

## SAVING AND INVESTMENT BEHAVIOR OF RURAL HOUSEHOLDS IN THE BHIWANI DISTRICT OF HARYANA

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### ABSTRACT

*Money works like blood in business as well as at home. In business, a businessman invests money to gain profits, but at home, a household spends its money on its consumption. The households manage their money for routine expenditure, education and marriage of children, and other family functions. Households save money so that they can spend more in the future. A decision about when to spend and save money is very complicated. All these financial decisions are dependent on monthly income, disposable income, total wealth, interest rates, and preferences for saving or spending. People have different habits towards saving and investments. Many people believe in holding some part of their income, but others believe in spending their income to meet present needs and think the future will care for itself.*

*The present paper is based on a study of rural households' behavior towards savings and investments. The present study was conducted through a primary survey of 89 rural households in the Bhiwani district in Haryana, India. There are differences found in rural and urban households' savings and investment patterns. Rural people, after meeting their daily needs and requirements, are left with very little income to save. This study shows that rural households in India have low financial literacy and they do not have proper knowledge about financial services and products.*

**Keywords:** *Saving and Investment Behavior, Rural Households, Financial Literacy, Income.*

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## **INTRODUCTION**

Saving is a part of income that cannot be spent. There are various methods of saving, such as bank accounts, pension accounts, post office accounts, securities, mutual funds, insurance, gold, cash, and other investment schemes. Savings reduce personal expenditure. Savings and investments are different from each other because people save money it does not mean they invest money. People save money to fulfill their future needs, but they invest money to increase their future earnings and profits. There is a positive relationship between saving and the economic growth of a nation also (Alguacil, Cuadros, and Orts, 2004). People invest their money in different ways, such as bank deposits, insurance, real estate, security, like government bonds, equity shares, debentures, preference shares, and mutual funds, etc. Among all explained investments, bank deposits are the best and safest mode preferred by rural households, and investing in equity shares is the most profitable and risky mode of investment and is not preferred by rural households. Most of India's population lives in rural areas and most of them engage in agricultural activities. With technological development, people in the village have improved their methods of cultivation and the quality of their grains.

Researchers found a sensible line in a famous forbs magazine: "Money is not everything in life, but make sure that you have earned it a lot before starting thinking like this". The quoted line shows the need and importance of money in a person's life. It also increases a person's involvement in earning more money in his/her life and managing earned money for the future. Earn more money is a task in which a person uses his/her physical and mental ability, but he/she manages money with their mental ability. The mental ability of a person is directly linked with his/her financial behavior. Financial behavior and financial management have become essential facts for every person at present time. The need for financial knowledge is not always for investing activities and earning more money, but it helps us with carefully spending money, saving money, and investing money for the future.

The basic rule of the economy is "resources are scarce and wants are unlimited", so, according to this rule, all of us need to manage our finances properly. Sometimes, our financial capability shows an imbalance to live up to our wants and expectations. In this situation, a person realizes the need and importance of financial knowledge for his/her routine life. Financial knowledge, financial attitude, and financial behavior are all part of financial literacy.

## **Review of Literature**

To assess the saving and investment behavior of rural households, it becomes vital to review the existing background of an equivalent. A literature review is a

description of the prior literature relevant to a particular area or topic. It gives an overview of the area of inquiry: what has already been said on the topic by the key writers. It also gives an idea about the research methodologies and methods which are appropriate and useful for the present study. It also helps to find some gaps in the existing literature. In order to have a convenient study and a better understanding of the facts, it has been classified as follows:

S.No.	Author, Year	Title	Key Findings
1.	Carswell, 2009	“Does Housing Counseling Change Consumer Financial Behaviors? Evidence from Philadelphia”	He found that some aspects of borrowers’ financial performance were significantly affected by housing counseling.
2.	Tamimi and Kalli, 2009	“Financial Literacy and Investment Decisions of UAE Investors”	They found a positive relationship between financial literacy and investors’ investment decisions.
3.	Muradoglu and Harvey, 2012	“Behavioural Finance: The Role of Psychological Factors in Financial Decisions”	They found that psychological factors affected the decision power of investors, but all the factors affected the various degrees of influence.
4.	Lim, Soutar and Lee, 2013	“Factors Affecting Investment Intentions: A Consumer Behaviour Perspective”	They found that product knowledge and product involvement both significantly influenced the investment intentions of consumers.
5.	Nye and Hillyard, 2013	“Personal Financial Behavior: The Influence of Quantitative Literacy and Material Values”	They found that subjective numeracy and quantitative financial literacy were significantly related to financial behavior.
6.	Shih and Ke, 2013	“Determinates of Financial Behavior: Insights into Consumer Money Attitudes and Financial Literacy”	They concluded that attitude and financial literacy positively influenced the financial behavior of consumers.

7.	Bhabha, Khan, Qureshi, Naeem and Khan, 2014	“Impact of Financial Literacy on Saving-Investment Behavior of Working Women in the Developing Countries”	The study found that working women were poorly financially literate and they depended on male members of their family for financial matters.
8.	Grohmann and Menkhoff, 2015	“School, Parents, and Financial Literacy Shape Future Financial Behavior”	They found that the parents’ teaching and level of education positively affected the children’s financial behavior. The education in school also influenced the financial behavior of the students.
9.	Sharma and Joshi, 2015	“Financial Literacy of Women and its Effect on their Investment Choice Decision”	The study revealed that working women lacked financial knowledge and confidence to make good financial decisions.
10.	Jamal, Ramlan, Mohidin and Osman, 2016	“Determinants of Savings Behavior among University Students in Sabah, Malaysia”	The study found that the variables self-control, family references, financial literacy, and peer group positively influenced the saving behavior of the students.
11.	Sharma and Singh, 2016	“Awareness of Households towards Financial Services: A step towards Inclusive Financing”	They concluded that the income level, occupation, and educational qualifications were significantly related to the awareness of households.
12.	Widyastuti, Suhud and Sumiati, 2016	“The Impact of Financial Literacy on Student Teachers’ Saving Intention and Saving Behaviour”	The study showed that financial literacy and saving intentions positively influenced the saving behavior of student teachers and financial literacy did not have an impact on the saving intentions of student teachers in Jakarta.
13.	Pathy, 2017	“Saving and Investment Habit of Rural Households in Cuttack District of Odisha”	He found that most rural households saved their money in banks and post offices but didn’t know about insurance, shares, and gold investments.
14.	Alekam,	“The Effect of Family, Peer, Behavior, Saving	The results showed that there is a positive relationship between family,

	Salleh and Mokhtar, 2018	and Spending Behavior on Financial Literacy among Young Generations”	peer group, personal behavior, and financial literacy.
15.	Shetty, 2018	“A Study on Personal Financial Planning Attitudes of Individuals in Nilai”	A study showed that the financial attitude and eternal locus of control highly influenced the personal financial planning behavior of individuals.
16.	Azeez and Banu, 2019	“Rural Transformation through Financial Literacy: A Study of Aligarh District”	They found that socio-demographic variables positively influenced the financial literacy and financial behavior of households.
17.	Baker, Kumar, Goyal and Gaur, 2019	“How Financial Literacy and Demographic Variables Relate to Behavioural Biases”	They revealed that financial literacy and demographic variables were positively related to the behavioural biases of individual investors.
18.	Jayanthi and Rau, 2019	“Determinants of Rural Household Financial Literacy: Evidence from South India”	They found that education level, marital status, type of family, and bank relationships positively affected financial literacy.
19.	Zulaihati, Susanti and Widyastuti, 2020	“Teachers’ Financial Literacy: Does it Impact on Financial Behaviour?”	They concluded that financial literacy developed the decision-making power of teachers towards their shopping, saving, and future financial planning.

#### **Need for the Present Study and Research Gaps**

The prior studies showed that although many studies conceptual as well as descriptive are conducted on financial behavior in India and abroad, Many studies are analyzing the saving and investment behavior of various respondents, such as students, investors, teachers, young people, women, and individual households, but only a few studies have assessed the saving and investment behavior of rural households in Haryana. So, there is a need for a fresh attempt to assess the status of saving and investment behavior among the rural households of Haryana in India.

### Objectives of the Study

The main objectives of the present study are as followed:

- To identify the factors which influence the saving behavior of rural households.
- To observe the saving preference tools of rural households.

### Research Methodology

The present study is descriptive by nature and there is an application of the quantitative research method. In this study, researchers collected data from 89 rural households using a well-structured questionnaire. In this questionnaire, questions consisted of demographic profile, the purpose of savings and investments, selection factors for savings and investments, sources of information, and options for savings and investments of rural households. A similar method of study was used by Pathy (2017) in his study. The questionnaire has been developed by taking the reference of Pathy (2017). "The research population is built from a group of people who meet the requirements of research objectives" (Newman, 2012; Cavana, Delahaye and Sekaran, 2001). For the present study, the population has been decided by individual households from a rural area in the Bhiwani district of Haryana. In the present study, the sample has been selected using the convenient non-random sampling method. This study survey was conducted through personal interviews with respondents. To observe appropriate results, researchers used the percentage method and concluded this study.

### Data Analysis

Researchers collected data for this study on various aspects of rural households, such as their demographic profile, purposes of saving and investment, options for saving and investment, and sources of information about these options for saving and investment. All the above explained aspects are analyzed by researchers with the help of the percentage method below.

**Table: 1.** Demographic Profile of Rural Households

S. No.	Category	No. of Respondents	Percentages
1.	<b>Gender:</b>		
	a. Male	51	57.303%
	b. Female	38	42.697%
2.	<b>Age Group</b>		
	a. 30-40	37	41.573%
	b. Above 40	52	58.427%
3.	<b>Educational Level</b>		
	a. Above Matric	63	70.787%
	b. Below Matric	26	29.213%

4.	<b>Occupation</b>		
	a. Agriculture	34	38.202%
	b. Government Job	21	23.596%
	c. Private Job	28	31.461%
	d. Other	06	6.741%
5.	<b>Income Level</b>		
	a. 50,000-1,00,000 p.a.	13	14.607%
	b. 1,00,001-5,00,000 p.a.	48	53.932%
	c. More than 5,00,000 p.a.	28	31.461%

Sources: Primary data collected by authors

Table 1 shows the summary of the demographic profile and socioeconomic status of the respondents. It shows that the percentage of male respondents is 57.303% and the percentage of female respondents is 42.697%. 41.573% of the respondents fall into the age group of 30-40 years and 58.427% of respondents are above 40 years old. The majority of the respondents, i.e. 70.787% in our study, are above matric in their educational level, followed by 29.213% having below matric level. The proportion of respondents from agriculture, government jobs, private jobs, and other jobs are 38.202%, 23.596%, 31.461%, and 6.741% respectively. The number of respondents having an income level between 50,000-1,00,000 p.a. is 14.607%, between 1,00,001-5,00,000 p.a. is 53.932% and those respondents having an income of more than 5,00,000 is 31.461% of the selected sample.

**Table: 2.** Purposes of Saving and Investment of Rural Households

S. No.	Purpose of Savings/Investments	No. of Respondents	Percentage
1.	Sources of Income	14	15.730%
2.	Children's Education and Marriage etc.	43	48.315%
3.	Acquisition of Home/Land	21	23.595%
4.	Safe Way to Keep Money	11	12.360%

Sources: Primary data collected by authors

Table 2 shows the summary of the purposes of the saving and investment behavior of rural households. It shows the majority of the respondents (48.315%) save

money for their children's education and marriages. It means respondents save money to fulfill their social requirements. The second preference of their savings is the acquisition of homes and land (23.595%). The other purposes preferred by the respondents are the source of money (15.730%) and a safe way to keep money (12.360%) for their future requirements.

**Table: 3.** Options of Saving and Investment of Rural Households

S. No.	Options of Saving/Investment	No. of Respondents	Percentage
1.	Savings in Bank	44	49.438%
2.	Savings in Post-Office	19	21.348%
3.	Savings in Gold	11	12.360%
4.	Savings in Shares and Debentures	3	3.371%
5.	Savings in Insurance	12	13.483%

Sources: Primary data collected by authors

Table 3 indicates the options for saving and investment of the respondents. The observations were taken from the existing study by Pathy (2017). According to the above table, the majority of the respondents want to save/invest their money in banks (49.438%) because it is the safest way to save their money. Their second preference is to save/invest their money in post offices (21.348%). It has also provided security for their money. Some respondents are showing an interest in gold (12.360%) and insurance (13.483%) modes to save their money. The least preferable mode is shares and debentures (3.371%) because it has the drawbacks of higher risk and higher formality and also a lack of awareness among respondents. The explained results are supported by Pathy (2017) also.

**Table: 4.** Sources of Information towards Saving and Investment

S. No.	Sources of Information	No. of Respondents	Percentage
1.	Advertisements	09	10.112%
2.	Financial Agents	38	42.697%
3.	Family and Peer groups	29	32.584%
4.	Brochure	00	00
5.	Self Assessment	13	14.607%

Sources: Primary data collected by authors

Table 4 indicates the different sources of information towards saving and investment of the respondents. It tells the sources influencing the respondents to decide on their investment pattern. It shows that most of the respondents are influenced by the information provided by financial agents (42.697%) and their family members & peer



groups (32.584%), followed by self assessment (14.607%) and advertisements (10.112%). It also shows that the information provided by the brochure of the institution did not influence the saving and investment decisions of the respondents. This section of the study shows that the level of financial awareness is not satisfactory among the respondents because they do not make their investment decisions themselves.

### **Suggestions**

According to the present study, there is a need to conduct financial awareness programs to improve the capability and decision-making power of rural households in their financial matters. Personal financial awareness programs should be organized by financial institutions to create financial awareness among rural households towards saving and investment. To increase the usage of financial products and services, they must be designed with some special features and basic information about the features of financial products and services.

### **Summing up**

It can be revealed from the present study that rural households have less knowledge about their invested money in securities, insurance, and gold etc. They prefer to make savings in banks and post offices for security reasons. Safety is the main factor that influences the saving and investment decisions of rural households. They secure their money for their social obligations, such as children's education and marriage, different festivals, and so on. The study shows that most respondents belong to agriculture and private job background families and their economic criteria influence them to retain their surplus family income for further savings. This shows that in our country, mainly in Haryana, people still do not know much about their financial-related issues. It also shows that the level of financial awareness varies significantly among people based on their qualifications. From the above findings, it can be revealed that those respondents who have a high education level and a high-income level are making wise decisions about their financial-related matters. Overall, it can be suggested that the financial awareness level is low in Haryana (India) and appropriate measures should be taken by the government and financial institutions to increase knowledge about finance-related issues of rural households.

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