

AN ANALYSIS OF THE SAVING BEHAVIOUR OF THE  
WORKERS EMPLOYED IN THE STEEL INDUSTRY IN  
CHANDIGARH

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**Abstract**

Motivated by the fundamental role played by savings in determining India's economic growth and important position occupied by the steel workers as potential source of savings and subsequent capital formation in Indian economy, the present study analyses and examines the saving behaviour of industrial workers employed in steel firms in Chandigarh. Using questionnaire-interview combination, a survey was carried out on 100 industrial workers in 2013 to study their saving behaviour, which is multifaceted in nature. The results of the present study indicate that channelization of savings in saving deposits and Life Insurance certificate were observed to be the most sought after financial instruments among the industrial workers. While maximum number of workers opted to deposit their monthly savings with the commercial banks, only a small number of workers chose to keep their savings with the employer. Requirement of the family needs, guarding against unforeseen contingencies and provision for old age were observed to be the main motivating factors for saving, while lack of affordability, followed by perceived lack of trust in the financial institutions and low rate of interest were cited as the main reasons which deterred workers to save. Borrowing from their relatives, friends and employer were found to be the preferred options resorted by the workers to meet out the deficit whenever their consumption requirements exceeded their income levels. Further, the study indicated that while the decision to save by the workers is mostly guided by the advice from family, friends and relatives, however workers' own experience and personal knowledge was also observed to be a prime factor in determining their saving decisions.

**Key Words:** Capital Formation, Industrial Workers, Questionnaire-Interview, Saving Behaviour, Survey

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## 1. Introduction

Saving, which is the proportion of disposable income that is not spent on consumption, is considered to play a pivotal factor in determining the economic growth of an individual, household and of the nation. Saving constitutes the basis of capital formation, which itself is a significant determinant of economic growth of a nation. In order to achieve higher rate of growth of the economy as a whole, the marginal propensity to save of the individuals should be increased by suitable policy measures. However, in order to elevate the saving capacity of the individual, it is highly imperative to understand their saving behaviour, which is multifaceted in nature. The very act of saving is influenced by diverse factors such as the income and consumption pattern of those who save, age, family size, number of dependents etc. (Fisher and Anong, 2012). Since, saving is perceived by different individuals in their own unique manner, hence the motives to save vary from one person to the other. For instance some save out of their present income to meet future consumption needs, whereas for some other individuals saving is resorted to guard against unforeseen contingencies and still for others saving is done to provide for family needs and to own property or physical assets (Chowa et al., 2012). Thus, saving behaviour is complex in nature involving a number of diverse issues such as, mode and ways to deposit the savings, frequency to save, factors that motivate and deter the saving behaviour of the individuals, disposition of savings in different financial instruments and alternatives resorted by them in the event of negative savings. The present research work attempts to analyse and examine the saving behaviour of industrial workers employed in steel firms in Chandigarh. Steel industry plays a critical role in the development and growth of an economy owing to its strong economic linkages with a number of related sectors and industries such as construction industry, real estate sector, ground transportation, aircraft and ship building industry (National Steel Policy by Government of India, 2005). Since, steel industry facilitates the process of employment and income generation, hence it is appropriate to say that economic growth of India is contingent upon the growth and development of Indian steel industry. The workers engaged in the steel industry are potential source of savings and subsequent capital formation in Indian economy, which makes it all the more important to study their saving behaviour, which is quite complex in nature. Further, to our knowledge, till date no research work has been conducted to analyse and examine the saving behaviour of workers engaged in steel firms in Chandigarh city. Thus, the

present research topic has been undertaken in view of the fundamental role played by steel industry in India's economic growth, the important position occupied by the steel workers as prospective savers and lack of research work pertaining to the theme of the present research paper.

## 2. Objectives of the Study

The specific objectives of the present research work have been presented below:

- a) To throw light on mode and ways adopted by the workers to deposit their savings.
- b) To study the pattern of channelization of savings in different financial instruments
- c) To study the factors that motivate the workers to save money.
- d) To examine the alternatives resorted by workers when their consumption expenditure exceeds the income levels.
- e) To throw light on the factors that deters the workers from saving money.
- f) To study the mode of advice (family, friends, own experience and help of the financial experts) that is sought by the workers while undertaking their saving decisions.

## 3. Data Source and Methodology

The present research work is a cross-sectional primary study pertaining to saving behaviour of 100 industrial workers engaged in steel firms in Chandigarh. To achieve the objectives of the study, a survey was undertaken for collecting the relevant data with the help of a questionnaire-interview combination. For the purpose of conducting the survey, 10 steel firms were selected through draw of lots and from each respective firm; 10 industrial workers were selected randomly for the purpose of administering questionnaire-interview combination on each one of them. The entire process of data collection was carried out during the months of January and February, 2013.

The questionnaire-interview duo is the commonly used combination employed in the survey based research to examine and explore various research issues in an in-depth manner (Taylor et al., 2007). The technique of interview was employed to note down the responses of the workers (respondents), who were assured that whatever information they will provide will be kept private

and confidential. Thus, the interview method helped maintain personal contact and interaction with the workers which was necessary for gaining their confidence and trust so that they reveal true and honest responses related to their saving pattern and behaviour. It is to be noted that since all the workers saved on monthly basis, hence the saving behaviour in the present research paper pertains to the monthly savings of the workers.

#### 4. Results and Discussion

In the present research work, the questions pertaining to the saving behaviour of the industrial workers had multiple choice responses and the workers had the option to either choose one response or multiple responses. The questionnaire consisted of a series of questions which studied the specific objectives outlined in the present research work. Using tabular cum graphic analysis, a detailed discussion has been done to study and examine the saving behaviour of the industrial workers.

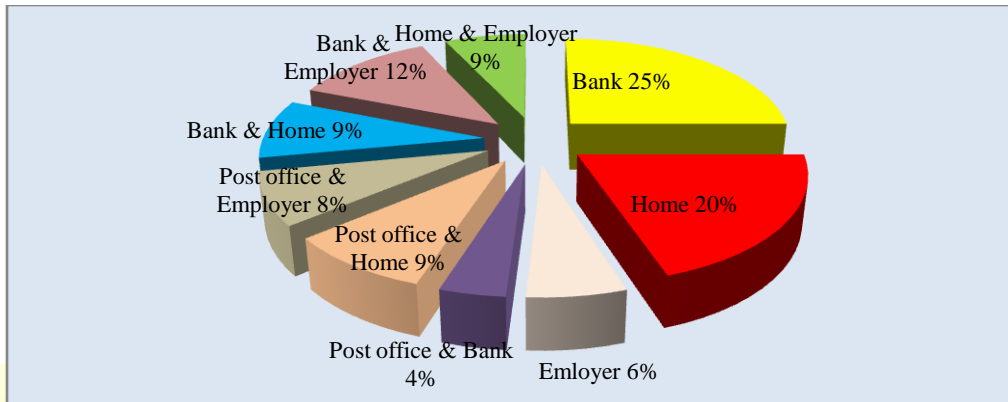
##### 4.1. Mode and ways adopted by the workers to deposit their savings

The different ways and modes adopted by the workers to deposit their monthly savings are post office, commercial bank, savings at home, savings deposited with the employer and others.

**Table 1: Mode and ways adopted by the workers to deposit their savings**

The respondents who chose only one response			
Type of response	No. of respondents	percentage	Total percentage
Bank	25	25%	
Home	20	20%	
Employer	06	06%	51%
The respondents who chose a combination of two responses			
Post office & Bank	04	04%	
Post office & Home	09	09%	
Post office & Employer	08	08%	
Bank & Home	09	09%	
Bank & Employer	12	12%	
Home & Employer	09	09%	49%
		<b>Grand total= 51% + 49% = 100%</b>	

Source: Computed from survey data



**Figure 1: Mode and ways adopted by the workers to deposit their savings**

The response pattern of the workers is presented in table 1 and figure 1, which indicates that 51% of workers out of the total sample size chose only one response and 49% of workers chose a combination of two responses. The results indicate that 25% of the workers were found to deposit their savings in bank only, 20% of them kept their savings at their home only and 6% of workers opted to keep their savings with the employer only. Amongst those who chose a combination of two responses, only 4% of workers reported to deposit their savings in both post office and bank, while 12% of workers deposited their savings in both the bank and with the employer. According to a study conducted by Mashamba et al., (2014), savings deposited with the banks is considered to be a safer option, which provide relatively higher returns to the savers as compared to keeping the savings with the employers and at home in the form of idle cash balances. This might be the reason behind the large number of workers opting for commercial bank as the preferred choice for depositing their savings as indicated by the results of the present study.

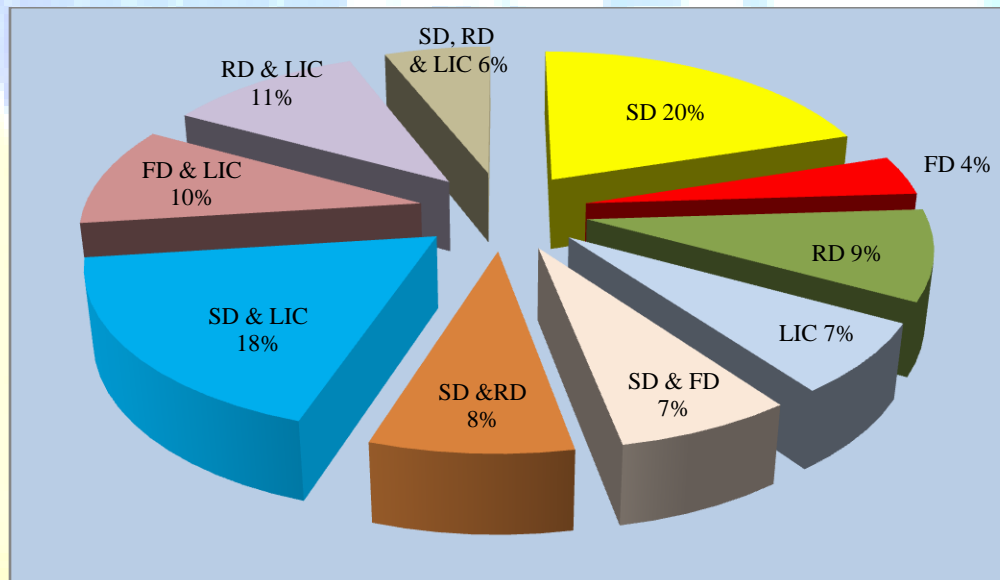
#### 4.2. Pattern of channelization of savings in different financial instruments

Pattern of channelization of savings reflects the way savings are utilized and invested in different financial instruments by the workers. The financial instruments in which the workers invest their savings are classified as savings deposit, fixed deposit, recurring deposit, purchase of saving certificates, provident fund, purchase of life insurance certificate and others.

**Table 2: Pattern of channelization of savings in different financial instruments**

The respondents who chose only one response			
Type of response	No. of respondents	percentage	Total percentage
SD	20	20%	
FD	04	04%	
RD	09	09%	
LIC	07	07%	40%
The respondents who chose a combination of two responses			
SD & FD	07	07%	
SD & RD	08	08%	
SD & LIC	18	18%	
FD & LIC	10	10%	
RD & LIC	11	11%	54%
The respondents who chose a combination of three responses			
SD, RD & LIC	06	06%	06%
		<b>Grand total= 40% + 54% + 06% = 100%</b>	
SD- Saving Deposit, FD- Fixed Deposit, RD- Recurring Deposit, LIC- Life Insurance Certificate			

Source: Computed from survey data



**Figure 2: Pattern of channelization of savings in different financial instruments.**

The response pattern of the workers is presented in table 2 and figure 2, which indicates that 40% of workers out of the total sample size chose only one response, 54% of workers chose a combination of two responses and only 6% of the workers opted for combination of three responses. The results show that the maximum percentage of workers (20%) reported to channelize their savings in saving accounts only, while only 4% workers opted for fixed deposit

to dispose of their savings. Amongst the workers who chose a combination of two responses, it was observed that 18% of workers opted to channelize their savings in both saving deposit account and LIC, whereas 7% of workers reported to deposit their savings in both savings deposit account and fixed deposit account. Further, it was observed that only 6% workers opted for the combination of savings deposit, recurring deposit and LIC as a channel to dispose of their savings.

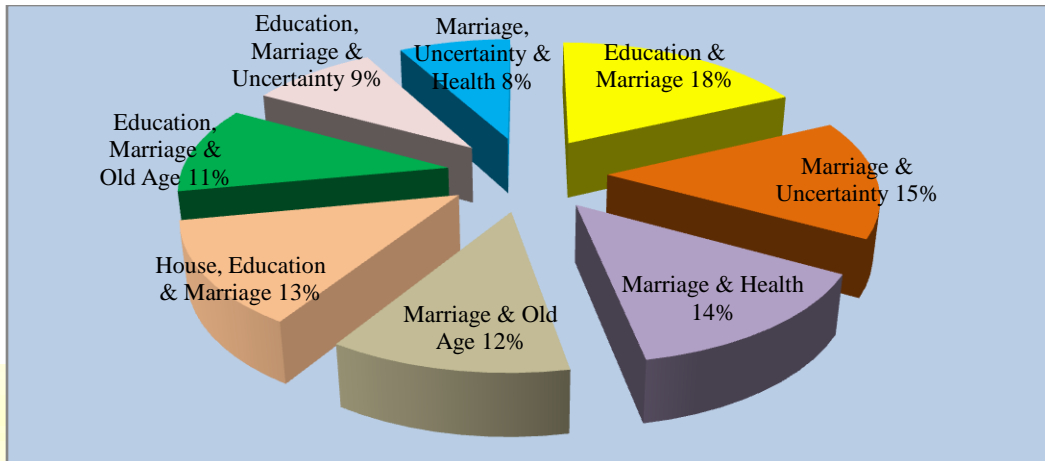
### 4.3. Factors that motivate the workers to save

In the present study, the workers were presented with seven factors (response choices) that motivate them to save out of their present income. These factors were classified as the desire to have one's own house (property), education of children, to secure against uncertain circumstances, health needs, marriage of their wards, old age sustenance and other factors. The results shown in table 3 and figure 3 point out that 59% of the workers chose a combination of two responses, while 41% of the workers opted for combination of three responses. This indicates that the saving behaviour of the workers is not driven by a single factor but by a combination of motives to save out of their disposable income.

**Table 3: Factors that motivate the workers to save**

<b>The respondents who chose a combination of only two responses</b>			
<b>Type of response</b>	<b>No. of respondents</b>	<b>percentage</b>	<b>Total percentage</b>
Education & Marriage	18	18%	
Marriage & Uncertainty	15	15%	
Marriage & Health	14	14%	
Marriage & Old age	12	12%	59%
<b>The respondents who chose a combination of only three responses</b>			
House, Education & Marriage	13	13%	
Education, Marriage & Old age	11	11%	
Education, Marriage & Uncertainty	09	09%	
Marriage, Uncertainty & Health	08	08%	41%
		<b>Grand Total = 59% + 41% =100%</b>	

Source: Computed from survey data



**Figure 3: Factors that motivate the workers to save**

Table 3 and figure 3 indicate that maximum percentage of respondents (18%) were motivated to save to support the education needs of their children and to finance their marriage, while the minimum percentage of respondents (8%) reported that they saved money to finance their children's marriage, to take care of health needs of their family and to ward off future uncertainty. The finding are supported by Skinner (1988), who in his research work reported that providing for the family needs, meeting unforeseen contingencies and old age sustenance are the main factors that stimulates the individual to save out of their present income.

#### 4.4. Alternatives resorted by workers when their consumption expenditure exceeds their income levels

In the present study, the workers were presented with number of alternatives that can be resorted by them when their consumption expenditure exceeds their income levels (in the event of negative savings). The alternative options were classified as selling out their assets (property, jewellery), utilizing past savings, taking loan from the banks and borrowing from relatives, local moneylenders, employer and other related options.

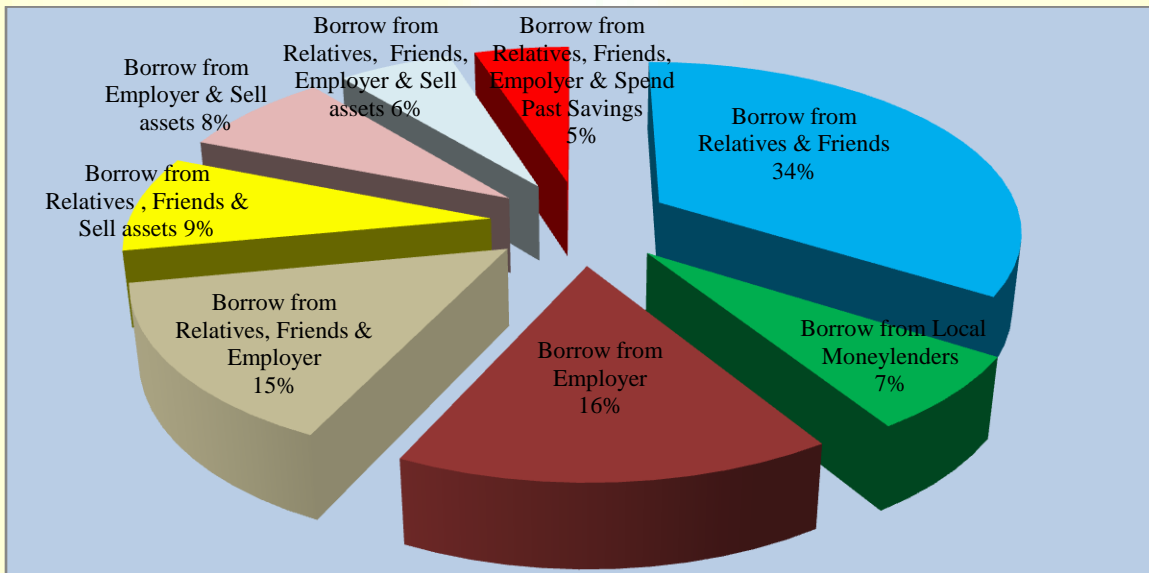
**Table 4: Alternatives resorted by workers when their consumption expenditure exceeds their income levels**

The respondents who chose only one response			
Type of response	No. of respondents	percentage	Total percentage
Borrow from Relatives & Friends	34	34%	
Borrow from Local Moneylenders	07	07%	
Borrow from Employer	16	16%	57%



The respondents who chose a combination of two responses			
Borrow from Relatives, Friends & Employer	15	15%	
Borrow from Relatives, Friends & Sell Assets	09	09%	
Borrow from Employer & Sell Assets	08	08%	32%
The respondents who chose a combination of three responses			
Borrow from Relatives, Friends, Employer & Sell Assets	06	06%	
Borrow from Relatives, Friends, Employer & Spend Past Savings	05	05%	11%
		<b>Grand total = 57% + 32% + 11% = 100%</b>	

Source: Computed from survey data



**Figure 4: Alternatives resorted by workers when their consumption expenditure exceeds their income levels**

Table 4 and figure 4 show that maximum percentage of respondents (34%) borrowed only from their relatives and friends to meet out the deficit whenever their consumption requirements exceed their income levels. Borrowing from the employer (16%) is the next preferred option resorted by the workers in the event of negative savings. Amongst those respondents who chose a combination of two options, about 15% workers reported to borrow both from their relatives, friends and employers to meet out the deficit, which is then followed by the combined option of borrowing from the relatives, friends and selling out their assets (9%). Further, those respondents who resorted to the combination of three alternatives, about 6% workers opted for selling out their assets (property, jewellery) and borrowing from the relatives, friends and employers to meet

out their deficit. In view of the fact that Chandigarh is an urban city, borrowing from the local moneylenders was not the preferred choice of the workers in the situation of their consumption expenditure being more than the income levels. This is because of the awareness and knowledge of the existence of other financial players in urban settings (presence of easily accessible bank branches, organized financial institutions and borrowing facilities offered by the employers) and the low lending rate of interest charged by them in comparison to local money lenders (Nandhi, 2012).

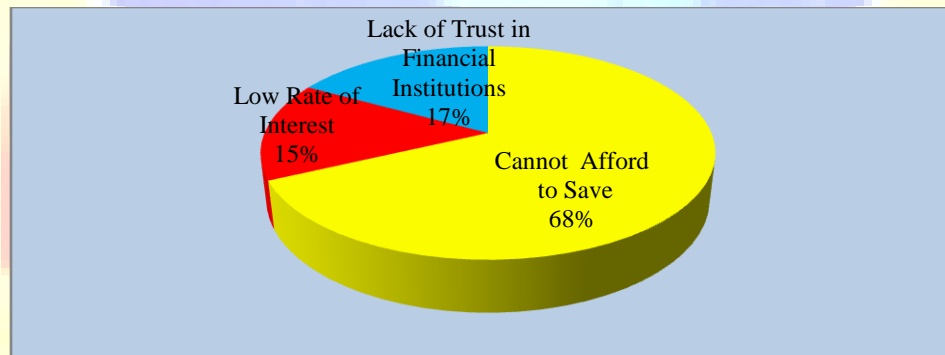
#### 4.5. Factors that deter the workers from saving

The workers were asked to report the factors which deterred them from saving money out of their disposable income.

**Table 5: Factors that deter workers from saving**

The respondents who chose only one response			
Type of response	No. of respondents	percentage	Total percentage
Cannot Afford to Save	68	68%	
Low Rate of Interest	15	15%	
Lack of Trust in Financial Institutions	17	17%	68+15+17=100%

Source: Computed from survey data



**Figure 5: Factors that deter workers from saving**

The results as shown in table 5 and figure 5 indicate that 15% of the workers considered low rate of interest as a deterring factor to save, while 17% workers reported perceived lack of trust in the financial institutions as the factor which discouraged them to save out of their present income. However, maximum percentage of workers (68%) reported that their consumption requirements were such that they were not left with enough money (lack of affordability) to save. These results

were consistent with the findings of Kempson and Finney (2009), who cited low financial capability as the main barrier to save by maximum number of the households.

**4.6. Mode of Advice sought by the workers in undertaking their saving decisions**

The workers were presented different mode of advice, which they seek while undertaking their saving decisions.

**Table 6: Mode of advice sought by the workers while undertaking their saving decisions**

The respondents who chose only one response			
Type of response	No. of respondents	percentage	Total percentage
Own Experience and Knowledge	28	28%	
Advice from Family, Friends & Relatives	72	72%	28%+72%=100%

Source: Computed from survey data



**Figure 6: Mode of advice sought by the workers while undertaking their saving decisions**

Instead of combination of responses, the workers reported that they followed a single mode of advice (they chose a single response option) while taking their saving decisions (table 6 and figure 6). The results indicate that maximum percentage of workers (72%) reported that they take the advice from their family, friends and relatives while taking their saving decisions, while only 28% workers reported that their decision to save is guided by their own experience and

personal knowledge. It is noteworthy to mention that assistance and help from financial experts and advisors was another mode of advice which was read out to the respondents while administering the questionnaire; however none of the workers sought the advice from financial advisors as they were not able to afford their services.

## 5. Concluding Observations

This research paper has dealt with a number of diverse issues pertaining to saving behaviour of the industrial workers. After examining the different modes and ways adopted by the workers to deposit their monthly savings, it was found that maximum number of workers opted to deposit their savings with the commercial banks. Channelization of savings in saving deposits and Life Insurance certificate were observed to be the most sought after financial instruments among the industrial workers. Meeting the requirements of the family needs (education and marriage of their children and health care needs), guarding against unforeseen contingencies and provision for old age were cited as the important motivations for saving by the workers. Borrowing from their relatives, friends and employer was found to be the preferred options resorted by the workers to meet out the deficit whenever their consumption requirements exceeded their income levels (in the event of negative savings). Maximum percentage of workers cited lack of affordability, followed by perceived lack of trust in the financial institutions and low rate of interest as the main factors which deterred them to save. Further, the study indicated that while the decision to save by the workers is mostly guided by the advice from family, friends and relatives, however workers' own experience and personal knowledge also is a prime factor in determining their saving decisions. Since, the very act of saving is influenced by diverse factors, therefore in order to elevate the marginal propensity to save of the workers, it is highly imperative to understand their saving behaviour, which is multifaceted in nature. Thus, active participation and suitable measures on part of different financial players (commercial banks, post offices, other financial institutions etc.) can help to fully tap the saving potential of the workers, which when channelized towards appropriate investment options can help to speed up the process of capital formation of the economy as a whole.

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