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CHAPTER I

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CHAPTER I

INTRODUCTION

1.1 Role of Savings in Indian Economy:

In the economic development of a nation, savings have got very important place. Because, 'Economic progress' simply stated, is a function of savings and the efficiency with which savings are utilised in productive channels. Hence, one of the major objectives of economic planning and policy is to encourage savings in order to accelerate the place of growth.

It is also clear that in an economy based on money the allocation of resources between the consumption goods sector and capital goods sector takes place through the monetary mechanism. The part of the monetary income which is not spent on consumption represents savings. When monetary savings come to be used for the purchase of real resources to be converted into physical capital goods like factory buildings,

railway lines or machines, they are said to have been converted into investment. Savings are thus, the first step in the process cf investment and capital formation. So saving is needed to finance capital formation or investment so as to increase and maintain the productive capacity of the country. Such investment can be financed from internal savings or external savings. In Indian economy internal savings have given vital place since first Five Year Plan. The trends in rates of domestic savings and investments in the Indian Economy during plan periods are given below :-

TABLE 1.1

Rate of Domestic saving and investment in the Indian Economy over the plan periods.

(as % of GDP)

Plan Period		Saving Rate	Investment Rate.
First Plan	1951.56	13.9%	14.3%
Second Plan	1956.61	13.7%	16.9%
Third Plan	1961.66	15.7%	18.2%
Annual Plan	1966.69	14.1%	15.4%
Fourth Plan	1969.74	15.0%	23.0%
Fifth Plan	1974.79	24.7%	24.8%
Sixth Plan	1980.85	23.3%	25.1%
Seventh Plan.	1985.90	24.5%	25.9%

SOURCES:

(1)   From first Five Year Plan to fifth Five Year
        Plan figures taken from :-

        Jhingan M.L. "The Economics of Development

        and Planning", Konark Publishers Pvt.Ltd, Delhi

        1986. P. 798

(2)   From sixth Five Year Plan to seventh Five Year
        Plan figures taken from :-

        Report on currency and finance - 1986.87

        Table 1.1 reveals that during the first plan,
savings increased from 10.9% in 1950.51 to 13.9% in
1955.56, best fell marginally to 13.7% at the end of
second plan. Savings to 15.7% by the end of third plan
(1965.66) they declined to 14.1 in 1968.69. The main
causes of the decline in savings during these years
were droughts and existence of unutilised capacity in

industries. During the fourth plan the increase was 15% in 1973.74 and by the end of fifth plan the actual growth was 24.7% in 1978.79. The saving rate was 23.3% by March 1985 which increased upto 24.5% at the end of 1990.

So, if higher saving and investment rates are to be achieved & the need for maximum mobilisation of savings in the Indian economy cannot be overlooked.

1.2   SOURCES OF SAVINGS:

Total savings of a nation are grouped under domestic savings (Internal) and external savings. Every country as a matter of policy, will try to increase the domestic savings. The domestic savings may come from various sources. The several sources have been classified into three main sectors :-

    a)   Household sector

    b)   Private corporate sector

    c)   Public sector.

(a)   The household sector includes :

   i)   Individuals

  ii)   Non Government

 iii)   Non Corporate entities in agriculture, trade
       and industry.

  iv)   Non   profit   organisations   like   trusts,
       charitable and religious institutions.

The savings of this sector comes out of the surplus after meeting the expenditure on consumpticn.

(b)   The Private Corporate Sector includes :

   i)   Non Government Corporate sector.

  ii)   Co-operative sector.

The saving of this sector consists of the "retained profits" arrived at after meeting all the expenses of the business and corporate tax to the Government.

(c)   The Public Sector consists of :

    i)   Government

   ii)   Government's departmental and non departmen-
        tal undertakings.

    The saving of this sector comes from the excess of current revene over current expenditure, and the profits of the undertakings.

    The exact picture of savings in India during Plan period is shown in Table.

TABLE 1.2

GROSS SAVINGS BY SOURCE AS PERCENTAGE OF GDP

Year	Public	Corpo-rate	House-hold	Plan
1950.51	1.8	1.0	7.7	–
1955.56	1.7	1.3	11.0	First
1960.61	2.6	1.7	8.4	Second
1965.66	3.1	1.5	9.9	Third
1968.69	2.3	1.2	9.3	3-Annual
1973.74	2.9	1.7	13.8	Fourth
1978.79	4.6	1.5	17.0	Fifth
1984.85	2.8	1.7	13.7	Sixty
1989.90	1.7	2.1	17.8	Seventh

SOURCE : M.L. JHINGAM, Economic Development & Planning

(25th Edition) P. 798

Table 1.2 reveals the following facts :-

i) The majority of savings in India are being done by the household sector.

ii) The contribution of the corporate sector and Government institutions to the national savings has been negligible.

iii) Household savings increased from 7.7% in 1950.51 to 11% in 1955.56. But they fell to 8.4% in the terminal year of the second plan (1960.61). They again rose to 9.9% in 1965.66 to 13.8% in 1973.74, and to 17% in 1978.79. They fell considerably to 13.7%, but again rose to 17.8% in 1989.90.

iv) Government savings increased from 1.7 percent to 2.6% and to 3.1% in the terminal years of the three Five Year Plans respectively. But due to droughts and fall in agricultural and industrial production, they declined to 2.3% and 2.9% in 1968.69 and 1973.74 resp. Then they increased to 4.6% in 1978.79. Since then they had been continuously on the decline, being 2.8 percent in 1984.85 and 1.7 percent in 1989.90.

v)   It is also to be noted that the decline in public savings has been due to the fall in the profits and public undertakings and rise in Government expenditure.

vi)   The contribution of the non Government corporate sector has been very low, ranging between 1 percent to 2 percent.

1.3   PRESENT SCENE OF SAVINGS:

The important lights on the present scene of domestic savings in India can be stated as :

(a)   The analysis of savings by source reveals that the majority of savings are made by the household sector which are 75 to 80 percent of the total savings.

(b)   Most of the household savings come from small savings and upper income families.

(c)   The main supply line of the household savings is the urban sector while there are few prospercus families in the rural sector in certain regions of each state.

1.4   INDIVIDUAL SAVINGS:

The savings of household sector come from individuals which include businessmen, salary and wage earners, agriculturists, professionals, pensioners, and persons engaged in household work. Savings from salary and wage earners are more as compared to the savings from any other individuals. And such salary and wage earners may be employed in private, public or government undertakings in rural or urban areas. In India mostly, salary and wage earners are engaged in urban area. Education institutions like schools and colleges may be in private or Government sector. Most of the high schools in India are in urban areas and the high school teachers so called individual savers, are also salary earners.

1.5   STATEMENT OF THE PROBLEM:

Considering the increasing importance of household savings and education in the economic

development of India, the researcher has selected the topic entitled as "A Study of Saving Habits of High-School Teachers in Sankeshwar (Karnataka)".

1.6   OBJECTIVES OF THE STUDY:

The present study is based on the following objectives :-

   i) To study the household savings in India

  ii) To know the various forms of savings of individual household sector.

 iii) To analyse and examine the saving habits of High-School teachers in Sankeshwar Town.

  iv) To know the popular form of saving in High-School teaching community in Sankeshwar.

   v) To make necessary suggestions.

1.7   SCOPE OF THE STUDY:

The study of savings habits is mainly concerned with high-school teachers those who are presently employed and actually teaching the students in

Sankeshwar.

The study is confined to the teachers of two high-schools in Sankeshwar only.

The saving habit is related to financial asset of household sector only.

1.8   METHODOLOGY:

In the present study both primary and secondary data is used.

The secondary data is collected through text books, periodicals, newspapers and annual reports, statistical information about savings is obtained mainly from the Report on Currency & Finance published by R.B.I.

The Primary data is collected through Questionaire and personal interviews. In the

questionaire twenty questions are set on different aspects. The questionaire is divided into three main parts i.e. Identification, particulars of teachers and media of savings. The questionaires were circulated to all the fifty high school teachers of two high schools in Sankeshwar town. As the number of high-school teachers in these two high schools are small from study point of view, 100% samle (i.e. all 50 teachers) is taken into account. Each and every teacher under study **was asked** to fill up the questiona- ire. Then other necessry information about income, expenditure and **form of saving** is obtained by taking personal interview.

From the filled questionaire, the required tables are prepared by using some important statistical tools like percenage, **average,** etc. The data in the tables are analysed and interpreted to draw some conclusions.

1.9   LIMITATIONS OF THE STUDY:

Statistical tables, in this study are prepared on the basis of replies given by the respondents. Though the number of respondents are small (50), some of the responding teachers were not ready to provide the information about sources of other income, employment of children, savings in the form of gold or ornaments etc.

Savings in the form of physical assets were not provided by the respondents. Hence, savings habits are related to financial assets only.

As regards the amount of expenditure on various items, whatever approximate information about this is provided by the respondents is considered to judge the availability of saving.

The attitude survey about liking   disliking of form of saving (e.g. L.I.C. or Small Saving etc) is

not considered in this study. The saving habit is studied on the grounds of investments made by each respondent in various instruments like L.I.C. P.P.F. Small Saving Certificates, Gold ornaments etc. And on this ground only the study is completed.

1.10   PLAN OF THE STUDY:

The present study is divided into five chapters. The contents of each chapters are as:

The First Chapter deals about introduction of the study which briefly explain the background of the study, objectives, methodology, scope and limitations of the study.

In the Second Chapter the nature of saving, motives for savings, and media of savings is described.

The Chapter No. Three explains main points of Sankeshwar town and about high-schools and high-school

teachers in Sankeshwar.

In the Fourth Chapter, statistical tables of the data collected are given. Analysis and interpretation of data is also given in this chapter.

The last chapter gives the important conclusions and suggestions of the study.

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