A Study on the Structure and Trends in Sector Wise Domestic Savings in India[1]

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ABSTRACT

The domestic savings are strong determinants of economic growth in the country. The present study concludes that in total gross domestic savings householders are major contributors with around two third of the share (66 percent). However, the majority of their savings are in the form of physical assets such as land etc. Thereafter, non-financial corporations' share is very significant with an average of 33 percent. However, the share of financial corporation occupied around 10 percent. The government savings rate is in negative which indicates rising borrowings of the government than savings. In overall, the ANOVA statistical outcomes proved acceptance of null hypotheses i.e. insignificant difference in savings between households, non-financial corporations and financial corporation etc.

INTRODUCTION

In every economy the role of savings and investments is very crucial. The excess of income over expenditure is called savings while conversion of these savings into productive purpose is called investment. High savings rate helps economic progress and sustainable economic development. The high savings rate leads to a higher rate of capital formation in the sectors of Production, Technology, Infrastructure, Education etc. In India savings performance has been quite impressive since independence. Gross Domestic Saving consists of components of savings of household sector, private corporate sector, and public sector. (i) The household sector comprises of individual, non-corporate business and private collectives like temples, educational institutions, and charitable foundations. (ii) The corporate sector consists of joint stock companies in the private business sector, industrial credit, and investment corporations etc., and cooperative institutions. (iii) Government sector included of the central and state government, the local authorities and various government and department undertakings, The saving can be either in liquid assets or financial assets (a) Liquid assets comprises of currency bank deposits and gold while financial assets included shares, securities and insurance policies and physical assets. The savings of the corporate sector are represented by the retained earnings of this sector.

Savings and investment are significant drivers' countries' economic growth to the next levels in the world. Economic history suggests that countries that were able to accumulate high levels of domestic investment largely financed by domestic savings achieved faster rates of economic growth and development in sustainable manner. This is the reason that so much importance is given to these variables as reflected in the large number of studies undertaken in this area of economic research. Savings play an important role in economic development and the major objective of government policy has been the promotion of savings and capital formation in the economy as primary instruments of economic growth.

REVIEW OF LITERATURE

Sadavarte, Balaji & Chetana,. (2021) conducted a survey on the savings and investment pattern of Indian Households through with sample of 80 respondents with structured questionnaire in Mumbai. The study mainly focused on the comparison of savings behavior between married and unmarried households. The study adopted ANOVA test results shows that the sig value 0.746 is greater than the alpha value 0.05 at 95% confidence level. This indicated that marital

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status is a strong determinant of savings behavior and the savings rate is higher in case unmarried people compared to married people.

Dr. Mehta Rekha (2013) investigated saving behavior and saving potentials of household in India during the period of 1950 to 2010. The study used an autoregressive Model to find out the short term and long-term impact. Regression analysis was done considering household and financial saving as the dependent variable and personal disposable income as the independent variable. The study found significant impact of personal disposable income on financial savings.

The study by Pandit (1991) has done a comprehensive study on the structure and growth of saving in India. The study found that the composition of household financial saving is driven by the rates of return, risk, availability, and accessibility of financial saving instruments.

Muhleisen (1997) adopted Granger causality tests by running bivariate VARs on the growth in real GDP saving rates of households, public and private. The study revealed the causality from growth to saving and on the contrary rejected the causality from saving to growth for all forms of savings consistently.

Upender et al. (2007) analyzed the savings behavior in the Indian economy in parameters of the shift in the growth rates of domestic savings and in magnitude of income elasticity of the domestic savings at the aggregate and disaggregated levels during the post economic reform period. The study found no shift in the growth rate of the domestic savings both at aggregate and disaggregated levels during the post economic reform period. Besides, there is no shift in the magnitude of income elasticity of savings of household, private and public sectors during the post economic reform period.

RESEARCH PROBLEM

The savings rate is one of the growth drivers of the economy. The rising savings habit in the economy increases investment rate which in turn accelerates the availability of capital and credit to the corporate sector and other economic activities such as production, formation, and distribution etc. Therefore, savings should be encouraged in the county by making available of attractive investment vehicles. However, In India, the savings rate improved significantly since independence particularly in traditional products such as bank deposits, gold and physical assets. However, in recent period the savings preferences shifted from traditional products high financial assets due to high returns and decrease bank interest rates etc. Therefore, the study on the new trends in the domestic savings in India gain significance.

RESEARCH OBJECTIVES

The present study aimed at

- To study the structure and trend in gross savings in India
- To study the structure and trend gross savings of non-financial corporations
- To study the structure and trend in gross savings of financial corporations
- To study the structure and trend in gross savings of general government in India
- To study the structure and trend in gross savings of household sector in India

HYPOTHESIS

The following are null hypotheses

H_{01}: There is significant difference between and within the gross savings in India
H_{02}: There is significant difference between and within the savings of non-financial corporation in India
H_{03}: There is significant difference between and within the savings of financial corporations in India
H_{04}: There is significant difference between and within the savings government in India
H_{05}: There is significant difference between and within the savings of household sector in India

RESEARCH METHODOLOGY

Present study is purely based on the secondary data. In the present study trends in the domestic savings is observed through selected parameters such as overall gross savings, savings of financial corporation, savings of non-financial corporations and savings of households. The study period is five years i.e. 2018-2022. The techniques used in the

study are averages, proportions, and ANOVA statistics. The data collected from the most reliable source of RBI Hand book for the period of 2022.

DATA ANALYSIS AND INTERPRETATION

TABLE 01: STRUCTURE AND TREND IN GROSS SAVINGS IN INDIA DURING 2018-2022

	YEARS	2017-18	2018-19	2019-20	2020-21	2021-22	AVG
1	Non-Financial Corporations	2005374 (35.07)	2061217 (33.36)	2131439 (34.08)	2093600 (34.92)	2498528 (33.60)	2158032 (34.17)
2	Financial Corporation	624155 (10.92)	531683 (8.61)	837398 (13.39)	792387 (13.21)	950042 (12.78)	747133 (11.83)
3	General Government	-208257 (-3.64)	-259127 (-4.19)	-560171 (-8.96)	-1324420 (-22.09)	-632297 (-8.50)	-596854 (-9.45)
4	Household sector	3296596 (57.65)	3844582 (62.23)	3845173 (61.49)	4434673 (73.96)	4619501 (62.13)	4008105 (63.46)
5	Gross Savings	5717868 (100)	6178355 (100)	6253839 (100)	5996240 (100)	7435774 (100)	6316415 (100)
	Source: RBI Handbook 2018-2022 Note: Value in brackets are proportion in total in percentage						

Table 01: The study found that, the gross savings in India collected from the four broad sector such as non-financial corporations, financial corporations, general government and household sector. The study in total gross savings the share of householders improved from 57.65 perent in 2017-18 to 62.13percent in 2021-22. Similarly, the share of financial corporations has improved from 10.92 percent in 2017-18 to 12.78 percent in 2021-22. In contrast, the shar of non financial corporations declined to 33.60 percent in 2021-22 from 35.07 percent in 2017-18. The general government share in gross savings reported negative savings rate which borrowings.

FIGE 01: GROSS SAVINGS IN INDIA DURING 2018-2022
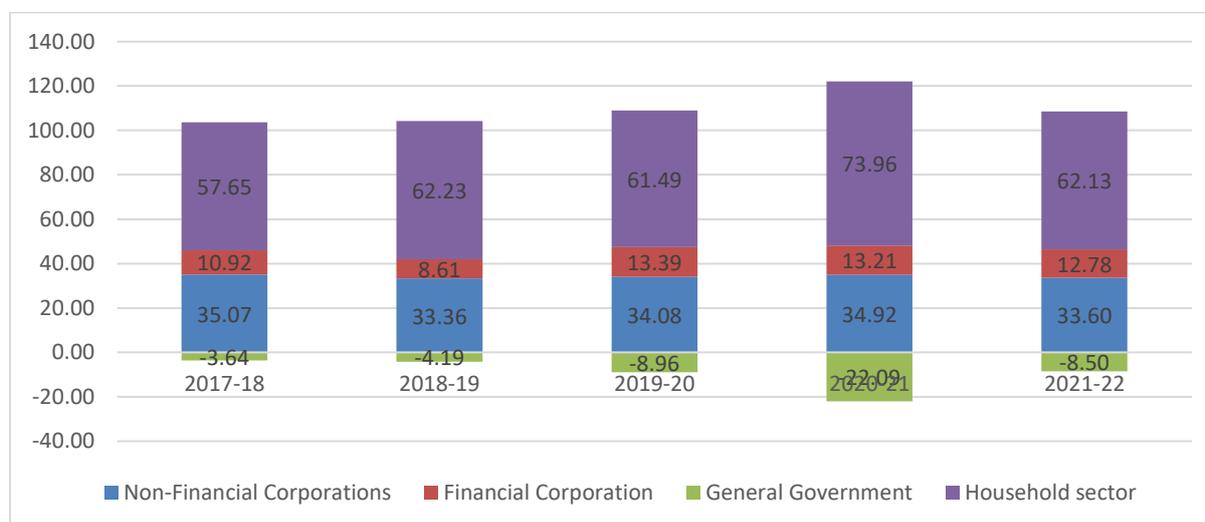
ANOVA

Source of Variation	SS	df	MS	F	P-value	F crit
Between Groups	4.34E+11	4	1.09E+11	0.027111	0.998408	3.055568
Within Groups	6.01E+13	15	4E+12			
Total	6.05E+13	19				

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The AONOVA statistical outcome reveals that P-value is 0.998408 which is higher than the standard value of 0.05 and F Value is 0.027111 is less than the F critical value 3.055568 which support the null hypothesis and rejection of alternative hypotheses. Therefore, the study accepted the null hypothesis "There is insignificant difference between and within the gross savings in India" and rejected alternative hypotheses.

TABLE NO:02 STRUCTURE AND TRENDS IN SAVINGS OF NON-FINANCIAL CORPORATIONS IN INDIA DURING 2018-2022

	YEARS	2017-18	2018-19	2019-20	2020-21	2021-22	AVG
1	Public non-financial corporations	237483 (10.59)	250797 (10.85)	292430 (12.06)	239431 (10.26)	299770 (10.71)	263982 (10.90)
2	Departmental enterprises	50352 (2.24)	55128 (2.38)	53160 (2.19)	49820 (2.14)	60327 (2.16)	53757 (2.22)
3	Non-departmental enterprises	187131 (8.34)	195669 (8.46)	239271 (9.87)	189610 (8.13)	239443 (8.56)	210225 (8.68)
4	Private non-financial corporations	1767891 (78.82)	1810421 (78.30)	1839009 (75.87)	1854169 (79.47)	2198758 (78.57)	1894050 (78.20)
	TOTAL	2242857 (100)	2312015 (100)	2423870 (100)	2333030 (100)	2798298 (100)	2422014 (100)
Source: RBI Handbook 2018-2022 Note: Value in brackets are proportion in total in percentage							

ANOVA

Source of Variation	SS	df	MS	F	P-value	F crit
Between Groups	4.8410	4	1.21E+10	0.016118	0.999427	3.055568
Within Groups	1.1313	15	7.51E+11			
Total	1.1313	19				

The AONOVA statistical outcome reveals that P-value is 0.999427 which is higher than the standard value of 0.05 and F Value is 0.016118 is less than the F critical value 3.055568 which support the null hypothesis and rejection of alternative hypotheses. Therefore, the study accepted the null hypothesis "There is insignificant difference between and within the savings of non-financial corporations in India" and rejected alternative hypotheses.

FIGURE NO 02 STRUCTURE AND TRENDS IN SAVINGS OF NON-FINANCIAL CORPORATIONS IN INDIA DURING 2018-2022
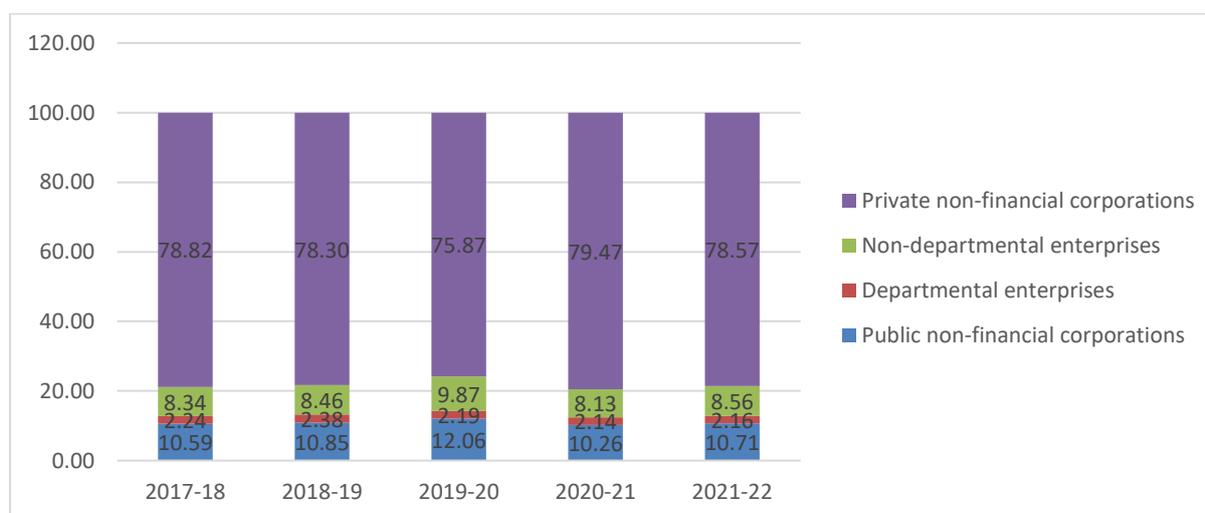

Table 02: The study found that, the total non-financial corporate savings in India collected from the four broad sector such as public non-financial corporations, departmental enterprises, non-departmental enterprises, and private non-financial corporations. The study in total non-financial savings the share of private non-financial corporations slightly

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declined from 78.8 percent in 2017-18 to 78.57percent in 2021-22. Similarly, the share of departmental enterprises has marginally decreased from 2.24 percent in 2017-18 to 2.16 percent in 2021-22. The shar of non-departmental enterprises improved to 8.56 percent in 2021-22 from 5.34 percent in 2017-18. Similarly, the share of private non-financial corporations improved from 10.59 percent in 2017-18 to 10.71 percent in 2021-22.

TABLE NO:03 STRUCTURE AND TRENDS IN SAVINGS OF FINANCIAL CORPORATIONS IN INDIA DURING 2018-2022

	YEARS	2017-18	2018-19	2019-20	2020-21	2021-22	AVG
1	Public financial corporations	237127 (37.99)	177964 (33.47)	312703 (37.34)	279415 (35.26)	359115 (37.80)	273265 (36.58)
2	Departmental enterprises	8218 (1.32)	8451 (1.59)	8875 (1.06)	7431 (0.94)	7130 (0.75)	8021 (1.07)
3	Non-departmental enterprises	228909 (36.68)	169513 (31.88)	303829 (36.28)	271984 (34.32)	351985 (37.05)	265244 (35.50)
4	Private financial corporations	149901 (24.02)	175755 (33.06)	211991 (25.32)	233557 (29.48)	231812 (24.40)	200603 (26.85)
	TOTAL	624155 (100)	531683 (100)	837398 (100)	792387 (100)	950042 (100)	624155 (100)
Source: RBI Handbook 2018-2022 Note: Value in brackets are proportion in total in percentage							

Table 03: The study found that, the total financial corporate savings in India collected from the four broad sector such as public financial corporations, departmental enterprises, non-departmental enterprises, and private financial corporations. The study in total financial savings the share of private financial corporations slightly climbed from 24.02 percent in 2017-18 to 24.40 percent in 2021-22. Similarly, the share of departmental enterprises has substantially decreased from 1.32 percent in 2017-18 to 0.75 percent in 2021-22. The share of non-departmental enterprises improved to 36.68 percent in 2021-22 from 37.05 percent in 2017-18. Similarly, the share of public financial corporations slightly declined from 37.99 percent in 2017-18 to 37.80 percent in 2021-22.

FIGURE NO:03 STRUCTURE AND TRENDS IN SAVINGS OF FINANCIAL CORPORATIONS IN INDIA DURING 2018-2022
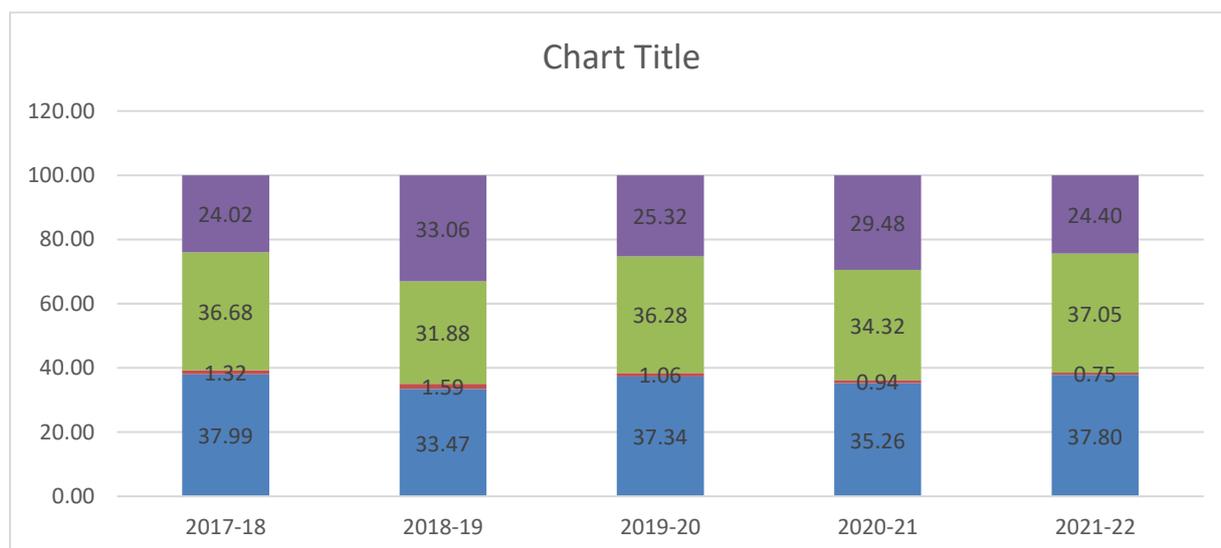
ANOVA

Source of Variation	SS	df	MS	F	P-value	F crit
Between Groups	5.7210	4	1.43E+10	0.488614	0.744026	2.866081
Within Groups	5.8511	20	2.93E+10			
Total	6.4311	24				

.The AONOVA statistical outcome reveals that P-value is 0.744026 which is higher than the standard value of 0.05 and F Value is 0.488614 is less than the F critical value 2.866081 which support the null hypothesis and rejection of alternative hypotheses. Therefore, the study accepted the null hypothesis "There is insignificant difference between and within the savings of financial corporations in India" and rejected alternative hypotheses.

TABLE NO:04 STRUCTURE AND TRENDS IN SAVINGS OF HOUSEHOLDS IN INDIA DURING 2018-2022

	Years	**2017-18**	**2018-19**	**2019-20**	**2020-21**	**2021-22**	**AVG**
1	Net financial savings	1305705 (39.61)	1492445 (38.82)	1549870 (40.31)	2276874 (51.34)	1790782 (38.77)	1683135 (41.99)
2	Savings in Physical assets	1944226 (58.98)	2309463 (60.07)	2252167 (58.57)	2119353 (47.79)	2769044 (59.94)	2278851 (56.86)
3	Saving in the form of gold and silver ornaments	46665 (1.42)	42673 (1.11)	43136 (1.12)	38446 (0.87)	59675 (1.29)	46119 (1.15)
	TOTAL	3296596 (100)	3844582 (100)	3845173 (100)	4434673 (100)	4619501 (100)	4008105 (100)
Source: RBI Handbook 2018-2022 Note: Value in brackets are proportion in total in percentage							

Table 04: In total savings of household the net financial savings marginally decreased from 39.61 percent in 2017-18 to 38.77 percent in 2021-22. Similarly, the savings in physical assets improved from 58.98 percent in 2017-18 to 59.94 percent in 2021.22. The savings in precious metals such as gold and silver decreased from 1.42 percent in 2017-18 to 1.29 percent in in 2021.22. This indicates that physical assts are major savings assets to households followed by financial savings.

FIGURE: 04 STRUCTURE AND TRENDS IN SAVINGS OF FINANCIAL CORPORATIONS IN INDIA DURING 2018-2022
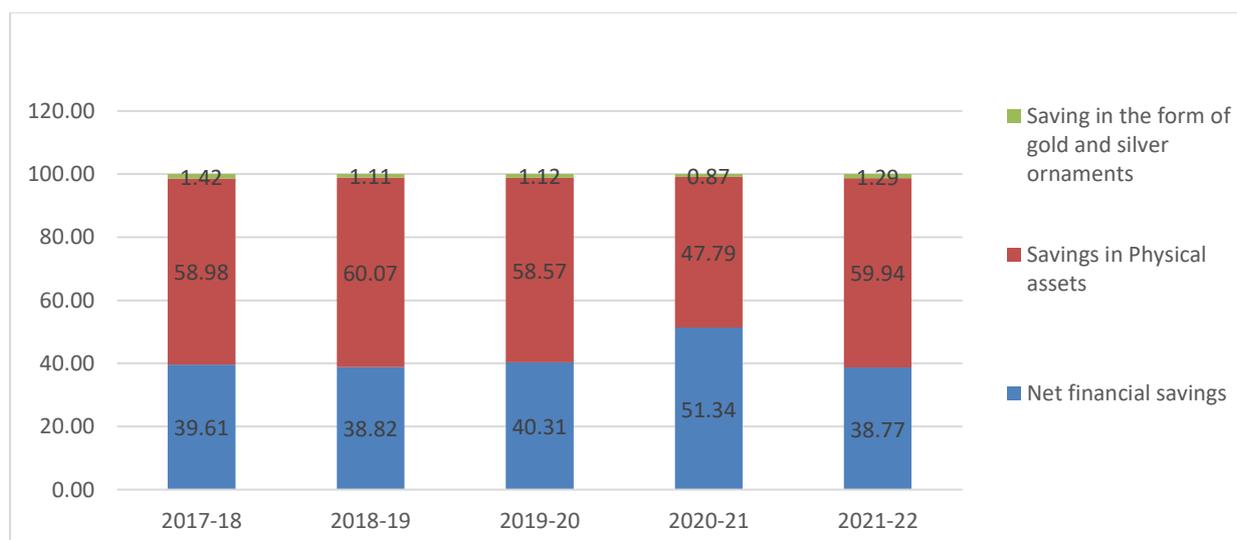
ANOVA

Source of Variation	SS	df	MS	F	P-value	F crit
Between Groups	3.72E+11	4	9.29E+10	0.066697	0.990553	3.47805
Within Groups	1.39E+13	10	1.39E+12			
Total	1.43E+13	14				

The AONOVA statistical outcome reveals that P-value is 0.990533 which is higher than the standard value of 0.05 and F Value is 0.066697 is less than the F critical value 3.47805 which supports the null hypothesis and rejection of alternative hypotheses. Therefore, the study accepted the null hypothesis "There is insignificant difference between and within the savings of households in India" and rejected alternative hypotheses.

FINDINGS AND SUGGESTIONS OF THE STUDY

- The study found that, in total gross savings of India, household sector accounts to an average of 63 percent followed by the non-financial corporations with an average of 34.17 percent, and financial corporation with an average of 11.83 percent. This indicates around two- third of gross savings are coming from householders.
- The study observed that, in total savings of non-financial corporation private non-financial savings private non-financial corporation accounts to average of 78.20 percent, public non-financial corporations accounts to an average of 10.90 percent, non-departmental enterprises accounts to an average of 8.68 percent ad departmental enterprises accounts to an average of 2.22 percent. The study suggests for increase the share of departmental enterprises.
- The study witnessed that, in total savings of financial corporations' public financial corporations share is an average of 36.58 percent, non-departmental companies share is an average of 35.50 percent, private financial corporations share is an average of 26.85 percent and departmental enterprises share is an average of 1.07 percent.
- The study also observed that, in total savings of households an average of 56.86 percent is in the form of physical assets followed by financial savings an average of 41.99 percent and 1.15 percent is in the form of gold and silver. The study suggests to encourage the household to invest in financial market instruments
- The ANOVA statistical outcomes proved acceptance of null hypotheses and rejection of alternative hypotheses.

CONCLUSION

The domestic savings are strong determinants of economic growth in the country. The present study concludes that in total gross domestic savings householders are major contributors with around two third of the share (66 percent). However, the majority of their savings are in the form of physical assets such as land etc. Thereafter, non-financial corporations' share is very significant with an average of 33 percent. However, the share of financial corporation occupied around 10 percent. The government savings rate is in negative which indicates rising borrowings of the government than savings. In overall, the ANOVA statistical outcomes proved acceptance of null hypotheses i.e. insignificant difference in savings between households, non-financial corporations and financial corporation etc.

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