responses of male respondents in “proportion of saving to total income”.

H_{04(b)}: There is no significant difference in the responses of female respondents within each “income level”.

Two-way ANOVA test has been applied for both male and female. The calculated value of variance between rows (i.e., proportion of savings to total income) is 1 and between the columns (i.e., between income levels) is 3.08 (table 7), which is less than the table value with degree of freedom of 3 and 9 at 5% significance level is 3.86. In case of male respondents, null hypothesis H_{04(a)} is accepted. Therefore we can conclude that there is no significant difference in the number of male respondents between proportions of saving to total income across the different income levels. For female respondents, the calculated value of variance between rows (proportion of savings to total income) is 13.75 and variation between columns (between income levels) is

13.75 (table 8), which is more than the table value with degree of freedom of 3 and 9 at 5% significance level is 3.86. In case of female respondents, null hypothesis H_{04(b)} is rejected. Therefore we can conclude that there is significant difference in the number of female respondents between proportions of saving to total income and various income levels.

Table no. 7: ANOVA Table for male respondents

Source of variations	Sum of squares	Df	Mean squares	Variance ratio
Between columns (level of incomes per annum)	139.5	3	46.5	3.08
Between rows (level of percentage of savings to total income)	45.5	3	15.17	1
Residual errors	136	9	15.11	
Total	321	15		

Source: Calculated

Table 8: ANOVA Table for female respondents

Source of variation	Sum of squares	Df	Mean squares	Variance ratio
Between columns (level of incomes per annum)	52.5	3	17.5	14.58
Between rows (level of percentage of savings to total income)	49.5	3	16.5	13.75
residual errors	11	9	1.22	
Total	113	15		

Source: Calculated

FINDINGS:

From the above study, the relevant observations are as follows:

1. Major part of Household Investors across the gender, age and occupation are given their preference to purchase of financial assets as an objective of saving and investment.
2. Salaried employees and self employed professionals are saving more for their post retirement life when compared to entrepreneur class of investors. Investors belongs to entrepreneur category keep more liquid funds for future contingencies.
3. Women investors are more disciplined, focused and usually more conservative than their male investors as they prefer to invest more in debt related instruments and in bullion.
4. Study also revealed that as the income level of the respondent's changes to higher / lower levels, percentage of saving on the total income also significantly changes.

CONCLUSION AND SUGGESTION:

From the study it is evident that there is a relationship between the saving objectives

with the age, occupation and income level of the household investors. The saving and investment behaviour of individual investors is connected with the various available investment avenues. Unlike the elder ones, the young investors are not very keen on saving for their post retirement days. Hence, the issuers of financial products in both the money and capital markets should commence effective awareness programs for the younger generation to inculcate the saving habits in them. For female investors, financial products with the features of minimal risk, regular income, etc., will motivate to increase their savings and investments.

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