

A Study on Household's Saving Behaviour with Special Reference to Coimbatore City

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ABSTRACT:

This study explores the saving behaviour of households in Coimbatore City, focusing on the socio-economic factors that influence financial decisions and investment preferences. With a sample size of 100 respondents from diverse income groups, occupations, and educational backgrounds, the study analyses the frequency, motivation, and instruments of savings using tools such as percentage analysis, chi-square test, and ranking methods.

Findings reveal that while a majority of respondents regularly save a portion of their income, their decisions are shaped more by financial awareness, family responsibilities, and personal priorities rather than income or occupation. Key motivations include financial security, emergency preparedness, and long-term goals, whereas high expenses and lack of financial knowledge remain major barriers. Savings accounts and life insurance emerged as the most preferred saving instruments.

The study concludes that improving financial literacy and providing accessible, customized financial products can significantly enhance household saving behaviour. These insights are valuable for policymakers, financial institutions, and educators aiming to foster better saving habits and financial planning among urban households.

KEYWORDS:

Savings – Financial Stability – Investment Preferences – Liberalization – Globalization – Privatization

INTRODUCTION:

Savings play a crucial role in determining the financial stability and economic wellbeing of households. The study of household saving behaviour provides valuable insights into the factors influencing savings patterns, the differences between urban and rural households, and the socio-economic determinants that shape financial decisions. This study aims to analyse the saving behaviour of households in Coimbatore, examining factors such as income levels, expenditure patterns, financial literacy, investment preferences, and socio-cultural influences. Coimbatore district, located in the state of Tamil Nadu, India, is a rapidly growing urban agglomeration with a strong industrial base, driven primarily by the textile, engineering, and automotive sectors. The district's economy has experienced significant growth in recent years, leading to an increase in disposable incomes and a growing middle class. The findings of this study will contribute to the existing literature on household finance and provide valuable insights for policymakers, financial institutions, and other

stakeholders interested in promoting financial inclusion and stability in the region. The findings can help policymakers and financial institutions design better financial products and strategies to enhance savings behaviour across different demographic groups in Coimbatore. The major leading forces behind for the vigorous growth of Indian economy is Liberalization, Privatization and Globalization. The Government has taken the various steps in order to boost the household savings which shall in turn to be the foremost contributor to speed up the economic growth.

REVIEW OF LITERATURE:

Kumar, S. and Sharma, A. K. 2015 “A study saving behaviour of rural and urban households” in India. The results showed that rural households had a higher saving rate than urban households. The study concluded that income and education were significant factors influencing saving behaviour. Additionally, the study found that rural households relied more on informal savings mechanisms.

Singh, A. and Kumar, R. (2018) “This study analysed the household saving behaviour in urban and rural areas of India”. The results indicated that urban households had a higher average monthly savings than rural households. The study concluded that factors such as income and family size significantly influenced household saving behaviour. Furthermore, the study found that urban households were more likely to save for retirement.

Ramesh, S. and Senthil, K. (2020) “This study examined the saving behaviour of households in Coimbatore district”. The results showed that urban households had a higher average monthly savings than rural households. The study concluded that factors such as income and occupation significantly influenced household saving behaviour. Additionally, the study found that rural households were more likely to save through informal mechanisms.

Sharma A.K. and Kumar, S. (2016) This study investigated “the rural-urban differences in household saving behaviour in India.” The results showed that rural households had a higher saving rate than urban households. The study concluded that income and education were significant factors influencing saving behaviour. Furthermore, the study found that rural households relied more on informal savings mechanisms.

Kumar. and Singh, A. (2019) This study reviewed the existing literature on household saving behaviour in India. The results indicated that factors such as income, education, and occupation significantly influenced household saving behaviour. The study concluded that urban households were more likely to save for retirement and other long-term goals. Additionally, the study found that rural households relied more on informal savings mechanisms.

OBJECTIVES OF THE STUDY:

- To study the demographic profile and examine the sources of income of the households in the Coimbatore city.
- To study the awareness level on availability of investment avenues.
- To analyse the preference and pattern of investment by households.
- To identify the guiding factors towards savings and investments by the households
- To find out the problems and risks faced by the households in the Coimbatore city.

RESEARCH METHODOLOGY:

- Research is the careful consideration of study regarding a particular concern or problem using the Scientific Methods. It involves inductive and deductive methods.
- Research Design is the arrangement of the conditions for the collection and analysis of data. This Research comes under the Descriptive Research. Multistage stratified random sampling has been adopted in this study.
- For this study, a sample size of 100 respondents is considered adequate to ensure reliable and valid results.

TOOLS USED FOR ANALYSIS:

Simple percentage analysis

Percentage= (Total amount of respondents / Frequency of the specific response) × 100

Chi-square test

$\chi^2 = \sum (O - E)^2 / E$ Where:

O = Observed frequency (the actual data you collected)

E= Expected frequency (the frequency you would expect based on the null hypothesis)

Σ = Summation across all categories or cells

Ranking method

Rank Score= $\Sigma(\text{Frequency Rank})$

DATA INTERPRETATION AND ANALYSIS:

CHI – SQUARE ANALYSIS:

Table: Occupation vs. Saving Habit

Occupation	Yes Regularly)	(Saves No (Does Not Save)	Total
Farmer	5	4	9
Laborer	8	5	13
Self-employed	14	10	24
Government employee	7	3	10
Private employee	10	7	17
Other	18	9	27
TOTAL	62	38	100

Source: Primary Data

Null Hypothesis (H_0):

There is no significant relationship between the occupation of respondents and whether they save a portion of their income regularly.

Alternative Hypothesis (H_1):

There is a significant relationship between occupation and the likelihood of saving regularly.

Value calculation:

O	E	O-E	(O-E) ²	(O-E) ² /E
5	5.58	-.58	0.3364	0.0603
4	3.42	0.58	0.3364	0.0984
8	8.06	-0.06	0.0036	0.0004
5	4.94	0.06	0.0036	0.0007
14	14.88	-0.88	0.7744	0.0520
10	9.12	0.88	0.7744	0.0849
7	6.2	0.8	0.64	0.1032
3	3.8	-0.8	0.64	0.1684
10	10.54	-0.54	0.2916	0.0277
7	6.46	0.54	0.2916	0.0451

18	16.74	1.26	1.5876	0.0948
9	10.26	-1.26	1.5876	0.1548

Calculated chi-square value: $X^2=0.9503$

Degree of Freedom (Df) $= (r-1) (c-1)$
 $= (6-1) (2-1)$
 $= 5 \times 1 = 5$

Level of Significance: 5%

Calculated Value = 2.549

Tabulated Value = 11.070

From the analysis, the calculated chi-square value (0.9503) is less than the tabulated value (11.070) at a 5% significance level. Since the calculated value < tabulated value, we accept the null hypothesis.

Tabulated Value > Calculated Value

This means that there is no significant relationship between occupation and whether respondents save regularly. This suggests that saving habits are not strongly influenced by occupation and may depend on other factors like financial literacy, family responsibilities, or income level.

RANKING METHOD:

Ranking of Purpose of Savings preferred investment instrument

Investment Option	No. of Respondents	Rank Assigned	Total Score
Bank account	29	1	29
Post office account	26	2	52
Chitt funds	20	3	60
Mutual Funds	14	4	56
Life insurance	11	5	55

Interpretation:

- **Bank accounts rank the highest (Score = 29)**, showing a preference for secure, easily accessible funds.
- **Life insurance (score =11)** while mutual funds are the least preferred.

SUGGESTIONS:

- Implement financial education programs to improve investment awareness, especially among young adults.
- Promote automated savings plans through banks and financial institutions.
- Promote emergency fund savings as a key financial goal.
- Offer separate high-interest emergency savings accounts to ensure financial security.
- Encourage households to seek financial advisors for better savings and investment decisions.
- Provide customized savings and investment plans based on individual income and expenditure patterns.

CONCLUSION

The study underscores the importance of financial literacy, accessible financial products, and structured savings plans in shaping household saving behaviour. The study on household saving behaviour in Coimbatore City provides valuable insights into the financial habits, investment preferences, and challenges faced by individuals. The findings highlight that while a majority of households are young, educated, and belong to the middle-income category, their saving and

investment decisions are shaped by financial awareness, expense management, and personal priorities rather than just occupation or income levels. The study reveals that financial security and emergency funds are the primary motivations for saving, while high expenses, lack of financial knowledge, and limited access to financial tools act as major barriers. Savings accounts, life insurance, and fixed deposits remain the most preferred financial instruments, whereas mutual funds and high-return investments are less popular due to risk perception and lack of awareness. The analysis confirms that income and occupation do not significantly impact saving habits, suggesting that savings behaviour is more influenced by personal financial literacy and family responsibilities. The method further supports that financial security and emergency funds are the top priorities, whereas high expenses remain the biggest challenge to saving.

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