



A STUDY ON SAVINGS PATTERN AMONG THE WOMEN SELF-HELP GROUPS IN KOLLAM DISTRICT 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).

Savings behavior of an individual investor reveals how he/she wants to allocate the surplus financial resources to various instruments for investment available. The investment behavior consists of why they want to invest, how much of their disposable income they want to invest, for how many years/months they want to invest and most importantly the timing of such investment. 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).

Narayan(2000), Mukherjee(2002 & 2004) have identified 3 categories of poor groups within the overall poor in countries such as Nepal, India and Bangladesh– (i) the poorest or ultra-most poor or extreme-most poor, (ii) the hard core poor, which is also a part of extreme poor, but is not the extreme-most poor; and the (iii) moderate poor which would include the marginal poor and the vulnerable. A most of the Micro Finance activities are applicable to the third group - the moderate poor. Rutherford points out that since the poor groups have a variable income stream, variable capacity for savings, variable needs for savings and variable forms of savings, so are their requirements which are based on factors such as immediate access, convenience, status and price.

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, its impact on 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 extends 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.

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 extends 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 (Gardioli, 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.

Objectives of the study

1. To identifying the recurring and non-recurring needs pattern of the respondents.
2. To identify their savings habit based on the thrift amount collected weekly.
3. To understand the savings pattern of the respondents based on their weekly savings habit.

Methodology

The sample of 360 has been drawn from the population of 40,000 women Self Help Groups from Kollam district 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 Neighbourhood 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.

Results and Discussion

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

Table No. 1: Showing the ranking of recurring and non-recurring needs of the respondents

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		

The table shows the ranking of the list of recurring and non-recurring needs of the respondents based on the majority of preferred need. The most recurring need of all the respondents is transportation, followed by expenses on food fuel, power expenses and children's education. The analysis of the response based on the non-recurring needs suggest that majority of them need money to be spend on medicines, followed by loan repayment and then ceremonies.

Table No. 2 : Showing the weekly thrift contribution by the respondents

	No..of respondents	Percentage
Rs20	330	91.7
Rs25	30	8.3
	360	100

By analyzing the thrift amount collected by the respondents on a weekly basis, it shows that the amount has been Rs 20 for nearly 92percent of them and 8 percent of the respondents have been saving Rs 25. It can be seen that the respondents have been into saving for the past 11 to 15 yrs but there has been no substantial annual increase in the amount of thrift collected by the respondents.

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

	No..of respondents	Percentage
Uneducated	27	7.5
Lower Primary	78	21.7
Upper primary	103	28.6
High School	98	27.2
SSLC	49	13.6
PDC	5	1.4
Degree	27	7.5
PG	78	21.7
	360	100

By analyzing the qualification of the respondents who are part of the SHGs in Kollam district, it shows that around 29% of them are upper primary, 27% have a high school education, 21% of them are Post Graduates.

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

Percentage of attendance in SHG meetings	No..of respondents	Percentage
65	10	2.8
70	92	25.6
75	258	71.7
Total	360	100.0

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	No. of respondents	Percentage
11	70	19.4
12	100	27.8
13	10	2.8
14	100	27.8
15	80	22.2
Total	360	100.0

The table shows that the respondents have been regularly saving for more than ten years. Even though they have been saving a part of their income as thrift, but there has been no substantial increase in the amount of thrift deposited in their savings account. Out of the 360 respondents nearly 274 of them have the opinion that they are regular savers and that in spite of all the hurdles they have in their day to day activities they will find out ways to have deposited this thrift amount without any failure.

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

	No. of respondents	Percentage
0	8	2.2
1	111	30.8
2	237	65.8
3	4	1.1
Total	360	100.0

60 percent of the respondents have two children who are still studying. Analysis of their recurring needs also suggest that higher amount is spend on transportation and children's education.

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

	No. of respondents	Percentage
2	8	2.2
3	106	29.4
4	184	51.1
5	59	16.4
6	3	.8
Total	360	100.0

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

	No. of respondents	Percentage
Predictable	116	32.2
Non-Predictable	244	67.8
Total	360	100.0

68 percent of the respondents have an unpredictable source of income. This structure is not enough to help them meet their recurring and non recurring needs. Based on their qualification level also they might not get better jobs outside. The income level of the respondents suggests the importance of going for small entrepreneurial activities that will help generate revenue for them. Required trainings are also provided through the Kudumbasree units for all those members who require the basic knowledge for setting up revenue generating units.

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

	No. of respondents	Percentage
Unmarried	2	0.6
Married	321	89.2
Widow	37	10.2
Divorced	0	0
Total	360	100.0

Table No. 10: Showing Age group of the respondents

Age Group	No. of respondents		Percentage
21-25	0		
26-30	1		0.3
31-35	28		7.8
36-40	37		10
41-45	139		38.6
46-50	35		9.9
51-55	114		31.7
56-60	6		1.7
	360		100
Regular saving habit	Y 274	N 86	Total 360

The analysis of the age group of the respondents suggests that nearly 39 percent of them belong to age group 41-45, followed by 32 percent of them who belong to age group 51-55. Only 8 percent of the respondents belong to age group 31-35. Based on the interaction with the respondents it could be understood that their motive behind forming the SHG is credit facility. They have been able to meet their requirements through the loan taken from the group itself and need not approach anyone for the same. Analyzing their savings habit suggest that 274 out of the 360 respondents interviewed are of the opinion that they are regularly involved in the saving process and only 86 of them find themselves not being able to save thrift on a regular basis.

Table No.11: Showing Respondent's knowledge on Financial Information and Financial Planning

Knowledge	Knowledge on Financial Information		Knowledge on Financial Planning	
	Frequency (no.)	Percentage	Frequency (no.)	Percentage
Poor	0	0	9	2.5
Satisfactory	83	23	42	11.7
Good	273	75.9	232	64.4
Excellent	4	1.1	77	21.4
	360	100	360	100

The knowledge of the respondents on personal financial planning is presented in the tabular form. An analysis of the same suggests that 64 percent of them have fairly good knowledge about financial planning. They are well aware about the nature of various expenses, sources of their income and are able to meet their current and unexpected needs accordingly without any hindrance.

Table no 12 : Showing the list of savings pattern of the respondents

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

90 % of the respondents resort to informal form of saving like chit funds. Only 44 % of the respondents have taken health insurance. Every respondent has an account with cooperative bank. None of the respondents selected have an LIC account or any kind of investment in land. None of the respondents have a KSFE account or a fixed account with a bank. They all have savings account with cooperative bank as part of their Kudumbasree mission to imbibe the habit of regular weekly saving (thrift) to be deposited into their savings account. The investment avenue of the respondents is limited to savings bank account and a health insurance policy. This shows their lack of awareness about the various investment avenues available in the market which will help them to enhance their individual savings based on their capacity.

Findings

- The respondents depend more on informal forms of savings and are very less aware about the formal forms of savings and the benefits and lower risk attached to this kind of investments.
- The knowledge of the respondents on personal financial planning is presented in the tabular form. An analysis of the same suggests that 64 percent of them have fairly good knowledge about financial planning. They are well aware about the nature of various expenses, sources of their income and are able to meet their current and unexpected needs accordingly without any hindrance.
- The analysis of the age group of the respondents suggests that nearly 39 percent of them belong to age group 41-45, followed by 32 percent of them who belong to age group 51-55. Only 8 percent of the respondents belong to age group 31-35. Based on the interaction with the respondents it could be understood that their motive behind forming the SHG is credit facility. They have been able to meet their requirements through the loan taken from the group itself and need not approach anyone for the same.
- 68 percent of the respondents have an unpredictable source of income. This structure is not enough to help them meet their recurring and non recurring needs. Based on their qualification level also they might not get better jobs outside. The income level of the respondents suggests the importance of going for small entrepreneurial activities that will help generate revenue for them. Required trainings are also provided through the Kudumbasree units for all those members who require the basic knowledge for setting up revenue generating units.

Suggestions and Conclusion

The respondents have a very good knowledge about the financial information pertaining to their recurring and non recurring needs, type of unexpected needs that arise in future and regarding the non predictable nature of some of their incomes. They are not that aware of the different investment avenues available for them to put their savings in. They are presently contributing their savings in informal chit funds. All have savings account but none have invested a part of their saving in Bank FD.

The age group of the respondents and the purpose for which they have formed the group of SHG is very relevant in determining their search for revenue generating activities. The respondents should be encouraged to open new savings account with banks that will not be used by them for meeting their current needs. By increasing the savings amount and utilizing the same effectively will help them to resort less on outside credit.

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