

A STUDY ON SAVING PATTERN OF PEOPLE IN COCHIN CITY

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Abstract

Income levels of people are seen to be increasing over the years contributing to the development of the country. But it is equally relevant to ensure at least some percentage of the income so earned by the people is channelized in productive manner. Therefore, with the increase in income levels, saving habits of people are also equally important to ensure development of the nation. Saving must be through some productive channels and not merely keeping the fund idle. Hence the study is undertaken to identify the productive means of channelizing the income of people and also the factors which influence them to save their hard earned money. Through convenient sampling technique, the questionnaire was distributed among 50 respondents and the required data was collected. On analysis it was found that majority of the respondents choose depositing in banks, investing in stocks and shares and post-office schemes as their investment option. Also it was found that safety and taxation benefits on savings are the major factors which influence individuals to save.

Keywords: Savings; Investment; Safety; Taxation benefits; Investment options.

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1. Introduction

Savings has different meaning to different people. To some it means putting in bank accounts or investing in shares. But from an economic perspective, it means reducing current consumption with a view to spend it in future. Therefore saving is nothing but storing some part of current income in the form of an asset in anticipation of some future uncertainty that may arise. In simple words, saving is the amount set apart after consumption by the individual.

A higher degree of saving by the people of India can lead the economy to greater prosperity since investment is financed mainly out of savings. Various studies prove that saving habits of people in India has been steadily increasing over the years. The New Industrial Policy 'Liberalisation Privatisation Globalisation' (LPG) announced by the then Union Finance Minister Dr. Manmohan Singh in the Parliament has brought about a major change in the saving habits of people in the country with the increased level of income the people started earning. By then, people who used to keep their money idle with them started looking for investment opportunities. Over the years many high yielding investment opportunities like tax saving schemes, mutual funds, stock market, provident fund etc; have been well established. But even with higher opportunities, the public is unaware about the prospective investment opportunities before them.

Saving is the part of money kept apart after consumption. Also mere depositing won't serve the purpose of public nowadays, people would definitely like to earn something over their investment or else it's just like keeping the money idle. Government has also introduced many taxation benefits schemes over the years in order to encourage individuals to save. Therefore, interest rates, price levels of consumables, taxation benefits are also considered as factors affecting saving pattern of individuals other than the fear of future and the services offered by institutions.

2. Literature Review

A study by **Prof. Ujwala Bairagi** and **Prof. Charu Rastogi** titled "**An Empirical Study of Saving Pattern and Investment Preferences of Individual Household with reference to Pune City**" aims to understand the level of awareness and preference of investor in Pune city towards

different investment option available and to analyse the factors influencing their perception and preferences. Bank deposits and small scale schemes has been found as the most attractive investment option, also safety and income from investment are the factors which influence people to save.

“A Study of Saving and Investment Pattern of School Teachers with special reference to Ahmednagar City, Maharashtra” by **Prof. Harshvardhan N.Bhavsar** aims to determine the relationship between the saving and investment literacy among school teachers. The researchers concluded that major part of savings of school teachers are in the form of bank deposits and the main purpose of their investment is for child’s education, marriage and security after retirement.

Rajeshwari Jain conducted a study on the topic **“An Analysis of Income and Investment Pattern of Working Women in the City of Ahmedabad”**. The major objective of the study was to determine the saving and investment pattern of women working in both government and private sectors. It has been found that majority of them preferred investing in fixed deposits and gold fearing future uncertainties.

3. Objectives

- To know the major investment options chosen by individuals in Cochin City
- To analyse the factors influencing individuals in Cochin City to save

4. Research Method

Primary data was collected by distributing questionnaire among 50 respondents. Respondents were selected on the basis of convenience sampling technique. Secondary data relevant for the study was collected from journals, books, newspaper reports etc.

3. Results and Analysis

Table 1 Major Investment Options

| Saving avenues | No.of response | Percentage |
|----------------------------|----------------|------------|
| Bank deposit | 42 | 84% |
| Post-office saving schemes | 12 | 24% |

| | | |
|-----------------|----|-----|
| Mutual fund | 10 | 20% |
| Real estate | 2 | 4% |
| Stocks & Shares | 12 | 24% |
| Jewellery | 10 | 20% |

It can be inferred that of the 50 respondents, 84% of them choose depositing in banks as their major saving. The next best alternative chosen by the respondents were post-office saving schemes and investment in stocks and shares. Only very few respondents chose real estate as their investment option.

Table 2: Factors influencing to save

| Factors | No.of responses | Percentage |
|-------------------|-----------------|------------|
| Safety | 36 | 72% |
| Taxation benefits | 24 | 48% |
| Interest rate | 22 | 44% |
| Price level | 8 | 16% |
| Services | 4 | 8% |

Table 2 provides an understanding as to the factors influencing individuals to save. It can be inferred that vision of a safe and happy future is what encourages people to save. Also the tax saving options for many saving schemes and the interest rates offered also influences many respondents.

4. Conclusion

Saving is that amount kept apart for some future event or in fear of some uncertainty that may arise in future. Money has no value if it is kept idle. Therefore saving in modern sense is not just setting apart some amount of money but investing in such a way that some percentage of return is earned on that amount invested. There are many investment options available before the public currently, but the fact is that most of the public don't take advantage of the available opportunities. Many are seen either unaware or reluctant to invest their money in risky ventures, say how much ever return that investment option can generate.

The study concludes on the finding that majority of the respondents out of the 50 respondents choose depositing in banks and post-office schemes as their major saving options and safety is one major factor which influence them to save.

5. Limitations of the Study

The study is limited within the Cochin City. Also many respondents were reluctant to respond to the questionnaire.

6. Reference

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