A STUDY ON RURAL SAVINGS WITH SPECIAL REFERENCE TO KODUMUDI UNION

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INTRODUCTION

"A penny saved is a penny earned"
"Many pebbles make a mountain"
"Save now, or never"
"Save today for a better tomorrow"

Nowadays, saving has been considered as one of the determinants of growth. To lead the underdeveloped countries to the path of development, rate of savings must be enhanced. For the individuals and households, savings provide a cushion of security against future contingencies, whereas for the nation, savings provide the funds needed in the developmental efforts. To achieve higher rate of growth with relative price stability, the marginal propensity to save should be raised by appropriate incentives and policies. Also, in an era of international financial integration, for macroeconomic stability, higher domestic savings is necessary. Aggregate savings in any economy depends on a number of interdependent variables. In the Indian economy, the household sector contributes a lion's share of the total savings and hence, to step up savings in the economy, saving rate of the household sector should be stepped up both in the rural and urban sectors. In the Indian economy, rural sector is of great importance due to the limits set by this sector to the growth of other sectors. Since there is an assumption that the rural saving capacities are very low, the policy makers have not considered seriously about the mobilisation of savings from this sector.

SAVINGS – MEANING
Savings refers to the accumulated money put aside on a regular basis. Within personal finance the act of saving corresponds to nominal preservation of money for future use, although inflation can still erode its real value. A deposit account is typically used to hold money for future needs, i.e. an emergency fund, to make a capital purchase (car, house etc.) or to give to someone else (children, tax bill etc.).

STATEMENT OF THE PROBLEM
The saving pattern is influenced by several variables like the perception of saving of those who save, their assessment of its costs and benefits, their age, family size and structure, objectives or motivations for saving, environment etc. Different rural households perceive saving differently. For some, saving is money reserved for future needs, whereas for some others it is surplus of income over expenditure and for still others it is purchase of land, construction of buildings, consumer durables or other household goods.

SCOPE OF THE STUDY
The present study **"A STUDY ON RURAL SAVINGS WITH SPECIAL REFERENCE TO KODUMUDI UNION"** is conducted to understand the saving pattern of the rural mass and to make suggestions to improve the awareness of savings.

OBJECTIVES OF THE STUDY
1. To study the savings pattern of rural mass.
2. To find out the savings alternatives of rural people.
3. To know the factors influence the savings decision of the rural people.

RESEARCH METHODLOGY
This study is based on the **descriptive research** method. The main characteristic of this method is that the researcher has no control over the variables.

- **Area of the Study**
  Kodumudi union of Erode District in Tamilnadu has been taken as area of the study.
- **Sources of Data**
  In this study both primary and secondary data were used.
- **Tools for Analysis**
  For the purpose of data analysis the following statistical tools are used in this study,

Percentage Analysis
Chi – square Analysis.

LIMITATIONS OF THE STUDY
- The research was conducted only for a short period so a detailed and comprehensive study could not be made.
- Since this study is confined to Kodumudi union, the result and conclusion drawn may not be applicable to different areas with diverse socio – economic conditions.

REVIEW OF LITERATURE
This chapter makes a brief review of the literature relevant to the study. There are only very limited studies which are directly relevant to the study concerned. Researcher has made an attempt to present brief review of the literature which consists of articles and thesis in the related area.

This article was written by Personalfn for Business India, and was carried in its September 13, 2004 issue with the title, "Safety first". Take a random survey and ask a group of individuals what investment options they would choose if they had to invest Rs 10,000. The most likely answers you will get are NSC, PPF and KVP; while a discerning minority may vote in favour of mutual funds and equities. Despite the presence of alternate investment options, small savings schemes continue to be the preferred choice for a sizeable chunk of the investing population. The high safety levels coupled with the attractive returns make small savings schemes a "must-have" proposition for most investors.

C.J.Unny conducted a study on Determinants of Savings of Rural Households in Kerala the study finds that the propensity to save in the rural household sector is very high. Level of income, income inequalities, value of assets and level of education of the head of the household positively influence savings whereas number of male children, number of earners and dependency ratio has negative influence. Among the occupational groups, households engaged in non-farm sector have higher propensity to save. The number of female children was, believed to have a positive influence on savings, however, in the present sample this factor shows a negative influence. In the era of increasing international financial integration, the high saving potential in the rural household sector should be mobilsed by proper policy measures to give stability to the economy. Identification of determinants of savings will help in framing policies accordingly.

Small savings schemes have turned into a contentious issue for authorities in the recent times. The returns delivered by these investment avenues are independent of those from similar market-linked instruments. Recommendations by the Rakesh Mohan Committee which proposed linking returns on small savings schemes with those of yields on government securities of similar tenure have not found any takers. The present scenario suggests that factors other than economics are playing a role in decisions regarding the small savings segment.

ANALYSIS AND INTERPRETATION
This chapter deals with classification and tabulation of data collected. Through which analysis and interpretation was made by using Percentage Analysis and Chi – square Analysis.

Amount Invested In Various Savings Schemes

Various Savings Schemes	Total No. of Respondents Invested	Percentage
Fixed Deposit	91	45.5
Kisan Vikas Patra (KVP)	18	9
Recurring Deposit	23	11.5
Post Office Schemes	95	47.5
LIC	124	62
Chit Funds	46	23
Other Schemes	2	1

Factors Considered to Decide Savings Schemes

Factors	Score	Rank
Safety	539	I
Profitability	403	II
Liquidity	252	III

Age and Monthly Income

Age	Monthly Income				Total
	Upto Rs.2500	Rs.2501 to 5000	Rs.5001 to 10000	Above Rs.10000	
Upto 30	11	12	17	--	40
31 - 40	6	--	18	--	24
41 – 50	43	5	18	7	73
Above 50	47	--	16	--	63
Total	**107**	**17**	**69**	**7**	**200**

Null Hypothesis (H) : There is no significant relationship between Age and Monthly Income.
Alternative Hypothesis (H1) : There is close significant relationship between Age and Monthly Income.
Chi – square test

   Calculated x^2 value = 50.299
   Degree of freedom = 9
   Table value = 16.9
   Significant level = 5%

Inference

From the above analysis the researcher concluded that the calculated value is more than the table value. So the Null Hypothesis is rejected. Hence there is a significant relationship between age and monthly Income

Gender and Regularity in Savings

Gender	Regularity in Savings		Total
	Regularly	Occasionally	
Male	126	16	142
Female	45	13	58
Total	**171**	**29**	**200**

Null Hypothesis (H) : There is no significant relationship between Gender ndregularity in savings.
Alternative Hypothesis (H1) : There is a significant relationship between Gender and regularity in savings.
Chi – square test

   Calculated x^2 value = 4.1271
   Degree of freedom = 1
   Table value = 3.84
   Significant level = 5%

Inference

From the above analysis the researcher concluded that the calculated value is more than the table value. So the Null Hypothesis is rejected. Hence there is no significant relationship between gender and regularity in savings.

SUMMARY OF FINDINGS

- The study has shown as for as education is concerned majority of respondents are qualified with school level.
- Since the area of the study is rural area, majority of the respondents are agriculturists. Upto Rs.2500/- is the monthly income level of 50% of them is around.
- Most of respondents expressed that their primary purpose of their savings is to meet the unexpected expenses which may occur in their life. Next to the above, the importance goes to children's education and marriage. Retirement benefit, construction of house etc., are not given much importance by the respondents.

- The factors safety, profitability and liquidity are considered before taking any decision regarding the saving schemes of which safety is considered to be an important factor by the respondents.
- It is found from the study that there is significant relation between age regularity of the savings because majority of the respondents with the age group between 41 years and 50 years have regular saving habits. But number of members in the family, qualification, occupation plays no role in the regularity of the savings.

SUGGESTIONS
- It is found from the study that the respondents are not aware of all the savings schemes available today. Hence the awareness about the savings is necessary to lit the light in the future of the rural population and which can be created through the effective medias now available.
- More efforts are needed on the part of the Government to make the people know about the schemes available and the benefits offered by those schemes. At the same time the rural people must also be interested in knowing the schemes and their importance and then only the efforts of the Government will be succeeded.

CONCLUSION
From the above analysis and findings, it is concluded that savings have an empowering effect on people and contribute to the economic stability and financial security of the family as it helps to build a financial safety net to support the family in case of emergency.

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