Advances in Consumer Research
https://acr-journal.com/
Volume-2 | Issue-6 | Dec: 2025

Original Researcher Article

A Study On The Pattern Of Utilisation Of Household Savings In Kerala

Meera R[1]*, Dr Liji George[2], Alphonsa K Joy[3]
[1]*Associate Professor, Department of Economics, Nirmala college, Muvattupuzha,
Email ID : drmeerasreeraj@gmail.com , 0000-0002-4247-4939
[2]Assistant professor, Department of Economics, Nirmala college, Muvattupuzha
Email ID, liji@nirmalacollege.ac.in , 0000-0001-7133-4751
[3]Assistant professor, Department of Economics, Nirmala college, Muvattupuzha,
Email ID : alphonsakjoy@gmail.com
***Corresponding Author:**
Meera R
Associate Professor, Department of Economics, Nirmala college, Muvattupuzha,
Email ID : drmeerasreeraj@gmail.com , 0000-0002-4247-4939

ABSTRACT

The concepts of saving and investment play a significant part in economic analysis. Growth in the saving rate, usage of savings for supporting the increasing investment requirement and the use of the investment income for further financing constitute the approach of economic growth of a country. In India household sector contributes approximately 73% of total gross savings followed by the private sector (20%) and public sector (4%). During the post pandemic there has been a shift in the composition of overall savings of the household sector in India. This article will analyses the factors that motivates people to save in the post covid regime and the pattern of utilisation of household savings in Kerala

Keywords: savings; saving instruments, ex-ante reasons for savings, pattern of utilisation of savings....

1. INTRODUCTION:

The concepts of saving and investment play a significant part in economic analysis. Growth in the saving rate, usage of savings for supporting the increasing investment requirement and the use of the investment income for further financing constitute the approach of economic growth of a country. Growth of a nation depends upon the rate of growth rate of its GDP, which in turn depends upon its investments and capital formation. Savings are the most important source of capital formation.

India's savings performance has been quite impressive. Savings is the difference between Income and Expenditure. A high level of savings is essential for the economy to progress on a constant growth path as investment is mainly financed through savings. Gross Domestic Savings of an economy consists of savings made by the household sector, private corporate sector and public sector. In India household sector contributes approximately 73% of total gross savings followed by the private sector (20%) and public sector (4%). The increase in the rate of investment can be made possible by way of an almost proportionate rise in the rate of saving. Saving is therefore, the key factor in achieving a high rate of investment.

Household savings rate, which may be defined as the ratio of household savings to GDP, declined to 18.4 per cent in 2022-23, compared to 19.1 per cent in 2019-20. The savings of the household sector may be classified into financial savings and physical savings. Net financial savings of the household is the difference between their gross fiscal savings and fiscal liabilities. Gross financial savings comprise of financial assets with the households which may be in the form of cash, deposits in banks, debentures, shares, investments in different government securities and insurance schemes etc. On the Other hand financial liabilities of the household sector include their borrowing from banks ans Non-banking financial Intermediaries, cooperative societies etc. Physical savings of the household sector refers to the savings held in the form of different physical assets along with savings in gold and silver.

During the post pandemic there has been a shift in the composition of overall savings of the household sector in India. While the share of financial savings in total savings has declined from 40.3 per cent in 2019-20 to 28.5 per cent in 2022-23, the share of physical savings has risen from 59.7 per cent to 71.5 per cent during the same period(Singh and Behl 2024). Economic Survey 2024 observes that the sharp increase in the household savings in financial assets during the pandemic has been changed significantly, as in other countries, and moved towards physical assets. Moreover the households are also varying their financial savings, allotting more to non-banks and capital market instruments.

However, household savings serve two functions: precautionary (smoothening consumption and for meeting emergencies), and investment (anticipation of future income or capital). In the Indian framework, both these functions are evident. For example, rural households have the practice of saving grains (in-kind) and money if they receive a good harvest to overcome a poor harvest term

– which is a clear case of consumption smoothing in an agricultural setting. Likewise urban salaried households also keep contingency funds which is equivalent to a few months' expenditures to manage unexpected contingencies like job loss or medical crises. Surveys indicate that unforeseen medical needs are the foremost reason which prompt families to dip into savings or take loans. This article will analyses the factors that motivates people to save in the post covid regime and the pattern of utilisation of household savings in Kerala.

2. DATA AND METHODOLOGY

In the present study data analysis and hypothesis testing is performed with primary data. For giving proper representation to all regions of the state the entire state was divided in to three regions viz North, South and Central. Thiruvananthapuram district from the South Kerala, Kozikode from the North and Ernakulam from the Central Kerala were selected as the sample districts. Later the district of Idukki was also included to the list to give adequate representation for the economically backward districts. The savers from each district were selected by using snowball sampling. Data was collected from 224 respondents.

Adequate precautions to include all categories of people with an emphasis on income, was taken into account. The classification of subscribers into different income groups is made according to the criteria used by P. Mohanan Pillai and C. Prakash in their article entitled 'Social classes and Participation in Local planning in Kerala: A micro-level study' (2016). Though the article discusses 5 income groups, the present study is constrained to minimize the income groups according to the traditional classification of low, middle and high by merging different categories in the middle-income group for the analysis.

Objectives of the study

1. To examine the ex-ante saving motives of the people in Kerala

2. To study the pattern of utilisation of saved money in Kerala

Theoretical and empirical studies

Classical economists have the opinion that there is a causal relationship between investment, savings, technological development and economic progress. According to them profit lead to investment, and larger the profits, larger will be the capital accumulation too. Smith' (1904), pointed out that capital is necessary to augment the productivity of the labourers. Moreover increased savings will be matched by an equal increase in investment.

Further Ricardo (1817) observed that growth rate of an economy will depend upon capital accumulation, and concluded that whatever is saved will be automatically invested. Mill (1848) formulated the fundamental proposition regarding capital which represent the classical idea regarding saving, investment and economic development. His first proposition states that every industry is constrained by capital and the second proposition states that capital is the result of savings.

Keynes in his "The General Theory"(1936) argued that savings is a function of current level of income. A growth in current income level will increases savings in the economy ie (S=Y-C). Even though he Keynes recognized that several subjective and objective factors like rate of interest , wealth, etc will affect the level of consumption and saving, he highlighted that the consumption and saving of individual and society depends largely on the current level of disposal income. Keynes has three points. I) consumption and savings are positively related with the absolute levels of current income. 2) Consumption expenditure is not proportionately related with income. 3) Savings increase with increase in income.

Duesenberry (1949) in his relative income hypothesis specified that the percentage of a family's income set-aside for consumption and savings will be influenced by the level of his income compared to the income of other families and not on his absolute income.

Modigliani and Ando's Life Cycle Hypothesis(1963) is based on the consumption and saving behaviour of an individual who is supposed to maximize the present value of lifetime utility, based on a given budget constraint. According to this hypothesis the consumption of a specific time period will depend upon ones expectations about his lifetime earnings. The major factors affecting the saving rate are the growth rate of per capita income, the age structure of the people, the real rate of interest on bank deposits, wealth of the family and credit fund availability.

Marx (1906) also gave predominance to capital accumulation in his investigation on capitalist development. The extent of capital accumulated obviously depend up on the level of the surplus value. Adelman (1962) confirmed that the level of capital accumulation in every economy is regulated by two factors, viz the capacity to save and the willingness to save. This idea is also supported by Meade (1962) and Lewis (1970). A number of other studies such as Gurley and Shaw (1967), Mc Kinnon (1971) and Patrick" (1983), also recognised that savings and capital formation are improved with the progress of financial intermediation in a country.

Viramani(2023) pointed out that India's cultural norm has insisted households to often prioritize savings for their children's education,weddings, and as a legacy for the next generation (bequest motive). At the same time, because of the poor social security system prevailing in the country (especially for retirement and health) people have a strong precautionary motive ie households should self-insure against old age, health emergencies, and various income shocks. Several other studies have also pointed out that many Asian countries including India show high saving rates partially due to such cultural and precautionary influences.

Ghosh and Nath(2023) noted that per capita real income and easy access to banks are important factors with favourable impact on private as well as household saving rates both in short run and in long run. Further, as inflation accelerates, the ambiguity about the future value of their accrued savings and estimated real rate of return discourage families and other private agents from saving. An increase in dependent populace reduces private and household saving rates in the short run while it increases the private saving rate in the long run. The study concludes that that policies intended to increase per capita income, lower inflation, and increase accessibility to banking will go a long way in increasing private and household saving in India.

Ghosh and Pain(2005) evaluated the structure and distribution of household savings in India and tried to find out the key factors of household savings in India. They concluded that the factors influencing savings in India are matching with the rest of the world. Income is the major decisive factor of savings and interest rates are not. Moreover, Tax incentives of course contribute to changing the savings basket, as elsewhere. The crucial reason behind savings are keeping money for retirement and taking precaution against unforeseen contingencies. A major factor influencing savings in low income economies like India is lifetime expenditures on housing, durables commodities and sometimes for setting up small businesses. (Athukorala and Sen, 2002)

Background Information of the respondent

The categorization of the savers according to their salient characteristics, is given in table 1

Table 1 Background Information of the respondent

Variables	Category	Frequency	Percent
Sex	Male	148	66.07
	Female	76	33.92
	Total	**224**	**100**
Age	Below 30	17	7.60
	30-40	69	30.80
	40-50	54	24.10
	50-60	57	25.44
	Above 60	27	12.05
	Total	**224**	**100**
Religion	Hindu	95	42.41
	Christian	103	46.0
	Muslim	18	8.0
	Others	8	3.57
	Total	**224**	**100**
Education	No Formal education	14	6.03
	Below SSLC	29	12.90
	Higher Secondary	50	22.30
	Graduate	69	30.90
	Post Graduate	38	17.00
	Technical / Professional	24	10.70
	Total	**224**	**100**
Occupation	Salaried Employee	76	33.90
	Self Employed/business	51	22.80
	Agricultural/Manual labour	35	15.60
	Pensioner	25	11.20
	Housewife	19	8.50
	Others	18	8.10
	Total	**224**	**100**
Annual Income	Below Rs. 60000	41	18.30
	Rs 60000-2.4 lakh	49	21.88
	Rs 2.4 lakhs-6lakhs	58	25.89
	Rs 6 lakhs-9 lakhs	55	24.55
	More than nine lakhs	21	9.37
	Total	**224**	**100**

As revealed in the demographic profile, most of the respondents are male. Special care was taken to include respondents from all age groups. Regarding the religion of the respondents, 46 percent of the respondents are Christians followed by Hindus constituting 42.41 percent. 8 percent of the respondents belong to are Muslims community.

As far as the status of education is concerned the highest proportion of the savers 30.90 percent are graduates and 6.03 percent do not have formal education. Analysis of the occupational pattern of the respondents reveals that the highest number of respondents are salaried employees (33.90 percent) followed by self-employment(22.80 percent).About 15.60 percent of the participants are agricultural workers and 11.20 percent are pensioners. Regarding annual income of the respondents 25.89 percentage of the respondents belong to the annual income group of Rs 2.4 lakh-6 lakhs constituting the lower middle group,24.55 percent belong to Rs 60000-9lakh annual income group (upper-middle group)and 8.30 percentage belong to more than Rs 9 lakhs (upper class), annual income group.

Ex-ante saving motives of the people in Kerala

The factors that promote people to save is analysed with the use of Correspondence Analysis. It is a statistical tool employing the visualisation method designed to analyze the correspondence between rows and columns Unequivocally savers fix well in advance their saving goal and the distribution of saved money on various forms of tangible and intangible assets before saving in different instruments.

The economic stability and general well-being of households are measured in terms of capabilities and entitlements to fulfill their basic needs. They are, by choice and compulsion as well to set aside part of their income for gratifying indivisible familial essentialities such as purchase of land, construction of houses, education, and marriage of children and certain transitory or random contingencies like accidents, health care, business eventualities, etc. As a result, people in general, are searching for financial instruments assisting them in such current and future financial requirements.

To assess the anticipated aspirations of the savers, the study has considered thirteen variables. As these variables are overlapping and diverse, they are pooled into four domains based on their common resemblances to facilitate systematic analysis and interpretation.

Table 2:Saving Goal of the respondent

	Goals	**N**
Consumption expenditure	Marriage Expenses in the family	31
	Jewel purchase for self or family	4
	Purchase of vehicle for self or family	13
	Total	**48**
Capital expenditure	House purchase/construction	23
	Agricultural investment	28
	Investing in other alternatives	10
	Paying off old debt	12
	Purchase of land	9
	Business Transactions Education of children	13 7
	Total	102
Safety/insurance	Insurance against uncertainty	49
	Total	49
Saving/Others	No such reasons	22
	Others	3
	Total	25

Source: Primary Data

An attempt has been made to find out whether the saving aspirations are associated with their gender, annual income, and annual savings. This part of the analysis is tested with three hypotheses with chi-square analysis. A symmetrical normalisation is also carried out with multivariate analysis namely correspondence analysis.

Correspondence Analysis between annual income and saving Goal

H0: There is no significant association between annual income and the saving goal of the respondent

H1: There is significant association between annual income and the saving goal of the respondent

Decision Rule: Reject H0 if p-value obtained is less than 0.05

Table 3:Correspondence Table

Money saving goal	Annual Income			
	Low Income group	Middle income group	Upper Income group	Active Margin
Consumption Expenditure	33	10	6	49
Capital Expenditure	54	19	29	102
Safety Component	22	11	16	49
Savigs/Others	6	9	9	24
Active Margin	115	49	60	224

Source: primary data

Table 4 Chi-square value

Dimension	Proportion of Inertia			
	Accounted for	Cumulative	Chi Square	Sig.
1	.854	.854		
2	.146	1.000	14.991	.020
Total	1.000	1.000		

As the Chi-square value is 14.991 and the p-value is 0.020, which is less than the significance level 0.05, the test rejects the null hypothesis which implies an association between the variable annual income and money-saving goal.

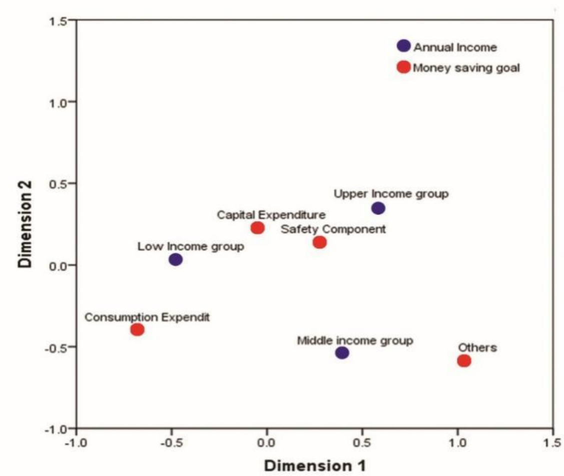


Figure 1 Symmetrical Normalisation

The results of the present study were generalized further to see how does each income group differs in their saving goal. The analysis uses dimension I and dimension II as these two dimensions together explain hundred percent of data (.854 and .146 respectively).

As represented in the figure, the study reveals that low-income people save with the intention of utilizing the money for various consumption expenditures like marriage, jewel purchase, purchase of vehicle, etc. Saving is the The middle-income group participate in various saving schemes just to park their extra earnings (others in fig) which is less risky. Upper-income group save for financing productive capital expenditure in business, construction of houses, etc. and also as a safety net against uncertain financial contingencies.

Association between Saving goal and sex

It is a specific feature of the households in Kerala that both the sexes shoulder the household responsibilities with utmost care and co-operation. Moreover, despite the gender disparity all have the habit of thrift by way of active participation in small saving schemes, post office savings, Kudumbasrees chit funds, etc.Therefore an attempt is made to study the associsation between saving goal and sex of the respondent with Chi-Square Test.

Ho: There is no association between gender and saving goal of the respondent

H1: There is association between gender and saving goal of the respondent

Table 5: Association between Saving goal and sex

			Money saving goal				Total
			Consumption Expenditure	Capital Expenditure	Safety Component	Others	
sex	Male	Count	28	75	28	17	148
		% within sex	18.9%	50.7%	18.9%	11.5%	100.0%
	Female	Count	21	27	21	7	76
		% within sex	27.6%	35.5%	27.6%	9.2%	100.0%
Total		Count	49	102	49	24	224
		% within sex	21.9%	45.5%	21.9%	10.7%	100.0%

Table:6 Chi-Square Tests

	Value	df	Asymptotic Significance (2-sided)
Pearson Chi-Square	6.259	3	.100
N of Valid Cases	224		

As the test result fails to reject the null hypothesis that there is no association between gender and saving goal the study concludes that both the sexes have identical familial goals while participating in saving schemes.

Pattern of utilisation of saved money

Asset creation and acquiring precious metals and modern household appliances are some of the basic concerns of almost all households accompanied by greater concern on health and education. The saver allocates his savings on various forms of assets and family-related expenses with bold, rational, and expansive calculations. The variables used to assess the pattern of utilisation of saved money are classified into consumption expenditure and other categories by adhering to the guidelines of NSSO sixty first-round survey (2004) on the level and pattern of consumer expenditure. The study makes it clear that most of the respondents are using the money savred for meeting various capital expenditures like purchase of house or vehicles, and for meeting various farm and nonfarm expenditure.

Table: 7 Actual pattern of utilization of saved money

	Pattern of utilization of saved money	**N**
Consumption expenditure	Marriage Needs	20
	Purchase of durable assets	9
	Health care	11
	Meeting house hold Expenses	10
	Education of children	10
	Total	**60**
Capital expenditure	House purchase/construction/maintains	30
	Agriculture purposes	22
	Purchase of vehicles	23
	Pay off old debt	20
	Purchase of land	9
	Capital for Business Education of children	7 15
	Total	126
Safety/insurance	Contingent expenses	23
	Total	23
Others	Others	15
	Total	15

Source: Primary Data

Association between annual income and pattern of utilization of Savings

The association between the different income groups of savers and the pattern of utilization of saved money has been tested with correspondence analysis.

H0: There is no significant association between annual income and the pattern of utilization of household savings.

H1: There is association between annual income and pattern of utilization of household savings

Decision rule: Reject H0 when $p<0.05$.

Table: 8 Correspondence Table

Utilization of savings	Annual Income			
	Low-Income group	Middle-income group	Upper-Income group	Active Margin

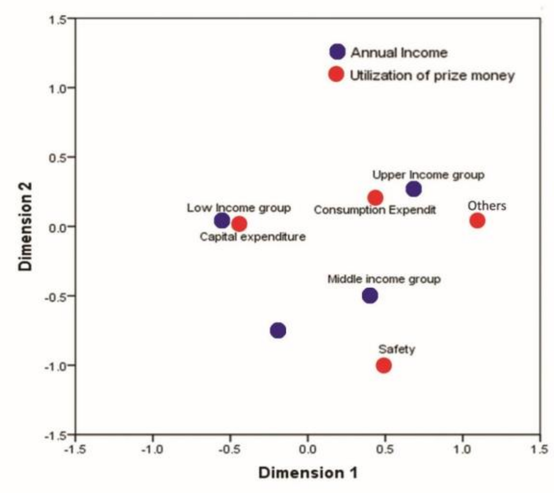
Capital expenditure	81	22	23	126
Consumption Expenditure	24	14	22	60
Safety	5	7	11	23
Others	5	5	5	15
Active Margin	115	48	60	224

Table 9 Chi-Square Test

Dimension	Proportion of Inertia			
	Accounted for	Cumulative	Chi Square	Sig.
1	.951	.951		
2	.049	1.000	22.761	.001
Total	1.000	1.000		

The test result fails to accept the null hypothesis, and hence the study concludes with the finding that the income group to which the subscriber belongs has a direct bearing upon the pattern of utilizing the household savings.

Figure 2 Symmetrical normalization



The above result was generalized further to see how does each income group uses the savings with symmetrical normalization. The analysis uses dimension I and dimension II for the purpose of explanation as these two dimensions together explain hundred percent of data. (the proportion of inertia for dimension I and dimension II are 0.951 and 0.49 respectively)

Interpreting the figure it can be seen that the low-income group keeps more proximity to capital expenditure and consumption expenditure, whereas consumption expenditure and other uses are the concern of the upper-income groups. The middle-income group consider savings as an insurance coverage against the financial stringencies in the future if any

3. CONCLUSION

The savers have a definite goal while participating in a saving schemes. They have a set of varied goals towards household asset creation. Intending to delve into the households in asset creation through savings, the study looked into the pattern of utilization of savings. The inferences about asset creation suggest that 83 percent of the savers have utilized prize money for items specifically labeled as capital expenditure (53.3 percent)and consumption expenditure (27percent). These findings are cogent enough to reiterate the role of household in asset creation. The study concludes that people of all income groups have well defined saving goals and most of them have utilised their savings for various capital expenditures which reiterate the role of household savings in economic development of a nation.

All authors declare that they have no conflicts of interest.

.. REFERENCES

1. Adelman, I. (1962) Theories of Economic Growth and Development, Vol. 53, Oxford University Press, London.
2. Arvind Virmani(2023) Bharatiya Model of Inclusive Growth: Sabka Vikas, NITI Working paper https://www.niti.gov.in/sites/default/files/2024-2/NITI%20WORKING%20PAPER_Report_V3.pdf
3. Duesenberry, J.S. (1949) Income, Saving and the Theory of Consumer Behaviour, Harvard University Press, Cambridge.
4. Ghosh, S. K., & Nath, H. K. (2023). What determines private and household savings in India?
5. International Review of Economics & Finance, 86, 639–651.
6. John Maynard Keynes,(1936). The General Theory of Employment, Interest and Money. London :Macmillan.
7. Lewis, W.A. (1970) Theory of Economic Growth, pp.224–25, Harper & Row, New York.le
8. Marx, K. (1906) Chicago, pp.656–686, Chas. H. Kerr & Co., Chicago
9. Mc Kinnon, RJ. (1971) Money and Capital in Economic Development, p.117, Washington Brooking Institution.
10. Meade, J.K. (1962) A Neo-Classical Theory of Economic Growth, p.1, Allen & Un win Ltd. London. Mill, J.S. (1848) Principles of Political Economy, pp.39–45, Longman, Green and Co., J. Laurence New York D
11. Modigliani, F. and Brumberg, R. (1954) 'Utility analysis and consumption function: an interpretation of cross section data', Kurihara (Ed.): Post Keynesian Economics, pp.383–436, University Press, Rutgers.
12. Mohanan Pillai P. and C.Prakash (2016) 'Social classes and Participation in Local Planning in Kerala:A Micro level Study' (2016), Rulsg Occasional Paper 2016: 1. http://cds.edu/wp-content/uploads/2016/03/ RULSG 2016_1.pdf
13. Patrick, H.T. (1983) 'Financial development and economic growth (ed.): Rural Financial Market in Developing Countries, p.50, The John Hopkins

University Press, London.
14. Prema-chandra Athukorala and Kunal Sen(2004) The Determinants of Private Saving in India, World Development 32(3):491-503
15. Ghosh, Rajarshi and Pain, Asis Kumar, What Determines Household Savings in India? (June 2005). Available at SSRN: https://ssrn.com/abstract=747046 or http://dx.doi.org/10.2139/ssrn.747046
16. Ricardo, D. (1817) The Principles of Political Economy and Taxation, p.79, Dent and Sons, London.
17. Smith, A. (1904) An Enquiry into the Nature and Causes of the Wealth of Nations, p.326, Henry Frowds, London