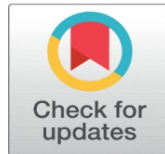
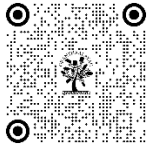


# FACTORS INFLUENCING SAVINGS: AN ECONOMIC ANALYSIS OF MYSORE CITY EMPLOYEES

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## ABSTRACT

"The principle which prompts us to save is the desire of bettering our condition, a desire which is generally calm and dispassionate, comes with us from the womb and never leaves us still we go into the grave" - Adam Smith

Saving is a macroeconomic variable which is of utmost importance under the purview of the economic arena on an individual as well as household basis. In a country like India, the income standard is almost uncertain and leads to more consumption rather than saving which has been a macroeconomic problem. If the savings is low, then the investment will also be low leading to low capital formation in the economy. Theoretically, Savings is influenced income but it is also influenced by other factors like the assets they possess and the type of the family they live in. In the present study these concepts are tested using Simple linear regression analysis and Logit Model. Besides, savings are done in both organized and unorganized sectors, for which the reasons differ. So, the study analysed the difference among the reasons to save in organized and unorganized sectors by employed men and employed women in Mysore city, using Chi-Square test statistics for its significance.

**Keywords:** Saving, Savings, Assets, Logit Model, Chi-square and Simple Regression



## 1. INTRODUCTION

Savings is income not spent or deferred consumption. Methods of savings include putting money aside. For example, a deposit account, a pension account, an investment fund, or as cash in hand (hoarding money). Savings differs from saving. Saving refers to the act of increasing one's assets, whereas savings refers to a part of one's assets. Saving refers to an activity occurring over time, so it is a flow variable whereas, savings refers to something that exists at any point in time, a stock variable.

### 1.1. THEORETICAL BACKGROUND

According to Keynes there are eight savings motives: the precautionary, lifecycle, inter temporal substitution, improvement, independence, enterprise, bequest and avarice i.e. inhibitions against acts of expenditure. Neo Classical economists have emphasized four important motives for savings such as (i) desire to maintain consumption in face of income fluctuations, especially during retirement (ii) desire to prepare for income shocks and other emergencies (precautionary saving) (iii) desire to transfer wealth to future generations (bequest motive) and (iv) desire to purchase big ticket items such as consumer durables, education or a vacation (target saving). The first three are expected to influence long term saving and the fourth to affect short to medium term saving and disinvesting patterns. Life Cycle Model is the most popular model of saving developed by Ando and Modigliani. According to this model current

consumption spending depends on current wealth and lifetime income so that the consumers borrow and save to smooth out their consumption throughout their life cycle. Thus, the model implies a savings motive for retirement. This model was further developed to include intergenerational transfer motive (saving for children) and precautionary motive (saving for emergencies).

## 1.2. STATEMENT OF THE PROBLEM

The present study is to know the factors responsible for savings. Aggregate savings in any economy is dependent on a number of variables in which income is the main factor according to theories. For effective economic planning, the planners should have an idea regarding the volume of savings of different groups of people like employed men and employed women and also the method by which savings can be improved more over in a better way. Employed peoples' savings behaviour is one such study which gives access to the savings need as the perspective as a whole. Right now, more savings and spending more simultaneously has become the basic and conflicting factor in the economy. The present influence of the employed people should experience total savings, which helps to step up the savings in the economy. Thus, there is an immediate need to carefully understand the savings pattern among employed men and employed women, hence a study of employees in Mysore City. This article focused mainly on the habit of savings of employed men and women in the city of Mysore and tested the relevance of theories in the present day scenario and also to test whether savings is influenced by assets possessed by the employees and the type of the family they live in.

## 1.3. SCOPE OF THE PRESENT STUDY

The present study focuses on the analysis of savings pattern among employed men and employed women in Mysore city of Karnataka state in India. This includes private employees in private sector, public sector and self-employed in the city of Mysore. Mysore City is located within Mysore district In Karnataka. As per 2011 census, Total population of Mysore is 1.28 Million. Based on population, Mysore is ranked 1st in Mysore district and ranked 2nd in Karnataka. Mysore has total 4, 98,661 people employed. Out of total employed people, 3, 76,622 are male and 1, 22,039 are female. Employment ratio of 39%. Mysore stands at 7th in Mysore district and ranked 170th in Karnataka.

## 1.4. OBJECTIVES AND HYPOTHESIS

OBJECTIVES	HYPOTHESES
1. To examine whether there is a change in savings per month of employed men and employed women, when there is unit change in their salary in Mysore city	<p><b>H<sub>0</sub>:</b> There are no changes in savings per month of employed men and employed women, when there is unit change in their salary in Mysore city</p> <p><b>H<sub>a</sub>:</b> There are changes in savings per month of employed men and employed women, when there is unit change in their salary in Mysore city</p>
2. To examine whether savings per month of employed men and employed women is depend on the type of family they live in (nuclear or joint family) and their assets (employees owning a house, vehicle and site) in Mysore city.	<p><b>H<sub>0</sub>:</b> Savings per month of employed men and employed women does not depend on the type of family they live in (nuclear or joint family) and their assets (employees owning a house, vehicle and site) in Mysore city.</p> <p><b>H<sub>a</sub>:</b> Savings per month of employed men and employed women depends on the type of family they live in (nuclear or joint family) and their assets (employees owning a house, vehicle and site) in Mysore city.</p>
3. To know whether there is a significant difference among the reasons to save in organized sector and unorganized sectors by	<b>H<sub>0</sub>:</b> There is no significant association among the reasons to save in organized sector and among the reasons to save in

employed men and employed women in Mysore city.	unorganized sectors by employed men and employed women in Mysore city. <b>H<sub>a</sub>:</b> There is a significant association among the reasons to save in organized sector and among the reasons to save in unorganized sectors by employed men and employed women in Mysore city.
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## 2. METHODOLOGY

This is an analytical and quantitative research based on the measurement of quantity and decision-oriented research. The study is based on primary data collected through schedule, interview, mailing of questionnaires and also through telephone interviews. Ratio scale of measurement is used. Labour Force Participation Rate which is in percentage form has been converted into actual numbers for the scientific calculations of deriving the sample size. Size of the universe from which the sample derived is 4, 98,661. Sampling unit is Mysore city, Karnataka. Sampling frame includes educated employees in Mysore city. Non-probability sampling technique is adopted, to select respondents. Z test is used for sample size determination where population is finite,  $N=4, 98,661$  of labour force participation in Mysore Confidence level = 95%. Desired precision is  $\pm 3$ ,  $e = .03$ ,  $Z = 1.96$

$$n = \frac{z^2 \cdot p \cdot q \cdot N}{e^2(N - 1) + Z^2 \cdot p \cdot q}$$

$$n = \frac{(1.96)^2 \cdot (0.50) \cdot (0.50) \cdot (4, 98,661)}{(0.03)^2 \cdot (4, 98,661 - 1) + (1.96)^2 \cdot (0.50) \cdot (0.50)}$$

$$n = \frac{(3.8416) \cdot (0.25) \cdot (4, 98,661)}{(0.0009) \cdot (4, 98,660) + (3.8416) \cdot (0.25)}$$

$$n = \frac{(0.9604) \cdot (4, 98,661)}{(448.794) + (0.9604)}$$

$$n = \frac{4,78,914.0244}{449.7544}$$

$$n = 1064.83$$

The sample size according to the approach based on precision rate and confidence level of 95%, due to paucity of time, 10% of the sample size (106) i.e.  $n=110$  is considered.

## 3. REVIEW OF LITERATURE

Dusenberry (1949) has examined that the saving rate depends not only on the level of income but also on the relative position of the individual on the income scale. Besides, the saving rate is dependent on the ratio of the current income to the peak level income previously reached. Ruddar Dutt (1972) has noticed two phenomenon regarding savings and investment. First, there is a competitive increase in non-functional consumption on ceremonies like marriage etc, Secondly; there is a race in the use of prestige articles and services which are rapidly becoming the indices of high living standards. The continuous rise in prices eroded whatever little savings the less well to do. Thus, the growing inequality has acted in a twofold manner to act into the savings potential of the household sector. Gothaskar and Venkatachalam (1976) have analysed the estimates of RBI regarding financial savings of household and central statistical organizations estimates of capital formation. In his analysis the personal disposable income, the ratio of gross financial savings of household has increased from 3.94 percent in 1960-1961 to 6.52 percent in 1975-1976. On the other hand, the ratio of liabilities has gone up from 1.03 percent to 1.61 percent during the same period. Bal and Bal (1982) have noted that, income influencing number of demographic and other socio-economic factors such as type of tenancy, size of family etc.,

and among these factors the role and type of family, number of earners and educational level of head of the family are found to be significant. The results of the study indicate that the increase in savings was relatively more for the nuclear families and average savings increased with the number of earners in the family. The level of education showed significant effect on savings. The savings increased with the increase in the education level of the head of the farm family. Burney Nadeem and Khan Ashfaq (1992) have examined the effects of various socio-economic and demographic factors on household savings in Pakistan. The study showed that, earning status of household head, income, occupation of household head and age square of household head were found to be positively related and inverse of dependency ratio, household income, education levels of household head, employment status of household head, secondary earners in household and age of household were found to have negative relationship with households saving in Pakistan urban as well as in rural. It was concluded that, value of Marginal Propensity to save was 0.22 in urban Pakistan and 0.37 in rural Pakistan.

#### 4. RESULTS AND DISCUSSIONS

To examine the first objective of the study, “whether there is a change in savings per month of employed men and employed women, when there is unit change in their salary in Mysore city”, the following hypothesis is framed and tested using the simple linear regression analysis.

**Ho:** There are no changes in savings per month of employed men and employed women, when there is unit (100%) change in their salary in Mysore city

**Ha:** There are changes in savings per month of employed men and employed women, when there is unit (100%) change in their salary in Mysore city

The hypothesis test statistics of simple linear regression analysis is reflected in the following Table 1.

Table 1: Simple linear regression analysis of salary and savings per month of employed men and employed women in Mysore city

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	99.0% Confidence Interval for B	
	B	Std. Error	Beta			Lower Bound	Upper Bound
(Constant)	-2835.3	767.458		-3.694	.000	-4847.705	-822.972
Salary of employed men and employed women in Mysore City	.359	.031	.745	11.610	.000	.278	.440

a. Dependent Variable: savings per month of employed men and employed women in Mysore city  
**Source:** Tabulated from the primary data collected in Mysore city.

#### INFERENCE

Null hypothesis is not accepted at 0.01 level of significance. Alternative hypothesis stating that there are changes in savings per month of employed men and employed women in Mysore city, when there is unit change in their salary is accepted and the dependency of variables are statistically significant. Hence it is estimated with 99% of confidence level that unit change in salary leads to the formation of 0.359 intercept which changes the savings to 36%. That is, increase in the salary will definitely increases the savings.

To examine the second objective of the study “whether savings per month of employed men and employed women depend on the type of family they live in (nuclear or joint family) and their assets (employees owning a house, vehicle and site) in Mysore city” the following hypothesis is framed and tested using the Logit Model since both dependent (savings) and independent (assets and type of the family) variables are qualitative.

Logit Model built for the present study is: Savings = f (assets, type of the family)

Ho: Savings per month of employed men and employed women does not depend on the type of family they live in and their assets in Mysore city.

Ha: Savings per month of employed men and employed women depends on the type of family they live in and their assets in Mysore city.

The hypothesis test statistics of Logit Model is reflected in the following Table 2.

Table 2: Logit Model with Odds Ratio for savings per month of employed men and employed women depending on type of the family they live in and their assets in Mysore city

Variables in the Equation	B	S.E.	Wald	Df	Sig.	Exp(B)	95% C.I. for EXP(B)	
							Lower	Upper
Employees owning a house	-.004	.443	.000	1	.993	.996	.418	2.372
Employees owning a vehicle	.323	.440	.540	1	.462	1.382	.583	3.275
Employees owning a site	.898	.460	3.808	1	.051	2.456	.996	6.054
Nuclear family	1.301	.458	8.057	1	.005	3.671	1.496	9.012
Constant	-.299	.465	.413	1	.520	.742		

Source: Tabulated from the primary data collected in Mysore city

Parameter Estimates									
SAVINGS_YES_NO <sup>a</sup>		B	Std. Error	Wald	df	Sig.	Exp(B)	95% Confidence Interval for Exp(B)	
								Lower Bound	Upper Bound
No savings	Intercept	-2.219	.596	13.854	1	.000			
	[Own_House=0]	-.004	.443	.000	1	.993	.996	.418	2.372
	[Own_House=1]	0 <sup>b</sup>	.	.	0	.	.	.	.
	[Own_Vehicle=0]	.323	.440	.540	1	.462	1.382	.583	3.275
	[Own_Vehicle=1]	0 <sup>b</sup>	.	.	0	.	.	.	.
	[Own_Site=0]	.898	.460	3.808	1	.051	2.456	.996	6.054
	[Own_Site=1]	0 <sup>b</sup>	.	.	0	.	.	.	.
	[Nuclear_family=0]	1.301	.458	8.057	1	.005	3.671	1.496	9.012
	[Joint_Family=1]	0 <sup>b</sup>	.	.	0	.	.	.	.
a. The reference category is: savings.									
b. This parameter is set to zero because it is redundant.									

**Inference:** Null hypothesis is accepted at 0.05 level of significance in the case of savings being influenced by employees owning a house and vehicle, inferring that savings are not affected by unit change in income for employees owning a house and a vehicle. Null hypothesis is not accepted for savings being influenced by employees owning a site and employees living in a nuclear family. Therefore, alternative hypothesis is statistically significant only for savings being influenced by employees owning a site and type of the family they live in. Hence it can be inferred that savings are affected by unit change in income for employees owning a site and employees living in a nuclear family. Employees can thus increase their savings once they own a site. Savings is also influenced by type of the family they live in. The odds ratio statistics reflect that employees owning a house and a vehicle, does not move from any savings to savings when

there is a unit change in income. Whereas, employees owning a site and employees living in a nuclear family tend to move from no savings to saving when there is a unit change in income.

Out of 110 employees interviewed, 33 were women employees and 77 were men employees. Since only 69.1% of the sample was having savings, the number of employees with savings was 76. 12 employees save in both organized and unorganised sectors. The reasons stated by the employees to save in organised and unorganised sectors are assessed with the help of chi-square test statistics which are given in the table 3a and 3b.

Table 3(a): Frequencies table for reasons to save in organized and unorganised sector given by employed men and employed women in Mysore city

Reasons to save in organized sector	Observed N	Expected N	Residual	Reasons to save in unorganized sector	Observed N	Expected N	Residual
Precautionary	4	12.8	-8.8	Risk Avengers	1	4.8	-3.8
Recurring deposits for MFs,LIC	14	12.8	1.2	Attractive offers per annum	5	4.8	.2
Loan facilities	17	12.8	4.2	Better returns in short term	7	4.8	2.2
Tax rebate	14	12.8	1.2	High rate of Interest	9	4.8	4.2
Security	15	12.8	2.2	Liquidity	2	4.8	-2.8
<b>Total</b>	<b>64</b>			<b>Total</b>	<b>24</b>		

Source: Tabulated from the primary data collected in Mysore city

“Whether there is a significant difference among the reasons to save in organized sector and unorganized sectors by employed men and employed women in Mysore city”, is the third objective of the study to examine. Hence the following hypothesis is framed and tested using the chi-square as non-parametric test.

Ho: There is no significant association among the reasons to save in organized sector and among the reasons to save in unorganized sectors by employed men and employed women in Mysore city.

Ha: There is a significant association among the reasons to save in organized sector and among the reasons to save in unorganized sectors by employed men and employed women in Mysore city.

The hypothesis test statistics of chi-square is reflected in the following Table 3(b)

Table 3(b): Chi-Square test statistics of association among the reasons to save in organized sector and unorganized sectors by employed men and employed women in Mysore city

	Reasons_to_save_in_organized_sector_like_Bank		Reasons_to_save_in_unorganized_sector_like_NBFIs
Chi-Square	8.031 <sup>a</sup>	Chi-Square	9.333 <sup>a</sup>
Df	4	df	4
Asymp. Sig.	.090	Asymp. Sig.	.053
a. 5 cells (100.0%) have expected frequencies less than 5. The minimum expected cell frequency is 4.8.		a. 0 cells (0.0%) have expected frequencies less than 5. The minimum expected cell frequency is 12.8.	

Source: Table 3a.

**Inference:** Null hypothesis is not accepted at 0.01 level of significance among the reasons to save in organized sector by employed men and employed women in Mysore city. It infers that alternative hypothesis is accepted with 99% of confidence level stating that the reasons for savings in organised sectors like banks are significantly independent. Null hypothesis stating that the reasons for savings in unorganized sector by employed men and employed women in Mysore city are associated and the association among the reasons are statistically significant.



## 5. CONCLUSION

There are a lot of differences in the financial perception, expectations, goals and confidence of employed men and employed women with respect to savings and investments. The differences between men and women in this aspect should be analysed and understood since it is the only way of ensuring financial inclusion and thereby economic development. Consumption patterns of both genders are important as males spend more for house hold purpose while females spend on miscellaneous expense. Males and females have slight differences in determinants of saving behaviour. This study shows that even today income is the main factor influencing savings among people. Besides, savings are influenced by employees owning a site and type of the family they live in. There is statistically significant difference among the reasons to save in organized sector and unorganized sectors by employed men and employed women in Mysore city. There are many topics which can be analysed with reference to behaviour of individuals pertaining to savings, as saving behaviour can be checked in terms of cultural differences and economic conditions of countries.

## CONFLICT OF INTERESTS

None.

## ACKNOWLEDGMENTS

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