Chapter – V

Conclusion and Suggestion

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Introduction:

An attempt is made here in this chapter to arrive at the findings and the conclusions based on the analysis and interpretation of data as described in the chapter no-IV. Few conclusions have also been the result of the theoretical literature described in previous chapters. We thought it proper to manipulate the data in such a way that the whole dynamic of income, expenditure savings and investment will be clearly disclosed in our study. The conclusions are so many in numbers. The following classification of the conclusions will be helpful to understand the outcome of the multi dimensional and multi directional inquiry of our study.

A) Category wise conclusions relating to income

B) Category wise conclusions relating to Expenditure

C) Category wise conclusions relating to Savings

D) Category wise conclusions relating to Investment Avenues

It is attempted to draw the conclusions regarding income, expenditure, saving and investment according to sources of income, items of expenditure, savings and avenues of investment across the different categories of households. This will facilitate how each of the categories show different types of behavior as to their income, expenditure , saving and investment.

The chapter also deals with certain valuable suggestions. All the suggestions are described in the specific context of the conclusion drawn therefore appear in the respective categories after conclusions.

1.A Government Employees-

a) The first category i.e. Government employee in which 15 household were investigated reveals that the major part of their income is obviously from salary (Average 66.49%). Off course many households have earn income from other sources also for example agriculture (17.38%) and business (7.56%).

b) The pattern of Expenditure of these households shows that on an average 28.77% is for payment of installment followed by consumption expenditure (18.73%) and 17.63% for education expenses. The remaining items of in the range of 7 to 4 %. This shows most of the households have taken loans. They are spending on education and on consumption to a considerable extent.

c) The savings of households in this category comes to an average of 34.51 % of the income. It means the rate of savings is reasonably good.

d) The total amount of investment and its composition in pre decided 9 avenues reveal interesting results. Government employees have preferred to invest first in real estate particularly in resident property (28.82%). The second preference is given to Gold and other precious objects (11.88%) followed by bank deposits(10.86%). It shows that the households in this category give top priority to security of investment. They have very negligible amount invested in financial securities. This shows that they are either unaware or do not take the risk of making investment in shares, debentures, etc.

Suggestions:-

This diversified approach is quite good for generation of additional income and for further development. However there is considerable scope for the development of other sources of income.The amount available from reduction of unproductive expenses will be used either for

repayment of debts. This amount can be used for other productive purposes also which will increase their income and savings.Morever it is also suggested for this households to invest more in insurances like LIC,etc.

1. B Private Employees

a) 15 households of private employees were investigated and it reveals that these are the salaried employees households, it is obvious that there income from salary forms the chief source by which they have generated 60.27% income. These households have shown good income from agriculture (18.16%) and professional activities as 9.76%.

b) The pattern of expenditure of these households shows that an average 43.30% is for payment of installment followed by consumption expenditure 18.45% and then on education (10.40%). This indicates most of households are indebted and spends more on consumption. Expenditure on education is a good sign of human resource development.

c) The saving of the household in private employee is an average of 42.62% of the income. It means the rate of saving is considerably good.

d) Investment of private employee indicates that preference wise major investment has been done in real estate, which is in resident property 33.04% followed by investment in LIC 18.07% and precious object as gold 9.86% thereon. Investment in LIC shows awareness of health and family protection. They have also shown interest in deposits due to its security and liquidity. Private employees have very negligible amount invested in financial securities due to its instability and market risk. As like earlier category of government employees, these employees not have shown interest in investment in financial securities.

Suggestions-

These households are suggested to strengthen agriculture investment furthermore as it is quite possible for them to undertake these activities because of adequate investment capacity. Also these households should rationalize their expenditure pattern and reallocate the amount to reduce unproductive expenditure. Therefore their income will increase. Private employees should think for alternate sources of income from business or agriculture, which are productive investments and can generate good returns.

2. Businessman

a) These households more interested in business. So the main source of their income is business. They have generated 93.50%income from business. Agriculture and house property are also found some what important source by which they have generated 2.74 % and 2.62% income respectively.

b) These households are found more interested in business activities as a result of which the agriculture activities are neglected. This quite clear from the amount of expenditure incurred on agriculture at 1.23%. They are also found more indebted as they have spent 36.90% on the payment of installment. They are found spending more on consumption 16.15% and tours and travels at 10.14% may be due to there business activities. Expenditure on education and health care is low i.e.4.3% and 4.15% respectively.

c) The savings of these households comes to an average of 61.49% of the income. It means the rate of saving is exceptionally high. It can be said that if this high savings is at the cost of low expenditure on education and health care it is not very much desirable.

d) These households have invested majority of savings in residential property (23.59%) and open plots 17.24%. As landed property is best productive investment avenue.

These households possess commercial mindset and have great concern about profit. They always try to widen income base by ploughing back profit in business activities. These business assets have generated 19.55% of the investment of their total income.

They also have more interested in investment in financial securities 5.06% such as shares, debentures, bonds, etc. and also in mutual funds 2.61%. It is comparatively less investment.

Suggestions-

Considering the main activities of these households, it is suggested to strengthen business activities furthermore. Also there is wide scope for strengthening other sources of income. These households can cut down some unproductive expenses like expenses on tours and travels, socio religious expenses, etc. The amount available from these reductions can be used either for repayment of debts or on productive activities which can increase their income and savings.

It is also suggested that business households should invest more in financial securities and mutual funds, to have another source of income generation through share markets. Insurance base should be strengthen to have more security for their business activities.

3. Professional

a) These households have to concentrate more on their professions for the generation of income by which they have generated 64.07%. They have earned good from agriculture 13.77% and salary/pension of second

person 9.27%. The minimum source of income of these households is from house property 6.27%.

b) The pattern of expenditure of these households shows that on an average 35.91% is for payment of installment, followed by consumption expenditure 17.50% and 11.04% for tours and travels. This shows that most of households are indebted and are spending on consumption and tours and travels, due to their living standard and socially forwardness.

c) The rate of savings of these household is considerably good at 50.38%. The rate of saving can be taken as considerably high as is expected usually from professionals.

d) Professional's households have shown interest in investing in real estate especially in resident property 20.30%. The second preference is given to deposits 12.37% followed by business assets and commercial investment 11.89%.

Real estate and deposits are best investment avenues as they are more safe and secured investment than others. Investment in commercial investment is also a productive investment. They have also invested in financial securities 3.19% and in mutual funds 4.35%. It is because of they have more knowledge about share market.

Suggestions-

It is suggested that they should consider agriculture as another income source along with their main occupation, as they can manage their resources and time for both the activities. The households should reallocate their expenditure pattern by reducing unproductive expenditure and diverting it to productive activities. Also investment in financial securities should be increased.

4. Industrialist

a) These households are found more interested in manufacturing activities as it is the main source of their income. They have generated 98.36% of their income from the industry. As they are engaged in their main occupation, they could not give sufficient time for other activities and hence could generate negligible income from other sources of income such as agriculture 0.92% and house property 0.49%, etc.

b) Industrialist household are found more indebted as they have spend 46.67% on the payment of installment. The indebted amount is generally used for their manufacturing activities and productive purposes. These household spends reasonable amount on education 13.47% which is a good sign of human resource development. These household being high earning categories so their spending on marriage ceremony is very high 12.21%.

c) These households have achieved exceptionally high rate of saving 69.76%.It is because they have earned more income than their expenditure.

d) Industrialist households have shown major investments in their business activities 28.72% followed by resident property 21.32%, bank deposits 9.75%, etc.

These households invest in business assets in order to widen their earning capacity and their business growth and development. They have kept heavy cash or bank balance for their regular, contingencies and emergency activities.

Industrialist also interested to invest in financial securities 3.92% and mutual funds 2.35%. As it gives more return in less time.

Suggestions-

Industrialist households should search for alternative sorces of income because of their considerable scope adequate investment capacity. It is

suggested that more care should be taken to minimize expenses on repairs and maintenance, tours and travels and invest more for productive purpose. This will enhance their resource base and increase their income. They are also advice to keep minimum cash in hand. The excess cash balance if any, should be kept more in deposits. This will give additional income by the way of interest.

To cope with ups and down and uncertainties, insurance policies can be viewed as investment option for better security and low risk.

5. Farmers

a) From analysis of reported data, it is found that agriculture is the prime source of income of these households by which they have generated 75.83% income. The related business of agriculture such as diary, poultry, horticulture etc and salary form the important subsidiary sources of their income. They have generated 12.27% and 8.83% respectively. This activity is good sign for further improvements.

b) Farmers have their own land. However their agriculture expenditure is 18.75% and the expenditure on installment is 29.92%. They always borrow large amount of money. Even the expenditure on marriage is higher upto 10.92%.

c) The rate of saving of these household is quite considerable at 24.88% of their total income. This is because they spend less on education and healthcare. The household expenditure is also low. The savings is at the cost of comfortable way of living.

d) It is seen from the higher investment of farmers in agriculture land 24.99% followed by resident property at 19.91% and investment in gold at 16.36%.

They consider that land is most productive assets. The investment in landed property is therefore high.

Heavy expenditure incurred on marriage ceremony keep the ratio of saving and investment at low level. Farmers have shown no interest in investment of financial securities because of market instability, high risk and also lack of knowledge about it.

Suggestions-

Agriculture income is mostly seasonal and inadequate. Therefore it is suggested foe these households to come out of traditional agricultural practices and adopt more new technique of farming. This will facilitate in having more income by savings time and higher agricultural production. Also the saved time can be utilized in generating alternative sources of income like poultry farms, fertilizer plants, horticulture etc. This diversified approach is quite good for generation of additional income and further development.

6. Pensioners

a) In this category of pensioners in which 15 households were investigated revels that the major part of their income is from other sources of income such as agriculture income and second person's salary at 47.80%. Income from pension is found equally important source by which they have generated 43.12%. The minimum source of income of these household is from house property at 5.67%.

b) It is found that these households are spending more on un productive activities like consumption 22.30% and marriage ceremony 20.53%. Higher expenditure on consumption is desirable in case of these households as their standard of living is high and they are socially forward. At the same time despite of higher non farm income they are found considerably indebted. It is quite clear from the amount spent on

the payment of installments at 18.50%. They also spent more on their health care because of their old age.

c) The savings of the households in this category comes to an average of 33.43% of their total income. It means the rate of saving of pensioners is reasonably good because besides pensions they get high income from agriculture. They also understand that they need to save money for their future needs.

d) These households have invested majority of savings in residential property 51.23%, followed by 12.06 % in gold and 9.82% in post office deposits. As they are pensioners, they have got their provident funds which are mostly invested in their resident property. Gold investment shows a traditional view of people for ornamental desires. As they were government servants, they believe in post office deposits which are more, safe, secure, profitable and liquid able investment. Pensioners have less but some investment in financial securities which shows the attraction of share market and fast money.

Suggestions-

These households are suggested to reallocate their expenditure portfolio in order to minimize the above mentioned expenses. The amount available from reduction of unproductive expenses can be used for productive activities which will increase their income and savings. It is also suggested that pensioners should look at agriculture and business as alternative source of income as per their capacity and investment base. Such an investment can lend them long term income source.

Conclusion about Income of Households

When all the categories are considered together it is seen that all the households have multiple sources of income. It is also true that major part of the income is earned from the main activity of the households.

In case of pensioners however, the income from agriculture is more than the pension. This shows that pensioners undertake agriculture activities after their retirement.

Most of the categories have taken high interest in generating income from agriculture except industrialist and businessman.

Conclusion about Expenditure of Households

The pattern of expenditure of all the households taken together shows that all the hous3eholds pay installment of their loans and the percentage is also very high even up to 46.67%. All the households live in debts.

The consumption expenditure is 18 to 20%, which can be taken as normal.

The expenditure on education, healthcare needs to be increased in case of farmers, businessman because the percentage of both these items is low.

The expenditure on marriages and socio-religious function is found to be usually high in case of farmers and industrialists. Pensioners are also required to spend more on the marriages of their sons and daughters.

Suggestions-

If we consider the above pattern of expenditure, it can be suggested that education and health care expenditure need to be increased by farmers and businessman.

The expenditure on tours and travels particularly by farmers needs to be reduced. This will help them to spend more on productive items.

Conclusion about Savings of Households

The households saving of all the categories are quite satisfactorily. In case of industrialists and businessman, percentage of savings is more than 60% which is exceptionally high. Employees both in government and private as well as pensioners save more than 35% on an average. This is also very satisfactorily rate of saving. The farmer's rate of saving is 25% which is lowest but can be consider as satisfactory.

Suggestion-

As the rate of saving is not satisfactory but very high, there is good scope for making diversified and most desirable portfolio of investment for almost all the categories.

The sample household selected come from kolhapur city, therefore the rate of saving is high and in some cases exceptionally high.

Conclusion about Investment of Households

When investment avenues of the households are consider together, it is found out that the most preferred investment avenues is real estate and the least preferred investment is financial securities.

The mutual funds and LIC are also not considered as important avenues of investment. The overall nature of investment portfolio is traditional.

Suggestion-

There is a good scope for modification of investment portfolio of the households. The investment in LIC and mutual funds need to be increased. It seems that the modern avenues of investment like shares, debentures, derivatives, etc are not popular.

There are two possible reasons for this, one is less awareness and no knowledge and second is high risk. The households can be advised to get the knowledge of these new avenues of investment at least in LIC and mutual funds, etc.

This particularly necessary for the categories like induatrialist, employees both in government and private, professionals, etc.