

## Declaration

I, Anila C., do hereby affirm that the written account entitled “**An Analysis of Saving and Investment Behaviour of Urban Households in Kerala**” is a bonafide record of research done by me under the Guidance of Dr. K.M. Francis, Associate Professor (Retd), and the Co-Guidance of Dr. Sabu P.J., Assistant Professor and Head of Department, Research and Post Graduate Department of Economics, St. Thomas’ College (Autonomous), Thrissur. I also declare that the Thesis has not been submitted by me earlier for the award of any degree, diploma, fellowship or any other similar title.

*C. Anila*  
ANILA C.

Place: Thrissur

Date: October 2021

## **Acknowledgement**

*I express my immense gratitude to my Guide Dr K. M. Francis, Associate Professor (Retd), Research and Post Graduate Department of Economics, St. Thomas' College (Autonomous), Thrissur. I was supported by him throughout this effort without any reservation. I have been fortunate enough in seeking and obtaining his persistent and enlightened guidance to make this project a reality. I am indebted to him for his valuable guidance, encouragement and devotion to my work.*

*I would like to place on record my sincere gratitude to my Co-Guide Dr.Sabu P.J. for his valuable suggestions and support rendered towards completion of the research work. I extend my sincere thanks to Dr Joy K L, Principal, St.Thomas' College (Autonomous), Thrissur for all the help and support provided to me during my research period. I would also like to express my special thanks to Dr Jenson P.O and Dr Ignatius Antony former Principal for their great support and encouragement to complete the research work.*

*I do express my gratitude to Dr K.C Francis, Former Head of Research Department of Economics, St.Thomas' College (Autonomous), Thrissur for his constructive suggestions and support. I also extend my sincere thanks to the teachers of Research and Post Graduate Department of Economics, Thrissur for their constant support and assistance.*

*I express my thankfulness to Dr Sanjo, Librarian, St.Thomas' College (Autonomous), Thrissur for the help and support provided to me in my research activities. I also express my gratitude to librarians of Dr John Mathai Centre, Thrissur, Kerala Agricultural University, Mannuthy and Centre for Development studies, Thiruvananthapuram for their sincere help and support for the references related to the subject.*

*I express my gratitude to my friend, Dr T.D Simon, Assistant Professor, Department of Economics, Sree Keralavarma College , Dr Zabeena P, Assistant Professor and Head of Department, Dr John Mathai Centre, Aranattukara, Thrissur and*

*Dr Julie P Lazar Assistant Professor and Head of Department, St Mary's College, for their whole hearted support and encouragement throughout the work.*

*I express my heartfelt thanks to Smt Shijitha M, my colleague and intimate friend whose support was always with me in the research process. I also express my gratitude towards Dr Sindhu M, Dr Pradeep P, Dr Vidhya I V, P V Rajasekharan Sir, Dr N Savithri, TR Arunadevi, Dhanya Shankar, Dhanya, Liji Dominic, Nisha, Sasi, Mary, Jeena , Sajesh and Balasubramanian for their constant support. I wish to acknowledge with thanks Shri Dinops for the neat execution of the editing work and bringing out the final print of this attempt.*

*I do remember with gratitude all my teachers who have been a source of inspiration in my profession and research. I would like to take this opportunity to thank all my dear friends for their whole hearted support and wishes. I also extend my thanks to all those who responded to my survey enquiries from time to time.*

*My profound gratitude to my parents, Kuttikrishnan and Devika, parents in law , Krishnan and Sarada , husband Satheesan, son Abhinav , daughter Ankitha , my sister Anitha and my grandparents for their prayers, support and encouragement.*

*Above all, I am blessed with "My Lord", the Giver of all Wisdom and Power, who has sustained me and given me strength to carry out this work.*

*Any omission in this brief acknowledgement does not mean lack of gratitude.*

*Place: Thrissur*

*ANILA C*

*Date: October 2021*

# Contents

<b>Chapter Number</b>	<b>Chapter Name</b>	<b>Page Number</b>
I	Design of the study	1-7
II	Theoretical Foundation and Review of Literature	8-22
III	An Overview of the Trends and Composition of Savings and Investment in Indian Economy	23-39
IV	Socio Demographic and Economic Profiles of Urban Households in Kerala	40-55
V	Preference, Purpose and Awareness of Households Towards Saving and Investment	56-106
VI	Determinants of Saving Behaviour of Urban Households	107-113
VII	Summary, Findings and Suggestions	114-125
	Bibliography	126-131
	Appendix	

## List of Tables

<b>Table No</b>	<b>Title</b>	<b>Page No</b>
3.1	Gross Domestic Savings Rate (per cent of GDP)	24
3.2	India's Average Savings Rates over the Five-Year Plans	25
3.3	Compound growth rate of GDP, GDS and GCF	27
3.4	Gross Domestic Product, Gross Domestic Saving and Gross Capital Formation of India	28
3.5	Gross Domestic Saving, APS and MPS	29
3.6	Sectoral savings and contribution to GDP, GDS	32
3.7	Asset wise composition of household sector savings	35
3.8	Growth rate of savings in Gross financial assets	37
4.1	Net State Domestic Product and Per capita income of Kerala at constant prices	41
4.2	District-Wise distribution of Gross State Value Added at constant prices, 2011-12 prices	44
4.3	The growth of bank deposits in Kerala	46
4.4	Socio Demographic profiles of respondents	48
4.5	Socio economic status of respondents	51
4.6	Number of dependents	52
4.7	Saving income ratio of households	54

<b>Table No</b>	<b>Title</b>	<b>Page No</b>
5.1	Asset portfolio in relation to income level	59
5.2	Asset portfolio in relation to education level	61
5.3	Asset holdings in relation to age	62
5.4	Asset holding in relation to occupation	64
5.5	Asset holding in relation to marital status	65
5.6	Preference order related to purpose of savings	67
5.7	Analysis of purpose of savings	68
5.8	Investment preference of households	71
5.9	Reasons of investment in physics assets	74
5.10	Reasons of investments in financial assets	77
5.11	Time horizon	80
5.12	Preference of sector	82
5.13	Factors considered at the time of saving and investment	85
5.14	Source of information in financial decision making	87
5.15	Level of awareness	90
5.16	Level of awareness upon bank deposits	91
5.17	Level of awareness about post office schemes	93
5.18	Level of awareness about pension/PPF	94

<b>Table No</b>	<b>Title</b>	<b>Page No</b>
5.19	Level of awareness about insurance	96
5.20	Level of awareness about Mutual funds	98
5.21	Level of awareness about Bonds / Debentures	99
5.22	Level of awareness about derivatives	101
5.23	Level of awareness about Real estate	102
5.24	Level of awareness about gold	104
5.25	Perception of investors in relation to saving and investment	105
6.1	Saving profile	107
6.2	Saving data under different socio economic factors	108
6.3	Regression results of the determinants of household saving rate	111

## List of Figures

<b>Figure No</b>	<b>Title</b>	<b>Page No</b>
3.1	Trend of Gross Domestic Saving	30
3.2	Gross Domestic Savings and its Composition	33
3.3	Trend of Household Savings	34
3.4	Physical assets and financial assets	36
3.5	Gross domestic Financial Savings and its composition	38
4.1	Per capita NSDP and per capita NDP at constant 2011- 12	42
4.2	Annual rates of growth of GSVA for Kerala and GVA for India	43
4.3	Age and Occupation of household	49
4.4	Education and Occupation of Households	50
5.1	Financial Asset holdings of household	58
5.2	Purpose of Saving	66
5.3	Reasons for investment in physical assets	73
5.4	Reasons for investment in financial assets	76
5.5	Time horizon of saving and investment	79
5.6	Sectoral preference of saving and investment	81
5.7	Factors considered at the time of saving and investment	83
5.8	Source of information	86

### ***Abstract***

India has a positive long term growth perspective as the economy has sound saving and investment rates, share of young population is high and the economy's integration with the global economy is becoming more strengthened. The nation's growth has been financed predominantly by domestic savings and the volume of investment is directly related to the rate of savings. Households and individual investors supply a pool of capital that creates liquidity in the market and make it dynamic. It also paves light on how capital formation and growth takes place. Kerala's economy exhibits high rate of savings and new avenues of investments are also seen, increase in financial literacy also influences households in their financial decision making. In urban areas there is more financial inclusion and exposure and accessibility to financial institutions are also high. As such a detailed analysis of allocation of resources within urban household, specifically focusing on asset portfolio, preference toward various saving and investment avenues, awareness level in relation to different financial instruments are highly relevant.

India continues to remain one of the high savings economies among the emerging market economies. The economic crisis in 1991 decelerated the growth process but the economy revived after the adoption of new economic policy. The rate of gross domestic savings as a proportion of gross domestic product has more than doubled from the initial time and the average propensity to save showed a steady increase. The composition of GDS shows the continued predominance of household sector savings. The asset portfolio of the households reveals that households hold both physical and financial assets. The physical assets of the households increased continuously and showed predominance. Saving rates and levels of income per capita show positive correlation and the average saving rates increases as household income progresses.

The trend of saving and investment have been analysed using CAGR, decadal growth rate and year to year growth rate. To assess the level of awareness about various financial and physical instruments statistical indices based on Likert methodology is used. Multiple regression model has been employed to explain the determinants of savings. As the economy expands and become more dynamic, there is a need to raise the level of saving and investment to finance the growing needs. Household sector plays a critical role in this regard and the savings generated in this sector need to be properly channelized into productive sectors.