Chapter V

FORMS AND PATTERN OF FINANCIAL SAVINGS OF RURAL HOUSEHOLDS

5.1 Introduction:
Unlike the previous chapter where the magnitude and motivations of saving and income of the individuals has been critically discussed, this chapter will explore the different forms or different type of financial institutions where the amount has been saved as reported by the respondents of the sampled households. Most of the time individuals always try to save their money in several forms of financial assets both in the formal as well as informal financial institutions. For instance, individuals keep the savings in the form of cash, deposits with different banking and non-banking companies, investments in shares and equities, bond and debentures, claims on government and private insurance fund, provident funds and pension funds and other assets (trade credit/debit). The chapter focuses on financial saving of households held by banks, post offices, microfinance institutions and other saving avenues.

5.2 Saving Pattern in different Forms among the Rural Households:
The savings reported by the households are saved in different forms (different type of financial institutions). The saving pattern of the sample households in different forms has been discussed in the following section. Table 5.1 displays the different forms of saving among the rural people along with average saving and percentage share of households in the respective form. The results indicate that the major form of saving is the savings in banks which accounts about 68 percent of the total savings of the
households. The other types of savings are savings in post offices and savings in all other informal institutions which accounts 15.9 and 15.7 percent respectively. The table also shows that more than 70 percent households have reported out of the total household surveyed of having savings at least in one form. More than 60 percent households out of the total reported households have saved in banks and almost 12 percent has saved in post offices and 27 percent of them saved in informal institutions. The amount of average saving in bank account is Rs. 4524 while in post office it is Rs. 4511 whereas the savings in other informal institutions is very less compared to the savings in banks and post offices which indicates the declining position of informal financial institutions in rural areas.

**Table 5.1**

<table>
<thead>
<tr>
<th>Types of Saving</th>
<th>HH Reported (%)</th>
<th>Average Saving (in Rs.)</th>
<th>Share in Total Saving (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Savings in Bank</td>
<td>61.3</td>
<td>4524</td>
<td>68.4</td>
</tr>
<tr>
<td>Savings in Post Office</td>
<td>11.9</td>
<td>4511</td>
<td>15.9</td>
</tr>
<tr>
<td>Savings in Others*</td>
<td>26.9</td>
<td>1982</td>
<td>15.7</td>
</tr>
<tr>
<td>Total</td>
<td>70.6</td>
<td>4787</td>
<td>100.0</td>
</tr>
</tbody>
</table>

*Source: Field Survey.*

*Note: *indicates the sum of savings saved in different informal institutions.*
Figure 5.1 displays the percentage share of saving in different forms among the different occupational groups of the sample households. The graph shows that the major savers in banks and post offices are salaried households whereas the farmers and self employed individuals are interested to save in post offices and other forms. But agricultural and non-agricultural labours save mainly in informal institutions. However, the major portion of total savings comes from salaried people and farmers in the rural households.
Figure 5.2: Share of Savings in different Forms by Education Level

Figure 5.2 displays the share of savings in different forms among the people with different educational levels. The results indicate the major savers in banks have at least primary and secondary education and their share in the total saving accounts almost 60 percent. However the share of saving of degree passed individuals in the total saving show very low compared to the other educational level because of their low sample.
Figure 5.3 demonstrates the pattern of savings in different forms among the different income groups in the sample areas of Assam. The different income groups are classified into three groups of income class, such as, Low Income Group (Individuals having annual income below Rs. 1 Lakh), Middle Income Group (Individuals having annual income between Rs. 1-3 Lakh), and High Income Group (Individuals having annual income more than Rs. 3 Lakh). Thus the graph indicates that the saving in the bank of the middle and high income groups is much higher than the low income group. Similarly, savings in the post office is also much higher for the people of middle and high income group. But savings in the informal institutions especially in the rural areas is much higher among the low income group households accounting almost 62 percent.
However, Figure 5.4 presents the share of saving in different forms among the different age groups. The different age groups are classified into five broad groups, such as, (a) Below 30 (Persons having age below 30), (b) 30-40 (Persons having age between 30 and 40) (c) 40-50 (Persons having age between 40 and 50) (d) 50-60 (Persons having age between 50 and 60) (e) 60 and Above (Persons having age more than 60).

Thus Figure 5.4 indicates that the share of saving by persons having age below 30 and above 60 is much lower than the share of saving of age between 30-60 groups. Similarly, pattern has been seen about the share of savings in banks and post offices.
5.3 The Extent of Financial Inclusion among the Sample Households:

Financial inclusion is a vital means of overall economic growth and equitable development for the rural areas of a country since access and availability of banking and payment services to the entire population is essential for the creation of an inclusive and efficient economy. In practice, financial inclusion is a fair, timely and adequate access to financial services that include savings, credit, payment and remittance facilities at an affordable cost, and in a transparent manner through institutional agencies. In rural areas, due to lack of saving instruments and institutions, people are left with the only option for their saving to be invested in informal vehicles. Besides, lack of awareness on the availability of savings instruments make them to keep their money idle.

Understanding the prevailing situation of poor banking and financial investment among the rural masses in the country, RBI (Reserve Bank of India) has initiated the policy of financial inclusion in 2006 to cover the hitherto excluded areas opening new branches and other financial facilities.

As per the ‘bare inclusion’ concept of financial inclusion, a household is treated as financially included household if any members of the household have bank account only. Pandey & Raman (2012) and Thigalaya et al. (2010) defined the financial inclusion in the similar way for finding out the extent of financial inclusion in their studies. In this study, access to formal financial institution is considered as criteria for household or individual being financially included and otherwise they are financially excluded. Further three financial products and services, viz. savings, credit and insurance are taken into account while measuring the extent of financial inclusion and exclusion giving more weightage to the usage of savings.
Table 5.2
Extent of Financial Inclusion among Rural Households

<table>
<thead>
<tr>
<th>Type of Financial Inclusion</th>
<th>No. of Households</th>
<th>Percentage (%) out of Total Households</th>
</tr>
</thead>
<tbody>
<tr>
<td>Having Bank Account only (Bare Inclusion)</td>
<td>301</td>
<td>94.1</td>
</tr>
<tr>
<td>Having Bank Account along with Insurance (High Inclusion)</td>
<td>103</td>
<td>32.2</td>
</tr>
</tbody>
</table>

*Source: Field Survey.*

Table 5.2 reveals the extent of financial inclusion in terms of bare and high inclusion among the rural households in sample area. It is evident from the data that more than 90 percent of the sample households having at least one bank account termed as bare inclusion whereas about 32 percent of them have at least one insurance policy indicating high inclusion of the household. Figure 5.5 displays the level of bare and high financial inclusion among the sample districts in. The graph demonstrates that the level of bare financial inclusion is almost similar i.e. more than 90 percent among the sample districts. Similarly, the level of high financial inclusion is also alike among the districts.
Figure 5.5: Financial Inclusion among different Districts

5.4 Conclusion:
The saving in the rural areas of Assam can be categorized into three different forms, i.e. savings in bank, post offices and other informal institutions. The results show that the major form of saving in Assam is savings in banks which accounts about 68 percent of the total savings of the households. But the savings in other informal institutions is very less compared to the savings in banks and post offices indicating the declining position of informal financial institutions in the rural areas. However, the distribution of percentage share of saving in different forms among the different occupational groups shows that the major savers in banks and post offices are salaried households whereas the farmers and self employed individuals are more interested to save in post offices and other informal forms. But agricultural and non-agricultural labours save mainly in
informal institutions. But, the major portion of total savings comes from salaried people and farmers in the rural households.

The extent of financial inclusion in terms of bare and high inclusion among the rural households in sample area shows that more than 90 percent of the sample households having at least one bank account which has been termed as bare inclusion whereas about 32 percent of them have at least one insurance policy along with the bank account which has been termed as high inclusion. In addition, the district wise distribution of the position of financial inclusion reveals the similar status among the all sample districts.