

Anila C. “An Analysis of Saving and Investment Behaviour of Urban Households in Kerala. “ Thesis. Research and Post Graduate Department of Economics, St. Thomas’ College (Autonomous), Thrissur, University of Calicut, 2021.

Chapter IV

Socio Demographic and Economic Profiles of Urban households in Kerala

4.1 Introduction:

Kerala accounts for 2.8 per cent of India's population, but its economy contributes nearly 4 per cent to the Indian economy. Kerala's economy is driven by the secondary and tertiary sectors. The state witnessed rapid urbanization, infrastructural development and technological change in all sectors during the post liberalization period. Kerala has been ahead of other Indian States in achieving demographic and human development indicators. In achievement of Sustainable Development Goals by the States in India as computed by the NITI Aayog, Kerala ranks first along with Himachal Pradesh, with a score of 69 against national average of 57.

Currently the economy exhibits high economic performance and high human development indicators. Kerala saw economic development at rates higher than national average in the period between 2016 and 2019; the GDP growth rate was 11.6 per cent during 2018-19. The growth process of the economy is closely related to a well developed financial system that channelizes savings to investment activities. The household sector is the major supplying economic unit and the flow of funds from this sector is used for the asset creation of the economy. Household saving is the main domestic source of funds to finance capital investments and a major impetus for economic growth.

The present study focuses on the saving and investment behavior of urban households in Kerala. There is a steady increase in the rate of urbanization in Kerala and is considered as an indicator of economic development. Urbanization, as measured by the share of urban population of the State, has shown a sharp increase from 25.96 per cent in 2001 to 47.72 per cent in 2011. The urban population of Kerala has registered a huge growth over the last decade as the number of towns in the state increased three times. The urban sector of Kerala consists of 6 municipal corporations and 87 municipalities.

4.2 An overview of Kerala's economic indicators

The state's economy registered a higher rate of growth during the post liberalization period compared to earlier period. The liberalized and market oriented policies along with

structural changes has paved way for integrating the state’s economy with the world economy since 1991. The liberalized policies stimulated growth in all sectors and had accelerated a higher rate of growth in the tertiary sector activities. During the post liberalization the global economic crisis of 2008 has adversely affected the growth process of the state. The Net State Domestic Product and Per capita income of Kerala at constant prices also showed an improvement. The total net state domestic product of Kerala at constant prices increased from Rs 32802112 lakhs in 2011-2012 to 55941196 lakhs in 2018-19. The per capita income growth rate improved from 5.76 per cent in 2012-2013 to 7.02 in 2018-19 and the net state domestic product increased from 6.23 to 7.55 during the period.

Table 4.1
Net State Domestic Product and Per capita income of Kerala at constant prices

Period	NSDP (Rs in lakhs)	Growth Rate	Per Capita NSDP	Growth Rate
2011-2012	32802112	-	97912	-
2012-2013	34861581	6.23	102551	5.76
2013-2014	36470677	4.62	107846	4.26
2014-2015	38213426	4.78	112444	4.26
2015-2016	41115015	7.59	120387	7.06
2016-2017	44361530	7.90	129251	7.36
2017-2018	44361530	7.59	138368	7.05
2018-2019	55941196	7.55	148078	7.02

Source: Department of Economics and Statistics

According to quick estimates for 2018-19, per capita income of Kerala is Rs1, 48,078 while the corresponding national average is Rs.93, 655. The average income per person in Kerala is approximately 1.6 times the Indian average in 2018-19. Among the Indian States, Kerala is one of the leading ones with respect to per capita incomes, along with Haryana, Gujarat, Karnataka, Maharashtra and Tamil Nadu. Figure 4.1 shows that between 2012-13 and 2018-19, the per capita NSDP at constant prices was higher than the per capita NSDP at all India level.

Kerala's economic growth was slow and significantly slower than the Indian average for three years from 2013-14 to 2015-16. The rates of growth of Kerala's Gross State Value Added (GSVA) were 4.3 per cent, 3.8 per cent and 5.3 per cent respectively for the years 2013-14, 2014-15 and 2015-16 .It showed a revival in 2016-17, with GSVA growth accelerating to 7.1 per cent as shown in figure 4.1.Kerala's GSVA grew at relatively fast rates during the period from 2016-17 to 2018- 19 despite the many setbacks faced by the State, the crisis following the floods and landslides and the growing signs of recession in the national economy. GSVA in Kerala grew at the rates of 7.5 per cent in 2018-19 and Ernakulam District continues to have the highest income of Rs 85, 91,244 lakh in 2018-19.

Figure 4.1
Per capita NSDP and per capita NDP at constant 2011-12

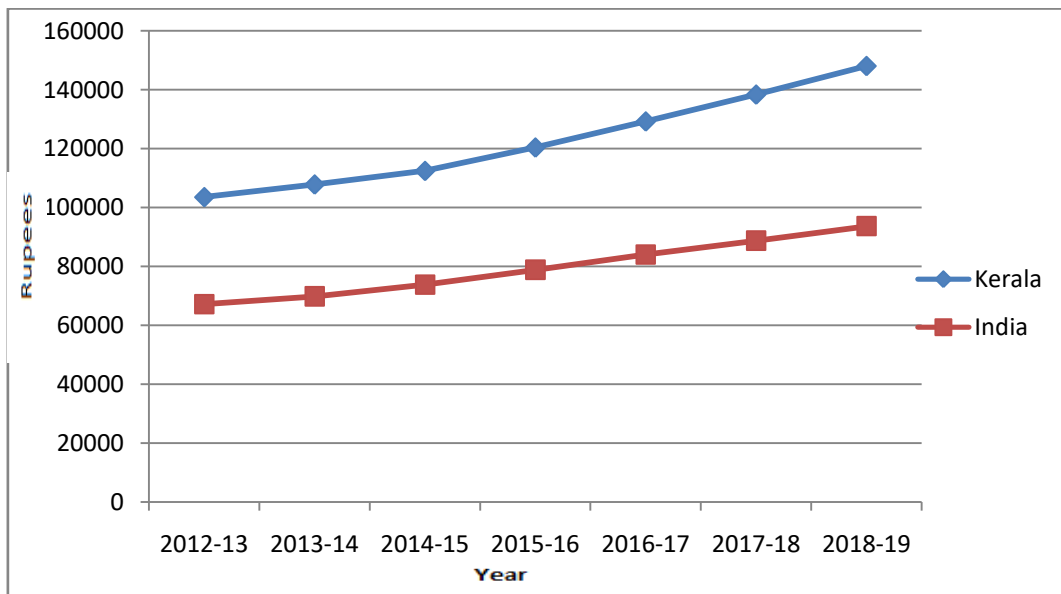
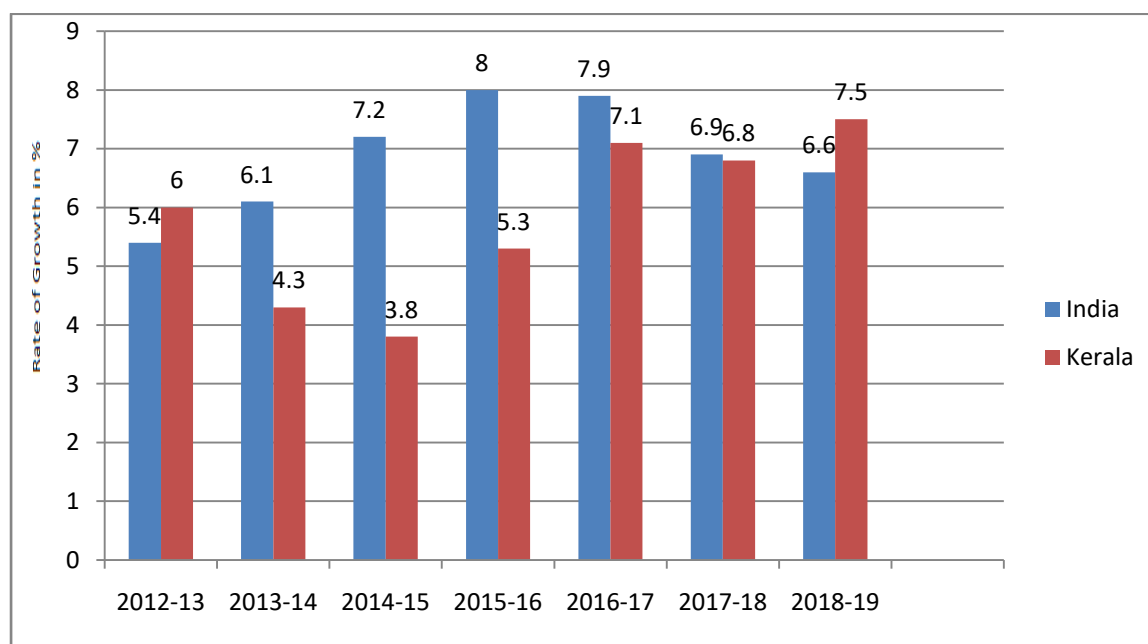


Figure 4.2 shows the annual rates of growth of GSVA for Kerala and GVA for India. The GSVA of Kerala was 6 per cent during 2012-2013 which was higher when compared to India, but in the later period it showed a decline but it started revving during in the period of 2016-2017. It is notable that the growth of GSVA in Kerala improved from 6.8 per cent in 2017-18 to 7.5 per cent in 2018-19 and this improvement in GSVA growth in Kerala occurred during a period of general slowdown in economic growth at the national as well as at the global level.

Figure 4.2

Annual rates of growth of GSVA for Kerala and GVA for India (at constant 2011-12 prices), in per cent



4.2.1 District-Wise distribution of Gross State Value Added and Per Capita Income

The analysis of District-wise per capita income (GSVA) reveals that Ernakulum District continues to have the per capita income of Rs1,83,258 at constant (2011-12) prices in 2018-19 against Rs 1,71,072 in 2017-18 and is ranked first in the two consecutive years. The percapita income directly shows income capacities as well as the ability to save and invest. The District-wise per capita income with corresponding rank and growth rate is given in Table 4.2.

It reveals that the districts of Kottayam, Kannur, Kollam, Alappuzha, Thrissur, Ernakulum, and Kozhikode had a higher growth than the State average growth rate in per capita income in 2018-19. However, the districts of Idukki, Thiruvananthapuram, Kasaragod, Malappuram, Palakkad, Pathanamthitta, and Wayanad showed lower per capita income growth compared to the State average growth. Idukki has registered the lowest growth rate of 3.2 and highest growth rate of 8.2 per cent goes to Kottayam.

Table 4.2
District-Wise distribution of Gross State Value Added at constant prices, 2011-12 prices

Sl.No.	District	2017-18 (P) Rs	Rank	2018-19 (Q) Rs	Rank	Growth Rate (%)
1	Thiruvananthapuram	150942	4	159489	5	5.7
2	Kollam	161014	2	173725	2	7.9
3	Pathanamthitta	114026	10	121725	10	6.8
4	Alappuzha	157984	3	169434	3	7.3
5	Kottayam	149535	5	161818	4	8.2
6	Idukki	138945	7	143329	7	3.2
7	Ernakulam	171072	1	183258	1	7.1
8	Thrissur	142206	6	152905	6	7.5
9	Palakkad	110861	12	117618	12	6.1
10	Malappuram	101641	14	108547	14	6.8
11	Kozhikode	123286	9	133056	9	7.9
12	Wayanad	105216	13	112346	13	6.8
13	Kannur	127598	8	137929	8	8.1
14	Kasaragod	113599	11	120985	11	6.5
	State	134851		144259		7

Note: P: Provisional; Quick estimate

Source: Department of Economics and Statistics

4.2.2 Role of Financial Institutions in Kerala's economic development:

Financial institutions play an important role in the economic development and smooth functioning of the economy. In the World Development Report, 1989, the role of financial institution is defined as, "A financial system provides services that are essential in a modern economy.... Access to a variety of financial instruments enables economic agents to pool, price, and exchange risk. Trade, the efficient use of resources, saving, and risk-taking are the cornerstones of a growing economy". Financial Inclusion and Financial Literacy are a twin pillars that fastens the growth process. While Financial Inclusion acts from supply side providing the financial services to people, financial literacy stimulates the demand side-making people aware of various financial services. Financial literacy effects all ages and low

level of financial literacy leads to poor saving behavior, portfolio choices. Kerala is the top state in India when it comes to financial inclusion with a score of 90.9.

Household savings are inextricably linked with economic growth and the financial institutions play a dominant role in pooling savings and channelizing it to investment channels. The banking institution along with other financial intermediaries has a prominent role in this area. The total number of bank branches in Kerala as on March 2019 is 7,421 Kerala has a total of 6,284 scheduled commercial bank branches and 630 branches of Kerala Gramin Bank. Kerala has the largest number of bank branches accounting to 4,592 among the semi-urban areas in the country. The District-wise analysis of banking statistics in Kerala by RBI reveals that Ernakulam has the highest number of branches accounting to 1,014, followed by Thrissur with 751 branches and Thiruvananthapuram with 723 branches.

4.2.3 Deposits, Advances and Credit-Deposit Ratio

As per SLBC data, the total bank deposits in Kerala as on March 2019 is Rs 4,93,562 crore as against Rs 4,47,235 crore in March 2018.. The share of deposits in scheduled commercial banks in Kerala to the total deposits in the country as on March 2019 is 3.95 per cent. Domestic deposits which constitute 61.5 per cent of total deposits of the state have increased by 9.45 per cent while the NRI deposits which constitute 38.5 per cent have increased by 11.83 per cent. State Bank of India is in the first position with 30.25 per cent share of NRI deposits among the public sector banks. The deposits of co-operative banks as on March 2019 is 12.44 per cent and the commercial banks and co-operative banks in Kerala disbursed Rs 3,80,619 crore as advances which is 13.7 per cent higher than March 2018 as per SLBC data.

According to the RBI quarterly statistics, the credit-deposit (CD) ratio of scheduled commercial banks at the end of March 2019 increased to 78.18 per cent from 75.64 per cent in March 2018. Among the major States, Andhra Pradesh has the highest CD ratio 121.84 per cent; the CD Ratio of public sector banks in Kerala shows a slight increase from 61.86 per cent to 64.93 per cent in March 2019. Table 4.3 shows the growth of deposits in Kerala. The annual growth rate of total deposits has declined from 10.01 per cent to 8.95 per cent, annual growth rate of domestic deposit also declined during this period but at the same time NRI deposit growth per cent has increased from -0.36 per cent to 11.55 per cent. The fall in the

growth rate of domestic deposits are mainly due to the economic slowdown and this fall was balanced to a great extent by the growth of NRI inflows.

Table 4.3
The growth of bank deposits in Kerala

Year	Total Deposit		Domestic Deposit		NRI Deposit	
	Amount	Annual Growth %	Amount	Annual Growth %	Amount	Annual Growth %
2010	143404	10.01	10.01	14.13	106518	-0.36
2011	161562	12.66	12.66	16.29	123872	2.18
2012	197557	22.28	22.28	20.37	149103	28.56
2013	229148	15.99	15.99	9.29	162958	36.6
2014	279655	22.04	22.04	14	185772	41.84
2015	319890	14.39	14.39	13.2	210287	16.74
2016	361593	13.04	13.04	7.46	225984	23.73
2017	410492	13.52	13.52	14.23	258143	12.34
2018	447235	8.95	303507	7.42	190055	11.55

Source: State Level Bankers Committee, March 2019

4.3 Demographic Profile of the Respondents

The study focuses on the saving and investment behavior of urban households in Kerala. The urban sector of Kerala consists of 6 municipal corporations and 87 municipalities. The primary data relating to the research work are collected through an interview schedule from 360 urban households, sixty each from the six municipal corporations of Kerala - Thiruvananthapuram, Kollam, Kochi, Thrissur, Kozhikode and Kannur. Thiruvananthapuram, Kochi and Kozhikode are the three major cities of Kerala with over 58 per cent of urban population.

Thiruvananthapuram is the largest urban metropolis of the state; the city is the biggest and most densely inhabited metro city in Kerala. Kochi is known as the economic, commercial and industrial capital of Kerala. It has the highest gross domestic product as well as the highest GDP per capita in the state. It is also a major port and has the Cochin SEZ, Kerala Industrial Infrastructure Development Corporation and Export

Promotion Industrial Park. Kozhikode is the second-largest urban agglomeration in the state of Kerala and nineteenth largest in the country with a population of two million according to 2011 census. It is a booming commercial area with various IT and industrial parks being built in the city.

Thrissur is the third largest urban agglomeration in Kerala after Ernakulam and Calicut, and is known as the cultural capital of Kerala and apart from that it is a major academic hub and serves as a major financial and commercial centre of Kerala. Kollam has a strong commercial reputation since the historic days and in terms of economic performance and per capita income, Kollam city occupies third position in Kerala with an excellent export background. Kannur is the largest city of North Malabar region and sixth largest urban agglomeration in Kerala with an urban population of 65.05 per cent to total population in the district.

Demographic profiles of the respondents give a detailed view of the respondents with regard to, age, social group, marital status, education, family size which are very essential for the analysis of the present study. Saving and investment behavior to a large extent are influenced by these basic characteristics of the households. The variation in the demographic factors brings about changes in the volume and pattern of savings.

“Household is one which consists of a group of persons usually living together for not less than six months and taking principal meals from one kitchen” (NCAER 2011). The activity statuses of the urban households are taken on the basis of the NSSO 70th Round Debt and Investment survey - 2014. According to activity or employment status a person who is working or being engaged in economic activity is associated with employment and being in labour force. The report classified urban households into three categories, self-employed, regular wage/salaried employee and casual labour.

Socio demographic profile of the respondents such as age, social group, gender, marital status and education influences the household savings and investment behavior. The data pertaining to the socio-demographic status of the respondents are presented in Table 4.4. The various factors are analysed in relation to the occupation status of the households.

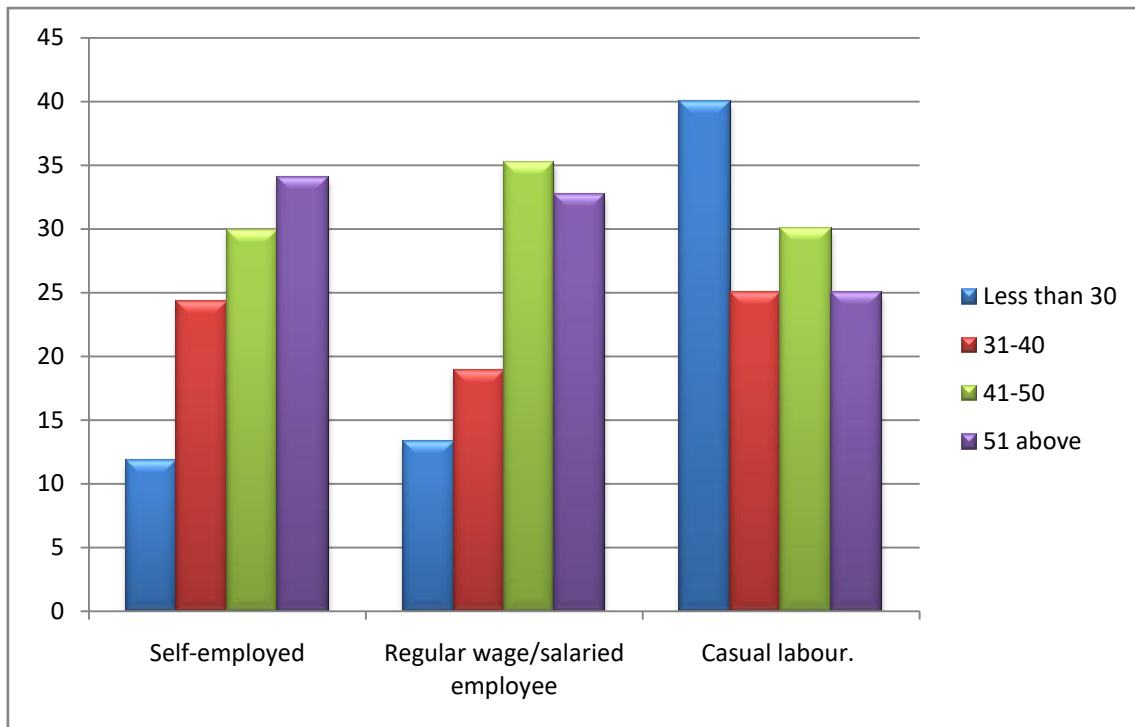
Table 4.4
Socio Demographic Profiles of the Respondents

Background variables	Attributes	Employment Status			
		Self-employed	Regular wage/salaried employee	Casual labour.	Total
Age	Less than 30	17(11.8)	26(13.3)	4(20)	47(13.1)
	31-40	35(24.3)	37(18.9)	5(25)	77(21.4)
	41-50	43(29.9)	69(35.2)	6(30)	118(32.8)
	51 above	49(34.0)	64(32.7)	5(25)	118(32.8)
Social Group	SC/ST	11(7.6)	22(11.2)	1.3(65.0)	46(12.8)
	OBC	68(47.2)	56(28.6)	5(25.0)	129(35.8)
	General	65(45.1)	118(60.2)	2(10.0)	185(51.4)
Gender	Male	134(93.1)	166(84.7)	19(95.0)	319(88.6)
	Female	10(6.9)	30(15.3)	1(5.0)	41(11.4)
Marital status	Married	109(75.7)	142(72.4)	16(80)	267(74.2)
	Unmarried	20(13.9)	25(12.8)	2(10.0)	46(12.8)
	Widow/Divorced	15(10.4)	29(14.8)	2(10)	46(12.8)
Education	SSLC	21(14.6)	15(7.7)	16(80.0)	52(14.4)
	Plus two	31(21.5)	18(9.2)	1(5.0)	50(13.9)
	Degree	56(38.9)	102(52.0)	2(10.0)	160(44.4)
	PG/Professional	36(25.0)	61(31.1)	1(5.0)	98(27.2)
	Total	144	196	20	360(100)

Source: Primary survey

Out of 360 sample respondents taken 144 belongs to the self employed category, 196 comes under regular wage employees and 20 belongs to the category of casual labourers. Age is an important factor determining the saving behavior of households. Majority of the respondents are above the age of 41 and within the self employed category 34 per cent belong to the age group of 51 and above. In the case of regular salaried and casual labour majority belongs to the age group of 41 to 50.

Figure 4.3
Age and Occupation of households



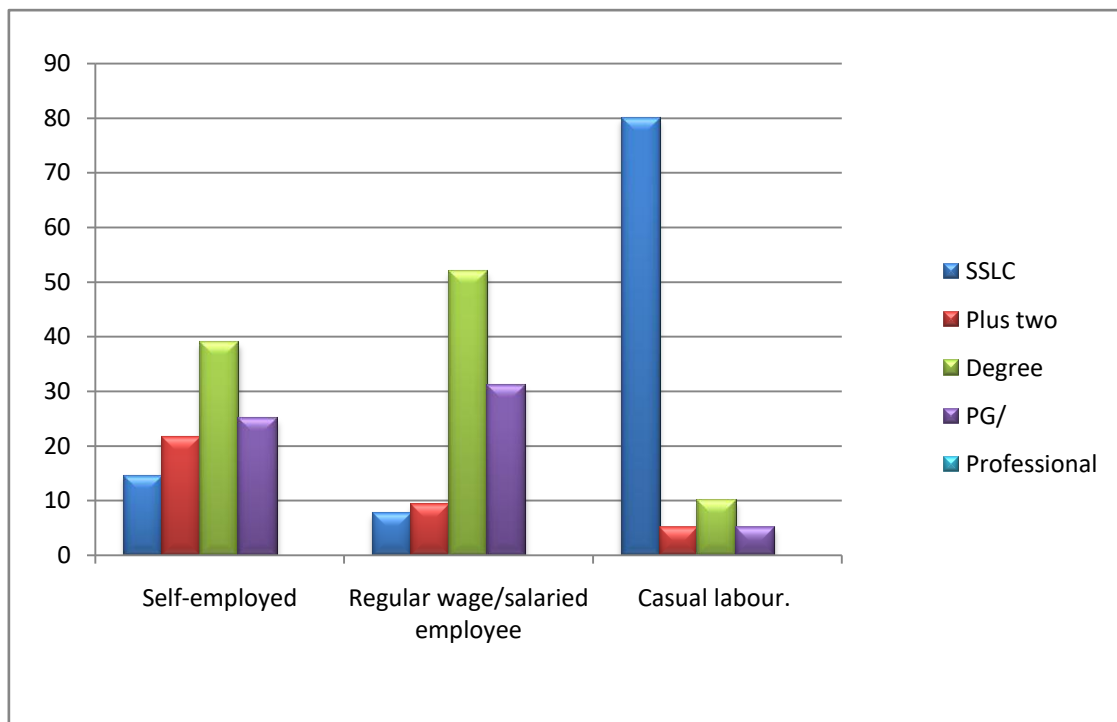
13 per cent of the total sample belongs to less than 30 years of age and from this it is observed that majority of the respondents are middle aged and are earning members capable of saving.

Among the social group 51.4 per cent of the respondents belong to the general category, 35.8 per cent are OBC and 12.8 per cent belong to SC/ ST category. Within the self employed 7.2per cent belong to OBC and in case of casual labourers only 10 per cent are in general category. Gender classification of the study shows that 18.6 per cent of the total sample respondents are male and 11.4 per cent are female respondents. The percentage of female respondents is high in the regular salary group and is about 15.3 per cent.

Among the casual labourers 95 per cent are males. Marital status of the individual is an important factor influencing the saving and investment behaviour. 74.2 per cent are married 12.8 per cent each belongs to the category of unmarried, widow and divorced respectively. Majority of the widow and divorced respondents are found in the regular salaried group and the least among casual labourers. Education is an important factor in determining the standard of living and many empirical studies show that education and income are positively correlated.

Majority of the respondents in the sample are educated and 44.4 per cent are degree holders. Among the casual labourers educational qualification is less, 80 per cent have SSLC and only 5 per cent have a post graduate level of education. 61 per cent of regular salaried employees have either a post graduate or professional degree. Higher level of education gives a path for better employment opportunities and thereby to earn higher level of income.

Figure 4.4
Education and Occupation of households



4.4 Socio Economic Profiles

Socio economic profiles of the respondents such as ownership of house, nature of family, family size, income and related factors plays an important role in determining the household savings and investment behavior the data pertaining to the socio-economic status of the respondents are presented in Table 4.5

Among the total sample respondents 80 per cent of the respondents have own house and only 20 per cent lives in rented houses. Ownership of house is an important physical asset and adds to the wealth of the household. The percentage of rented houses is high within the group of casual labourers and accounts to 60 per cent. Majority of the self employed and regular salaried employees have own house.

Table 4.5
Socio Economic Status of Respondents

Background variables	Attributes	Employment Status			
		Self-employed	Regular wage/salaried employee	Casual labour.	Total
Ownership of house	Own	124(86.1)	156(79.6)	8(40.0)	288(80)
	Rented	20(13.9)	40(20.4)	12(60.0)	72(20)
Type of family	Nuclear	103(71.5)	166(84.7)	15(75)	284(78.9)
	Joint	41(28.5)	30(15.3)	5(25)	76(21.1)
Nature of family	APL	134(93.1)	181(92.3)	12(60)	327(90.8)
	BPL	10(6.9)	15(7.7)	8(40)	33(9.2)
Family size	1	24(16.7)	32(16.3)	2(10)	58(16.1)
	2	30(20.8)	29(14.8)	4(20)	63(17.5)
	3	41(28.5)	59(30.1)	9(45)	109(30.3)
	4	31(21.5)	59(30.1)	4(20)	94(26.1)
	>5	18(12.5)	17(8.7)	1(5)	36(10.0)
Monthly income	≤25000	24(16.7)	49(25.0)	19(95.0)	92(25.6)
	25001-50000	33(22.9)	57(29.1)	1(5.0)	91(25.3)
	50001-75000	31(21.5)	44(22.4)	0(0.0)	75(20.8)
	75001-100000	15(10.4)	18(9.2)	0(0.0)	33(9.2)
	≥100001	41(28.5)	28(14.3)	0(0.0)	69(19.2)
	Total	144	196	20	360(100)

Source: Primary survey

Regarding the type of family 78.9 per cent belong to nuclear family and this shows the predominance of nuclear family system in modern world. Only 21.1 per cent falls under joint family category and the number of nuclear family is high among the regular salaried group ie 84.7 per cent. It is observed that 90.8 per cent of the respondents belong to the APL category while only 9.2 per cent belongs to the BPL category among the self employed and regular salaried majority belongs to APL group and within casual labourers 40 per cent falls under BPL category.

Household's family size is considered as an important determinant of household saving behavior at the microeconomic level. Family size of the respondents reveals that 13.3 per cent have a family size of 3 and only 10 per cent have members above 5. The size of the family positively contributes to saving, if the number of earning members also increases together with the family size

The study takes the households monthly income which comprises of the income of all the earning members of the family. Income plays an important role in determining household saving. Majority of the respondents that is 25.6 people belongs to the income group of less than 25000 the highest percentage is within the income group of 25000 to 50000, the highest per cent in this income group is the casual labour accounting to 95 per cent. Only 19.2 per cent have monthly income of greater than Rs 1 lakh and 28.5 per cent under this category is within the self employed group, especially the respondents who are engaged in business activities are able to generate more income. In case of regular salaried employees 29.1 per cent comes under the income group 25000-50000.

Table 4.6
Number of dependents

Number of dependents	Employment Status			Total
	Self-employed	Regular wage/salaried employee	Casual labour.	
0	21(15.0)	26(14.3)	3(15.0)	50(14.6)
1	58(41.4)	82(45.1)	9(45.0)	149(43.6)
2	39(27.9)	48(26.4)	7(35.0)	94(27.5)
3	14(10.0)	23(12.6)	1(5.0)	38(11.1)
4 and above	8(5.7)	3(1.6)	0(0.0)	11(3.2)
Total	140(100)	196(100)	20(00)	342(100)

Source: Primary survey

The number of dependents is an important factor in determining the saving and investment capacities of the household. As the number of financial dependents increase, it brings constraints in the saving capacity of the households. If there are more children's as dependents then on one hand it can induce parents to save more as to finance for their future needs but on the other hand it can constrain them to decrease saving because of higher household consumption. Among the respondents 43.6 have only one dependent member in

the family and 3.2 per cent have the number of dependents 4 and above. Increase in the number of dependents restricts the flow of funds into saving, however in the urban region the number of dependents are less.

4.5 Saving-Income ratio of households

Saving is the outcome of refraining from present consumptions, it is carried out for better future utility and it varies from individual to individual. Increase in the level of income generally induces households to save more and it is related to the propensity to save and consume. Higher propensities to save leads to more savings and a better saving income ratio. Household's savings depends on several socio-economic characteristics as the level of education, income, age, employment, marital status, etc.

Table 4.6 shows the saving income ratio of households. The data reveal that the average saving and saving income ratio is high among the age group of 51 and above and this is due to the increase in income level and concerns about old age. Educational attainment is one of the predominant variables related to the saving behavior. As the educational attainment is high the saving – income ratio also moves in a positive direction. It is high among professionally qualified persons as such it goes along with the generally expected notion that higher education attainment will increase savings through its positive effect on expected income.

The amount of income one makes mostly depends on occupation, better occupational standards generates higher income and paves way for higher saving. The saving income ratio of the regular salaried group is 0.128 and this is high when compared to the other two groups. The casual labour category has low level of average savings.

In case of the relationship between saving and marital status, married persons have a higher saving income ratio of 0.124. The higher responsibilities and requirements induces them to save more. Among the social group average saving is low among SC/ST category and is only 5362. the general category has a saving income ratio of 0.127, which is higher than the other two categories. Within the nature of family, the BPL group has low potential of saving and this is implied with the classification of the group. Families under the APL category have an average saving of Rs. 9440, the saving income ratio is also high among the APL category.

Table 4.7
Saving-Income ratio of households

Background variables	Attributes	Average income	Average saving	Saving – Income ratio(S/Y)
Age group	Less than 30	35195	3918	0.111
	31-40	60394	7640	0.118
	41-50	90315	9670	0.115
	51 above	94721	10610	0.131
Education	SSLC	29660	3429	0.106
	Plus two	82649	7350	0.101
	Degree	66451	7551	0.121
	PG/Professional	120731	14405	0.137
Employment	Self Employed	108431	10410	0.115
	Regular salaried	62250	8341	0.128
	Casual labour	16183	1583	0.102
Marital status	Married	88146	9906	0.124
	Unmarried	39586	4566	0.111
	Widow/Divorced	48704	5359	0.106
Social Group	SC/ST	47906	5362	0.114
	OBC	68202	7589	0.116
	General	92632	10486	0.127
Nature of family	APL	83725	9440	0.123
	BPL	23053	2386	0.107
	Total	78163	8794	0.121

Source: Primary survey

Thus the changes in socio-demographic variables have impact on the saving – income ratio and the average saving level also varies with the changes in education, employment, marital status and also with the changes in social groups.

4.6 Conclusion

The state of Kerala has witnessed rapid urbanization during the post liberalization period and has been ahead of other Indian States in achieving demographic and human development indicators. There is a steady increase in the rate of urbanization in Kerala and is considered as an indicator of economic development. The urban population of Kerala has registered a huge growth over the last decade and the savings from the household sector plays a dominant role in the growth process. The average income per person in Kerala is approximately 1.6 times the Indian average among the Indian States; Kerala is one of the leading ones with respect to per capita income. The population density, employment diversity and financial exposure of the urban population are high and this has a direct impact on the saving pattern of the households. Educational attainment is one of the predominant variables related to the saving behavior. As the educational attainment is high the saving – income ratio also moves in the positive direction. The socio economic attributes has profound influence on the saving behavior of the households.