



## A COMPARATIVE STUDY ON SAVINGS PATTERN AMONG THE WOMEN SELF-HELP GROUPS IN KOZHIKODE AND KOLLAM DISTRICTS OF KERALA.

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### **Abstract**

*Savings behavior of an individual investor reveals how he/she wants to allocate the surplus financial resources to various instruments for investment available. In various empirical studies, it has been found that information being an important factor on taking decision to invest, which influences them on choice of investment and later on how they act after investment (Kasilingam&Jayabal, 2009). The topic savings is an important area of interest for the micro finance community. Only if there is a regular and ongoing participation of the people in micro finance the scheme of poverty alleviation can be effective. Many studies stated that the poor not only need credit, but also savings and insurance where the micro finance activities have mainly centered to. Majority of the studies didn't gave importance to the applicability and adaptability of the schemes for the poor instead it gave importance to the formal forms of savings (Sadoulet, 2004), Wright, 2001) and Meyer, 2000).The objectives of this study includes analyzing the saving pattern of the selected respondents belonging to BOP women self-help groups in Kollam District of Kerala. A sample of 360 has been selected based on multistage random samples from the block, panchayat, Area Development Societies, Neighborhood groups and finally the members belonging to various NHGs in Kollam district of Kerala.*

### **Introduction**

Rutherford defines savings as cash held back from day-to-day expenditure by an act of will. Savings means sacrificing the current consumption in order to increase the living standard and fulfilling the daily requirements in future. While investment is an economic activity of employment of funds with the expectation of receiving a stream of benefits in future. Savings have been described as a key financial and economic issue that represents a fundamental driving force of economic growth and development at large. Savings help to mobilize financial resources, capital accumulation, meeting household basic needs during uncertainties (Sutton and Jenkins, 2007; Jacqueline, 2010). Savings serve the following purposes like meeting requirements like hedging against unexpected emergencies, acquisition of assets, investment, provision for retirement, buy improve or upgrade homes, debt settlements and acquisition of social services (such as health and education) (Mark , 1999; Issahaku, 2011).

The studies in the area focused on enhancing the formal forms of savings, with less emphasis on the applicability and adaptability of the schemes (Meyer, 2000; Wright, 2001; Sadoulet, 2004). Studies have shown that the poor not only need credit, but also savings and insurance. Empowerment of the poor encompasses three basic dimensions-reductions of poverty, creation of employment, and erasing inequality. Poverty Alleviation has assumed a new thinking and new practices have emerged through integrated community participation of the poor.

The topic savings is an important area of interest for the micro finance community. Only if there is a regular and ongoing participation of the people in micro finance the scheme of poverty alleviation can be effective. Many studies stated that the poor not only need credit, but also savings and insurance where the micro finance activities have mainly centered to. Majority of the studies didn't gave importance to the applicability and adaptability of the schemes for the poor instead it gave importance to the formal forms of savings (Sadoulet, 2004), Wright, 2001) and Meyer, 2000).This study is conducted to analyze the saving pattern of the selected respondents belonging to BOP women self-help groups in Kollam District of Kerala.

The present study has been undertaken to understand the motives behind savings, the different patterns of savings based on their regular saving habit. The study seeks to identify their recurring and non-recurring needs, by the use of questionnaires and one to one interaction. The selected respondents are active members belonging to the Kudumbasree program. The study intends to know their nature of income, expenses, savings pattern, and constraints to saving, utilization of saving and their motives behind saving.

The present study has been undertaken to understand the determinants of saving in general and to observe how it helps the women self-help groups. The study seeks to identify their savings and how they meet their needs with the current savings by the use of questionnaires and one to one interactions. The selected respondents are active members belonging to the Kudumbasree program. The study intends to know nature of income, expenses, and other sources of credits. This study explores about all the expenses incurred during the past. The study extents to identifying their recurring and non-recurring

needs pattern based on a face to face interaction with each member. Analyzing the savings motive of the members based on their current and future needs and identifying the major constraints to savings by the members under two circumstances.

## Review of literature

### Micro Savings

The mobilization of rural savings is necessary for inclusive growth for developing countries like India. The macroeconomic studies of Beck & Levine (2000) and Kelly & Mavrotas (2008) have analyzed the impact of financial sector and financial dependency on saving. According to Keynes (1936), absolute disposable income is the important determinants of savings. Past researches on saving behavior of the households indicate that income and saving are positively associated. (Chakravarthy & Patnaik, 1970); (Kraay, 2000); and (Gardiol, 2004).

Studies on the impact of demographic variables on savings have found out that the effect of family size and its composition are uncertain on the household saving. But Kelly & Schmidt (1996), Gardiol (2004) and Orbeta (2006) found out that larger the family size and larger the number of children in the family, the lesser will be the savings of the households. Studies have also shown that there is a correlation between occupation and savings and have shown that those occupations with unsecured income motivate precautionary savings.

Saving means putting aside money for future use which be in the form of a portfolio comprising bank deposits, investments and policies. Lacoste (2001) has defined savings as any stock of resources available in the future for three types of purposes: emergency, life cycle needs and investment opportunities. According to Campos (2001), savings are also defined as the accumulation of financial and non-financial assets for future disposition in consumption or production. Prinsloo (2000) divided savings are divided into two categories: contractual and discretionary savings. Contractual savings involves a series of payments such as premiums on insurance policies, contributions to pension funds and capital amounts payable on household's mortgage loans. Discretionary savings involves no fixed commitments as in the case of the contractual savings. Hoos (2000) opines that it is the presence of young dependents and elderly persons in the household which results in less savings. Horioka & Wan (2006) in their research have shown that savers save today and withdraw the assets to maximize some lifetime utility function.

### Reasons for saving

The research of Modigliani & Brumberg (1954) has shown that people save for different reasons :-

1. The pattern of their current and future income receipts will be different and will not coincide with their preferred consumption.
2. Precautionary motives which includes the desire to accumulate assets through savings to meet possible emergencies whose occurrence, nature and timing cannot be perfectly foreseen.
3. Uncertainty of future events necessitates the creation of portfolio including different kinds of assets.

The research studies of Deshpande (2006) views that the poor usually don't save but only consume and even if they save, it is only to access a loan. The motives for saving may include precautionary motives such as the desire to accumulate assets to meet possible emergencies or uncertainties in nature (Modigliani & Brumberg, 1954. Moav & Neeman, (2010) accounted that people do spent a large amounts on festivals and funerals.

Saving money or savings in any other forms is not that easy as it involves risk leading to the fall in value of productive assets (Sadoulet, 2004). Lacoste (2001) points out that monetary savings account only for a small part of overall savings in most rural areas of the developing countries and thus a holistic approach to savings is useful for better understanding of the heterogeneity of savings needs of the poor and for designing new programs to help them to increase their overall savings portfolio. Saving has been considered as disposal income minus consumption based on the literature review done by Appiah, (2008). Frank and Bernanke (2001) defined it as deferred consumption or the proportion of income not spent. Issahaku, (2011) in his research studies have argued that saving extends beyond the proportion of disposable income that is not spent. Andrea and Francisco, (1998) pointed out that investment in human capital such as medical products, apparatus and equipment, professional health services, health insurance and so forth are forms of savings.

Savings again has been defined as deposits in savings accounts which are done with banks, microfinance institutions and saving avenues (Schultz, 2005). Alma and Richard, (1988) in their study attempted to analyze savings behavior among rural households and they found that, income, educational attainment, assets of household and interest rate were the most important variables affecting rural savings. Household size and transaction cost were demonstrated to negatively influence household savings. John and Grant (1998) used a regression model to analyze the effects of socio-demographic factors on

savings rate to obtain an insight into household savings behavior in New Zealand. They found that age of a household head has a positive significant effect on household savings.

Quixia (2004) in his research used descriptive statistics to analyze the impact of rural enterprise on household savings and the empirical result showed that income seems to be important determinant of savings. He then used logit regression analysis and found that education level has positive impact on savings thus the higher the educational level, the higher the likelihood of saving. (Mark and William, 2005) researched into household saving and investigated into households characteristics that explain savings during the period of extreme dislocation and found that savings rate fall with household age .

The present study seeks to understand the motives behind savings, the different patterns of savings based on their regular saving habit and to identify their recurring and non-recurring needs, by the use of questionnaires and one to one interaction. The respondents have been selected from Kollam and Kozhikode selected respondents who are active members of Kudumbasree program. The study intends to compare their nature of income, expenditures and its impact on savings pattern.

### Objectives of the study

1. To analyze the nature of income and expenditures of the respondents belonging to two selected districts.
2. To understand the savings habit of the selected respondents based on the thrift amount collected weekly.
3. To compare the savings pattern of the respondents from two districts and to understand the impact of demographics on the savings pattern if any.

### Methodology

The sample of 360 each has been drawn from the population of 80,000 women Self Help Groups from Kollam and Kozhikode districts of Kerala. The sample has been selected based on multi random sampling. Kollam district is divided into 11 blocks, out of which two blocks have been selected on a random basis. The selected blocks are Sasthamcotta and Chittumala Blocks of Kollam district. There are around 70 panchayats in the 11 blocks. Out of which 6 panchayats have been selected on a random basis from the sample of two blocks (three panchayat per block). 12 Area Development Societies have been selected on a random basis from a population of 700 to 1400 ADS in Kollam district. There are around 3500 to 7000 Neighborhood Groups in Kollam District, out of which 36 NHGs have been selected on a random basis for the purpose of this study. Out of the 40,000 women representatives belonging to various SHGs coming under the Kudumbasree program, 360 women representatives have been selected as samples for this study based on random sampling. Similarly it has been done for Kozhikode district also.

### Results and Discussion

Analysis of savings behavior among women self-help groups in Kollam District of Kerala.

**Table No. 1(a): Showing the ranking of recurring and non-recurring needs of the respondents from Kollam district**

Recurring needs	Rank	Non-Recurring Needs	Rank
Transport	1	Medicines	1
Gas	2	Loan	2
Power	3	Ceremonies	3
Child-edu	4	Cloth	4
Telephone	5	Repairs	5
TV	5	Household	6
Interest on loan	6	Bag-accessories	7
Poultry	7	Cosmetics	8
Farm	8	Luxuries	8
Animal husbandry	9		
Rent	10		

**Table No. 1(b): Showing the ranking of recurring and non-recurring needs of the respondents from Kozhikode district**

Recurring needs	Rank	Non-Recurring Needs	Rank
Transport	1	Medicines	4
Gas	3	Loan	1
Power	2	Ceremonies	2
Child-edu	6	Cloth	7
Telephone	4	Repairs	3
TV	5	Household	5
Interest on loan	1	Bag-accessories	6
Poultry	10	Cosmetics	8
Farm	7	Luxuries	9
Animal husbandry	9		
Rent	8		

**Table No. 2 : Showing the weekly thrift contribution by the respondents in Kollam District and Kozhikode Districts**

Kollam	No. of respondents	Percentage
Rs20	330	91.7
Rs25	30	8.3
	<b>360</b>	<b>100</b>
Kozhikode	No.of respondents	Percentage
50	10	2.8
100	80	22.2
150	90	25.0
200	100	27.8
250	80	22.2
Total	360	100.0

The analysis of the weekly thrift amount collected by the respondents show the difference in the sources of income. The respondents from Kozhikode are able to save as thrift to the extent of Rs 50 to 250 when compared to the people in Kollam who are saving Rs 20 to 25 as thrift.

**Table No. 3 : Showing the literacy level of the respondents**

	KOLLAM		KOZHIKODE	
	No..of respondents	Percentage	No..of respondents	Percentage
Uneducated	27	7.5	21	5.8
Lower Primary	78	21.7	44	12.2
Upper primary	103	28.6	71	19.7
High School	98	27.2	130	36.1
SSLC	49	13.6	62	17.2
PDC	5	1.4	31	8.6
Degree	27	7.5	1	.3
PG	78	21.7	21	5.8
	<b>360</b>	<b>100</b>	360	100

The literacy level of the respondents from the two districts suggest the high concentration of High school graduates, SSLC and PDCs in the Kozhikode district when compared to Kollam district. It can be seen that its this groups involvement in various revenue generating activities that has resulted in better thrift contribution from their side. The purpose behind the functioning of his SHGs in Kozhikode is different from Kollam district.

**Table No. 4: Showing the percentage of attendance in weekly SHG meetings**

% attendance in SHG meetings (Kollam)	No..of respondents	Percentage	% attendance in SHG meetings (Kozhikode)	No..of respondents	Percentage
65	10	2.8	65	10	2.8
70	92	25.6	70	80	22.2
75	258	71.7	75	270	75.0
<b>Total</b>	<b>360</b>	<b>100.0</b>	<b>Total</b>	<b>360</b>	<b>100</b>

The attendance level of the respondents in SHG meetings is satisfactory. 72 percent of the respondents have accepted the fact that they have 75 percent attendance and that they regularly attend the meetings scheduled and discuss their problems and issues related to their advancement.

**Table No 5 : Showing the no. of years the respondents have been into saving**

Years (Kollam)	No. of respondents	Percentage	Years (Kozhikode)	No. of respondents	Percentage
11	70	19.4	11	55	15.28
12	100	27.8	12	51	14.17
13	10	2.8	13	63	17.5
14	100	27.8	14	94	26.11
15	80	22.2	15	97	26.94
<b>Total</b>	<b>360</b>	<b>100.0</b>	<b>Total</b>	<b>360</b>	<b>100.0</b>

In Kollam district there are groups that have varying experience working with Kudumbasree. 3% of them with 13 years of experience, 27 percent with 12 yrs and 14 yrs of experience. Analysis oKozhikode district shows that there 27 percent of them have 14 to 15 yrs of experience working with Kudumbasree.

**Table No 6: Showing the no. of children of the respondents**

	Kollam		Kozhikode	
	No. of respondents	Percentage	No. of respondents	Percentage
0	8	2.2	78	24.6
1	111	30.8	97	25.3
2	237	65.8	133	36.9
3	4	1.1	52	12.2
<b>Total</b>	<b>360</b>	<b>100.0</b>	<b>360</b>	<b>100.0</b>

**Table No 7: Showing the no. of members in a family**

	Kollam		Kozhikode	
	No. of respondents	Percentage	No. of respondents	Percentage
2	8	2.2	10	2.8
3	106	29.4	115	31.9
4	184	51.1	201	55.8
5	59	16.4	31	8.6
6	3	.8	3	.8
<b>Total</b>	<b>360</b>	<b>100.0</b>	<b>360</b>	<b>100.0</b>

**Table No. 8: Showing the pattern of income of the respondents**

	Kollam		Kozhikode	
	No. of respondents	Percentage	No. of respondents	Percentage
Predictable	116	32.2	188	52.2
Non-Predictable	244	67.8	172	47.8
<b>Total</b>	<b>360</b>	<b>100.0</b>	<b>360</b>	<b>100.0</b>

The income pattern analysis of the two districts shows that 48 percent of them have non predictable income in Kozhikode whereas 68 percent have non predictable income in Kollam. The respondents know the importance of involving in revenue enhancing activities but are not willing to take risks and work as a team. The respondents in Kozhikode are active entrepreneurs and engage in various revenue generating activities together as a team.

**Table No. 9: Showing the marital status of the respondents**

	Kollam		Kozhikode	
	No. of respondents	Percentage	No. of respondents	Percentage
<b>Unmarried</b>	2	0.6	2	.6
<b>Married</b>	321	89.2	344	95.6
<b>Widow</b>	37	10.2	14	3.9
<b>Divorced</b>	0	0	2	0.6
<b>Total</b>	<b>360</b>	<b>100.0</b>	<b>360</b>	<b>100</b>

**Table No. 10: Showing Age group of the respondents**

Age Group	No. of respondents		Percentage	No. of respondents		Percentage
21-25	0		0	0		0
26-30	1		0.3	3		.9
31-35	28		7.8	33		9.2
36-40	37		10	51		14.3
41-45	139		38.6	206		57.2
46-50	35		9.9	43		11.9
51-55	114		31.7	23		6.5
56-60	6		1.7	1		0.3
	<b>360</b>		<b>100</b>	<b>360</b>		<b>100</b>
<b>Regular saving habit</b>	<b>Y</b>	<b>N</b>	<b>Total</b>	<b>Y</b>	<b>N</b>	
	<b>274</b>	<b>86</b>	<b>360</b>	<b>137</b>	<b>223</b>	

**Table no 11(a) : Showing the list of savings pattern of the respondents from Kollam district**

Investments in Chits(%)		Health Insurance		LIC		Investment in Land		Cooperative Bank		KSFE		Fixed Deposit		Savings account	
Y	N	Y	N	Y	N	Y	N	Y	N	Y	N	Y	N	Y	N
89.7	10.3	43.9	56.1	0	100.0	0	100.0	100.0	0	0	100.0	0	100.0	100.0	0

**Table no 11(b) : Showing the list of savings pattern of the respondents from Kozhikodedistrict**

Investments in Chits(%)		Health Insurance		LIC		Investment in Land		Cooperative Bank		KSFE		Fixed Deposit		Savings account	
Y	N	Y	N	Y	N	Y	N	Y	N	Y	N	Y	N	Y	N
10.3	89.7	0	100	0	100	16.7	83.3	0	100	0	100	0	100	0	100

Analysis of the savings pattern of the respondents from two different districts suggest that people of Kollam have their thrift collected through major bank the Cooperative bank, where as in Kozhikode they resort to different banks based on their locality and ease of depositing money to the nearby bank. The respondents from Kozhikode do not have health insurance when compared to Kollam . Respondents from Kozhikode follow a unique policy of depositing their savings to their group account and use it only for the purpose of meeting their business needs. They do not have a separate individual savings account.

### Findings

1. The descriptive statistics analysis of the two districts and its impact on savings pattern and savings habit suggest that the respondents from Kollam district depend more on informal forms of savings when compared to the respondents from Kozhikode .

2. The respondents from Kozhikode are following group saving mode wherein they are not utilizing the surplus fund generated from their business but depositing them save to their group savings account. They do not have individual savings account and are not spending their group saving for any of their personal purposes.
3. Educated people are more in Kollam district compared to Kozhikode, the literacy level of the respondents from the two districts suggest the high concentration of High school graduates, SSLC and PDCs in the Kozhikode district when compared to Kollam district. It can be seen that its this groups involvement in various revenue generating activities that has resulted in better thrift contribution from their side. The purpose behind the functioning of his SHGs in Kozhikode is different from Kollam district.
4. The respondents from Kozhikode are able to save as thrift to the extent of Rs 50 to 250 when compared to the people in Kollam who are saving Rs 20 to 25 as thrift.
5. The savings pattern analysis of the respondents from two different districts suggest that people of Kollam have their thrift collected through major bank the Cooperative bank, where as in Kozhikode they resort to different banks based on their locality and ease of depositing money to the nearby bank. The respondents from Kozhikode do not have health insurance when compared to Kollam.
6. Respondents from Kozhikode follow a unique policy of depositing their savings to their group account and use it only for the purpose of meeting their business needs. They do not have a separate individual savings account.

### Suggestions and Conclusion

The intrinsic value of saving money can spread through religious teaching, through education of children and by increasing the amount of thrift. Respondents from Kozhikode follow a unique policy of depositing their savings to their group account and use it only for the purpose of meeting their business needs. They also need to have a separate individual savings account. This idea may be adopted by other units across districts as this will help to work as a team and get engaged in revenue generating activities. The knowledge of the people is limited to the nature of income and expenditure pertaining to their households and are not aware of interest rates and its computations and how it could reduce the value of their money.

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