North Asian International Research Journal of Business Economics & Management

ISSN: 2277-1018 Vol. 6, Issue-5 May-2022

IRJIF I.F. : 4.201

Index Copernicus Value: 56.02 Thomson Reuters ID: S-8304-2016

NAIRJC A Peer Reviewed Refereed Journal

DOI: 10.6947/2277-1018.2022.00006.13

THE PATTERN OF SAVINGS AND ASSETS POSITION IN INDIA: AN OVERVIEW

*** T MAHESH BABU & ** PROF. M. CHINNNASWAMY NAIDU**

**Research Scholar, Dept. of. Economics, S. V. University, Tirupathi.*

*** Prof. M. Chinnnaswamy Naidu, Dept. of. Economics, S. V. University, Tirupathi.*

ABSTRACT

In Indian economy the household sector plays a most important role by generate the major shares of Gross Domestic Savings. Household savings provide a support of welfare to the individuals and at the same time provides fund for the nation's development process.Income, saving and investment are important operates in fastening of the economic growth development process. Household income, saving and investments are typically in the form of physical and financial assets, and there has been a main shift in the composition of household savings from financial savings to physical savings. This paper work would be investigated the relationship between income, saving and investment of economic growth for India over the period 1950-51 to 2017-18. The works on the role of saving in promote economic growth generally, points to saving led growth. The present analysis focuses on India, where saving rate has been the most pronounced.The saving rates haveexhibit an upward trend with some mild irregular escalations over the period. During the period of 2000-01 the GDS was 23.4 and it gained drive during the later periods and reached a high value of 36.9 in 2007-08. But in the next period it dropped about 4 per cent mainly due to the global recessionary factors that was prevalent during that time. In the latter periods the economy kindly regained and showed a slow progress but again started dipping and is only 30.9 per cent during 2019-20. The major share of gross domestic savings is generate from the household sector and it showed a mild progress in the initial period but later a decline and reached 19.3 in 2019-20. It isdecline reflected in the saving rate of the economy.

***KEY-WORDS*: Economic growth and development, Gross Domestic Saving, Household savings, Physical Assets, Financial Assets.**

INTRODUCTION

The relationship between saving and investment of economic growth has confused economists ever since economics became a systematic discipline. In generally, a portion of income is savedmoreover put into investment. The economy as a whole can save only as much as its income andthe economy as aentire may decrease the consumption expenditure in relation to a specified level of income and as a result increase its tendency to save. An exogenous increase in the desire to save leads to an unaffected level of saving but at a lower level of income. If we describe both saving and investment as the difference between gross domestic product and consumption, it may have a tendency to be interpreted in terms of cause-and-effect relationship.

The development of a nation's dynamic capacity requires assetspattern which can be done moreover by utilizing household resources or through external support. Household resources especially income, saving and investment propensities play a dominant role in achieving economic growth and development. Economic history suggests that countries that are able to accumulate high levels of domestic investment largely financed by domestic saving achievedprevious rate of economic growth. As such savings is a requirement in attractive the economy to advanced strata's of growth. Saving have been definite by CSO as "The additional of current income over current expenditure and is the harmonizing item on the income and expenditure accounts of manufacturinginnovativeness and households, government management and other final consumers". The domestic saving and investment in promoting economic growth has recognizedimportant attention in India and also in many countries around the world. In India saving rate has progressively increased over time and economic planners has emphasized on saving and investment as the main instruments of economic growth and amplify in national income. The secular uptrend witness in domestic growth is evidentlyrelated with the consistent trend of increases in domestic savings.

NEED FOR THE STUDY

In India the household sector contributes a lion's portion of the total savings generated. This sector plays a vital role in combining savings, generating liquidity and thusincreasing the financial welfare of the economy. Household income, itssharing to expenditure and savings were very significant for economic investigation as it resource the economic resources to the strong and obtain payments in relationships of money and this currency is consumed by households on goods and services created by them. These factors have an important role in determining the nature and rate of economic growth and development. There is a necessity to pay more kindness to the changing alignment of savings and the characterfor organization of savings plays in responsible the kinds of investments that will be sponsored by incremental savings. Ancomprehension into the composition and design of household savings has a major relevance in determining the economy's growth path.

MEASUREMENT OF HOUSEHOLD SAVINGS

Household saving, as already defined, is the surplus of current household income over household current consumption. This definition also corresponds to the concept of change in net worth but only after making adjustments for capital transfers and capital gains and losses. These alternative definitions of saving lead to two different methods of estimation, viz., the current account and the balance sheet method. A relatively simple way of estimating household saving would be to take it as current income less consumption. Thus saving is understood to be a residual, consumption being inclusive of capital consumption. A family budget enquiry would be sufficient for such a saving estimation. However, this approach has certain limitations in a family budget enquiry as the emphasis is on consumption and the income side is neglected and generally consumption expenditures tend to be overstated and income is underestimated. Further, it will not highlight the various forms of investment in which savings are embodied. Therefore, recourse is taken to the balance sheet method.

There are two main reasons for preferring the balance sheet method. In the first place, the margin of error inherent in the balance sheet method would be less than that in the income account method. Secondly, the estimates of saving using the balance sheet method are more informative, reflecting the manner in which the savings are utilized by the households. In India both the National Council of Applied Economic Research and Reserve Bank of India make use of the balance sheet method to estimate household saving. For the present survey it has been decided to use the balance sheet method for the purpose of estimation of saving, although some useful information on items of consumption and unusual consumption during the reference period was also canvassed through the schedule.

ASSETS

Measured from the balance sheet, saving is determined as the change in net assets excluding revolution changes. It is thus impossible to calculate savings before agreeing on a definition of assets. Theoretically, there exists a large number of possible definitions since many types of physical assets may be included or excluded from the concept of assets. Generally, the inclusion or exclusion of a given item from the definition of assets can be made dependent on any one of the two important factors namely- durability and purpose. The choice of the type of assets to be included in the concept is, of course, influenced by the use to be made of the resulting figures. The shorter the time period intended for study, the shorter the life of assets that need to be included in saving will be. As the present study is for a period of one year, it is decided to include all the physical worth Rs. 25 or more and which last for more than a year.

CONSUMER DURABLE GOODS

Consumer durable goods include cars, air-conditioners, refrigerators, motor cycles, sewing machines, bicycles, domestic appliances and household furniture. The physical concepts relevant to the estimation of saving by the balance sheet approach are indicated below:

- Gross in owner occupied houses (value of purchase or own construction plus the value of additions, alterations, repairs and maintenance).
- Gross investment in other property which includes other than the currently occupied one, commercial property such as a shop, vacant plat and farm houses (value of purchases plus own construction less value of sales).
- Gross investment in consumer durables (value of purchases less sales).
- Gross investment in farm and farm equipment (includes net purchase of land, net purchase of livestock, improvements to land and irrigation facilities, net purchase and value of self-made agricultural implements).
- Gross investment in business including net purchase and value of self-constructed buildings and machinery and equipment and net increase in the value of business stocks.
- Payments of life insurance, provident fund and chit fund, net of any transfer received or debts obtained from these institutions.
- Net increase in bank deposits (current accounts, saving accounts and time deposits including accounts in co-operative societies). Net increase means increase, less withdrawal and/or liquidation of the corresponding asset.
- Net increase in all forms of saving including post office savings and prize bonds.
- Net increase (value of purchases less sales) in corporate securities (shares and bonds).
- Net purchase (purchases less sales) of gold and jewellery.
- Cash on hand.

- Net increase in liabilities (borrowings less repayments of consumer debt and net debts incurred for financing investment in any of the above assets (A) to (J) less net lending.
- Net capital transfer received (other than from life insurance, provident and other funds) which include inheritances and the value of gifts and dowries received less those given out.

Gross savings is the rupee value of the algebraic sum of items which include (A) to (J) mentioned except items (L) to (M).In the balance sheet approach saving is taken as the difference between changes in physical and financial assets less change in liabilities adjusted for net capital transfers and net capital gains. In other words, saving of a household during an accounting period may be expressed as,

$Sh=(\Delta PA+\Delta FA)-(\Delta LA+CT+CG)$.

Where Sh=Household Saving.

ΔPA=Change in physical assets.

(Acquisitions minus liquidations).

ΔFA=Change in financial assets.

(Increases minus decreases).

ΔLA=Change in liabilities.

(Increase in borrowings minus increase in lending's).

CT=Net inflow of capital transfers

(Inflow minus outflow).

CG=Net capital gains.

(Gains minus losses).

This method is based on the fact that saving would be reflected in the change in physical and financial assets at the end of the reference period.

WORKING DEFINITION OF CONCEPTS

Saving

There are two concepts of saving, namely flow concept and stock concept. A flow concept saving is the earned surplus, that is, current income minus expenditure. As a stock concept, saving is the change in net worth. However, the terms 'saving' and 'savings' are rather confusing. No criteria to distinguish between these two terms were noticed by the present researcher.

Households

In the present study, a household is defined in terms of the definition given by the Department of Economics and Statistics (1985)'as a group of persons normally living together and taking food from a common kitchen. The members of the household may or may not be related by blood to one another.

Income, Saving and Investment

To measure the growth of an economy there arethree variables factor are as: Income, Savings and Investment. There is a big hand of investment for the development of an economy, and savings provides the basis for investmentin broadest sense, Investment means the sacrifice of certain present value for (possible uncertain) future value. The investment pattern and saving behaviors of employees sector is determined by their prospectssince the severalfavorite avenues. Partiality may change due to various distresses i.e. Safety, Liquidity and Marketability, returns, tax benefits, risk involved etc. Investment also based on the consciousness about investment opportunities, equal of information and howthese investment opportunities were evaluated and selected. The suitable investment consequencesentailsaninclusive understanding of many subjects like finance, tax, economics, accountancy, business laws etc. However employees owing to the lack of education are not able to comprehend such subjects.

Investment Pattern

Investments in capital goods is the prerequisite for the growth of an economy- therefore, the present study deals with investment pattern of employees at Chandigarh University so that their investmentbehaviour is understood. According to the analysis of investments in financial assets undertaken by employees at Chandigarh University, majority of the employees are investing in Mutual funds, gold because they feel it’s a safe investment. Apart from this the employees have been largely investing especially in bank fixed deposits and post office schemes.

Investment behaviour

Personal disposable income of the household is classified into two types, they are consumption and savings. Savings may be idle or active. Savings becomes active, when it is conducted into “return bearing avenues”. The act of guiding savings into return behavior avenues is ‘investment’. In this sense, investment states to the increase in real capital, which leads to the generation of income. Each investment is showing to one or another type of risk. There are five major risks in investment, which may be contemporary in changing degrees, in different types of investment: non- payment risk, business risk, inflation risk, political risk, and social risk. Consequently, an investor, while capitalizing money would effort to satisfy the three objectives- safety, profitability, and liquidity.

Determinants of Investment Behaviour

Investment avenues for an individual or relatives or household were several, generally known as instruments. "The preference shown by an investor in choosing a exacting instrument is called investment behavior". The method of investment commences with remaining income, which includes operating and non- operating wages. The major determinants of investment behaviour of an personality are: sociological factors, such as culture or sub culture, social classes, reference group and psychological factors like personality, attitude, beliefs, values and supposed investment- related reimbursement. People's investment behaviour is powerfully influenced by the class to which they belong. Research studies have shown that there is a class membership is a significant determinant of investment behaviour. Selection of asset would based on specific need, rate of return and risk partiality of the respondents and the quantity of risk and come again varies for different investment avenues. The aim of Investment is to increase the money at various rates depending upon the period of the investment.

Occupation of the Household

The present study considered the occupation of the household on the basis of the main occupation of the head of the household. Extent of land possessed is not a criterion to classify a household as cultivator or non-cultivator household.

Assets of the Households

Assets are defined to include all items owned by the household which have money value. The value of each asset is estimated after considering the costs and depreciation on the basis of years after construction or purchases. Capital gains and capital losses of each of the assets have also been considered in the estimation of value.

Objectives of the study

1. To illustrate the structure of households savings in India and
2. To illustrate the household savings and investment pattern in Indian economy

METHODOLOGY

The study is expressive and is depending upon secondary data collected from different sources like Central Statistical Organization (CSO), Reserve Bank of India (RBI) publications, Economic Review, MOSPI and various websites. The simple statistical tools are used for data analysis.

Composition of Saving

For the evaluation of domestic savings, the entire economy is separated into two parts - Public Saving and Private Saving. Private Saving is another divided into two parts: they are Household Saving and Corporate Saving. In India household sector occupy a position of dominance above other institutional sectors like Private corporate sector and Public sectors in terms and conditions of generating savings. Savings by individuals are important both for personal and financial well-being. The saving of the private corporate sector constitute the net saving of non-government, non-financial companies, private financial institutions and cooperative institutions when exposed from the profit and loss financial statement located in the balance sheet of these companies. The saving of public sector includes the net savings of mutually departmental and non-departmental enterprises. And savings of administrative departments have shown as the surplus of current receipts over current expenditures of the government. While India's saving rates have steadily improved over time, their work has undergone a significant change.

Trend in Domestic Savings

In India domestic saving has been considered as one of the major sources of capital formation from the inception of economic planning , the planners have targeted to achieve a self-reliant and self-sustaining economic growth by achieving a sharp increase in the saving and investment rates. The table below shows the composition of various sectors towards Gross Domestic Saving as a percentage of GDP since 2000-01 to2019-20, it is shown below table-1.

Table-1
Trends in Components of Gross Domestic Savings

(Percent)

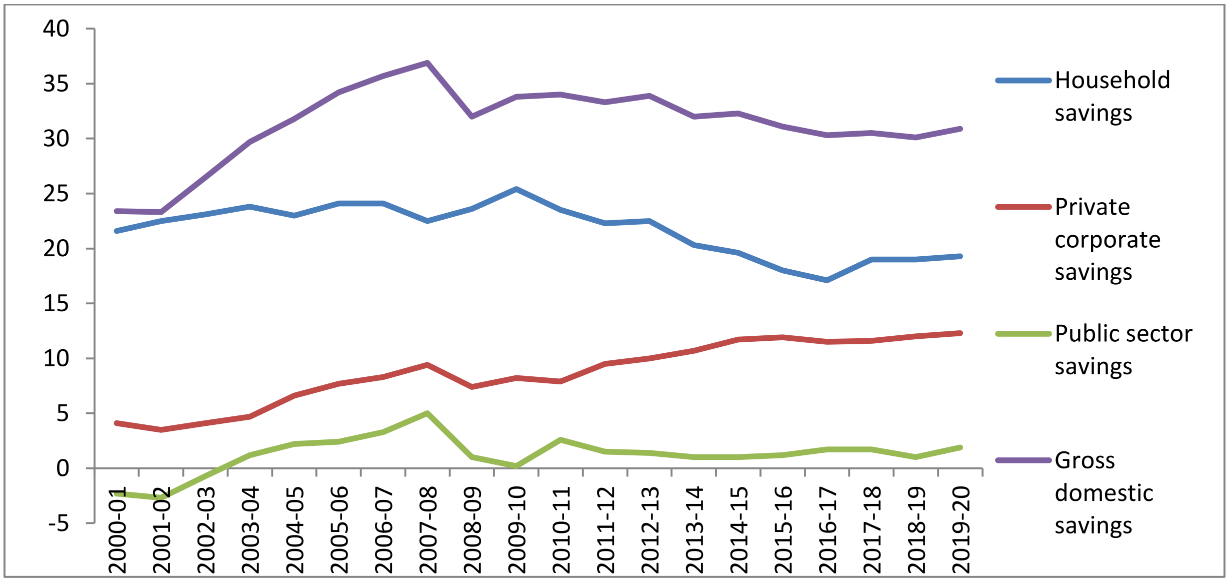
S. No	Year	Household savings	Private corporate savings	Public sector savings	Gross domestic savings
1	2000-01	21.6	4.1	-2.3	23.4
2	2001-02	22.5	3.5	-2.7	23.3
3	2002-03	23.1	4.1	-0.7	26.5
4	2003-04	23.8	4.7	1.2	29.7
5	2004-05	23	6.6	2.2	31.8
6	2005-06	24.1	7.7	2.4	34.2
7	2006-07	24.1	8.3	3.3	35.7
8	2007-08	22.5	9.4	5	36.9
9	2008-09	23.6	7.4	1	32
10	2009-10	25.4	8.2	0.2	33.8
11	2010-11	23.5	7.9	2.6	34
12	2011-12	22.3	9.5	1.5	33.3
13	2012-13	22.5	10	1.4	33.9

14	2013-14	20.30	10.70	1.00	32
15	2014-15	19.60	11.7	1	32.3
16	2015-16	18	11.9	1.2	31.1
17	2016-17	17.1	11.5	1.7	30.3
18	2017-18	19.0	11.6	1.7	30.5
19	2018-19	19.0	12.0	1.0	30.1
20	2019-20	19.3	12.3	1.9	30.9

Source: RBI Bulletin, Report of May, 2021.

In the initial phases of planning Indian economy exhibited a very slow progress in the growth of Gross Domestic Savings. The saving rate has exhibited an upward trend with some mild intermittent escalations over the period. During the period of 2000-01 the GDS was 23.4 and it gained momentum during the later periods and reached a high value of 36.9 in 2007-08. But in the next period it dropped about 4 per cent mainly due to the global recessionary factors that was prevalent during that time. In the latter periods the economy mildly regained and showed a slow progress but again started dipping and is only 30.9 per cent during 2019-20. The major share of gross domestic savings is generated from the household sector and it showed a mild progress in the initial period but later a decline and reached 19.3 in 2019-20. This refuse is reflected in the saving rate of the economy. The share of the private corporate sector improved from 2000-01 peaked in 2007-08, decline and again exhibited a mild renewal from 2011 - 12 onwards. In contrast to the private sector, public sector exhibited negative trend from 2000-03 after that a very slow progress is seen but contributes only a very meager share. This clearly shows the vibrant role played by the household sector and the dip in this sector has to be rectified along with significant increase to capital expenditure by government and more flow from the private corporate sector. The slowdown in the household sector needs to be addressed and measures should be taken to increase the savings especially of upper and middle class income group.

Figure-1
Gross domestic saving as a percentage of GDP



Physical and Financial Savings of Households

The savings of the household sector comprises of both physical assets and financial assets. Household saving in financial assets is estimated as gross financial assets net of financial liabilities, while household saving in physical assets is the net addition to physical assets by the households. Physical savings refers to that part of the income kept by the people in the form of gold, physical assets like land etc. A physical asset is an item of economic, commercial, or exchange value that has a material existence. Net addition to physical assets of the households, comprises of investment in fixed assets of construction, machinery and equipment, and change in stocks. A financial asset is a liquid asset that gets its value from a contractual right or ownership claim. The investment in financial assets comprises of currency, net deposits, shares, debentures , net claims on government in the form of small saving, investment in government securities, life insurance funds and provident and pension funds. It is explains for the below table-2.

Table-2
Physical and Financial savings of households

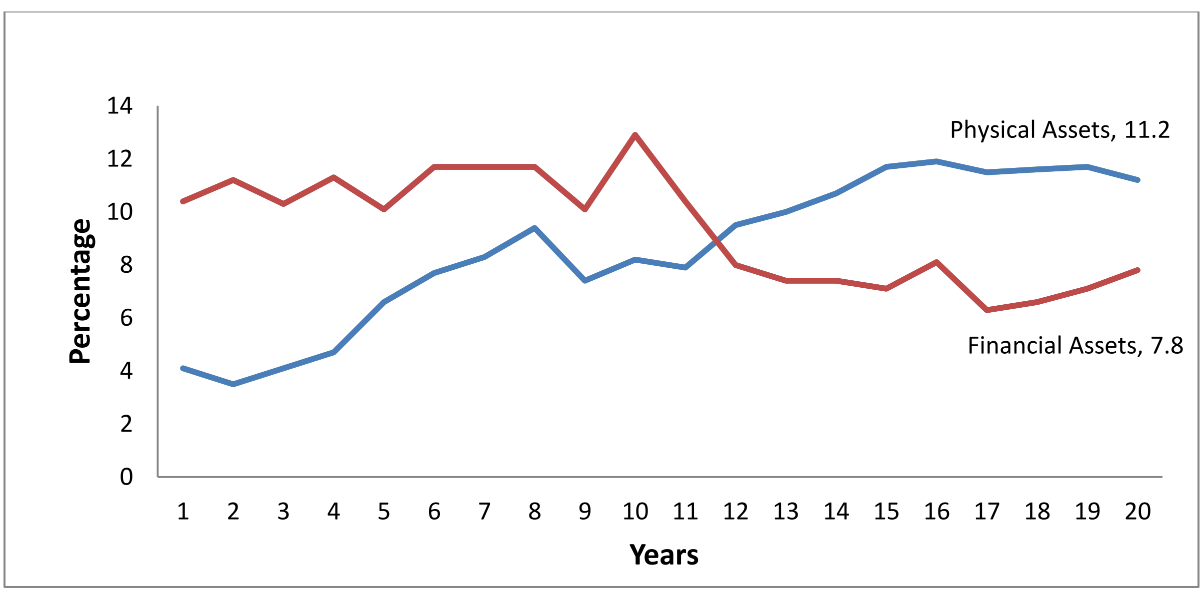
S. No	Year	Physical Assets	Financial Assets
1	2000-01	4.1	10.4
2	2001-02	3.5	11.2
3	2002-03	4.1	10.3
4	2003-04	4.7	11.3
5	2004-05	6.6	10.1
6	2005-06	7.7	11.7

7	2006-07	8.3	11.7
8	2007-08	9.4	11.7
9	2008-09	7.4	10.1
10	2009-10	8.2	12.9
11	2010-11	7.9	10.4
12	2011-12	9.5	8
13	2012-13	10	7.4
14	2013-14	10.70	7.40
15	2014-15	11.7	7.1
16	2015-16	11.9	8.1
17	2016-17	11.5	6.3
18	2017-18	11.6	6.6
19	2018-19	11.7	7.1
20	2019-20	11.2	7.8

Source: RBI Bulletin, Report of May, 2021.

The above table-2 explains that physical and financial savings of households in India for the year 2000-01 to 2019-20. It is evident from the table, 11.9 per cent of the households have physical assets for the year is 2015-16 and in the same sense 3.5 per cent of the households were physical assets for 2001-02 which is the lowest in the sequel in India. It may be also noticed that financial assets for 12.9 per cent of the households have financial assets for the year 2009-10 in India, and finally 6.6 per cent of the households are financial assets in the year is 2017-18 which is lowest in the sequel in India. It is shown in to following diagram-2.

Figure -2
Physical and Financial savings of households



The composition of household saving during the period shows the variations in the preference pattern of households towards physical and financial assets. In the early phase from 2000-04 percentage share of physical assets was significant less when compared to that of financial assets that exhibited a higher percentage generally about 11.00 per cent while physical savings was around three to 4.00 percent. Later the preference towards physical assets showed an increasing trend and its percentage share increased above the financial assets from the period of 2011-12 onwards.

The governance of physical assets were due to several reasons like lower returns on financial savings, perception of security, risk factors, easy accessibility of loans etc. Higher partiality for physical assets, amongst other things, has resulted in lower access of financial products. Lower financial savings by households is a indication in their decrease share of gross national savings. Even though Indians have a preference towards bank deposits, insurance products and gilt edged securities, still gold and real estate play an important place due to various social and cultural needs and aspirations. There is a need for more financial penetration and households should hold diversified portfolio by incorporating more financial products. The drop in financial savings reduces liquidity and reduces the flow of funds towards investment activities.

CONCLUSION

Household saving, as already defined, is the surplus of current household income over household current consumption. This definition also corresponds to the concept of change in net worth but only after making adjustments for capital transfers and capital gains and losses. These alternative definitions of saving lead to two different methods of estimation, viz., the current account and the balance sheet method. A relatively simple way of estimating household saving would be to take it as current income less consumption. Thus saving is understood to be a residual, consumption being inclusive of capital consumption. A family budget enquiry would be sufficient for such a saving estimation.The saving rate has exhibited an upward trend with some mild intermittent escalations over the period. During the period of 2000-01 the GDS was 23.4 and it gained momentum during the later periods and reached a high value of 36.9 in 2007-08. But in the next period it dropped about 4 per cent mainly due to the global recessionary factors that was prevalent during that time. In the latter periods the economy mildly regained and showed a slow progress but again started dipping and is only 30.9 per cent during 2019-20. The major share of gross domestic savings is generated from the household sector and it showed a mild progress in the initial period but later a decline and reached 19.3 in 2019-20. It is refuse is reflected in the saving rate of the economy. The physical and financial savings of households in India for the year 2000-01 to 2019-18. In the majority of 11.9 per cent of the physical assets in the year is 2015-16 and 3.5 per cent of the physical assets in the year is 2001-02 which is the lowest in the sequel in India, and another is a majority that 12.9 per cent of the financial assets in the year 2009-10 in India, and finally 6.6 per cent of the financial assets in the year is 2017-18.

REFERENCES

1. Manish Mittal and R. K. Vyas., (2007): Demographics and Investment Choice among Indian Investors. IUP Journal of Behavioural Finance.
2. Gupta L C, Gupta C P and Jain N., (2008): The Changing Investment Preferences of Indian Households.
3. Parashar Neha., (2010): An Empirical Study on Personality Variation and InvestmentChoice of Retail Investors. Journal of Management and Information Technology, Vol.2, No.1.
4. Joyce K.H. Nga, Lisa H.L. Yong, Rathakrishnan D. Sellappan., (2010): "A study of financial awareness among youths", Young Consumers, Vol. 11 Issn: 4.
5. Kabra Gaurav, Mishra Prashant Kumar and Dash Manoj Kumar. (2010): factors Influencing Investment Decision of Generations in India: AnEconometric Study. ISSN 2229 – 3795.
6. Chakraborty, Suman and Digal, Sabat Kumar., (2011): A Study of Saving and Investment Behaviour of Individual Households – An Empirical Evidence from Orissa. Personal Finance & Investments (PF&I) 2011 Conference.
7. Hari K. Nagarajan., (2011): How Households Save & Invest. Evidence from NCAER household survey.
8. Jaakko Aspara, Henrikki Tikkanen., (2011): Journal of Behavioural Finance. Individuals' Affect-Based Motivations to Invest in Stocks: Beyond ExpectedFinancial Returns and Risks.
9. Murithi Suriya S, Narayanan B, Arivazhagan M., (2012): Investors Behaviour in Various Investment Avenues A Study. International Journal of Marketing and Technology, Volume 2, Issue July.
10. Gina A.N. Chowa, Mat Despard& Isaac Osei-Akoto., (2012): Youth Saving Patternsand Performance in Ghana.
11. FatenZoghlami., (2013): Momentum effect in stocks' returns between the rational and the behavioural financial theories: Proposition of the progressive rationality.
12. Abhijeet Birari & Umesh Patil, (2014): spending and Savings Habits of Youth in theCity of Aurangabad.
13. Economic Survey 2014-15., (2015): retrieved from http://indiabudget.nic.in/es2014-15/echapter-vol1.pdf (accessed on 16th July 2015)
14. Reserve Bank of India, bulletin 2020.