

Saving Behaviour of Rural Households in Odisha

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ABSTRACT: The economy of developing countries is completely reliant on growth in the primary and associated industries, which are primarily concentrated in rural areas. As a result, the development of emerging countries is solely dependent on the growth of the rural sector. The study is motivated by the background that household sector is the largest contributor to Gross Domestic Saving in the economy, the overall saving rate is declining due to declining household sector saving and public sector saving. The study looks into the saving behaviour of rural households in study area of Odisha. Descriptive statistics and trend analysis are used to analyze the objective. Analysis reveals that regarding forms of saving, households keep the highest percent of saving in terms of cash in hand. Secondly, households keep saving with bank accounts and then in terms of insurance deposits and postal deposits respectively. Households with two earners have the highest saving income ratio and it decreases as the number of earners increases. As income increases, the average propensity to save also increases. In terms of the occupation of households, the salaried person has the highest saving income ratio and cultivators and agricultural labourers have the lowest. In case of the educational qualification of the household head, higher years of schooling leads to a higher average propensity to save and vice versa. In the age group of households, the saving income ratio is at peak between the age group of 50 to 60 years, then it declines.

KEYWORDS: Household saving, Saving behaviour, Forms of saving

1. BACKGROUND OF THE STUDY

Saving is that portion of personal disposable income, which is not expended or spent. The starting and initial points for the analysis of household saving behaviour were the life cycle theory (Modigliani 1954) and Keynes's (1936) & Friedman's (1957) income theories. These are mainly based on the income structure of the household and demographic features of the family, which is widely used in determining saving behaviour. From the classical days, saving has greater role in the growth of an economy. In the Indian economy, household sector saving has the biggest part of total savings. Even though rural households have enormous saving potential, yet, only a few studies are focused on assessing the rural saving potential. The rate of saving should be enhanced to increase the pace of growth in developing countries. For individuals or households, saving can be seen as a cushion of security against future contingencies, while for a nation, saving provides funds for development. According to the neo-classical growth theory, economic growth relies on the incremental capital-output ratio and rate of saving or investment. In the transition to steady-state growth, a larger growth in per-capita income and capital is achieved.

Private savings and public savings are the two main areas in the classification of savings. The economy's private sector performs private saving. Personal savings, often known as household savings and business savings are the two subcategories of private savings. While corporate savings refers to the acquisition of new capital equipment or the development of its operations, household savings refers to saving carried out by families and individuals. In contrast, according to the Reserve Bank of India's database, public saving refers to savings made by the government sector, which includes state, local, and federal governments.

Rural household saving behaviour should be emphasised because the soul of India lives in its village. According to the census 2011, in India, rural-urban composition is 68.84 percent and 31.16 per cent respectively. However, in many developed countries like the USA, UK, and New Zealand, large proportion of the population is urban. In Odisha, the population formed 3.47 per cent of the population of India in 2011. Out of the total population in Odisha, 16.69 per cent population live in the urban region while 83.31 per cent in rural area. So, in both India and Odisha, the rural population is larger than the urban population. Odisha's rural population is about 3 crores, which makes it India's 9th most rural populated state.

2 REVIEW OF LITERATURE

There is a plethora of theoretical and analytical literature related to the saving-growth debate. Policymakers and academic economists consider saving as a critical issue. As saving is primarily a means of moving resources through time for a single household, it is an important source of investment funding for the economy as a whole. Savings rates have been determined to be strongly correlated with investment level and economic growth rates in countries. While various notions have been advanced to explain these associations, each suggesting a different direction of causality, they are frequently cited as a reason for the need to raise household saving rates. Several significant developments in recent years have pushed the debate over the factors of household saving to the forefront of economic growth debates. The dispute about the effectiveness of tax rebates as a cause to encourage household saving, in general, and in a specific form, is linked to the perceived need to stimulate household savings. Even if it is desirable to encourage private saving as well as household saving, it is unclear what the optimal strategy to accomplish this goal would be.

Saving is an inherently continuous activity. Households hold money at a certain moment in time so that they and their children can consume the money later. The dynamic feature of household saving is explicitly recognised in all recent theories of saving behaviour. However, there is no consensus on which model is most appropriate for explaining household behaviour for saving. The life-cycle notion has been the centre of focus of research and debate among policymakers for nearly half a century. Individual saving practices will differ depending on someone's life stage, as per life cycle postulation (Modigliani and Brumberg, 1954). In general, a normal person goes through three periods in his/her life: youth, working age, and retirement age, during which he/she is a net consumer in the first and last stages and a net saver in the in-between stages. However, in recent years, various ideas have been proposed that contradict one or more of the life-cycle framework's assumptions.

Savings is frequently emphasised in empirical studies as a way for individuals to help themselves survive unanticipated shocks such as natural calamities, illness and job loss, that impair their income level. Household savings are considerably more vital in developing nations, especially in rural areas, where the microfinance system and social assistance are still emerging, as people have few options for funding themselves in difficult times. Studying household saving behaviour in rural areas has practical and policy consequences based on these reasons. On the one hand, it aids in the production of a more accurate projection of household savings, which can be used as an input for microfinance network decision-making. On the other side, understanding how people save would aid policymakers in determining how to improve the microfinance network's operation to make it more appealing to households.

2.1 Different Theories on Consumption and Saving

There is ample economic and financial literature from both developed and developing nations that show how various determinants influence households' behaviour on saving. Savings, as we all know, is nothing more than refraining from current spending, which may be represented as income minus consumption ($Y-C$). As a result, various models of consuming behaviour also explain saving behaviour.

2.1.1 Absolute Income Hypothesis

Firstly, Keynes (1936) established a comprehensive hypothesis of household aggregate consumption expenditure. He presumed that current disposable income determined consumer expenditure. The Keynesian absolute income hypothesis is laid on the psychological notion that "men are likely, on average, to raise their consumption as their income increases, but not to the same extent as their income increases" (Keynes, 1936). According to the hypothesis, out of disposable income, the marginal propensity to consume is positive and smaller than one, implying that as income rises, a part of the increase in income is consumed and a portion is kept as saving for financial security through periods of unemployment, illness, or future income.

2.1.2 Relative Income Hypothesis

The relative income hypothesis was proposed by Dusenberry in 1949. As per this hypothesis, the consumption expenditure of the household is a function of the household's relative income. The relative income of the household is the average income of the household compared to the neighbourhood where the household resides, or it may be the excessive and highest income that the household has obtained in the recent past. When the income of the household comes down, the household dis-saves to avert a large decline in their consumption pattern and living standards and also to continue their economic position same with their contemporaries. The APC in the short run is greater than the long run APC implying that the APS in the short run is smaller than the long run APS.

2.1.3 Permanent Income Hypothesis

In the permanent income hypothesis, Friedman (1957) opined that the basic factor of household consumption is wealth but not income. It is assumed that an increase or decrease in current income which is called measured income by Friedman, has an impact on current consumption by way of resulting changes in wealth. The current value of the future income source, which the household

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anticipates will fluctuate from year to year, is the measure of the wealth of the household. Permanent income is equal to the wealth stock multiplied by the interest rate or annual return on wealth, assuming an unlimited time horizon. This portion of the household's measured income is the only one that is thought to be steady and to accurately reflect the household's expectations for income. Transitory income, which can be positive or negative and occurs from brief and unforeseen changes in current income, is the difference between measured income and permanent income. The incentive to conserve and accumulate non-human wealth increases with the ratio of human to non-human wealth. Any temporary positive income is therefore preserved rather than used for consumption. Only if changes in measured income result in the household revising its projection of long-term income will those adjustments have an impact on current consumption.

2.1.4 Life Cycle Hypothesis

The life cycle hypothesis was introduced by Modigliani and Brumberg (1954) and later developed by Ando and Modigliani in 1963. This theory, which is among the main neoclassical theories of savings, is based on the notion that households have a perfect understanding of their future income flows, consumption levels, and lifespan. In addition, it also asserts that households act rationally and restrained as they save for retirement. Over the course of their lives, most people maintain roughly constant or possibly slightly growing levels of consumption, whereas income shows a different pattern. The goal of saving is to reorganise time consumption by the anticipated future income stream given the household's known lifespan, certainty, and intention to leave no offspring. The underlying premise of the hypothesis is that the household's current consumption is proportional to its overall resources, with the factor of proportionality depending on the interest rate used to discount future income as well as the household's preferences and age. The impact of a change in current income or consumption on the total resources of the household determines the outcome. The hypothesis states that there is a proportional relationship between each age group's consumption and total resources, with middle-aged households having a smaller coefficient of proportionality than young and old households.

2.1.5 Behavioural Theories

The inadequacy of previous theories explaining the real drivers of saving, which are prone to change under diverse behavioural situations, necessitated the development of new saving theories that illustrated the impact of human behaviour. One of these behavioural theories of savings is Shefrin and Thaler's (1988) behavioural life cycle theory. Households are assumed to develop their behavioural attitudes and restraints to save, according to these beliefs. A person may be described as both a planner and a doer. As a planner, the individual is entangled with long-term value, whereas as a doer, the individual acts as if he or she is a one-time person who is both greedy and myopic. Preferences must be modified, adjusted and constrained in some way for the doer to demonstrate some control. Individuals frequently develop restrictions that limit their spending options, which can be imposed internally or externally. An individual can, for example, save voluntarily for schooling, wedding ceremonies, or state-mandated pension funds. Borrowing rules and restrictions can also be enforced unless it is for certain purposes. The saving of households is the outcome of self-occupied and welfare-motivating constraints on consumption (Maital & Maital, 1994).

2.2 Studies on Forms and Patterns of Saving

Rural households have lower income and higher consumption, owing to a high MPC, which declines the marginal propensity to save (Nayak S. et al., 2016). Traditional methods of saving are used by a greater number of households than sophisticated methods of saving. In comparison to other financial market products such as stocks, bonds, and security, saving with a bank carries a lower risk. Accepting a deposit from a bank carries a low risk and a high reward. Savings in banks is the most common, followed by insurance and gold (Suppakitjarak N. & Krishnamra P., 2015). It was discovered that the likelihood of saving is higher if the household is headed by a man than if it is headed by a woman. A household in a big city saves more money. A household with a higher year of schooling is likely to have a substantial positive impact on the ability to save. Savings rates are higher in households of married couples. The tendency to save decreases as the incidence of health problems increases (Mikolajczak P.A. & Golas Z., 2014).

With the adoption of the 6th Pay Commission, there has been a substantial rise in saving patterns. The majority of respondents were saving for their children's education, followed by purchasing a home to achieve investment growth. Before and after the introduction of the 6th Pay Commission, there was a strong correlation between overall expenditure and the percentage of savings in monthly profits. After receiving salary according to sixth pay commission, the most common investments are insurance and provident funds. A positive connection between the total quantity of investment and the percentage of saving from monthly household income before and after implementation of the 6th Pay Commission was found. Insurance and provident funds are the most used investment after 6th Pay Commission to avail tax rebate (Shreenivasan K. A. & Vijayanthi P., 2014).

People prefer to take loans in times of shortage of income at a high rate of interest rather than liquidating any asset. Most savings in banks and post offices were fixed deposits and many family members are irregular in saving. Most women kept their savings in informal sources. Most forms of savings and assets are liquidated with high time intervals, forcing the poor individual to borrow at

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a high rate of interest. Geographical constraints of the district put a hindrance on income distribution and saving patterns. In the expenditure pattern, health-related expenses are lower due to greater access in availing medical services (Sriram & Parhi, 2006). Between the ages of 26 to 35 years, there is a larger section of individuals in terms of annual saving, followed by individuals in the age group of 36 to 50 years. However, most individuals are in the higher saving margin between the age group of 50 years and above (Rengarajan V. et al., 2016).

In a study to determine the reasons for the decline in household savings in India during 2010-11, following finding reveals the immediate problems and their reasons. Individual non-corporate firms, non-government and non-farm businesses such as sole partnerships and proprietorships, and finally non-profit organisations that offer education, health, culture, sanitation, all recreational, and other community and social services to households are included in the household sector. The rate of household savings remained unchanged. However, after reaching a record high of 25.4 per cent in 2009-10, it sharply declined to 22.8 per cent in 2010-11. During the same period, the financial saving rate in households fell dramatically from 12.9 per cent to 10 percent while physical asset saving increased. It has been found that portion and share of construction, which is a component of physical savings has raised modestly. However, the change in stock, machinery and equipment gradually declined. The slightly decreasing pattern in saving financial assets has reflected the massive increase (more than double) in diversion of funds to purchase gold and silver. The financial saving decline can be explained by slow growth in household savings in bank deposits, and life insurance, as well as an absolute decline in investment in shares and debenture. However, household financial liabilities increased, reflecting higher borrowing from commercial banks, which declined net financial savings. The substantial fall in the small saving collection is due to relatively unattractive interest rates and due to the dis-continuance of popular schemes like KVP and MIS (Yamini S. & Deokar B, 2012).

In the private corporate sector, there is a stagnant saving ratio, which is explained by some factors. Firstly, it is due to low profitability syndrome. Secondly, during the 1980s, tax provisions as a percentage of sales has fallen significantly from 3.5 to 1.8 per cent. Thirdly, due to an increase in dependency on borrowed capital and interest outgo and depreciation, corporate savings fell significantly. Personal saving per cent of disposable income showed a meagre growth in the 1980s i.e., from 13.8 per cent in 1970-71, it rose to 21.2 per cent in 1978-79. Foreign private remittance is one of the factors, which contributes to a high level of household saving in financial assets. From 1970 to 1980, the share of private consumption declined by 2.5 per cent, which led to an increase in financial savings. Rural saving is affected by investment in agriculture, by which the share of rural bank branches continued to be meagre. Despite fiscal concessions for the corporate sector, the sector's saving rate was stable. The 1980s have been a decade favouring the urban saving group rather significantly (Shetty, 1990).

3.STATEMENT OF PROBLEM

Odisha, according to the National Human Development Report (2021-22), is far behind the national average in every aspect. Savings in rural areas today are often made up of assets such as property, animals, metals, and so on. Saving is a critical component that is responsible for combating or responding to any emergency that individuals, families, or corporate entities may face. Odisha is one of India's major states, with a population of 43.73 million according to the 2011 census.

Economic activities such as income, production, saving, and investment can be motivated not only by the manufacturing and service sectors but also by the agricultural sector. As a result, most households in the state should be financially stable, rendering the state self-sufficient in terms of fund mobilisation. Savings are held in several formal and informal outlets (such as chit funds) in rural areas. More attention should be paid to household saving practices, as this may be a potential solution to the crisis.

4.OBJECTIVE OF THE STUDY

To look into the saving behaviour of rural households in Odisha.

5.RESEARCH METHODOLOGY

Primary data have been collected from 422 rural households of Odisha. Though the place of research is in Odisha, so the study concentrates on districts of Odisha. The area of study covers four districts of Odisha such as Anugul, Boudha, Jagatsingapur and Nayagarh. District are chosen on the basis of highest and lowest per capita deposit on the basis of high rural population concentration. Anugul district comprises of first highest i.e., ₹ 99,735 per capita deposit with 83.77 percent of rural population concentration. Boudha district comprises of ₹25,281 per capita deposit with 95.35 percent of rural population concentration. Jagatsingapur comprises of ₹87,661 per capita deposit with 89.80 percent of rural population concentration. Similarly, Nayagarh comprises of ₹21,306 per capita deposit with 91.71 percent of rural population concentration

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Anugul district is composed of Four subdivisions and eight blocks such as Anugul, Banarpal, Chendipada, Athamallik, Kishorenagar, Pallahara, Talcher and Kaniha. By simple random sampling Talcher block is chosen. Talcher block is sub-divided into 21 Gram Panchayat. Among 21 Gram Panchayat, Gobara is selected. Again, that Gram Panchayat is composed of villages. Among all villages, Gobara village is selected. Gobara village is composed of 850 households, from which 100 households are selected.

Boudh is composed of four blocks such as Boudh, Harbhanga, Baunsuni and Kantamal. By simple random sampling Boudh block of Boudha district is chosen. Boudha block is composed of 23 Gram Panchayat. Among that 23 Gram panchayat, Baunsuni G.P. is selected. From Baunsuni Gram Panchayat, Dimiripali village is selected for collection of household level data. Dimiripali village is composed of 350 households from which only 122 households are selected.

Jagatsinghapur district consists of 8 blocks such as Jagatsinghapur, Tirtol, Balikuda, Kujanga, Ersama, Biridi, Naugaon, Raghunathpur. From that Tirtol block is selected which is composed of 27 Grampanchayat. From 27 Grampanchayat, Kostimallikapur is chosen. From Kostimallikapur G.P. Salijanga village is chosen. Salijanga village is composed of 105 household, from which 100 households are chosen.

Nayagarh is composed of eight blocks such as Ranapur, Odagaon, Khandapada, Dasapalla, Nayagarh, Nuagaon, Gania and Bhapura. By simple random sampling Dasapalla block is chosen which is composed of 20 Grampanchayat. From Dasapalla block, Dihagaon Grampanchayat is chosen and from Dihagaon grampanchayat Madhupur village is chosen. Madhupur village is composed of 145 households, from that 100 households are chosen.

As the analytical tool, descriptive statistics such as ratio and percentage are used to show the saving pattern of rural households in Odisha in respect of age, education level and Occupation. The forms of saving are also analysed by diagram and measured with percentage of monthly total saving by rural household in the study area of Odisha.

6. RESULTS AND DISCUSSION

Current literatures indicates that the saving behaviour of rural households is influenced by both demographic characteristics such as age, gender, education, occupation, etc. and motivating considerations such as old age, children's education, unforeseen bills, etc. Additionally, it covers the decision-making process for saving as well as informational sources (friends, family, the internet, etc.).

6.1 Saving Behaviour and Decision-making:

Making decisions is regarded as a crucial component of saving behaviour. Families can get advice from others to help them decide whether to save money for the long term or the short term, what kind of investments to make, and other important decisions. They can make decisions by themselves, in discussion with their spouse, parents, and children, or collectively, among other things. Financial behaviour has a positive influence on decision-making behaviour (Surinder and Gajendra, 2018) and financial literacy and financial education have a discernible and significant influence on a scheme-specific participant's financial decision-making (Andrew 2016).

Table 6.1: Decision-making according to demographic factors

Sl. No.	Demographic Variables	Decision-making Process					
	Age (years)	Independently	With their parent	With their Spouse	With their children	Jointly	Total
Age							
1	Below 30	3	5	5	0	0	13
2	30-40	15	15	12	6	18	66
3	40-50	45	40	40	9	20	154
4	50-60	40	8	40	12	8	108
5	60 and above	12	5	30	18	16	81
Gender							
1	Male	95	50	100	43	62	350
2	Female	20	23	27	2	0	72
Educational Qualification							
1	Under matriculation	23	20	3	0	0	46
2	Matriculation	50	30	30	30	34	174

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3	Secondary	15	15	15	3	15	63
4	Graduation	16	4	70	6	10	106
5	Post-graduation and above	11	4	9	6	3	33
Main Occupation							
1	Cultivators & Agricultural Labour	13	13	80	20	36	162
2	Non-Agricultural Labour	2	0	7	7	8	24
3	Salaried Person	40	20	20	7	7	94
4	Self-employed	50	30	20	11	11	122
5	Pension Holders	10	10	0	0	0	20

Source: Primary data

Table-6.1 presents decision-making behaviour according to some demographic factors, i.e. age, gender, education, occupation etc. In age-wise distribution, it is observed from the present data that most of the households whose age is less than 30 years take their decision after discussion with their parents and spouse and households in the age group of 30 to 40 years and 40 to 50 years prefer making decision jointly and independently, respectively. Households whose age is above 50 years mostly prefer to take their decisions with spouse. However, gender-wise distribution of the collected data reveals that most of the male or female household heads prefer to consult their spouse before taking any decision regarding choosing saving avenues. Thereafter, according to the educational background, households having no qualification and those with matriculation prefer to decide independently regarding saving avenues. Similarly, Graduate households decide with their spouses. Post-graduation households have decided on their saving independently.

According to the occupation of the households, cultivators and agricultural labourers have decided upon saving with their spouse. Non-agricultural labourers have taken their decision jointly. Salaried persons have taken decision regarding saving avenues independently. Self-employed persons also have taken decisions independently. Similarly, pension holders have preferred taking decision on saving independently and with spouse.

6.2: Information Sources of Saving Schemes:

It is projected from the literature that there are different kinds of information sources that help households learn more about savings plans. Senthil Kumar and Kannaiah (2014) noted in their survey that the majority of families obtained their information through agents, followed by newspapers, magazines, television, radio, consultants, and friends and family.

Table 6.2: Information sources of saving scheme according to demographic features:

Sl. No.	Demographic Variables	Information Sources						
		Friends and Relatives	Newspapers and Magazines	TV and Radio	Agents and consultant	Personal	Internet	Total
Years		Age						
1	Below 30	12	10	10	8	10	15	65
2	30-40	20	60	35	100	15	100	330
3	40-50	120	80	170	200	120	80	770
4	50-60	46	36	20	102	60	60	324
5	60 and above	40	25	25	30	30	3	153
Gender								
1	Male	360	40	270	230	300	200	1400
2	Female	50	42	23	27	60	40	242
Educational Qualification								
1	Illiterate	50	30	38	30	20	16	184
2	Matriculation	160	40	50	120	180	140	690

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3	Secondary	60	40	36	34	35	45	250
4	Graduation	70	30	45	55	64	56	320
5	Post-graduation and above	25	28	5	40	40	60	198
Main Occupation								
1	Cultivators & Agricultural Labour	80	20	100	200	44	42	486
2	Non-Agricultural Labour	15	13	14	8	18	8	76
3	Salaried Person	50	35	55	85	55	102	382
4	Self-employed	60	80	40	150	160	98	588
5	Pension Holders	6	14	10	60	10	10	110

Source: Primary data (Respondents were free to choose more than one category)

Table 6.2 details the information sources of the saving scheme according to the demographic features such as age, gender, educational background, occupation, etc.

6.3: Number of Bank Accounts and Saving Patterns:

The number of bank accounts is a prominent determinant of saving by households. From the literature, it is evident that there is a positive relationship between number of bank accounts and saving. In rural area, mostly bank accounts are preferred for saving than post office accounts and other financial sources. Bank penetration is reflected in the number of bank accounts hold by a household.

Table 6.3: Distribution of Households according to number of bank accounts (district-wise):

Number of Bank Accounts	Gobara (Anugul)	Salijanga (Jagatsinghapur)	Dimiripali (Boudha)	Madhupur (Nayagarh)	Total
1	4(4%)	13(13%)	9(7.38%)	5(5%)	31(7.34)
2	55(55%)	28(28%)	31(25.42%)	40(40%)	154(36.51)
3	35(35%)	33(33%)	49(40.16%)	34(34%)	151(35.78)
4	4(4%)	17(17%)	29(23.77%)	16(16%)	66(15.64)
5	1(1%)	6(6%)	4(3.27%)	3(3%)	14(3.31)
6	1(1%)	3(3%)	0(0%)	2(2%)	6(1.42)
Total	100(100%)	100(100%)	122(100%)	100(100%)	422(100%)

Source: Primary data

The above table demonstrates distribution of households according to number of bank accounts. Firstly, about 36.51 percent of households have two bank accounts. Secondly, 35.78 percent of the families have three bank accounts. Thirdly, 15.64 percent of households have four bank accounts. Fourthly, about 7.34 percent of households have only one bank account. Fifthly, about 3.31 percent of households have five bank accounts. Lastly only 1.42 percent have six bank accounts.

Table 6.4: Distribution of Households according to monthly saving (district-wise):

Monthly Aggregate Saving (in Rs.)	Gobara (Anugul)	Salijanga (Jagatsinghapur)	Dimiripali (Boudha)	Madhupur (Nayagarh)	Total
0-4999	1(1%)	27(27%)	56(45.92%)	15(15%)	99(23.46)
5000-9,999	5(5%)	22(22%)	59(48.36%)	38(38%)	124(29.38)
10000-14999	27(27%)	16(16%)	6(4.91%)	21(21%)	70(16.58)
15000-19999	15(15%)	13(13%)	1(0.81%)	10(10%)	39(9.25)
20000-24999	13(13%)	3(3%)	0(0%)	4(4%)	20(4.75)

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25000-29999	13(13%)	5(5%)	0(0%)	3(3%)	21(4.97)
30000 and above	26(26%)	14(14%)	0(0%)	9(9%)	49(11.61)
Total	100(100%)	100(100%)	122(100%)	100(100%)	422(100%)

Source: Primary data

Table No. 6.4 demonstrates the distribution of households according to monthly saving. About 23.46 percent of households have monthly saving of less than Rs. 5000 in which more households from Dimiripali village of Boudha district are included. Similarly, about 29.38 percent households have monthly saving in the range of Rs. 5000 to Rs.10,000. About 16.58 percent of households have monthly saving in between Rs. 10,000 and Rs. 15000. Similarly, about 9.25 percent of households are in the saving range of Rs. 15000 to Rs. 20,000. Only 4.75 percent and 4.97 percent of households have monthly savings of Rs. 20,000 to Rs. 25000 and Rs. 25000 to Rs. 30000. About 11.61 percent of households have a monthly saving of Rs. 30000 and above.

6.4: Age Group and Saving Pattern

One of the key elements in determining the rate of saving among families is the age of the household head. Literature shows that attitudes, emotions, and perceptions fluctuate among homes with young, middle-aged, and older earners. The rate of consumption in any given era is the component of a plan that spans the remainder of the individual's life, whereas the earnings accruing during the same period is only one element that helps shape such a plan, according to Modigliani and Brumberg (1954). Age affects a household's saving rate as well as the relationship between its current spending and accumulated assets. According to the life cycle hypothesis, the APS (Average Propensity to Save) is considered to be the same for all income levels and jobs for a specific age group and is predicted to increase during middle age and decline again after retirement.

Table 6.5: Saving Pattern under different Age groups

Age Group (years)	Percentage of Households	Total income	Average income	Total saving	Average Saving	Saving-Income Ratio
Below 30	13(3.08)	350000	26,923	217500	16730	0.621
30-40	66(15.63)	1617200	24,503	782900	11862	0.484
40-50	154(36.50)	3739600	24,283	1800060	11668	0.481
50-60	108(25.60)	3144500	29,115	1775500	15755	0.564
60-70	56(13.27)	1763500	31,491	971200	16440	0.550
70 and above	25(5.92)	804500	32,180	308500	12340	0.383

Source: Primary data

This table demonstrates that savings income ratio rises from the age range of 30 to 40 years, reaches its peak between the ages of 50 and 60 years, and then declines which justifies the life cycle hypothesis.

6.5: Education level and Saving pattern

According to the literature on saving behaviour, education is a crucial factor to consider while examining saving habits. Higher academic attainment is typically predicted to enhance savings through its favourable impact on anticipated income. Education costs initially boost consumption and diminish current disposable income, while the positive association between education and growth and savings takes time to materialise fully. As a result, the relationship between the two can be negative, especially in the short run. A well-educated person is also said to have a better understanding of future wants, requirements, and uncertainties; as a result, they plan meticulously to maximise returns to meet requirements compared to a less-educated person.

Table 6.6: Saving Pattern under different education groups of Household Head:

Education Group	Percentage of Households	Total income	Average income	Total saving	Average Saving	Saving-Income Ratio
Under matriculation	46(10.91%)	617000	13,413	208500	4532	0.337
Matriculation	174(41.23%)	3630700	20,866	1766800	10154	0.486
Higher Secondary	63(14.93%)	1540600	24,453	785750	12472	0.510

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Graduation	106(25.11%)	4267000	40,255	2237110	21105	0.524
Post-graduation and above	33(7.82%)	1364000	41,334	857500	25984	0.628

Source: Primary data

According to Table No. 6.6, households led by illiterates make an average monthly income of Rs. 13,413 and have a saving-income ratio of 0.337, which is lower than that of households headed by earners with matriculation. However, 41.23 percent of households are headed by individuals with only primary education; these households earn an average annual income of Rs. 20,866 and save an average of Rs.10,154, yielding a saving-income ratio of 0.486; this ratio increases to 0.510 for households headed by individuals with secondary education. Conversely, 25.11% of households are headed by degree-holding adults. The average income for these households is Rs. 40,255, and they save an average of Rs. 21,105, yielding a saving-income ratio of 0.52. Households having heads with post-graduation have a higher average propensity to save i.e., 0.628.

6.6: Occupation and Saving Pattern

One aspect determining the differences in household saving is the occupation of the household head. The majority of a person's income is determined by their occupation; thus, it stands to reason that those with a better occupation that increase their income tend to save more money than those with other low-paying jobs.

Table 6.7: Saving Pattern (in Rs.) under different Occupation groups of Household Heads:

Occupation Group	Percentage of Households	Total income	Average income	Total saving	Average Saving	Saving-Income Ratio
Cultivators & Agricultural Labourer	162(38.38%)	2600500	16,052	991700	6122	0.381
Non-Agricultural Labourer	24(5.69%)	628000	26,167	388000	16166	0.617
Salaried Person	94(22.28%)	4116500	43,792	2445010	26011	0.593
Self-employed	122(28.91%)	2868300	23,510	1400050	11476	0.488
Pension Holders	20(4.74%)	1206000	60,300	630900	31545	0.523

Source: Primary data

Table 6.7 reveals that 38.38 percent of the sample's households are cultivators, with an average monthly income of Rs. 16,052 and an average monthly savings rate of Rs. 6122, and a saving-income ratio of 0.381. The non-agricultural labourers who constitute 5.69 percent of the total households have an average monthly income of Rs. 26,167 and a saving-income ratio of 0.61. The households with the highest income in society are those where the head of the household is employed in the public or private sector as a salary earner or has a fixed income earning occupation. These households save a sizable amount of their income, contributing 67.86 percent to total saving. These households save an average of Rs. 26,011 per household, with a 0.593 saving-income ratio. The self-employed households that primarily engage in self-employment receive an average income of Rs. 23,510 per month, and they save Rs. 11,475 of the amounts. Similarly, pension holders have an average income of Rs. 60,300 per month and save an average of Rs. 31,545 per month, which constitutes a ratio of 0.52.

6.7: Income of Households and Saving Pattern

The main economic variable used to analyse consumer and saving behaviour is income. The capacity of a household to save money is determined by its level of income. Different theories in economics, including absolute income, permanent income, relative income, and life cycle income, have different ideas of what income is. These many ideas offer various justifications for household consumption patterns, and in turn, for saving patterns. According to the life-cycle and permanent income hypothesis, despite changes in income, households tend to maintain consistent consumption. If consumption and other variables remain constant, an increase in income will lead to larger savings simply because there will not be enough money to spend it all at once. Similarly, having too little income will lead to negligible saving because there will not be any leftover after consumption. Numerous researchers have presented empirical data in favour of the majority of these ideas explaining saving behaviour.

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Table 6.8: Saving Pattern under different income groups of Household

Income Group (Rs.)	Percentage of Households	Total income	Average income	Total saving	Average Saving	Saving-Income Ratio
0-10,000	71(16.82%)	509700	7,179	170200	2397	0.333
10,000-20,000	144(34.12%)	1970600	13,685	849700	5900	0.431
20,000-30,000	72(17.07%)	1683000	23,375	800400	11116	0.475
30,000-40,000	45(10.66%)	1496500	33,255	790700	17571	0.528
40,000-50,000	23(5.45%)	996000	43,304	566950	24650	0.567
50,000-60,000	20(4.74%)	1025000	51,250	557310	27865	0.543
60,000 and above	47(11.14%)	3738500	79,543	2120400	45115	0.569

Source: Primary data

The above table demonstrates the saving pattern of households under different income groups. Households with an income range of below Rs.10,000 per month have an average saving of Rs. 2397 with saving income ratio of 0.333. As lower income group households avail public distribution system and other healthcare facilities for medical expenses, their consumption expenditure is low and saving is positive. Regarding average propensity to save, households with an income range of above Rs. 60000 have the highest saving-income ratio of 0.569. It is concluded that as income level of households increases, saving-income ratio also increases.

6.8: Number of earners and Saving Pattern

The number of earners has a significant impact on how rural households save money, along with other factors. The number of wage earners determines household income, whereas the number of dependents or non-earners influences the ratio of consumption to income. Many rural households tend to have low incomes and poor saving habits since they only have one or two wage earners and five or more dependents.

Table 6.9: Saving Pattern with respect to increasing number of Earners

Number of Earners	Percentage of Households	Total income	Average income	Total saving	Average Saving	Saving-Income Ratio
1	199(47.16)	5393200	27,102	2788260	14,012	0.516
2	171(40.53)	3819100	22,334	1987500	11,623	0.520
3	37(8.76)	1243000	33,595	635200	17,168	0.511
4 and more	15(3.55)	964000	64266	444700	29,646	0.462

Source: Primary data

The above table explains the saving pattern concerning the increasing number of earners. Households having one earner have average earning of Rs. 27,102 and an average saving of Rs.14,012 per month, which constitutes a saving income ratio of 0.51. Mostly, salaried person and self-employed person households have only one earner compared to other occupation groups. About 40.53 percent of households have an average income of Rs. 22,334 and an average saving of Rs. 11,623, which shows the average propensity to save as 0.52. Similarly, households that have more than 4 earners have a saving income ratio of 0.462, which is declining as earlier. Since more earners in the family are engaged with less income as there is no constant source of income, there is an indirect relationship between several earners and the level of saving. Average saving of households according to number of earners in a family are illustrated below.

6.9: Forms of Saving

Forms of saving are the main determinant of saving in rural households. Basically, forms of saving are divided into four categories such as deposit with bank, postal deposit, insurance deposit and cash in hand.

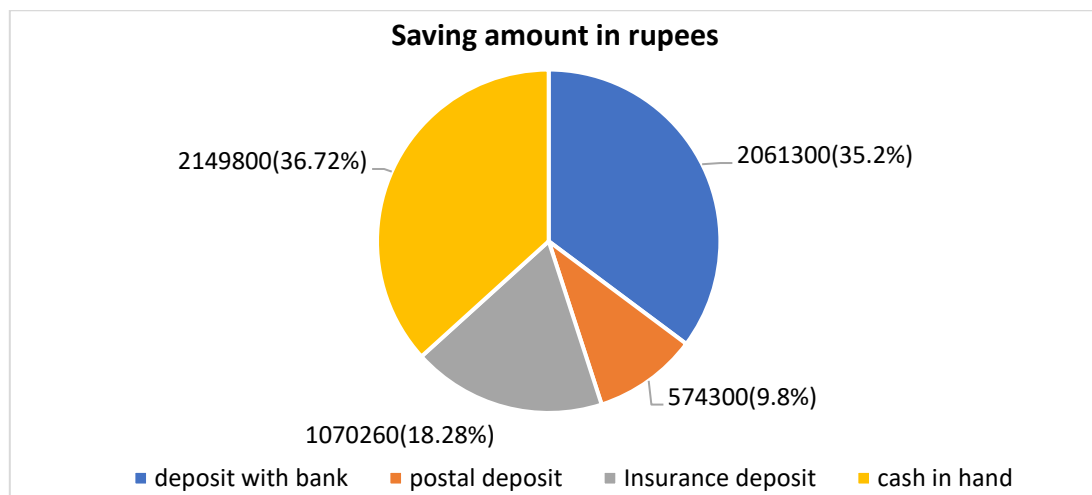


Figure 6.10: Forms of Saving by Rural Households:

Source: Primary data

It is seen from the figure that the total amount of monthly savings is about Rs.58,55,660 by all rural households of four sample districts of Odisha. Out of this, saving as cash in hand is 36.72 percent, which is about Rs.21,49,800, is the highest form of saving. Secondly, households hold saving in the form of deposits with banks, which is about Rs. 20,61,300 (about 35.2% of the total saving). Thirdly, about 18.28 percent of total savings is in the form of deposits with insurance, which is about Rs.10,70,260. Lastly, about 9.8 percent of the total saving is in form of postal deposits, which is about Rs. 5,74,300.

7. CONCLUSION

This paper explains the pattern and forms of saving of rural households in the study area of Odisha. Regarding forms of saving, households have the highest percent of saving in terms of cash in hand. Secondly, households have saving in bank accounts and then in terms of insurance and postal deposits. Households with two earners have the highest saving-income ratio and it decreases as the number of earners increases. In the income group of households, highest saving-income ratio is seen for households with monthly income of above Rs. 60,000 and the lowest in households with a monthly income of below Rs. 10,000. As income increases, the average propensity to save also increases. Regarding the occupation of households, salaried person has the highest saving-income ratio and cultivators and agricultural labourers have the lowest. Regarding the educational qualification of the household head, higher years of schooling lead to a higher average propensity to save and vice versa. In the age group of households, the saving-income ratio peaks between the ages of 50 and 60 years, and then it declines.

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