A STUDY OF INCOME AND SAVING PATTERN

IN

DARLAWN TOWN

(A DISSERTATION SUBMITTED FOR THE AWARD OF MASTER OF PHILOSOPHY IN ECONOMICS)

BY

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TO

THE DEPARTMENT OF ECONOMICS

SCHOOL OF ECONOMICS, MANAGEMENT AND INFORMATION SCIENCES,

MIZORAM UNIVERSITY

2013

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CERTIFICATE

This is to certify that the dissertation entitled " **A Study of Income and Saving Pattern in Darlawn Town**" by Mr. Lalrammawia Khawlhring has been written under my guidance.

The present work is the outcome of the candidate's own endeavour and investigation. To the best of my Knowledge, the work as a whole or part has not been submitted to any other university for any research degree.

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June 2013

DECLARATION

I, Lalrammawia Khawlhring, hereby declare that the subject matter of this dissertation entitled **" A Study of Income and Saving Pattern in Darlawn Town''** is the record of work done by me, that the contents of this dissertation did not form basis of the award of any previous M.Phil degree to me or to the best of my knowledge to anybody else, and that this dissertation has not been submitted by me for any research degree in any other University/Institution.

This is being submitted to Mizoram University for the degree of Master of Philosophy in Economics.

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ACKHNOWLEDGEMENTS

I express my heartfelt gratitude to the Almighty for His countless blessings and guidance throughout the study

I am extremely thankful to my supervisor, Prof. Lianzela and all the faculty members as well as the non-teaching staffs of the Department of economics for their support and cooperation.

I express my sincere gratitude to Dr. James L.T.Thanga, Asst. Professor, Department of Economics, Mizoram University for his scholastic guidance and expert advice throughout the research work, without him this dissertation would not have been completed.

I gratefully acknowledge the kindness and cooperation received from Sub-Centre Darlawn and all the respondents of interview, who rendered necessary information, assistance and cooperation during the field work

I am extremely thankful to the Principal and Staffs, Gov't lawngtlai college, my fellow M.Phil scholars for their support, cooperation and valuable advice.

Lastly, I'm truly grateful to my parents and friends for their constant support and cooperation.

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ACRONYMS

AMI	:	Average Monthly Income
AMS	:	Average Monthly Savings
APS	:	Average Propensity to Save
CSO	:	Central Statistical Organisation
GDP	:	Gross Domestic Product
GDP_{FC}	:	Gross Domestic Product at factor Costs
GDS	:	Gross Domestic Savings
GSDP	:	Gross State Domestic Product
HHSS	:	Household Sector Savings
HSLC	:	High School Leaving Certificate
HSSLC	:	Higher Secondary School Leaving Certificate
MPC	:	Marginal Propensity to Consume
MPS	:	Marginal Propensity to Save
NCAER	:	National Council of Applied Economic Research
NH	:	National Highway
NDP_{FC}	:	Net Domestic Product

ACRONYMS (Cont)

OLS	:	Ordinary Least Squares
PDI	:	Personal Disposable Income
PIH	:	Permanent Income Hypothesis
RBI	:	Reserved Bank of India

CHAPTER I: INTRODUCTION

1.1: INTRODUCTION

The economic growth and development of a country depends on the level of income, saving, which further increase to level of capital formation of a country. For the development of a country, it is necessary that income should be distributed equally; the level of savings must be increased and so of the level capital formation.

India is a developing country and the level of income and savings are still very low compared to other developed countries. Moreover, the level of income distribution is uneven. The rich are becoming richer and the poor are becoming poorer. With high capital output ratio, India needs very high rates of saving and investments to make a leap forward in her efforts of attaining high levels of growth. Since the beginning of planning, the emphasis was on saving and capital formation as the primary instruments of economic growth and increase in national income. In order to have production as per target, capital formation was considered the crucial determinant and capital formation had to be supported by appropriate volume of saving. Growth will set in

motion a self reinforcing process by which investment is encouraged, investment enhances growth and increased income raises saving.

The study of income and saving is very important for the economic growth and development as it not only shows the income disparities of the people, what factors are necessary to be taken to reduce income inequality of the households. The level of saving is also depends on the level of income distribution, as the level of saving determine the level of capital formation. Examining household saving help us to understand how people deal with fluctuation in income in order to smooth their consumption. It is essential to look at the determinants of household saving and income/consumption to devise policies to advance economic growth and improve the livelihood of households (Ersado, Alwang and Alderman, 2000). The most promising way to boost national savings is through increasing public savings because the government has been a major dis-saver for quite some time. This requires strong improvement in the fiscal balance, particularly the revenue balance. Another promising way to increase national savings is to concentrate on household savings, which accounts for roughly three-fourths of national savings. These include pension schemes, life insurance and mutual funds. This is consistent with the fact that household savings are usually the largest component of private/domestic savings in developing countries, especially

in the lower-income predominantly agricultural developing countries (Ayub, 2001).

Therefore, the importance of the study of income and saving pattern cannot be overemphasized. As Mody (1983) rightly pointed out, "Given the presence weight of the household sector in total saving, to step up the saving in the economy would require stepping up of the household sector. Thus, there is the need to carefully understand the determinants of both the household saving rate and the saving pattern". Therefore, the present study tries to examine the various sources of income among the households in Darlawn town and what factors are affecting the level of household saving in Darlawn town.

However, the study of income and saving is not an easy task. It is difficult to define what is household income? There is no uniform definition of household income accepted and applied in all countries in the world. The problem defining household income arises from the fact that household produces goods and services for sale in the market as well as for self consumption. The monetised part of household income can be accounted for, but it is often difficult to value the non-monetised part of households incomes (Bakshi, 2008). The problem arising from the fact that it is difficult to obtain reliable information, regarding households' income and saving as most of the households do not want to disclose their

exact level of income and saving. Moreover, most of the households, especially in the rural areas do not maintain the record their monthly income, saving and expenditure.

1.2 THEORETICAL BACKGROUND:

Saving and investment occupy centre stage in most analyses of the behaviour of economic systems. Neo-classical theory focuses on how the real resources made available by saving increase the stock of capital goods required for economic growth. In the Keynesian theory of income and employment, it is the propensity to consume and the marginal efficiency of capital that drive the system. Based on underemployment equilibrium, the Keynesian revolution made saving a function of income and income a function of investment as opposed to the neoclassical view of saving as a determinant of investment. The Keynesian savings (consumption) function, in its most commonly used form is linear with a constant marginal propensity to save (Keynes, 1936). That is

$$S = a_o + a_1 Y_g,\ a_o < 0,\ 0<a1<1 \qquad (1)$$

Where S is gross domestic saving, Y_g is gross national product, and a_1 is the constant MPS.

Though equation (1) is the most popular specification of the absolute income hypothesis, several alternatives has been employed to achieve a better idea of the movement of the average saving effort overtime. For example,

$$S = Bo + b_1 InY_g \qquad (2)$$

$$And\ InS = Co + C_1 InY_g \qquad (3)$$

Equation (2) implies that the total level of saving, for b1>0, will increase with income, but at an ever decreasing rate. In Equation (3) the term C_1 represents the constant income elasticity of national saving. Different values of C_1 imply alternative sets of relationships between the average and marginal propensities to save: if C_1 = I, then APS = MPS; if C_1>I, then MPS>APS; and if C_1<1, then MPS<APS. Another example is given as follows:

$$^{S}/Pop = a_o + a_1 (Y_g/Pop) \qquad (4)$$

Equation (4) shows the relationship between per capita gross domestic saving and per capita income. Pop represents population.

Studies of saving behaviour in developed countries have utilized three alternatives to the Keynesian saving-income relationship, namely Dussenberry "Relative Income" hypothesis; the Friedman "Permanent Income" hypothesis; and the Modigliani-Brumberg-Ando (MBA) "Life cycle" hypothesis (Mikesell and Zinser, 1973). Friedman's (1957) "permanent income" hypothesis is the starting point for a variety of specifications of the saving-income relationship. In its most simple form the linear equation is

$$S_t = a_o + a_1 Ypt + a_2 YTt \qquad (5)$$

Where Ypt is permanent income and YTt is transitory income in year t.

Permanent income is defined in terms of a Long-run expectation over a planning period, and transitory income is the difference between actual income Yt in any period, t and permanent income. Friedman's hypothesis is that individuals consume virtually no transitory income (MPST = 1). This implies a heavy reliance on past behaviour as a determinant of consumption spending; but changes in transitory income will immediately lead to changes in the level of saving. Two alternative specifications of the permanent income hypothesis are found in studies of

saving behaviour: the asset adjustment model and the growth rate of income model.

Modillion and Ando (1963) lifetime income hypothesis postulate that individuals adopt a planning horizon for their lifetime consumption. It is assumed that individuals plan no net-life time saving but attempt to spread their lifetime consumption evenly over their lives by accumulating enough savings during their earning years to maintain the consumption standard during retirement. And that an increase in income in a particular year will affect that year's consumption but will also increase saving since the individual seeks to equalize consumption over his remaining life span. In the simplest model of saving, a single individual that lives for T periods (I=o,…, T-I), receives income of Yi and consumes Ci in the ith period. If an individual does not desire that Yi = Ci, he can and does borrow or lend at an interest rate r in the ith period. The only constraint on the individual's choices is that the present value of Lifetime Consumption, C, cannot exceed the present value of life-time income, YT-1.

James Duesenberry (1949) developed a model of relative income hypothesis in which he argued that consumption behaviour of individuals can be better understood by considering their relative rather

than absolute incomes. His analysis is based on two relative income hypotheses. First, he argued that consumers are not so much concerned with their absolute level of consumption as they are with their consumption relative to the rest of the population and secondly that an individual also considers the levels of consumption attained in the previous periods along with his relative income in making his consumption decisions. Thus, the aggregate ratio of savings to income depends on the level of present income relative to previous peak income, Y*.

However, recent theories have examined the motivation for saving among individuals. Virmani (1986) identified three basic reasons for savings: to undertake future personal consumption, to make provisions for expenditure on children and to leave bequest to their heirs (and others). Strumpel (1976) saw the motivation to save as dependent on the strength of the goals that are to be served through saving, the instrumentality of saving and the strength of the motivation to spend. These theories explain the determinants of saving using both macro and microeconomic factors. Hence they were able to answer certain questions that are very crucial to household or private saving behaviours.

1.3 CONCEPTS OF INCOME AND SAVING:

1.3.1 Income:

Income simply means money received, especially on a regular basis, for work or through investments. In other words, income refers to the amount of money or its equivalent received during a given period of time in exchange for labour or services, from the sale of goods or property, or as profit from financial investments. Income is the consumption and savings opportunity gained by an entity within a specified time frame, which is generally expressed in money terms (Barr, 2004 However, the definition of income may be different for households and individuals, firms and from countries to countries. For households and individuals, income is the sum of all the wages, salaries, profits, interest payments, rents and other forms of earnings received within a specified time frame. For firms, income refers to net-profit: what remains of revenue after expenses have been subtracted.

1.3.2 Saving:

Saving represents that part of disposable income that is not spent on final consumption of goods and services. It may b!e positive or negative depending on whether disposable income exceeds final

consumption expenditure, or vice versa. In other words, saving is defined as that part of current disposable income that is not spent to consume current final goods and services. The non-current income, which pertains to previous years, and profit/ loss not related to the current business of companies, such as sale of assets during the previous years, are not covered in the saving. Saving is a sacrifice of current consumption that provides for the accumulation of capital, which in turn, provides additional output that can potentially be used for consumption in the future (Gersovitz, 1988). In other words, savings is the difference between current earnings and consumption. It has also been defined as "deferred consumption" or part of income, which is not spent. Savings in an economy can assume one of several forms. These include personal savings, corporate or business savings and Government savings. Of these, the household savings or personal savings has been agreed to contribute the substantial part of aggregate savings in both industrialized and developing countries (Klaus, Webb and Coresetti, 1991).

1.4 ECONOMIC PROFILE OF MIZORAM:

Mizoram is one of the seven states in the North-east, situated in the North-eastern corner of India. At the time of India's independence, Mizoram was one of the hilly districts of Assam State and attained the

status of Union territory on 21st January, 1972 and got statehood on 20th February, 1987 to become the 23rd state of the Indian union. The state has 8 administrative districts, namely-Aizawl, Lunglei, Saiha, Champhai, Mamit, Kolasib, Lawngtlai and Serchhip and 20 Rural Development Blocks and 22 towns.

As per provisional figure of 2011 census, the total population stood at 10,91,014 registering a growth rate of 22.78 per cent over 2001 census. The sex ratio is 975 females per 1000 males. About 94.46% of the state population belongs to Scheduled Tribe and Scheduled Caste population comprises about 0.03 % of the State's population.

1.4.1 Transportation :

Road Network : Mizoram has a road network of around 4,000 km or minor or village roads and a small number of national highways. The state is connected to the Indian network through National highway 54. Another highway NH-150 connects the state with Seling (Mizoram) to Imphal (Manipur) and NH-40A links the state with Tripura.

Airport : Mizoram has an airport, Lengpui Airport, near the state capital, Aizawl and this is linked from Kolkata-a 40 minutes flight. Mizoram can also be reached from Kolkata via Silchar airport, which is about 200 km from Aizawl.

Railway: There is a rail link at Bairabi rail station but it is primarily for goods traffic. The nearest practical railway station to Mizoram is at Silchar in Assam, which is some 6 hrs drive from Aizawl. Bairabi is about 110 km and Silchar is about 180 km from the state capital.

Helicopter : A helicopter service by Pawan Hans has been started which connects the state capital, Aizawl with Lunglei, Lawngtlai, Saiha, Chawngte, Serchhip, Champhai, Kolasib, Khawzawl and Hnahthial.

1.4.2 Location, Area and Topography:

Mizoram is bounded by Myanmar in the east and south, Bangladesh and Tripura in the west, Assam and Manipur state in the north. Its exact geographical location is –92o15’ to 93o29’ East Longitude and 21o58’ to 24o35’ North Latitude. The Tropic of Cancer runs just on the southern periphery of the State Capital Aizawl. Although Mizoram is a tiny state having an area of only 21081 sq. km., it has as much as 404 km. of international border with Myanmar and 318 km. with Bangladesh.

Mizoram is a land of rolling hills, valleys, rivers and lakes. The State has perhaps the most variegated topography in the North-East with the average height of the hill to the west of the state is about 1000 metres (3,300 feet) which gently rises to 1300 meters(4,300 feet) to the east. Some areas however are of higher ranges which go up to the height of over 2000 meters (6,60feet). The Blue Mountain or Phawngpui Tlang, with a height of 2065 metres (7,250 feet), situated in the south eastern part of the state is the highest peak in Mizoram.

1.3.3 Climate :

Mizoram has a mild climate, comfortable in summer 20 to 29° C (68 to 84° F). and never freezing during winter, with temperatures from 7 to 21° C(45 to 70° F). The region is influenced by monsoons, raining heavily from May to September with a little rain in the dry season. The average state rainfall is 254 cm per annum. In the state capital Aizawl, rainfall is about 208 cm and in Lunglei, which is another major centre, about 350 cm.

1.3.4 Economy :

The State economy (GSDP) is projected to grow at about 9% during 2012-13 while the national economy (GDP) is projected to grow at

6.2 % during 2011-12. The Per capita income of Mizoram for the year 2010 -2011 is estimated at Rs. 48,591/- as against the previous year's estimate of Rs. 42,715/-. Per capita income at the national level is Rs. 50,021/- for the year 2010-2011. Per capita income for the year 2011-12 is estimated at Rs 54,689 while the National Per capita income during the same period is estimated at Rs 61,564/- . Tertiary/Service sector constituting a share of about 60% of the total GSDP indicates that this sector drives the economy of Mizoram. Both the industrial sector and the agriculture & allied sector contribute about 20% to the GSDP respectively. About 60% of the population depends upon agriculture and allied sector. Share of Agriculture and Allied sector to the economy during the 11th Plan period could be averaged at 14 %. About 32 % of the cultivated area is under Jhum cultivation. Only 20% of the demand for rice could be met within the State. During 2009-10, a total of 14,28,600 tonnes of rice was lifted by the State Government from outside.

1.5 AREA OF STUDY :

The area of the present study is Darlawn town, which is a census town in Aizawl district in the state of Mizoram, India located at 24°01′N 92°54′E24.02°N 92.9°E[, which is 123 Km to the north of Aizawl, the state capital of Mizoram. It has an average elevation of

870 metres (2854 feet). According to 2001 census, Darlawn town had a population of 3865. Males constitute 51% of the population and females 49%. Darlawn town has an average literacy rate of 83%, higher than the national average of 59.5%: male literacy is 83% and, female literacy is 82%. In Darlawn town, 13% of the population is under 6 years of age. According to the provisional report of Census 2011, the population of Darlawn is 3775, in which 1862 are males and 1913 are females. Therefore, the population of Darlawn according to The Provisional Report of Census 2011, is declined by 90 as compared to the population of Darlawn town according to 2011 Census. According to the Provisional Report of Census 2011, 3098 are literates out of which 1535 are males and 1563 are females. The literacy percentage of Darlawn town is 95.60%.

However, according to the record of Sub-Centre, Darlawn town, the total number of households is 879 (as on Aril, 2012), and the total number of population is 4413, out of which 2195 are females and 2218 are females. Therefore, the total number of households and the population of Darlawn town are different from the provisional report of Census 2011 and the record maintained by the Sub-Centre of Darlawn town by 538, which means the population of Darlawn town is increased by 548 as compared to Census 2011 Report. The Sub-centre of Darlawn town maintained a monthly record of the number of households and total

population, sex ratio, etc. Therefore, it may be more reliable than the Census 2011 Provisional Report.

1.6 Objectives of the Study:

The present study will be based on the following objectives:-

(1) To examine the various sources of income.

(2) To examine the saving pattern of households in Darlawn town.

1.7 HYPOTHESIS :

This study will try to prove the following hypothesis by applying appropriate statistical tools and techniques: Saving is an increasing function of income i.e. S=f(Y).

1.8 DATA AND METHODOLOGY:

The study is based on both Primary and Secondary data. Secondary data is collected from Statistical Handbooks of various issues, data from RBI, published and unpublished research papers, Economic Survey of various issues etc.

Primary data are collected through field survey which was conducted in the month of November 2012 relating to income and saving in Darlawn town. The data were collected from selected sample households by direct interview through schedule questionnaires.

Descriptive statistics like mean, average and percentile are used to analyze the general pattern of income and saving in Darlawn town. Karl Pearson's Coefficient of Correlation is applied to test the hypothesis.

The formula for computing Karl Pearson's Coefficient of Correlation is

$$r = \frac{\sum xy}{N\sigma x\sigma y}$$

Where, $x=(X-\overline{X})$, $y= (Y-\overline{Y})$

σ_x =Standard deviation of Series X

σ_y =Standard Deviation of Series Y

N =Number of Pairs of Observation

R =the correlation coeeficient

1.9 CONCEPTUAL FRAMEWORK:

1.7.1 Household: A group of person normally living together and taking food from a common kitchen constitutes a household. The word 'normally' means that temporary visitors are excluded, but temporary stay-away are included. Thus, a son or daughter residing in a hostel for studies is excluded from the household of his/her parents, but a resident employee or resident domestic servant or payment guest is included in the employer/host's household.

1.7.2 Household Size: The size of a household is the total number of persons in the household.

1.7.3 Income: Income of a household means all the money received by the persons in the household from different sources within a given period of time.

1.7.4 Saving: Saving of a household refers to part of disposable income of a household which is not spent on current consumption.

1.7.5 Reference Period: The reference period for the present study while estimating income and saving pattern in Darlawn town is 30 days. However, those who are working under shifting cultivation, farming

etc. the reference period will be the last 365 days and from that monthly income and saving may be calculated.

1.10 CHAPTER PLAN:

This dissertation is divided into five chapters. The contents of each chapter is as under-

Chapter one introduces the concept of income and saving, objectives of the study, data and methodology, conceptual framework, important theories relating to income and saving, area of study etc.

Chapter two highlights some important literatures which are relevant to the present study.

Chapter 3 is about income and saving in India with a secondary data analysis.

Chapter 4 presents income and saving pattern in Darlawn town with an empirical analysis and the last chapter is about the main findings and conclusion of the present study.

CHAPTER 2: REVIEW OF LITERATURE

This chapter presents some of the important literatures relevant to the present study. Knowledge of related research enables the researcher to define the frontiers of his fields; it helps in comparing the efficiency of various procedures and instruments used. Further review of literature avoids unintentional replication of previous studies and also places the researcher in a better position to interpret the significance of his own results.

Keynes (1936) described the relationship between aggregate income, savings and consumption/expenditure. Among existing earliest alternative hypotheses, Keynesian consumption function's implicit hypothesis is that the average propensity to save rises as the income rises. This implies household income is the major determinants of consumption and savings. Saving is excess of income over consumption (S=Y-C). Marginal propensity to spend on consumption is stable and lies in (0-1), range: $0< dc/dy=MPC <1$. It increases when income increases, but less than the increment of income. This behaviour of consumption further explains the rise in saving as income increases. Therefore, the marginal propensity to save should also be stable, positive and less than one.

Marginal propensity to save increases when income increases and it falls when income falls.

Friedman hypothesizes (1957) that total income consists of two components: transitory and regular/permanent income1. Consequently, decisions regarding consumption expenditure based on regular income while the transitory income may be used to finance the purchase of durable goods provided that the transitory income is high and accrues in lump sum at any point of time. The transitory income may also utilized partly or wholly to finance the savings or repay outstanding loans or discharge other liabilities. Qureshi (1981) found Marginal propensity to save (MPS) out of transitory income was much higher as compared that of Permanent income.

Abid and Afridi(2010) in their study of the saving pattern of rural and urban households in the district of Muzaffarad pointed out that as income of the people increases, their saving also increases. They mentioned that income and loyalty have positive effect on saving behaviour of households, whereas education and family size have negative effect on saving. They concluded that household saving is significantly affected by the income of the household. This shows that large and rapid increase income tends to raise the rate of saving because

households' capacity to save increase with household income. They also find that size of the household has negative relationship with saving of households as when there is an increase in households size, then saving will be low and vice versa. They also find that locality has positive effect on saving as when people move from rural to urban area, their saving increase. They concluded that education has negative effect on savings as educated households have to maintain a certain standard of living and usually spend more on children's education, health, clothing , food and luxury goods.

Kelly and Williamson (1968) regressed per capita household saving against per capita household income for five household age groups in Indonesia. They found that the age of the head of the household is an important determinant of household saving in rural households and that the average and marginal saving rates rose with the share of agricultural income and the presence of positive interaction between wealth and saving. However, Shultz (2005) who analyzed the demographic determinants of savings in Asia found no significant relationship between savings and age composition.

Richard Stone (1954) stated that the consumers' choice is restricted by the fact that a part of disposable income has already been

committed to necessary minimum of routine expenditure on specific goods. The committed part of the total expenditure is beyond the free choice between expenditure and savings, on the one hand, and between different allocation patterns, on the other. Consumption of specific goods, especially those of luxuries and conveniences at high levels of living are transformed into habits. The expenditure on luxuries and conveniences together with necessities may enter as an already committed component of households' budgets. Consequently, allocation decisions are relevant only for the non-committed portion of disposable income. Hence, it is postulated that non-committed portion of disposable income is the major determinants of household savings.

Gupta (1970) using annual time series data from India analyzed the determinants of saving. He found that permanent income hypothesis is a better fit in the urban areas in India where as in the rural area saving behaviour is more in accordance with the absolute income hypothesis. He found that marginal propensity to save is an increasing function of income at lower level of development. However, Prema-Chandra and Pang-Long (2003) examined the determinants of household saving in the process of economic development, in the light of the Taiwanese experience during the period 1952–99. They found that the household saving rate rises with both the level and the rate of growth of

household disposable income and that the real deposit rate has a significant positive impact on saving. Public saving they discovered seems to crowd out private saving, but less than proportionately and that while both old and young-dependency in population have a negative impact on the saving rate, the magnitude of the impact of the former is far greater than that of the latter. Finally, they concluded that increased availability of social security provisions and enhanced credit availability also seem to reduce saving.

Almar and Richard (1988) in their attempt to examine the saving behaviour of Filipino rural households regressed current income on saving and concluded that a large potential for voluntary saving can be found in the rural households of the Philippines and other less developed countries. They have substantial evidence to argue that there is no reason to believe that mobilization of voluntary rural household saving cannot be perused. Their findings further indicate that income is the most important economic variable affecting rural savings.

Repetto and Shah, (1975) studied the demographic and other influences on long term saving behaviour in India. The data for the study was collected from surveys conducted in the Kaira district of Maharashtra in 1930 and 1965. They found that large family size had a depressing

effect on long term household saving rate. They also found that sons in rural India served as substitute assets in households and fulfil some of the demand for wealth and that the long term saving rate responds positively to a higher rate of return on saving and positively to higher-level of permanent income.

Bhalla (1978) investigated the effects of sources of income and investment opportunities on the saving behaviour of farm households in India. He used the survey data collected by National Council of Applied Economic Research (NCAER) during the three years starting from the year 1968-1969 and found that the propensity to save out of non-agricultural income was higher than the propensity to save out of agricultural income. The permanent income hypothesis (PIH) offers an explanation for this difference in propensity. He also found that investment opportunities increase saving, ceteris paribus, for the subsistence group of household and had a negative effect for the non-subsistence group.

Panickar (1992) studied the rural household saving and investment pattern in selected villages in Kerala and Tamil Nadu. The study was conducted with the objective of looking into the levels of saving and the manner of its disposition and in-depth analysis of factors

underlying the rates of saving. From the study, it was found that a high proportion of saving was absorbed in unproductive assets leading to a vicious cycle of low income saving.

Employing a dynamic panel analysis of the determinants of the household saving rate in China using a life cycle model and panel data on Chinese provinces for the 1995-2004 period from China's household survey, Horioka and Wan (2007) established that China's household saving rate has been high and rising and that the main determinants of variations overtime and over space are the lagged saving rate, the income growth rate, the real interest rate and the inflation rate. However, they found that the variables relating to the age structure of the population usually do not have a significant impact on the household saving rate. These results they claimed provide mixed support for the life cycle hypothesis as well as the permanent income hypothesis, and that they (the results) are consistent with the existence of inertia or persistence, and imply that China's household saving rate will remain high for some time to come.

Regarding the issue of whether rural households can save or not, two conflicting views have been aired: the traditional or old view and the new view. The traditional view purports the idea that rural households

cannot save because they are too poor and therefore rural savings mobilization efforts are deemed futile and worthless. Lambert and Lim (1986: 11-28) summarised this view as "…they have low incomes because they have low productivity; they have low productivity because they are confined to the traditional methods of farming; they are confined to the traditional methods of farming because they do not have any savings that could be used to acquire new technology; they do not have savings because their income is low; and so on…". Adams (1978) and Von Pischke (1978) also argue that rural households are too poor to save and even if they get some additional income through some windfall, they spend it on consumption or on ceremonies.

Richard and Nancy (1956) in their study of savings and income in the United States established that almost all financial savings done by households is used to pay for household capital formation - particularly, housing and consumer durables. On net, the household sector channels almost no financial savings to the enterprise sector. Conversely, almost all the capital formation done by enterprises is financed through enterprise savings - particularly, undistributed gross profits.

Poterba (1987) found that changes in corporate saving are only partly offset (between 25% and 50%) by changes in household

saving in the United States. However, Rao (1980) mentioned that the increase in saving in spite of the fact that poverty is increasing points to the fact that the increase in money income is getting largely into the hands of the people who are using it to increase their consumption and into the hands of the higher income groups who have a high propensity to save. It is also due to the transfer of household saving to the government and corporate sectors and partly by physical capital formation by the better off households.

According to Athukorala and Sen (1995), it is evident that the apparent decline in household investment in physical capital which has in turn, reflected in a significant decline in the total saving rate in the economy since 1991, has largely emanated from an under estimation of gross domestic capital formation in recent years.

Milanovic, (1998) argued that the real increase in wage disparities was the most important factor behind the increase in income inequality in transition and not the underestimated and underreported inequality in the past. Deaton (1989) has established that consumption habit that changes with a lag, despite increase in income may lead to higher saving rates with growth.

Pandit (1985) finds that the volume of financial saving determines the demand for financial assets. Given the volume of saving, the household determines about its allocation among competing assets, depending on (a) availability of various assets (b) their respective rates of return and c) the rate of return on physical assets.

Shitu (2012) in his studies of rural households' income and saving pattern in south western Nigeria concluded that income and saving pattern can be regarded as relevant feature that have an impact on rural community's development. He also said that this overtime has great implication on the rural households' standard of living as it forms the basis for vicious circle of poverty. According to him, the saving rate of rural households were extremely small and some socio-economic factors such as households' income, gender and year of formal education were significant and positively related to the level of income and saving of the households.

Therefore, we can conclude that household saving is determined by the level of household income. Beside this, number of dependents within the household, size of the household, year of formal education and occupation of the household are expected affect the level of saving of the households. As the size of the household increases, more

percentage out of total income is consumed which will affect saving. The level of education is expected to have positive impact on saving as the more educated the head of the household is, he is expected to know the importance of saving.

CHAPTER 3 : INCOME AND SAVING PATTEN IN INDI:A SECONDARY DATA ANALYSIS.

3.1 Introduction : India has achieved a considerable progress in terms of real GDP growth, real volume of saving and investment after her independence from the British rule in 1947. However, during her pace towards the economic growth, the growth trajectory of the Indian economy is often conceived in terms of transitional dynamics from one crisis to the other (Ray and Boss, 1997). The average low growth rate of the Indian economy was called " the Hindu growth rate" by Krishna (1983). However, after passing through the unsustainable growth path of the eighties, India has reached high growth trajectory after the Industrial Policy, 1991 with occasional crisis years in between.

The researchers have studied various aspects of India's growth experience since the inception of planning in India. These researchers' main focus of attention has been the long term rate of growth of 3.5% by Krishna (1983), higher rate of growth since late seventies by Dholakia (1994) and also improvement in GDP growth rate from early 1980's by Dandekar (1992) are some of them. Their studies clearly reveal that there are different trends in the growth trajectory of Indian economy.

3.2 Trends in National Income in India : Since the inception of planning in India in 1951, GDP $_{FC}$ and NDP_{Fc} are very low. The following table (table 2.1) shows GDP_{FC} and NDP_{FC} in India.

Table 3.1 GDP_{FC} and NDP_{FC} at Current Prices.

(Base year:2004-05) *(Amount in billion)*

Year	GDP_{fc}	NDP_{fc}
1950-51	100.36	95.05
1960-61	170.49	162.41
1970-71	443.82	415.78
1980-81	1368.38	1254.16
1990-91	5318.13	4791.63
2000-01	19919.82	17850.91
2010-11	71574.12	64039.39
2011-12	82326.52	73682.23

Notes : Data for 2009-10 are Provisional Estimates, 2010-11 are Quick Estimates and 2011-12 are Revised Estimates.

Sources: Handbook of Statistics on The Indian Economy: RBI 2011-12

Table (Table 3.1) reveals that GDP_{FC} in India during 1950-51 was only Rs.100.36 billion and NDP_{FC} was also very low registering a

very low Rs. 95.05 billion. From 1960-61, GDP_{Fc} and NDP_{FC} continue to increase gradually registering Rs. 170.49 billion GDP_{FC} and Rs 162.41billion NDP_{FC} during 1960-61. Since the mid-sixties " emergence of a number of latent strains as well as a few new factors which were to change the course of industrialisation in the following period" brought down the pace of industrial growth (Ahluwalia, 1985). The table also reveals that during those ten years, GDP_{FC} in India increased by Rs. 70.13 billion and NDP_{FC} by just Rs. 67.36.

During the period of 1970-71, GDP_{FC} and NDP_{FC} increased at a very low rate in which GDP_{FC} was Rs. 443.82 billion and NDP_{FC} was Rs. 415.78. Added to this, the first shock of 1972-73 has been responsible for a low growth rate of GDP during the late sixties. From the mid-seventies, due to industrial turn around and better performance of the agriculture sector of the economy, the Indian economy grew at a very remarkable rate and broke "the Hindu rate of growth". Then from 1980-81, GDP_{FC} and NDP_{FC} continue to increase at a very recognisable rate in which GDP_{FC} was Rs. 5,318.13 billion and NDP_{FC} was Rs.1254.16 billion. The impressive growth path of the eighties could not be sustained due to the deterioration of a number of macro- economic indicators. The crisis of 1991 revealed that the growth experience of eighties was unsustainable. The average growth rate came down during the crisis years

which underlined the fragility of a rather good performance of the eighties.

Due to a major shift in the economy towards globalisation and the success of the Industrial policy, 1991, sustained and steady growth in the Indian economy could be achieved. The GDP_{FC} during 1990-91 was Rs. 5,318.13 billion and NDP_{FC} was Rs. 4791.63 billion, which continues to increase to Rs. 19,919.82 billion GDP_{FC} in 2000-2001 and which further increase to Rs 71,574.12 billion GDP_{FC} and Rs. 64,039.39 billion in terms of NDP_{FC} in 2010-2011.

3.3 Sectoral Composition of GDP:

As Kuznets (1955) explains that every economy shows some kind of structural transformation in the development process. He explains that during the pace of economic growth, labours from agricultural sectors are migrated to industrial sector. This has also been experienced in India as the share of agriculture in GDP has declined whereas the shares of industry and services have increased.

Table 3.2 clearly shows that agriculture and allied activities accounted for the lion's share in India's GDP_{FC} at the beginning of planning in India. During the period of 1950-51, agriculture and allied

activities share 52.21% of GDP and the share of this sector declined steadily to be the lowest contributor of GDP_{FC} 2010-2011, i.e. 17.74 %.

The following table shows sectoral composition of GDP_{FC}.

Table 3.2 : Composition of GDP_{FC} at Current Prices.

(Amount in billion)

Year	**Primary**	**Secondary**	**Tertiary**	**GDP_{FC}**
1950-51	51.99*(52.21)*	11.54*(11.59)*	36.04*(36.20)*	99.57
1960-61	72.56*(42.02)*	28.11*(16.28)*	72.01*(41.70)*	172.68
1970-71	186.20*(42.10)*	70.17 *(15.87)*	185.91(*42.03)*	442.28
1980-81	484.26*(35.53)*	267.47*(19.63)*	611.13*(44.84)*	1362.86
1990-91	1543.50*(29.11)*	1112.39*(20.98)*	2645.90*(49.91)*	5301.79
2000-01	4606.08*(23.12)*	4002.93*(20.10)*	11310.81*(56.78)*	19919.82
2010-11	12698.88*(17.74)*	13555.90*(18.94)*	45319.34*(63.32)*	71574.12

Note: Data for 2010-11 are Quick Estimates.

Source: *Handbook of Statistics on The Indian Economy: RBI 2011-12*

The fall in the share of agricultural sector in the composition of GDP_{FC} in India has been notably steep during the liberalization period, but there has not been a fall in the labour force in the sector even if there was a decline of the share of agriculture in the compositions of GDP in India. This is due to low level of productivity in this sector. As Kurian(1992)

observed that " the fact that a sharp fall in the share of agriculture in national income in India is accompanied by a fairly stable proportion of labour force in that sector shows that there has been a relatively decline in productivity there".

With a fall in the share of agriculture and allied activities, the shares of industry and services have increased. The share of industry has shown a steady increase with a share of 11.59% in 1950-51, the share of industry has increased to 20.10% in 2000-01, since then this share has declined marginally to 18.94% by 2010-2011.

The tertiary sector or service sector has also shown a steady increase in its share. During the period of 1950-51, the share of service sector in GDP_{FC} was 36.20% and it continues to increase to 49.91% in 1990-91. In the post liberalization period, the growth in service sector has been tremendous and this sector shares 63.32% in the composition of GDP_{FC} in 2010-2011.

3.4 Trends and Pattern of Savings in India: The saving is estimated as the difference between income and expenditure/consumption. The concept of saving plays an important role in economic analysis. Almost from the inception of economic planning, the prevailing low level of saving and investment was assessed by the planners and then targeted to achieve a self reliant and self sustaining economic growth by achieving a sharp increase in the saving 2nd investment rates. In India, household sector

contributes larger share to GDS. Gross Domestic Savings comes from three main sectors, viz. (1) Household sector, (2) Corporate sector, and (3) Public Sector. The direct estimates of total household savings are not available in Indian national accounts statistics (CSO). Moreover, the household sector, in the scheme of saving and capital formation estimation by official agency (CSO), is essentially a residual category. The table 3.3 presents the trends of household's sector contribution to overall savings in India.

Table 3.3 Pattern of Savings in Different Sectors in India

Year	**GDS as % of GDP**	**Percentage of GDS by Sectors**		
		Household	**Corporate**	**Public**
1950-51	9.9	68.86	9.40	21.74
1960-61	12.04	58.97	13.52	27.51
1970-71	15.42	66.43	9.85	23.72
1980-81	19.51	68.13	8.8	23.07
1990-91	25.35	80.80	11.28	7.92
2000-01	25.88	89.95	15.72	-5.68
2010-11	34.68	70.48	24.27	5.24

Note: Data for 2010-2011 are based on quick estimate.

Source : Handbook of Statistics on the Indian Economy : RBI 2011-12

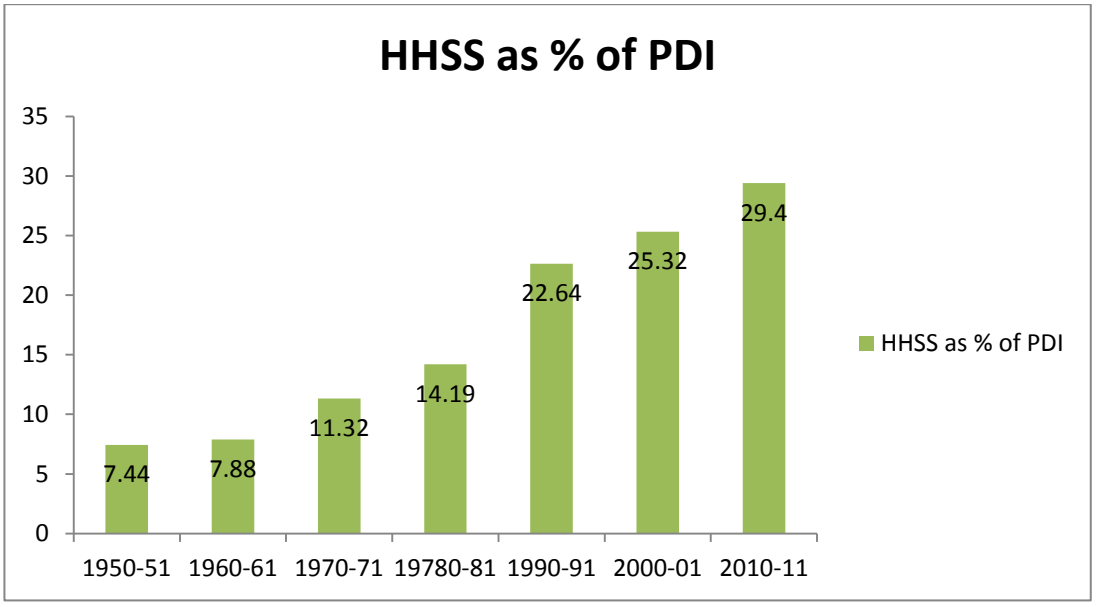
Table 3.3 presents GDS as a percentage of GDP and the contribution of Household Sector, Corporate Sector and Public Sector to the GDS. The increasing trend of GDS as a percentage of GDP was observed in the early fifties. GDS as a % of GDP was 9.9 percent in 1950-51 and increased to 12.04 percent in 1960-61. During the period of 1950-1960, the increase in domestic saving was low. This low rate of domestic saving during this period was because of low propensity to save in agricultural sector (Chakravarthy, 1973) and because of the larger share of agriculture in GDP. The GDS as a % of GDP was 25.35 percent in 1990-91 and increased by 9.33 percent in 2010-2011 registering the share of GDS as a percent of GDP to be 34.68 percent in 2010-2011.

During the period of 1950-51, the household sector contributes 68.86 percent of GDS, while corporate sector contributes 9.40 percent and public sector contributes 21.74 percent. The share of household sector in GDS was declined by 9.89 percent in 1960-61, with the share of 58.97 percent in GDS. However, the share of corporate sector and public sector increased during the period of 1960-61. The share of corporate sector in GDS was 13.52 percent and public sector shared 27.51 percent. From 1960-61, the share of household sector in GDS increased gradually and reached 89.95 per cent in 2000-01 with a little decline in 2010-11 as the share of GDS was 70.78 percent.

With the increased in the share of household sector in GDS, the share of corporate sector also increased gradually from the period of 1980-81. The share of corporate sector in GDS was 8.8 percent in 1980-81and increased to 24.27 percent in 2010-2011. However, the share of public sector in GDS declined from 1960-61 and has a negative share in 2000-2001 with -5.68 percent. But the data for 2010-11 shows a positive sign with 5.24 percent share in GDS.

Because of the high level of economic growth in India, the household sector savings as percent of PDI has gone up substantially as figure 3.1 shows. As clearly can seen in the figure, the household sector savings as percent of PDI has gone up as it was 9.9 percent of PDI in 1950-51 which has increased to 12.04 percent during the period of 1960-61. The household sector savings as percent of PDI continues to increase to 25.35 percent in 1990-91 and further increase to 34.68 percent in 2010-2011. Therefore, it is clear that as PDI increases, household sector savings also increases whereas the private final consumption expenditure as percent of personal disposable income gone down in India.

Graph 3.1: Household Sector Savings as Percent of PDI.



Note: Data for 2010-2011 are based on quick estimate.

Source : Handbook of Statistics on the Indian Economy : RBI 2011-11

Household sector saving can be divided to Financial Saving and Physical Saving. The share of household sector in GDS was 68.86 percent with 9.10 percent in Financial Saving and 90.90 percent in Physical form of saving. The share of household sector in GDS declined in 1960-61 and also the share of physical saving in total household saving. During the period of 1960-61, the share of household sector in GDS was 58.97 percent, registering a decline of this sector share in GDS by 9.89

percent compared to 1950-51. The share of physical saving in total household saving also declined from 90.89 percent in 1950-51 to 62.81 percent in 1960-61.

Table 3.4 Sectoral Composition of Household Saving in India

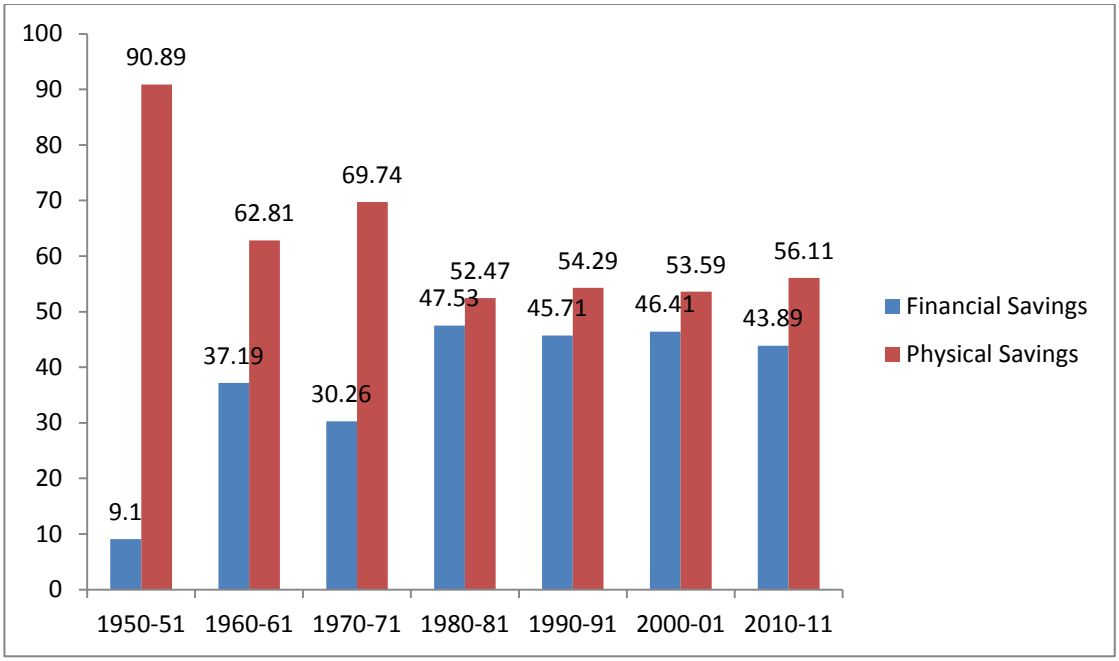
Year	Share of Household Saving in GDS	Share of Household Financial Saving in Total Household Saving	Share of Household Physical saving in Total Household Saving
1950-51	68.86	9.10	90.89
1960-61	58.97	37.19	62.81
1970-71	66.43	30.26	69.74
1980-81	68.13	47.53	52.47
1990-91	80.80	45.71	54.29
2000-01	89.95	46.41	53.59
2010-11	70.48	43.89	56.11

Note: Data for 2010-2011 are based on quick estimate

Source : Handbook of Statistics on the Indian Economy : RBI 2011-12

The share of financial saving in total household saving has been fluctuating. During the period of 1970-71, the share of financial saving decline by 6.93 percent while the share of physical saving increased by 6.93 percent as compared to 1960-61.

Graph 3.2 Household Sector Savings in India



Note: Data for 2010-2011 are based on quick estimate

Source : Handbook of Statistics on the Indian Economy : RBI 2011-12

3.5 Determinants of Household Savings:

A number of research studies have analysed the behaviour of savings and its determinants in India and they find that household sector saving is a function of personal disposable income of the households. Allocation of personal disposable household income among various possible uses poses an important problem of decision making at macro households level. At the broadest and the most aggregative level of allocation decisions, savings and consumption are two competing uses of national income. Disposable Income may, therefore, be the most decisive determinant of aggregate consumption expenditure and savings.

3.5.1 Average Propensity to Save :

It is assumed that under Indian conditions, current year's income in the most important factors influencing the level of household savings. Therefore a direct functional form between current year's income and current year's savings are estimated. A large number of study available tested Keynesian hypothesis 'that the propensity to save rises as the income rises and it falls when income falls'.

We will test this hypothesis with recent new series of data in different period.

Table 3.5 Aggregate Household Sector Savings Function- APS(OLS Estimates)

Year	*HS/dY=f(logdY)*				
	A	***B***	R^2	***T***	***D.W.***
Period(1950-2007	-0.2699 (0.01514)	0.0836 (0.00294)	0.93	28.38	0.713
Period(1950-1989)	-0.2310 (0.02135)	0.0751 (0.00458)	0.88	16.39	0.966
Period(1990-2007	-0.5690 (0.1212)	0.1327 (0.0197)	0.75	6.70	0.974

Note: HS= Household sector savings, dY= disposable income. Parentheses figures are standard errors.
Source: Handbook of Statistics on the Indian Economy : RBI 2007-2008

Regression and correlation coefficients have the expected sings and all the three sets of are significant. All the functions indicate good fit based on the value of the standard errors of co-efficient and the level of R^2. The average propensity to save shows positive relationship with rise in income. The average propensity to save is 8.3 percent for entire period from 1950-2007, which is slightly less at 7.5 percent during

1950-1989. The average propensity to save is 13 percent during the period of 1990-2007. This implies that the national income increased substantially in nineties and consumption expenditure and savings have also increased in 1990's.

3.5.2 Marginal Propensity to Save :

The marginal propensity to consume (MPC) = where change in Y and change in C are incremental income and consumption respectively. The marginal propensity to consume is constant and positive but less than one. Since saving is excess of income over consumption (S=Y-C), it follows that the marginal propensity to save should also be stable, positive and less than one. Marginal propensity to save increases when income increases and it falls when income falls. We would like to test this proposition with recent data at current prices in different periods of time.

Marginal propensity to save indicates that increase of one rupee worth of income leads to an increase of 28 paise savings. This implies that as much as 28 percent of incremental income tends to be going on savings accounts for entire period from 1950-2007. Whereas, before economic resurgence period (from 1950-1989) the marginal propensity to save is estimated as 19 percent. The value of MPS during

economic resurgence period (1990-2007) is 33 percent (Table 3.6). This implies high income growth during this period, which implies more excess incomes over the consumption. Thus it is worthwhile to present the value of MPS to assess the trend and diversity in the savings behaviour of the households in different period of time.

Table 3.6 Aggregate Household Sector Savings Function-MPS (OLS Estimates)

Year	***HS=f(dY)***				
	A	***B***	R^2	***T***	***D.W.***
Period(1950-2007	-18480.8 (4834.98)	0.2859 (0.00504)	0.98	56.69	0.3264
Period(1950-1989)	-2778.18 (603.52)	0.1912 0.00458)	0.97	41.08	0.1044
Period(1990-2007	-10462.0 (18201.2)	0.3298 (0.01043)	0.98	31.61	0.6728

Note: HS= Household sector savings, dY= disposable income. Parentheses figures are standard errors.
Source: Handbook of Statistics on the Indian Economy : RBI 2007-2008

Marginal propensity to save indicates that increase of one rupee worth of income leads to an increase of 28 paise savings. This implies that as much as 28 percent of incremental income tends to be going on savings accounts for entire period from 1950-2007. Whereas, before economic resurgence period (from 1950-1989) the marginal propensity to save is

estimated as 19 percent. The value of MPS during economic resurgence period (1990-2007) is 33 percent (Table 3.6). This implies high income growth during this period, which implies more excess incomes over the consumption. Thus it is worthwhile to present the value of MPS to assess the trend and diversity in the savings behaviour of the households in different period of time.

The value of MPS is much higher than the values of APS for all the three functions as expected. The value of MPS is much higher than the values of MPS estimated in early 1980's with old data by Choudhury (1990). Her estimated value of MPS was 0.1540 for the period of 1960-61 to 1986-87.

3.5.3 Elasticity of Savings :

The income elasticity of savings are estimated at 1.24, 1.28 and 1.23 for the period of 1950-2007, 1950-1989 and 1990-2007 respectively. These results supported the hypothesis that and income and savings are directly related.

Table 3.7 Aggregate Household Sector Savings Function- Elasticity of Savings (OLS Estimates)

Year	*LnHS=f(LndY)*				
	A	***B***	R^2	***T***	***D.W.***
Period(1950-2007	-2.0943 (0.0467)	1.243 (0.0090)	0.99	136.67	0.5699
Period(1950-1989)	-2.2693 (0.0847)	1.283 (0.0182)	0.99	70.50	0.0142
Period(1990-2007	-2.0474 (0.2157)	1.233 0.0847)	0.99	35.01	0.0966

Note: HS= Household sector savings, dY= disposable income. Parentheses figures are standard errors.
Source: Handbook of Statistics on the Indian Economy : RBI 2007-2008

Therefore, we can conclude by saying that all the APS, MPS and income elasticity of savings provide a sufficient encouraging picture and these values have been increasing mostly on economic resurgence period (1990-2007). This implies household disposable income is the better determinants for household savings and it increased with increase in income, satisfied the Keynesian hypothesis that saving is a function of income.

CHAPTER 4: INCOME AND SAVING PATTERN IN DARLAWN TOWN : AN EMPERICAL ANALYSIS

4.1. Introduction : The level of income and consumption of the households depend on many factors like assets, level of education, occupation, demographic characteristics . The pattern of saving of the households also depends on these factors. In most of the households, the main occupation is not the only source of income and in the cultivator household, more than 50 per cent of the household income originate from other sources. The level of income and saving pattern may vary according to the level of education of the head of the households, types of occupation, household size, etc. This chapter analyse the different sources and the level of income of the households in Darlawn town and what factors affect the saving pattern of the households in Darlawn town.

4.2 Income and Saving Pattern in Darlawn Town

As mentioned in the methodology, a field survey was conducted by the researcher himself by canvassing questionnaires on the selected sampled households in order to obtain necessary information about the level of income and saving pattern in Darlawn town in which 93

households, which were randomly selected were contacted and interviewed.

The following table represents the respondents of an interview:-

Table: 4.1 Respondents of Interview:

Respondents	**No of Households**	**Percentage (%)**
1. Head of a Family	62	66.67
2. Wife	11	11.83
3. Children/Other	20	21.51
Total	*93*	*100*

Source: Field Survey (2012)

The above table can be shown in the Pie-chart as follow:-

Graph 4.1 Respondents of an Interview

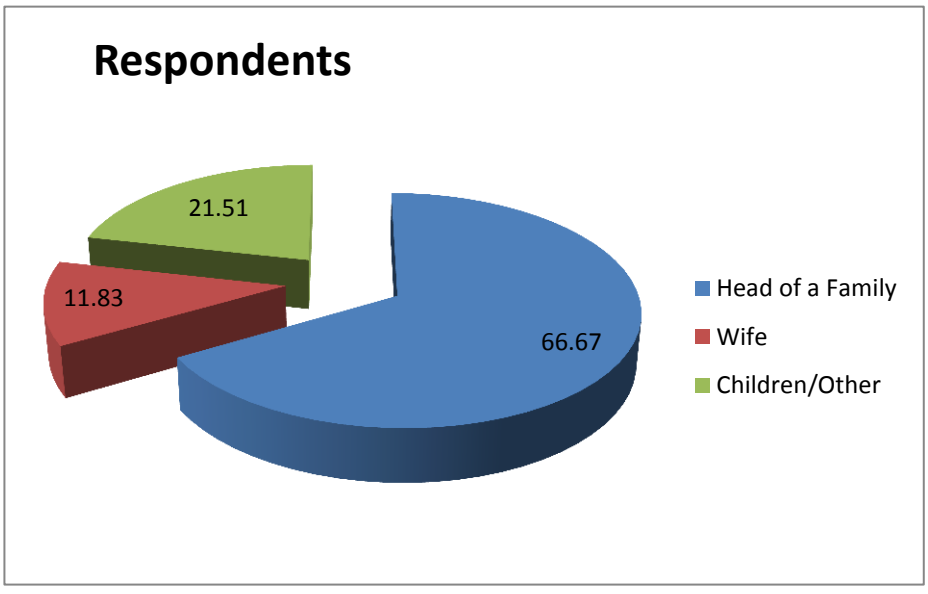


Table 4.1 reveals that among 93 respondents of an interview, 62 respondents (i.e. 66.67%) were the head of the family, 11 respondents (11.83 %) were the wives of the head of the family and 20 respondents (i.e. 21.51%) were children or other member members of the family. Therefore, the above table clearly shows that since more than 60% of the respondents are head of the family themselves, the data so obtained on the level of income and saving will be realistic.

4.3 Socio-economic Characteristics of the Sample:

The sample selected is a representation of the total population. As far as possible, all the different occupation groups are given proportional representation in the sample. As such, the sample consisted of 31.18 per cent cultivators, 26.88 per cent per cent government servants, 2.15 per cent farmers, 8.60 per cent daily labourers, 5.37 percent businessmen, 4.30 per cent are working in private sector and another 21.50 per cent are working in other category. The occupation of the head of the household is considered as the main occupation of the sample households. In this perspective, it is true that, family socio-economic status is based on family income, parental education level, parental occupation and social status in the community (Baker and Schuler 2005).

The following table represents the occupation of the sample households:

Table 4.2: The Occupation of the Sampled Households.

Sl.No	**Occupation**	**No. of Households**	**Percentage**
1.	Cultivation	29	31.18
2.	Services/Pensions	25	26.88
3.	Farming	2	2.15
4.	Daily Labourer	8	8.60
5.	Business	5	5.37
6.	Self Employed	4	4.30
7.	Others	20	21.80
	Total	*93*	*100*

Source : Field Survey(2012)

Table 5.2 can be shown in Pie-chart as follow:

Graph 4.2 Occupation of the Sampled Households

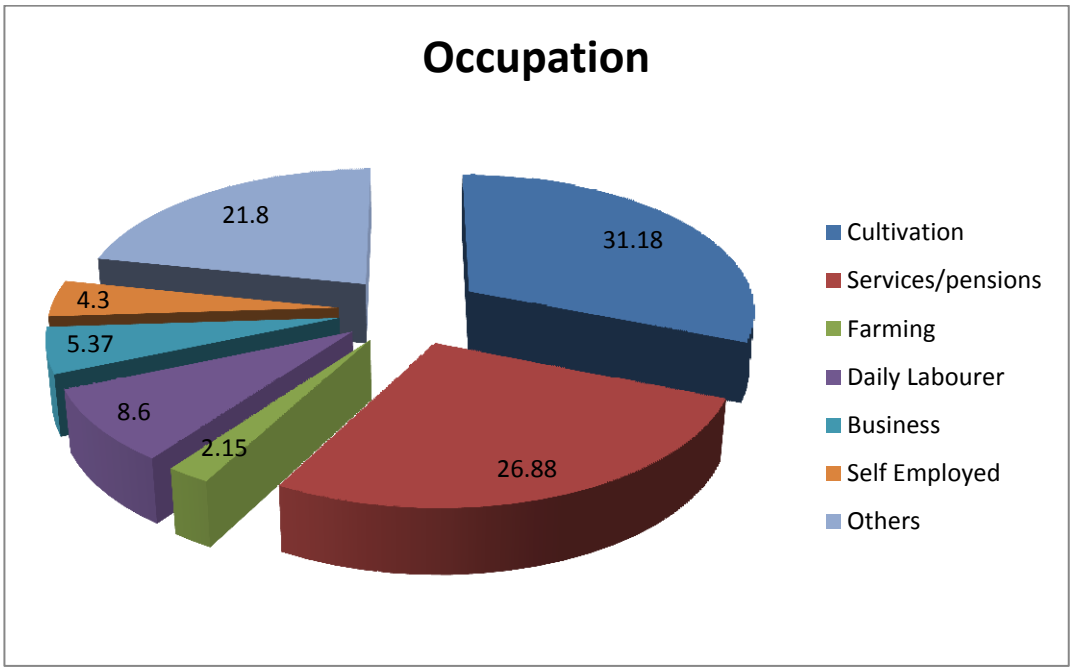


Table 4.2 and graph 4.2 shows that shifting cultivation is the main occupation of majority of the households in Darlawn town with 31.18 % of the households engaged in this sector and 26.888 % are working in services sector. The table also reveals that only 2.15% of the sampled households are farmers and 8.60% of the head of the sampled households are daily labourers.

4.4 Demographic Characteristics:

The demographic characteristics have an important bearing on the level of income, consumption and saving of the household. Many features like rate of growth of population, educational level of head and other members of the household and size of the household, number of dependents and number of workers are some of the factors which have a direct effect on the level of income and the saving pattern of the households in Darlawn town. The average size of the household in the sample is 5.64 with 21.71 % of the sample population below 14 years.

4.4.1. Level of Education:

Education may be defined as the process of developing knowledge, wisdom, and other desirable qualities of mind, character and general competency, especially by formal education (Abid and Afridi, 2010). The level of education of head of the household and other members of the household determines the nature of occupation they are involved in, the level of income they get and the motivations for saving. Generally, head of a family with higher education are engaged in more income occupation like government services, business, etc. And head of a family with lower education are involved in low income occupation and their

level of income and saving is low compared to those who have higher education.

Table 4.3 shows the educational level of the head of the sample households.

Table 4.3: Educational Status of the Head of the Sampled Households.

Educational Level	**No of Households**	**Percentage**
Below Primary	17	18.28
Middle	22	23.66
HSLC	30	32.26
HSSLC	11	11.83
Graduate & Above	13	13.98
Total	93	100

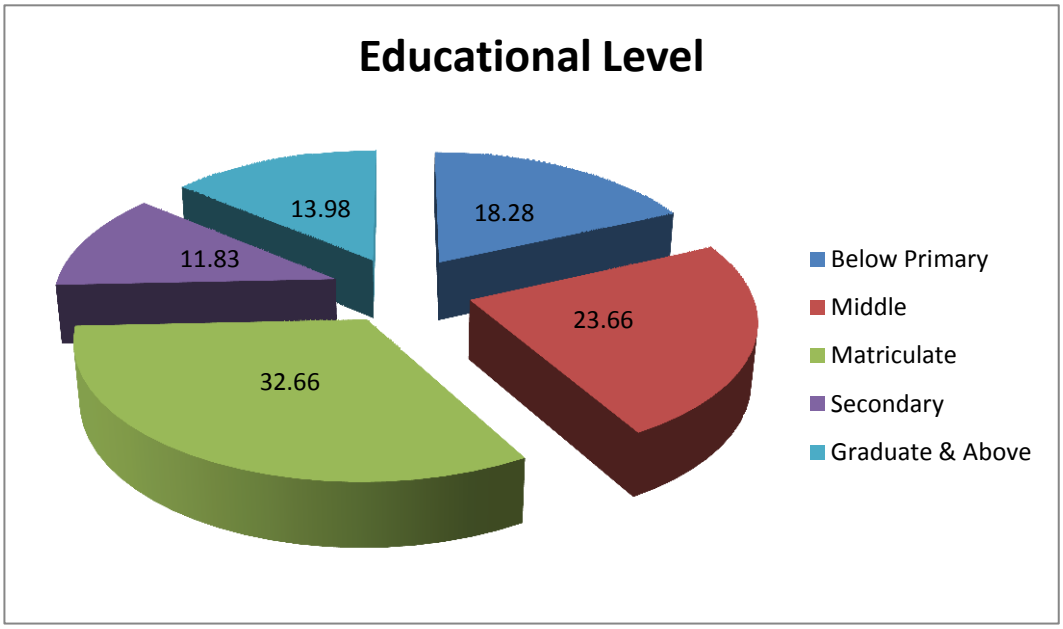
Source : Field Survey (2012)

The above table reveals that 18.28 per cent of the head of the sample households have an education up to only Primary or below

Primary level, 23.66 per cent with Middle, 11.83 % are matriculate, 11.83 per cent have Secondary education and another 13.98 per cent of the heads of the sample households were graduated or above.

Table 4.3 can also be represented by Pie-chart.

Graph 4.3 Educational Level of Head of the Sampled Households



4.4.2 Occupation and Level of Education :

The level of education is one of the deciding factors of the occupation in which one is engaged in. Generally, those engaged in lower income occupations have less of educational qualifications, whereas, those with higher education are engaged in higher income occupations. In

other words, head of the household with less educational qualifications are engaged in cultivation, whereas the head of the households with higher education are engaged in higher income occupation like government services.

Table 4.4 Shows the relationship between occupation and level of education.

Table 4.4: Distribution of Households According to Occupation and Level of Education of the Head of The Household.

Occupation	**Percentage of Households according to Level of Education**					**Total**
	Primary	**Middle**	**HSLC**	**HSSLC**	**Graduate & Above**	
Cultivators	6	12	9	2		29
Services	1	2	6	6	10	25
Farmers	1		1			2
Daily Labourers	1	1	5	1		8
Business		3	2			5
Self Employed		2	1		1	4
Others	7	3	6	2	2	2

Source: Field Survey (2012)

Table 4.4 shows that among the 20 government servants of the sample households, 40 per cent of the head of the households are graduated or above graduated, and 25 % of the head of the households have an education up to secondary level, another 25 per cent are matriculate, 8 per cent have an education up to Middle, and only 1 head of a households is working under government services which is 4 only 4% of the total heads of households who are working under government services.

4.4.3. Sex and Education of Heads of Households:

The sample survey reveals that 82.80 percent of the households in town are headed by men and 17.20 per cent have female heads. Level of education of male and female heads of the households; exert its influence on the income and saving behaviour of the households.

After classifying the households according to sex and education of heads of households, it is found that male heads are more educated than the female heads. According to the sample survey, only 12.5% of the female heads in Darlawn town have an education up to graduation or above, 56.25 % of the female heads have an education up to Primary level or below Primary level. Whereas, only 5.84 per cent of the

male heads have only primary education, 21.51 per cent with an education up to Middle, 29.03 per cent with HSLC, 11.83 per cent of the male heads have an education up to Secondary level and again 11.83 per cent of the male heads are graduated or above graduated.

The following table shows the relationship between sex and education of heads of households.

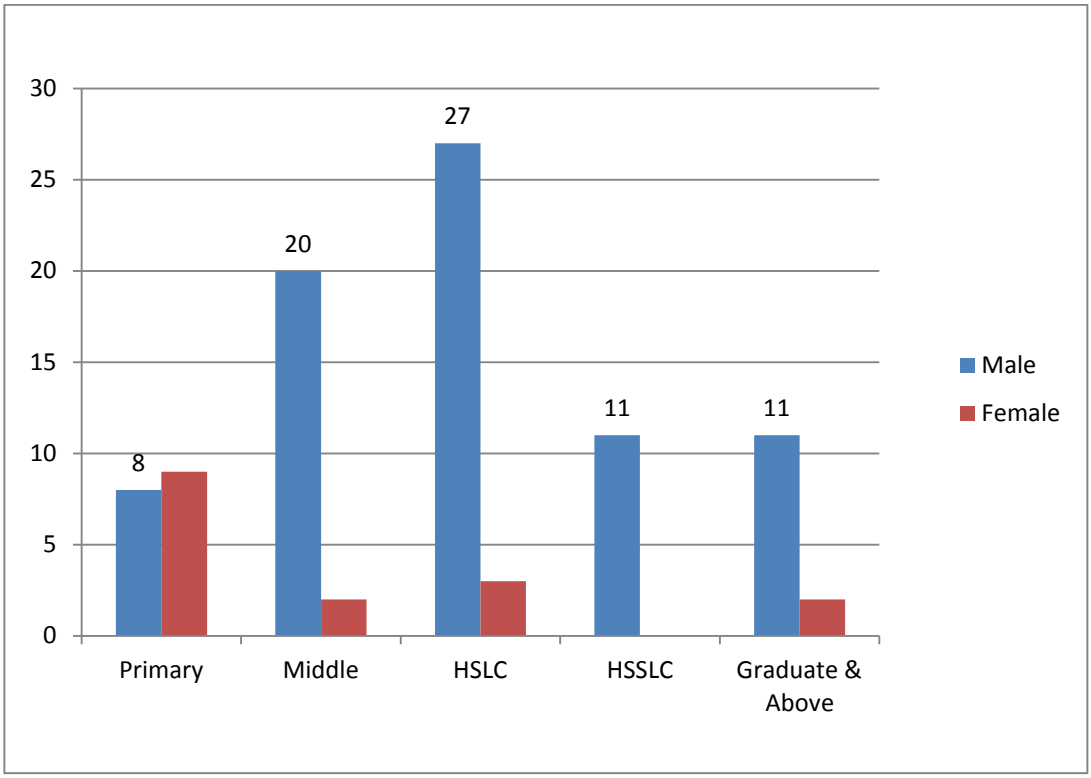
Table 4.5: Distribution of Sample Households According to Sex and Education of Heads of Households.

Levels of Education	**Male**	**Female**	**Total**
Primary	8	9	17
Middle	20	2	22
HSLC	27	3	30
HSSLC	11		11
Graduate & Above	11	2	13
Total	77	16	93

Source : Field Survey(2012)

Table 4.5 can be shown by graph.

Graph 4.3 Head of the Households According to Sex and Education



4.5 Income of the Households : Income has been considered as an important factor in the determination of saving behaviour of an individual. More income normally means more savings and vice versa. Households receive income from Main source or Primary source and from other source which may be termed as Secondary source.

4.5.1 Primary Source of Income : Table 4.6 presents the Primary source of income of the sampled households in Darlawn town.

Table 4.6 : Primary Source of Income.

Source of Income	No. of Households	Percentage
Gov't Service	39	41.94
Shifting Cultivation	21	22.58
Farming	2	2.15
Daily Wages	8	8.60
Business	10	10.75
Others	13	13.98
Total	***93***	***100***

Source: Field Survey(2012)

The above table reveals that government service is the primary source of income for majority of the households in Darlawn town which accounts for 41.94 percent of the total sample households. Table 4.6 shows that 22.58 percent of the households in Darlawn town received money from shifting cultivation, and only 2.15 percent are engaged in farming. The study reveals that 8.60 percent of the households in Darlawn town received money from daily wages, 10.75 percent from business and another 13.98 percent received money from other sources.

4.5.2 Secondary Source of Income :

Most of the households got their income from many other sources rather than primary or main sources. The following table represents the secondary source of the sampled households in Darlawn town.

Table 4.7 : Secondary Source of Income of the Sampled Households in Darlawn Town.

Source of Income	**No. of households**	**Percentage (%)**
Services	2	2.597
Shifting Cultivation	20	25.97
Daily Wages	21	27.27
Business	3	3.98
Others	31	40.26
Total	*77*	*100*

Source: Field Survey (2012)

The above table shows that 53.25 percent of the households in Darlawn town received income from daily wages and shifting cultivation other than their primary source of income. The table shows that another 40.26 percent of the households in Darlawn town received income from other sources like pensions, gifts, sell of domestic animals

etc. and only 2.68 percent received from services and another 3.98 percent received their secondary income from business.

4.5.3 DETERMINANTS OF INCOME :

The level of income of the households is determined by a number of factors, some of them may be discussed as under.

4.5.3.1 Number of Earners/Workers:

Number of worker or earner in the household determines the level of income of the household. Normally, more earners or workers in the households mean more income and vice-versa. The following table represents the relationship between number of workers and the average monthly income of the households in Darlawn town.

Table 4.8 : Relationship Between Number of Workers and Average Monthly Income.

No of Workers	Percent(%)	Average Monthly Income
1	15.05	17,428.57
2	44.09	18,909.76
3	29.03	15,918.52
4 and Above	11.83	19,181.82

Source: Field Survey(2012)

The above table shows that 15.05 percent households in Darlawn town has only one earner or worker and their average monthly income is Rs. 17,428.57. Then another 49.09 percent of the households have two workers and their monthly average income is Rs. 18,909.76. The table also reveals that households having more than three workers have the highest average monthly income of Rs. 19,181.82. Therefore, it can be said that total numbers of earners or workers have affected the level of income in Darlawn town. Households with more earners or workers usually have higher average monthly income.

4.5.3.2 Level of Education and Income :

Income of the household is determined by the level of education of head of the households. The level of education of the heads of the households determine the nature of occupation they are involved in and so of the level of income. Table 4.9 represents the relationship between the level of education of the head of the sampled households and their average monthly income. The head of the households in Darlawn town who have an education up to primary level have an average monthly income of Rs 14,882.25 and the households with an education up to middle have an average monthly income of Rs 16,422.73. The table shows that head of the households with an education up to matriculate

have the lowest average monthly income with Rs 13443.33. However, the head of the household, who are graduated or above graduated have the highest average monthly income of Rs 33,692.31 and also head of the households with secondary level of education have recorded the second highest average monthly income with Rs 18,863.64.

Table. 4.9 Level of Education and Average Monthly Income of the Sampled Households.

Level of Education	**Percent (%)**	**Average Monthly Income**
Primary	18.28	14,882.35
Middle	23.66	16,422.73
Matriculate	32.26	13,443.33
Secondary	11.83	18,863.64
Graduate and Above	13.98	33,692.31

Source : Field Survey (2012)

The above table shows that the more educated the head of the households are, the more income they received. This is because the level of education of the head of the households determines the type and nature of occupation they involved in.

4.5.3.3 Occupation and Income :

The nature of occupation of the head of the household determines the level of income of the household. The following table represents the relationship between the nature of occupation and the average monthly income of the household in Darlawn town.

Table 4.10: Occupation of Head of the Households and Average Monthly Income in Darlawn Town.

Name of Occupation	**Percent (%)**	**Average Monthly Income**
Cultivation	31.18	6,125
Services	26.88	25,060
Farming	2.15	11,500
Daily Labourer	8.60	6,125
Business	5.37	23,000
Self Employed	4.30	19,000
Others	21.80	21,600
	100	

Source: Field Survey (2013)

Table 4.10 shows that head of the households who are engaged in shifting cultivation have the lowest Average monthly income of Rs 6,125

and those who are working in service sector have recorded the highest average monthly income with Rs 25,060. Daily labourers of the households which accounts for 8.60 percent of head of the households in Darlawn town recorded the lowest average monthly income with Rs 6,125 only. The table shows that head of the households who are engaged in business activities have the second highest average monthly income with Rs 23,000.

4.6 Saving of the Households:

Households' saving behaviour is largely influenced by several variables like the perception of saving of those who save, their ability, willingness, objectives or motivations for saving and the opportunity to save. This deliberate decision on the part of the households to save in order to meet future needs depends on a number of factors. The factors normally considered as the determinants of saving include all the factors that affect the ability to save, the will to save and the opportunity to save.

4.6.1 Demographic Factors and Saving:

In the study, demographic factors like education of the head of the household, number of dependents, size of the household, occupation influenced the household saving either through their impact on

the ability to save or through their impact on the will to save. These factors have both positive and negative effects depending on the extent or rate of increase or decrease.

4.6.1(a) Number of dependents and Saving :

High dependency ratios or so many dependents indicate more consumption expenditures and hence lesser saving. Some researchers have therefore suggested that dependency ratios should be inversely related with saving potential. The following table shows the relationship between number of dependents, income and savings of the households in Darlawn town.

Table 4.11: No of Dependents, Income and Savings in Darlawn Town.

No. of Dependents	**Percentage (%)**	**Average Monthly Income (Rs)**	**Average Monthly Savings (Rs)**	**Saving-Income Ratio**
0	40.86	19,648.42	8,525	0.43
1	13.98	19,923.09	6,500	0.33
2	24.73	14,630.43	6,960	0.48
3	16.13	18,675	6,885	0.37
4 and Above	4.30	8,666.67	1,233.33	0.14

Source: Field Survey (2012)

According to the present study, 24.73 percent of the households who have two independents had the highest average income-saving ratio of 0.48. About 40.86 percent of the households who have no dependents have an average income-saving ratio of 0.43 with average monthly income of Rs. 19,648.42 and average monthly saving of Rs. 8,525. However, households with 3 dependents have an average monthly income of Rs. 18,675 and average monthly saving of Rs. 6,885 with average income-saving ratio of 0.37. Households with 4 or more dependents have the lowest income-saving ratio of 0.14 with average monthly income of Rs. 8,666.67 and average monthly saving of 1,233.33. Therefore, it can be said that households who have less dependents save more than households with more dependents.

4.6.1(b) Education of Head of the Household and Saving :

The higher the educational level of head of the household, the better is his/her understanding and appreciation of the benefits of saving and hence higher saving. Also, higher the level of education of the head of the household, the stronger is the demand for his or her services in relation to supply. Education in line with literature has a positive impact on households saving mainly because of increased awareness that occurs with higher educational levels. Higher education is also assumed to be

associated with higher or better income and by extension higher saving rates. Table 4.12 depicts educational status of respondents, average monthly income and saving.

Table 4.12 : Educational Status of Respondents, Average Monthly Income and Saving.

Level of Education	Percentage (%)	Average Monthly Income	Average Monthly Saving	Saving-Income Ratio
Below Primary	18.28	14,882.35	3,517.60	0.02
Middle	23.66	16,442.73	7,111.10	0.43
High school	32.26	13,443.33	5,350	0.4
Secondary	11.83	18,863.64	8,618.20	0.46
Graduate & above	13.98	33,692.31	14,036	0.42

Source: Field Survey(2012)

The survey data point to the fact that the level of income is directly influenced by the level of education. The saving-income ratio has also been influenced to some extent by the level of education. Table 4.9 shows that 18.28 percent of the households who have only up to primary level of education have the lowest saving-income ratio of 0.02 and the lowest average monthly income of Rs.14,882.35 and the lowest average monthly saving of Rs. 5137.60. The head of the households with secondary level of education have the highest saving-income ratio of 0.46 with average monthly income of Rs. 18,863.64 and average monthly saving of Rs.8, 618.20. However, average monthly income and average monthly saving is highest among the head of the households who have graduated or above graduated, with average monthly income of Rs. 33,692.31 and average monthly saving of Rs. 14,036. Therefore, it is cleared that the level of income and saving of the households in Darlawn town is determined by the level of an education of the head of the household.

4.6.1(c) Occupation of the Head of the Households and Saving:

Table 4.13 represents the relationship between occupation of the head of the household, average monthly income and saving.

Table.4.13 : Occupation of Head of the Households, Average Monthly Income and Saving in Darlawn Town.

Occupation	Percentage (%)	Average Monthly Income	Average Monthly Saving	Saving-Income Ratio
Services	26.88	25,060	11,532	0.46
S. Cultivation	31.18	11,779.30	4,256.52	0.36
Farming	2.15	11,500	3,750	0.33
Daily Wages	8.60	6,125	1,300	0.21
Business	5.38	23,000	10,200	0.44
Self Employed	4.30	19,000	6,500	0.34
Others	21.51	21,600	8,535	0.4

Source : Field Survey (2012)

Table 4.13 shows that average monthly income in Darlawn town is highest among the head of the households who are engaged in services with average monthly income of Rs. 25,060 and average monthly saving of Rs.11,532. The saving-income ratio is also highest in this sector with 0.46. The second highest income of the households in Darlawn town comes from the head of the households who received income from business. They average monthly income is Rs. 23,000 with average monthly saving of Rs. 10,200 and their monthly saving-income ratio is 0.44, which is also the second highest. The table also reveals that daily

labourers in Darlawn town got the lowest average monthly income and the lowest average monthly savings. Their average monthly income is Rs. 6,125 with average monthly savings of Rs. 1,300 and their saving-income ratio is 0.21.

4.6.1 (d) Size of the Household and Saving :

The size of the household is an important factor in determining the level of saving of the household. As the size of the household increases, the consumption expenditure will raise which will affects the level of saving.

The following table represents the relationship between household size, income and saving.

Table 4.14 : Household Size, Average Monthly Income and Saving in Darlawn Town.

Household Size	Percentage (%)	Average Monthly Income	Average Monthly Saving	Saving-Income Ratio
Upto 3	0.51	17,100	9,850	0.58
4	21.4	21,090.90	11,575	0.54
5	21.03	13,365	7,658.82	0.46
6	21.23	15,347.83	5,768.18	0.38
Above 6	21.23	18,839.13	5,509.09	0.29

Source: Field Survey(2012)

Table 4.14 shows that households in Darlawn town with family members of 3 or below have the highest saving-income ratio with 0.58. The table also shows that households having 4 members have the highest average monthly saving with Rs. 11,575 with saving-income ratio of 0.54. The table clearly reveals that as the size of the household increases, the level of saving declines even though their average monthly saving increases. Households having 6 or more than 6 members have the highest average monthly income, but the lowest average monthly saving of Rs. 5,509.09 with saving-income ratio of 0.29 which is also the lowest. This means that households having 6 or more than 6 members save only 29 percent of their average monthly income.

The rapid growth in the rural communities have negative impact on saving even though some scholars like Kaldor(1957) have hypothesized that rapid growth of population leads to increase in saving rate. The Keynesian saving function also implies that saving rate is virtually neutral to changes in the rate of population. However, Snyder (1971) finds that saving is unaffected by household size, i.e. large and small households are likely to have positive saving.

4.7 Household Income and Saving:

The ability of the household to save greatly depends on the level of income of the household. Therefore, level of income of the household is considered as one of the most important explanatory variables of the saving of the households. As the level of the income of the household increases, the ability to acquire surplus funds of the household increases.

The following table represents the relationship between income and savings of the households in Darlawn town.

Table 4.15: Average Monthly Income and Saving of Different Income Groups in Darlawn Town.

Income Group	Percent (%)	Average Monthly Income	Average Monthly Saving	Saving Income Ratio	% Share in total Saving
Below 6,000	15.29	4,330	900	0.21	1.80
6,001-12,00	22.35	9,250	2,319.75	0.25	6.78
12,001-18,000	24.71	15,619.05	5,404.76	0.35	17.48
18,001-24,000	4.75	21,250	8,750	0.41	5.39
24,001-30,000	11.76	26,100	8,600	0.33	13.25
30,001-36,000	9.41	33,875	16,500	0.49	20.33
Above 36,001	11.76	44,600	22,700	0.51	34.97

Source : Field Survey (2012)

From table 4.15, it is clear that income has a decisive role to play in determining the saving behaviour of households. About 11.76 percent of the households in Darlawn town with incomes ranging from Rs. 36 001 and above recorded the highest income-saving ratio of 0.51. This means that 11.76 percent of the households in Darlawn town save 51 percent of their average monthly income. In that order, 9.41 percent of the households with income ranging from Rs. 30,001-36, 000 recorded the second highest average monthly income of Rs. 33,875. They also have the second highest saving-income ratio of 0.49 with an average monthly saving of Rs. 16, 500 with a 20.33 percent share in the total average monthly saving of the households in Darlawn town.

However, Households with average monthly income of below Rs 6,000 recorded the lowest saving-income ratio of 0.21 and has the least percentage share with 1.80 percent share in the total saving. Therefore, we can say that saving is an increasing function of income among the households in Darlawn town as income increases, saving of the households also increases.

4.8 Saving Sources of the Sampled Households :

The role of savings for the economic development of a country cannot be exaggerated in a developing country like India where

most of the saving is done by household. The following table represents the saving source of the sampled households.

Table 4.16 : Saving Sources of the Sampled Households.

Sl.No	**Sources**	**No of Households**	**Percent (%)**
1.	SBI	61	65.6
2.	Post Office	14	15.05
3.	Keep at Home	18	19.35
Total		*93*	*100*

Source : Field Survey (2012)

Table 4.16 can be shown in pie- chart as follow-

Graph 4.4 Saving Sources of the Sampled Households

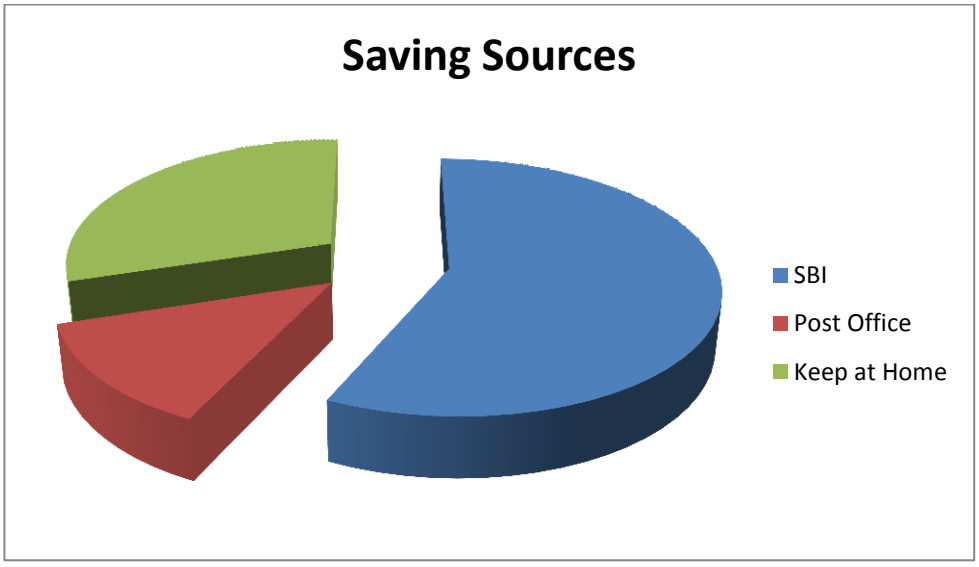


Table 4.16 represents the saving source of the sampled households and the results shows that most household saving, i.e. 65.6 percent was through SBI and 15.05 percent of the household savings in Darlawn town was through Post office. The table also reveals that 19.35 percent of the households keep their money at home and do not perform banking system. However, it has to be mentioned that 8 households do not save money and also 8 households save their money both at SBI and Post Office.

4.9 Saving Purpose of the Sampled Households:

Different people save money for different purposes. The following table shows how the households in Darlawn town spend their saving money.

Table 4.17 Saving Purpose of the Households in Darlawn Town

Sl.No	Items	Households (%)
1.	Children Education	41.94
2.	Emergency and Security	10.75
3.	Old Age Security	9.68
4.	Construction of House	16.13
5.	Purchase of Consumer Durable Goods	19.35
6.	Others	2.15

Source: Field Survey (2012)

As shown in table 4.17, most of the households, i.e. 41.94 percent of the households in Darlawn town save money for the education of their children. Another 16.13 percent of the households save for the construction of a new house and 19.35 percent of the households in Darlawn town save money for the purchase of durable goods like vehicles, television, washing-machine, etc.

4.10 Testing of Hypothesis : In order to test the hypothesis that saving is a function of income, i.e. S= f(Y), Karl Pearson's Coefficient of Correlation r = $\frac{\sum xy}{N\sigma x\sigma y}$

Where, x=(X-$\overline{X}$) , y= (Y-$\overline{Y}$)

σ_x =Standard deviation of Series X

σ_y =Standard Deviation of Series Y

N =Number of Pairs of Observation

r =the correlation coefficient

is applied and the calculation of coefficient of Correlation is done in Microsoft Exel and the value of Coefficient of correlation is 0.81. Therefore, the positive correlation between saving and income reveals that saving is a function of income. This also means that as income of the household increases, their saving also increases.

CHAPTER 5 : MAIN FINDINGS AND CONCLUSIONS:

Recent studies have revealed that socio-economic characteristics are the major factors that determine income and saving pattern of rural and urban households. Several factors like age, gender, marital status, years of working experience, households income, types of occupation, years of banking experience, household size, level of illiteracy (years of formal education), religion and loan repayment. Studies shows that in most cases, income, loan repayment and amount borrowed for the farm business were the significant variables that influenced saving pattern(Aluko,1972, Ayanwale and Banare,2000).

According to the present study, the level of household income in Darlawn town is determined by source of income, level of education of the head of a family and number of workers in the family. Level of saving is determined by level of income, number of dependents and family size. The main findings of the present study are:

(1) The average household size of the sampled household in Darlawn town is 5.65 in which 48.95 % are male and 51.05 % are females. The present study reveals that 82.80 percent of the households in Darlawn town are males, and another 17.20 percent of the head of the

households are females. According to the present study, 21.71% of the total population of Darlawn is below 14 years.

(2) According to the present study, the main occupation of the head of a family in Darlawn town(33.33 %) is agriculture in which 31.18% are engaged in shifting cultivation and only 2.15% are engaged in farming. The study reveals that 26.88% are government servants in which 60% are regular and 40% of the government servants are on contract basis, 8.60% of the head of a family in Darlawn town are daily labourers and 5.37% are working in business and another 6.45% self employed.

(3) According to the present study, majority of the head of the households in Darlawn town, i.e. 33.26 percent have an education up to matriculate, 23.66 percent of the head of the households have an education up to Middle school, 18.28 percent are below Primary. The present study reveals that 13.98 percent of the head of the households in Darlawn town are graduated or above graduated.

(4) The present study reveals that service sector is the main source of income of the households in Darlawn town. According to the present study, 41.94% of the households are involved in Services, 24.73% in agriculture, 8.60% of the households in Darlawn town depended on

daily wages, 10.75% from business, 5.37% from private sector and 8.60% from other sources like house rent, pension etc. The present study reveals that most of the households got their income from many other sources rather than primary or main sources. The results shows that 31.18 % households received income from 'Others' sources like sale of domestic animals, inheritance from ancestors, gifts etc. 22.58 % from wages, 21.51% from agriculture, 3.22% from business and 2.15% got their income from services and private sector. The study reveals that 17.204 % of the households were without secondary source of income.

(5) The household income in Darlawn town is determined by number of workers or earners in the households, level of education and occupation of head of the households. The households in Darlawn town with 4 or more than 4 workers have the highest average monthly income of Rs 19,181.82. However, households with 1 worker/earner have an average monthly income of Rs 17,428.57 and households with 2 workers/earners have recorded an average monthly income of Rs18, 909.76. The head of the households who are graduated or above graduated have the highest average monthly income of Rs 33,692.31 and those head of the households with an education of only Primary level have an average monthly income of Rs 14,882.35. The average monthly income of the households is highest among the households who are

engaged in service sector with Rs 25,060 and those who received income from shifting cultivation and daily wages have recorded the lowest average monthly income of Rs 6,125 respectively.

(6) According to the present study, income per capita per month in Darlawn town is Rs 3,167.81. The average monthly income of the households in Darlawn town is Rs. 17,882.79, and median income is Rs. 15,000 and modal income is Rs 15,000. The study reveals that the monthly income of 21.51 percent of the households in Darlawn town is below Rs. 6,000, and 21.51 percent of the households got income between Rs. 6,001-12,000, 22.58 percent of the households received income between Rs.12,001-18,000, 4.3 percent of the households received Rs. 18,001-24,000, and 10.75 percent received about Rs. 34,001-30,000, 8.60 percent of the households received between Rs. 30,001-36,000 and another 10.75 % received an average income of above 36,001 per month.

(7) While the lower income group (i.e. income below Rs.6,000 per month) contributes only 5.207 percent of the total income of the households in Darlawn town, High Income Group contributes 26.82% of the total average monthly income.

(8) The present study shows that family size has positive impact on income and has a negative relationship with saving. The average monthly income of the households with 3 members is Rs. 17,100, which contributed 5.14% of the total average monthly income of the households in Darlawn town. While the households having 6 or more than 6 members received average monthly income of Rs.18,839.13, which contributed 26.054% of the total average monthly income of Darlawn town. The study reveals that while households with 3 members save 46.08% of their total average monthly income, households with more than 6 members save only 22.78% of their income.

(9) The present study reveals that the level of income and saving in Darlawn town is determined by the level of education of the head of a family. The head of a family who are graduated or above graduated received income of Rs. 33,692.307 and save Rs.14,026 per month, while the head of a family with an education of primary level received an average monthly income of Rs. 14,882.35 per month and save Rs. 3,517.60 only.

(10) According to the present study, the saving pattern of the households in Darlawn town is positively correlated with the level of income. Households with monthly income below Rs. 6,000 had an

average monthly income of Rs. 900 which contributed only 1.80% of the total average monthly savings of the households in Darlawn town, while the average monthly saving of households with monthly income of Rs. 36,001 and above was Rs.22,700 and contributed 34.97% of the total average monthly savings of the households.

(11) Most of the households in Darlawn town, i.e. 65.6 percent save their money through SBI, 15.05 percent of the households save their money in Post office and another 19.35 percent keep their saving money at home. The study reveals that 41.94 percent of the households in Daralwn town save money for the education of their children, 19.35 percent of the households save for the purchase of consumer durable goods like television, fridge, washing-machines, cars, etc. According to the present study, 16.13 percent of the households in Darlawn town save money for the construction of new house, and another 10.75 percent save money for times of emergency and security.

CONCLUSION:

In this study, we have analyzed the income and saving pattern in Darlawn town. The results indicate that income, education, total numbers of workers in the households, have positive impact on saving, whereas, the number of dependents have negative impact on the level of saving of the households. The positive and highly significant relationship between saving and income reveals that as income of the people increases, their saving also increases. Our result matches with Keynesian theory of income and saving as our results indicates that income has positive relationship with saving of the household.

APPENDIX

QUESTIONAIRE ON

A STUDY OF INCOME AND SAVING PATTERN IN DARLAWN TOWN

1. Name of Head of the household
   :_____
2. House No :
3. Level of Education : (1) Uneducat☐ :
   (2) Primary ☐ :
   (3) Middle ☐
   (4) Matriculate ☐
   (5) Secondary : ☐
   (6) Graduate or Above ☐ :
4. Size of a family :
   (1) Age group below 14 ☐:
   (2) Above 65 : ☐
5. Occupation : (1) Gov't Servant : ☐:
   (i) Regular : ☐
   (ii) Contract : ☐
   (2) Cultivator (shifting) : ☐

(3) Farmer : ☐

(4) Daily Labourer ☐:

(5) Business ☐:

(6) Self Employed : ☐

(7) Others : ☐

6. Main Source of Income : (1)_____

(2)_____

(3)_____

7. Secondary Source of Income :

7. Average Monthly Income : ☐

8. Percentage Contribution of Different Source of income into total income:

(1) Main Source : ☐

(2) Secondary Source : ☐

9. Do you Save money?

(1) Yes ☐ :

(2) No ☐ :

If Yes, Average Monthly Income ☐

10. Where do you save Money?

(1) Organised Bank ☐ :

(2) Post Office :☐

(3) Private Bank :☐

(4) Keep at Home :☐

11. How do you spend your saving?

(1) Children Education : ☐

(2) Emergency and Security ☐

(3) Old age Security ☐

(4) Construction of house ☐

(5) Purchase of Consumer Durable Goods ☐

(6) Others : ☐

12. Do you have an investment policy?

(1) Yes ☐

(2) No ☐

If Yes, how much is the premium ☐

Mode: (1) Monthly ☐

(2) Quarterly ☐

(3) Yearly : ☐

THANK YOU