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A Study on the Savings Method Preferred by Most Salaried Class People in Pudukkottai Town

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Abstract

Saving schemes and foreign trade are very important for countries. The economic policy is one of a crucial nature in understanding domestic savings. There is a fundamental shift in the households savings pattern from the traditional ways to modern ways as seen in the late 1980s. To analyze savings and its determinants among the respondents.

Keywords: Savings, Salary, Method.

Introduction

Saving schemes and foreign trade are very important for countries which are experiencing deficiencies in economic growth. There is a need for savings mobilization which means advocating the need for more and more savings to improve the economic policies. However due to high level corruption, the flow of development aid, to improve economic policy, gets restrained. Many affected countries have gone through financial crisis but they have regained normal economic flow due to adjustment programmes.

Savings Behaviour in India

The economic policy is one of a crucial nature in understanding domestic savings and investment behaviour and the relationship between investment and growth. This is particularly true for a country like India where a highly interventionist Government has followed a complex set of economic policies in a wide variety of areas and sectors since independence. During pre- independence era in India, people spent most of their income on consumption and only a small amount of income was left in the form of savings. As a result the savings rate was very low, especially in the rural sector.

Savings of the Household Sector in Financial Assets

The financial assets which account for savings of the household sector include (a) Currency, (b) Bank Deposits, (c) Non-Banking deposits, (d) Life Insurance Fund, (e) Provident and Pension fund, (f) Claims on Government such as National Savings Scheme, Indira Vikas Patra and compulsory deposits, (g) Shares and Debentures and (h) Units of Unit Trust of India.

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Investment Pattern in India

Timing of investment, the relative contribution of the public and private sectors to gross domestic capital formation has changed considerably in the period under consideration. From the mid 1960s to the early 1980s, the increase in the overall investment rate was driven mainly by increases in public investment.

Need for the study

There is a fundamental shift in the households savings pattern from the traditional ways to modern ways as seen in the late 1980s. This shift has paved the way for a new range of investment instruments to cater the needs and preferences of different segments of investors. The money market also contributes some regular changes to attract the households to save in various assets still, the investment on physical assets are also playing its own role, the savings potential, savings pattern, investment behaviour among the rural and urban are drastically different in all ways. After globalization, all corporates are targeting the rural market to concentrate on the untapped area and there is the hectic competition in the urban market. Finance is not an exception to this, for the balanced development of the nation, it is highly essential to analyze the savings and investment behaviour of the households in rural and urban areas. This is the main reason behind the researcher for choosing the research topic "A study on the behaviour of households towards Savings and Investments in Pudukkottai Town".

Objectives of the Study

The specific objectives of the study are:
1. To analyse savings and its determinants among the respondents.
2. To present the discriminatory variables among rural and urban respondents.
3. To categorize various investment patterns, decisions and avenues for investments.
4. To measure the attitude of the investors and the

impact of their investment and

5. To suggest measures to create appropriate policy to motivate the savings into various investment avenues.

Methodology

The data were collected from both primary and secondary sources. The primary data were collected from the selected sample respondents. The objectives of the study were clearly explained to the respondents and their responses and co-operation were solicited. Data related to socio-economic profile of the households, amount of savings, determinants of savings, investments pattern, portfolio selection level were collected from the Collectorate of Pudukkottai.

Tools for Analysis
➢ **Percentage Analysis**

➢ **Correlation Analysis**

Review of Literature

Ambigadevi (2003) showed that the contribution of women to their families will increase the total family income. The highest discriminating power towards the two groups namely lesser and higher contribution of women's income to the total family income are the income earned and family income which contributes 55.46 and 29.03 percent respectively.

Sunil Nayanar (2003) identified that the Indian investors have reaped high returns from debt funds for the past two years. The parity is almost over now. But the die-hard debt investors need not pull out their money as debt funds still yield better than bank deposits.

Data Analysis and Interpretation

Table 1
Age of the respondents

S.No.	Age	No. of Respondents	Percentages
1	Up to 20	18	12
2	21 – 30	45	30
3	31 – 40	42	28
4	Above 40	45	30
	Total	150	100

Source: Primary data

One of the first variables of demographic segmentation is age. From the sample respondents 30% of them are 21 – 30 and Above 40 years of age group, 28% of them are 31 – 40 years of age group, 12% of them are Above 20 years of age group.

Table 2
Gender – wise classification of the respondents

S.No.	Particulars	No. of Respondents	Percentages
1	Male	36	24
2	Female	114	76
	Total	150	100

Source: Primary data

The above table 4.2 shows that 76% of respondents are female and 24% of the respondents are male. Majority of the respondents are only female.

Table 3
Educational qualification of the respondents

S.No.	Educational Qualification	No.of Respondents	Percentages
1	Up to higher secondary	12	8
2	Diploma / Certificate	45	30
3	Graduate	24	16
4	Post – Graduate	66	44
5	Professional	3	2
	Total	150	100

Source: Primary data

It is understood from the above table that out of the total respondents 44% are in the Post – Graduate, 30% of respondents are Diploma / Certificate, 16% of respondents are Graduate, 8% of respondents are Up to higher Secondary. Majority of the respondents are Post – Graduate.

Table 4
Marital status of the respondents

S.No	Marital Status	No. of Respondents	Percentage
1	Married	93	62
2	Unmarried	57	38
	Total	150	100

Source: Primary data

From the above table 4 Shows that 62 of respondents are Married, and 38% of respondents are Unmarried.

Table 5
Occupation wise classification

S.No	WORKING IN	No. of Respondents	Percentage
1	Government Organisation	69	46
2	Private Organisation	81	54
	Total	150	100

Source: Primary data

From the above table 5 Shows that 54% of respondents are Private Employee, 46% of respondents are Government Employee.

Table 6
Monthly income wise classification

S.No	Monthly Income	No. of Respondents	Percentage
1	Below 10,000	57	38
2	10,001 – 20,000	12	8
3	20,001 – 30,000	18	12
4	30,001 – 40,000	6	4
5	Above 40,000	57	38
	Total	150	100

Source: Primary data

It is clear from the above table out of the total respondents 38% are Below 10,000 & Above 40,000 earned, 12% of respondents are earned 20,001 – 30,000, 8% of respondents are 10,001 – 20,000 earned, and 4% of respondents are 30,001 – 40,000.

Table 7
Classifications of mode of savings for regular e-savers

S.No	Mode of Savings	No. of Respondents	Percentage
1	Depositing in the Bank	72	48
2	Lending to friends / relatives	27	18
3	Contribution to Chit Funds	15	10
4	Others	36	24
	Total	150	100

Source: Primary data

It is understood from the above table that out of the total respondents – 48% are Depositing in the bank, 18% are Lending to friends / relatives, 10% are Contribution to Chit Funds, and 24% are selecting other type of savings.

Table 8
Correlation analysis correlation between occupation and mode of savings

S.No.	Mode of Savings	Occupation		Total
		Govt. Organization	Private Organization	
A	Depositing in the bank	24	48	72
B	Lending to friends / relatives	18	9	27
C	Contribution to Chit Funds	15	0	15
D	Others	12	24	36
	Total	69	81	150

Source: Primary data

As shown in the above table, among 69 Government Organized employees, 24 are stated that Depositing in the bank, 18 are lending to friends / relatives, 15 are Contribution to Chit Funds, 12 are others. Among 81 Private Organized employees, 48 are Depositing in the bank, 9 are Lending to friends / relatives, 24 are others.

Table 9
Co – efficient of correlation

X	Y	X²	Y²	XY
24	48	576	2304	1152
18	9	324	81	162
15	0	225	0	0
12	24	144	576	288
69	81	1269	2961	1602

$$r = \frac{\sum xy}{\sqrt{x^2}\sqrt{y^2}} \qquad = \frac{1602}{\sqrt{1269}\ \sqrt{2961}}$$

$$= \frac{1602}{(35.62)(54.42)} \qquad = \frac{1602}{1938.44}$$

$$\boxed{r = 0.8264}$$

Result
There is high degree of positive correlation relationship between Occupation and mode of savings.

Suggestions
1. Creation of a favourable policy climate for encouraging the savers at rural and urban areas.
2. A relatively more investor friendly climate in the country should be developed. A deserved priority attention should be given on the savings mobilization.
3. Peoples savings essential purpose to reduce the disparity between the formal and informal sector and the difference between the rural and urban sector by promoting the savings and investment behaviour among people through proper education and building the risk bearing ability of the saving holders.
4. The involvement of staff in Government offices, financial institutions and corporate are most imperative in mobilizing savings. The managers should create team work atmosphere, and motivate

them to get involved in achieving targets. This can be done by arranging periodical meeting.
5. To increase savings and to canvass about the various schemes of savings and investments.

Conclusion

During the course of the study it was found that there is a moderate level of savings among the salaried class people. The major determinant of savings are the personal income, family size, family income, and life cycle of the salaried class people. Large portion of the investors do not understand the basic fundamentals of the investments. Many saving holders have invested in safer financial assets like bank deposits only, few saving holders are preferred the investment on the public issue but they are not aware about the market value of their holdings. The most influencing variables which influence the attitude towards the present investment are regular income and security. The saving holders and investors also need education about risk – return trade – off in

investment. A Constant effort is essential to promote the savings and investment behaviour of both rural, urban, Government and Private employees in order to enrich the total economy.

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