Chapter I  
Database and Methodology

1.1 Introduction

Poverty amidst plenty is the world’s greatest challenge. Distribution of world population living below poverty line ($1/day) reveals that, in Middle East including North Africa and Europe including Central Asia, just 2.5 per cent population to total world population lives below poverty line. The geographical belt of Latin America and Caribbean region covers 6.5 per cent of world’s poor population. But in the East Asia and Pacific, sub Saharan Africa and South Africa bulk of the poor population; more than 2.8 billion-almost half live on less than $2 a day and 1.2 billion a fifth live on less than $1 a day. Especially, the enormous figures of poor population residing in developing economies have terrifying impact on development processes.

The existence of and fluctuations in the volume of poor population in the least developed and developing economies has forced such countries to think and act over the problems centred around it. While social activist and academician started to think, talk and write on its various dimensions, that sincerely began since the end of Second World War, from where the imperialism started to diminish and countries finding themselves as independent state. The establishment of two major international economic institutions (IBRD and IMF) and concentration on development economics receiving attention towards rapid development helped in studying and modeling overall nature of development momentum, which ultimately led to assess and focus on the issue of poverty in those countries. At the beginning of the 2nd half of twentieth century, effort were devoted to conceptualise and measure the poverty (Gabried K, 1962 and Kristol, 1964). Then the focus was diverted to searching the causes of poverty (Gunnar Myrdal, 1969.). J. K. Galbraith (1979) while quoting the problem of poverty said that, “the problem is not economics, it goes back to a far deeper part of human nature. As people become fortune in their personal well-being and as countries become similarly fortunate, there is a common tendency to ignore the poor.” The latest expression by World Bank in its report entitled “Attacking Poverty” (2000/2001) has concentrated on remedial measures to tackle and minimize the problem of poverty.

India with nearly 65 per cent of poor population was endorsed at the time of independence. India is still a home for as many as 260 million poor people, largest number in any single country in the world. (Radhakrishna, Rey 2005). In spite of tremendous explosive problem of
poverty, it takes time of one and half decade after independence to think over it. Again beginning was made by Ford Foundation (USA) by offering a study on problems of poverty as one of crucial problem in Indian economy to Dr. Dandekar and Rath. This was first systematic study centred on determining the concept of below poverty line for rural and urban India and finding out the number of poors in the country. The studies on Indian poverty then was conducted by B.S.Minhas, Zaheer and the Planning Commission. The task force was mainly concentrated on determining the poverty line with identifying the number of poor and the causes along with suggesting some policy measures.

Majority of above studies belong to the class of macro-level analytical approaches into an enquiry, causes and measurement aspects of poverty.

Unfortunately, those ubiquitous number of studies and applications of policy measures suggested in it, have not proved enough to bring out experience of faster declining rate of eradication of poverty in developing and rapidly developing country like India. The same fact has been emphasised as the need of thinking and illustrating the problem of poverty line in a new perspective. The micro level analytical study of below poverty level families in various regional pockets of the country may help in understanding the real socio-economic and also psychological environment in which such families try to command their day to day livelihood means.

Taking into account the same facts and figures, an attempt has been made to undertake the research work which analyses income, saving, and investment behaviour of landless below poverty line (BPL) families in least developed rural areas, which belongs to drought prone tehsil area (Khatav) located in Western Maharashtra. The topic selected for study purpose assumes special significance as landless BPL families occupies bottom strata of poverty pyramid in India. The behavioural trend pertaining to approbation to sources of income and its nature is one of the crucial factors, which determines the intensity of povertyness to such landless BPL families. Secondly, inspite of limited scattered and temporary sources of income available to them, they practice various types of savings-investment patterns.

To escape from the vicious circle of poverty, only the programme oriented measures devoted to raise the level of income have been proved inadequate. Hence, the factors influencing further income generation, which helps in stimulating income generation activities needs to be traced for such families. Different types of means of savings and investment are such factors which may be assessed and analysed with reference to behavioural trend of such families regarding saving and investment.
Hence, an emphasis has been made to study income, saving and investment behaviour of landless BPL families.

The analysis of the landless BPL families regarding their struggle to search and command over sources of income, efforts to keep aside some fraction of earnings as savings and willingness of investment in various forms certainly have linkage to the national economy. This study is different in nature that their location was in adverse geographical region having no single property asset owned by them and no industrial development around them. The only source of income is marketing the labour and that too is unskilled. Even the general BPL families in some respect owns some property like own house, some land and skilled labour. But landless BPL families is such a segment of society in general and BPL families in particular who do not possess any capital, property asset except two hands donated by the Lord to work and to earn on the given socio-economic background. The lifestyle of such families revealing various dimensions of thinking; properly gathered and analysed may help in designing separate policy measures and programs for upliftment of such families from bottom of the poverty pyramid. Although everyone agrees on the goal of poverty reduction, policies often remain controversial or ineffective. Given that livelihood of millions of such landless BPL families are at stake, is an urgent need to reconsider the cause and remedies of poor people residing at the bottom of poverty pyramid in Indian context. It urges the need for micro-level study especially, belonging to ultra-poor families in rural areas. Keeping this in mind urgency of this research work and to study the behavioral trend of landless BPL families regarding their sources of income, saving and investment habits is the outcome of extra ordinary findings of the research.

1.2 Objectives of Study

The present work aims at analysing and finding the extent of fulfillment of the following objectives.

1. To analyse the various sources of income of rural landless BPL families.
2. To examine nature and pattern of saving and investment by the rural landless BPL families.
3. To suggest the measures for promoting the willingness and propensity to save, invest and generate the income among the rural landless BPL families.
1.3 Review of Literature

Keeping the scope of the study in mind, this part of chapter reviews the literature on the theme so far undertaken by various academicians. At the outset the concepts associated with study vis-a-vis macroeconomic theories have been exhibited. Review of literature pertaining to some of the important studies and surveys related to the study have been accounted in brief.

Income

In economics, the concept of income plays key role. All the economic activities of the individual or society moves around income. It determines the standard of living of the individuals as well as family and also status of the national economy. Since long, Western and Indian thinkers, as well as economists have depicted the religious, social and economic aspects and values, concerned to the term “Income.” An ancient Indian economists and strategic politician; Chanakya ( Kautilya ) had made some remarks on it. He said material gain, spiritual good and enjoyment constitutes the three kinds of wealth ( Artho Dharmah, Karma, Arthatrivargah.). He used the term ‘Arth’ synonymous to wealth. Through wealth one can achieve all gains ( Arthashastra 9.7.60.)

Similarly, some great Indian scientists social as well as Maharashtrian saints have submitted their views on the income earnings with the touch of moral and spiritual approach. For instance, saints like Dnyansenshwar, Tukaram, and Ramadas, in their Sholka, Abhangas and Ovees have made certain valuable remarks on income earnings.

The great Indian freedom fighter, Mahatma Gandhi has also explored the valuable thoughts on income. According to him work is the main source of income generation.

The father of economics, Adam Smith had his distinctive views about the term income. According to Adam Smith wealth generation are related to income.

The Classical, Neo classical, Keynesian and post Keynesian economist have taken distinctive efforts to analyse the term ‘income’. Some have explained it in theoretical manner. Basically, these theories are termed as consumption theories, still we call them as income theories ;as those theories were centred around the term ‘income’. Some income theories have been explained in brief which are also saving and consumption theories. Some of them are stated below.

1. Keyne’s psychological law of consumption function.
2. James Tobin and Aurther Smithies-Absolute Income hypothesis.
3. Dorathy brady, Rose Friedman-Relative Income Hypothesis.
4. Prof. Milton Friedman - The Permanent Income Hypothesis
5. France Modigliani - Life Cycle Hypothesis
6. M.J. Farrell - Normal Income Hypothesis
7. Modigliani and Brumbergs - Rate of Growth Hypothesis

**Saving**

According to J.S. Mill, that part of the income, not consumed is nothing, but saving. The classical economists have addressed the concept of saving as synonymous with the concept of capital accumulation. Classical economists ignored the hoarding of money by individual and families. They thought that saving creates effective demand. Saving is interest rate elastic (Kurihara 1951)

The neo-classical economists, like Fisher considered saving as an inter-temporal utility maximization exercise of the households. Saving involves a choice between present and future consumption. According to them saving is dependent on individual’s degree of time preference and rate of interest (Pradhan et al 2003)

Saving according to J.M. Keynes was defined as the excess of income over consumption expenditure. Aggregate saving is the direct result of the saving of individual units in the economy. Current saving depends upon current income level and not on the rate of interest.

There are two concepts of savings i.e., the flow concept and the stock concept. The flow concept of savings is defined as earned surplus, which is calculated as the difference between current income and expenses, where expenses include personal tax payments as well as consumption expenditure. According to flow concept of savings,

\[
\text{Savings} = \text{Current Income} \ - \ (\text{Personal Tax Payments} + \text{Consumption Expenditure})
\]

The stock concept of savings stands for the change in the individual’s or groups (family’s) net worth, equivalent to the increase in assets including direct investment using family labour and own material inputs less the increase in liabilities excluding gains or lossess from revaluation of assets.

Saving based on the flow concept, being the difference between disposable income and actual present consumption expenditure can be estimated by using income account method. Saving is also based on the stock concept which can be estimated by balance sheet method (P.G.K. Panikar 1992).

Post-Keynsian defines household saving as difference between total income earned by the household from all sources of income minus consumption expenditure and net payment of tax. Items which covers the
consumption expenditure includes; consumption expenditure on cereals, pulses, other food items, clothing, footwear, fuel and light, wealth expenditure, education, rents to hired houses, ceremonial expenses and other non food items etc.

The latest definition of saving presented by the United Nations System of National Accounts (UNSNA-1993) is reproduced here. Accordingly, “saving represents that part of disposable income which is not spent on final consumption of goods and services.” It may be a positive or negative depending on whether disposable income exceeds final consumption expenditure, or vice versa. Sometimes saving may be zero if final consumption expenditure equals disposable income. When saving is positive, the unspent income must be used to acquire assets or reduce liabilities. If unspent income is not used deliberately to possess various financial or non-financial assets, or to reduce liabilities, it must materialise as an increase in cash, which is called as financial asset. If saving is negative, some financial or non-financial assets must have been liquidated, at that time cash balance hold by the households or individuals run down of some liabilities are increased. In short, saving provides a link between the current accounts of the system and the subsequent accumulation of accounts of the household so far referred.”

The National Council of Applied Economic Research (NCAER) while using the conventionally known residual method of estimation the saving has put the concept of saving in the following formula

\[ S = (\Delta PA + \Delta FA) - (\Delta L + CT) \]

Where,
\[ S \] = Total savings
\[ \Delta PA \] = Change in physical assets (acquisition minus liquidation)
\[ \Delta FA \] = Change in financial assets (increases minus decreases)
\[ \Delta L \] = Change in liabilities (increase in borrowing minus increase in lending)
\[ CT \] = Inflow of capital transfers (inflow minus outflows)

There had been various paradigms of viewing savings (Pradhan et al 2003). The classical economists have addressed the concept of saving as synonymous with the concept of capital accumulation. While explaining fundamental propositions, J.S.Mill (1871) said that, industry was limited by capital. Capital is the result of saving and the capital although the result of saving is nevertheless consumed. According to Classical economists whatever amount is saved, is used for investment, saving creates effective demands, just as surely as do consumption spending (Blaug, 1968). Increased savings on the part of different individuals, according to Classical led to increased savings of the
community. Classical economists thought that, an allround increase in individual saving will ultimately lead to national savings, so, it is very essential for economic development (R.D.Gupta, 1988). Under the assumption of Say’s Law of Market’, Classical theory regarded saving as an investment and not as a distinct or separate process. The Classicals are said to regard saving as a virtue and act of saving as virtuous.

The most influential Neo-classical views, stated in clear terms by Fisher, considered saving as an inter-temporal utility maximization exercise of the households. It is involved in a choice between present and future consumption. According to Neo classicals, savings generally depends upon individual’s degree of time preference vis-à-vis rate of interest (SCICI Ltd, 1997). The Neo-classicals are of the opinion that, the rate of interest serves as the mechanism, whereby, savings are brought into equilibrium with investment regardless of the level of income (Kurihara 1951).

Though the early Neo-classicals assumed savings as a function of the rate of interest, like Classical views, the latter day Neo classical thinking changed their views, saying that, saving is a function of income (Pradhan et all 2003 ). In a wealthy capitalistic economy, savings, may be more than investment such that the rate of interest, however, may be low. Neo-classicals felt that undersaving (over consumption ) is a principal cause of depression. Neo- classical economist explicitly recognises the role of domestic savings in the process of economic growth. According to them, an increase in savings is a precondition for acceleration growth (Andres Solimano, 1997). Thus, Neo classicals clearly admits that, savings leads to growth. So Neo classicals are known as “Active Savings School”.

There have been varied perceptions in literature about Keynes’s views on savings. Savings according to the Keynes, imply collective or aggregate savings of the community. While attacking the Classical and Neo-classicals’ saving theories, Keynes firmly put forth that, savings depends upon level of income and not the interest alone. According to the Keynes, an increase in savings rate in the community is possible only when the total income of the community increases. Keynes asserted that, when real income of the community is increased, it will not increase it’s consumption by an equal absolute amount that as a psychological rule of consumption, a greater proportion of income is saved, as real income increases ( Keynes 1936 ). Since one’s expenditure is another’s income. Increased saving on the part of some individual leads to a decline in the income and expenditure of certain other individuals. Changes in the level of savings determines the volume of effective demand, output and level of employment. Moreover Keynes says that, increased savings hampers
adversely on the effective demand, output and level of employment’ So Keynes thought that increased saving rate is a big social voice. So, Keynes-Schumpeterian approach regarding saving is known as “Passive-Savings School”. But at the same time, Keynes regarded saving as neither desirable nor undesirable. According to him, it all depends on the use to which savings may be put. Taking into account Keynesian view, Lawerence Klein put it as, there were two Keynes in the matter of saving and investment equation. Prior to Keynesian ‘General Theory’, he had different views on savings, (Lawarence Klein-1950). But Alwin H Hanson suggested that, Keynesian ‘General Theory’, in fact did not explicitly work with savings (A. H. Hanson, 1949).

To quote Hanson, “saving schedule formation it seems to me, a back door approach, it was the consumption function that came through the front door”.

In short, Keynes has established the equation of savings as
\[ S = Y - C \]
where, \( S \) = level of savings, \( Y \) = level of income, \( C \) = level of consumption.

After a heated debate on Keynesian approach towards, what Keynes actually meant by savings and relationship between various variables of savings, number of Post-Keynesian economists have taken interest in analysing the theoretical nature of savings in late 1950s and early 1960s. The distinct theories in this direction were emerged by using Simon Kuznet’s empirical works on saving and consumption expenditure ratio for the USA. The Duesenberry’s Relative Income Hypotheses, Friedman’s Permanent Income Hypotheses, Modigliani’s Life Cycle Hypotheses and James Tobin’s Absolute Income Hypotheses are those distinctive theories which were based on S. Kuznet’s empirical data. These theories have tried to seek the exact relationship between the income and savings, as well as nature of income and their impact on saving via consumption expenditure. The conclusive remarks of all above theories can be summarised below.

**Absolute Income Hypothesis** : The individual consumer determines what fraction of his current income, he will be devoting for savings via consumption depends upon the absolute level of income of an individual.

**Relative Income Hypothesis** : Relative Income Hypothesis states that, savings depends not on the level of income, but on the relative position of the individual on the income scale, with average propensity to consume declines as relative income increases.

**Permanent Income Hypothesis** : Permanent income hypothesis states that, the basic relationship between savings via consumption and
income is proportional. It distinguish between permanent income, transitory income, permanent consumption and transitory consumption.

**Life Cycle Hypothesis:** In the life cycle hypothesis, consumption is taken as a function of wealth of individual and not simply income. Life cycle hypothesis is similar to permanent income hypothesis.

The rate of growth hypothesis was developed by Modigliani and Blumberg in 1953. According to the rate of growth hypothesis saving rate is proportional to the rate of growth of aggregate real income and in independent of how this growth is compounded of changes in population. In the long-run equilibrium, aggregate saving is determined by changes in population structure and in real income per head. If these factors change steadily, the fraction of aggregate income saved is proportional to the rate of growth of aggregate real income.

Beside, the above theoretical explanation of savings, recently an account has been taken by Hadjimichael (1995) regarding explaining the effects of per capita growth of the rate of savings and investment on population growth and economic, social, policy environment. Samuelson and Nordhaus (2002) have developed endogenous growth model. It attempts to explain growth rates as functions of social decisions, in particular of savings rates. High rate of savings help in capital accumulation, combined with social sector development. By taking in to account, the review of the myriad literature on savings and reviewing the 134 country fact sheet on saving, Schmidt-Hebbel Serven and Solimano (1996) came to the final conclusion in their work, Saving: Unresolved Question (1996). Accordingly, recent research on saving and consumption has gone beyond the structuralist two-class consumption theories of the 1950 as well as the Neo-classical hypotheses. Newer hypotheses address precautionary savings and borrowing constraints. None of these theories are able to explain the large international differences in saving levels and the large shifts in saving rates within many countries since 1960.

**Investment:**

If saving is considered the first important pillar of the development of growth economics, ultimately the investment performs the role of second important pillar, without which any economy do not move towards the path of development and growth. So the beginning of economic thoughts to still today, majority of economists have concentrated on the term investment in their theoretical and applied literature and in designing the economic policy making relevant to it. Here an attempt had been made to take brief review of literature on
investment, and review has been taken of some major survey and projects in respect of investment behaviour.

The Dictionary of Economics and Commerce defines the term “investment” in two related meanings. In economic theory, it is generally taken to mean the actual production of real capital goods. Thus the consumption of new motor or the establishment of a new factory buildings are examples of real capital investment.

As a financial term, it refer to the purchase of stock exchange security of government securities issued through the Post-office, or deposits in banking and in other types of financial institutions, within either of securing income or a refund of a greater sum at some future date.

From the point of view of an individual, investment consist of the purchase of any capital asset that is excepted to yield income in the future. The typical of such capital assets are real estate, machinery, stock of merchandise, bonds, stocks and mortgages. From the point of view of society, investment is a producing wealth, that will yield income in future. This sometimes is called as capital accumulation (R.T. Bye 1956).

Adam Smith has not clearly expressed the term ‘investment’ in his writings. But the concept of capital accumulation and purchase of capital assets was explained by Smith is synonymous to the investment. In modern economics, the term ‘investment’ was distinctively emphasized by Keynes in his writings.

According to Keynes, investment includes additions to the existing stock of real capital assets, such as construction of new factories, new factories, new office buildings, transportation facilities and additions to investment i.e. stock of goods. The purchase of stocks and securities, bonds and other types of money were not included in investment by Keynes. Such types of investment was called as financial investment by him. Keynes thought that for the community as a whole financial investment do not increase or decrease the stock of real capital assets. For such financial investment done by one party who purchases securities is just offset by the financial disinvestment by the other party, who sells the bonds and securities. Investment does not includes additions to fixed capital only but also an addition to inventories. This type of investment may be intentional (intended) or unintentional (unintended).

The Classical view of investment as a function of rate of interest was criticized by Keynes. Keynes first explained that investment is not merely function of interest rate, but also of the marginal efficiency of capital. He classified investment as autonomous investment and induced investment. Induced investment is that investment which changes with a
changes in income. So induced investment is income elastic. Induced investment is motivated by expected profit.

According to Keynes, the autonomous investment is public investment, which is not motivated by profit, it is income inelastic. The recent literature on investment, goes further to the Classical and Keynesian views on investment. While explaining the nature, the rate of investment at micro and macro economic activities, emphasis has given on the household investment. For an individual economic unit, acquisition of all income generation assets, both physical and financial are called as household investment (Pradhan at al 2003). The activities of purchase of gold, silver, jewellaries and consumer durables and inventories are also included in investment. Inventories includes the farm activities, business activities and live stock.

Some macro and micro-level studies related to illustrate the household savings behaviour ultimately focus on the investment behaviour of households. Still some outstanding studies, workshop and seminars were held to analyse and suggest the policy measure in respect of investment behaviour. In 1997-1999, National Council of Applied Economics Research (NCAER) and Self-Employed Women Association (SEWA), Ahmedabad had completed two year research programme entitled “Measuring the contribution of the Unorganised Sector”. It was found that, most savings in unorganized sector is directed solely at avoiding recapitalisation and it is invested for capital formation. In the unorganised sector human capital investment are often more important than physical capital investment.

Some important survey pertaining to the investment may be mentioned as below,
All – India Rural Credit Survey 1951-51
All – India Rural Debt and Investment Survey 1961-62
All – India Debt and Investment survey 1971-72
All – India Debt and Investment survey 1981-82
All – India Debt and Investment Survey 1991-92

Being recognised the crucial role of saving in accumulating the capital formation and leading towards a increasing investment level, Commerce Department in USA first started to compile the data on savings since 1929. Meanwhile periodical household budget studies were conducted for estimation of savings. Still, it is held that in USA officially sponsored efforts in this regard got momentum from submission of findings of the “Conference on Research in Income and Wealth” in the late 1930. In this regard two more studies conducted by Raymond Goldsmith (A Study of Saving in United States (1955) and Heller Boddy and Nelson’s symposium paper’s on ‘ Savings in the Modern
Economy(1953) about short run saving behaviour and saving estimates along with trends and composition of domestic saving in USA, Canada and Europe as well as in the underdeveloped countries are being held as a bench-mark attempts in publishing the literature on savings. But in this line, Simon Kuznets estimates of saving for long period, beginning from 1946 is being recognised as one of the most outstanding work, which was referred by eminent scholars for various studies there after (Friendman 1957). Thus applied research in varied dimensions of savings conducted then after was basically inspired by attempts made in USA.

In India, up to the middle 1950’s, there was no systematic official measurement of saving and capital formation (B. Pradhan et al, 2003). Afterward by knowing the importance of estimates of savings for planning and other purposes attempt in that direction was made by Avadhani and by his associates by pulishing the book entitles as “Savings In the Indian Union (1960)”. Meanwhile RBI also had begun to prepare estimation of domestic savings. Since then RBI is indulged in preparing and publishing the data on savings. After the establishment of Central Statistical Organization (CSO) and the National Council of Applied Economic Research (NCAER) the process of compiling data on savings was started to get momentum in India. While CSO obtained indirect method and NCAER relied on direct method based on survey. But, still the efforts were aimed at maro-level studies on saving. It inspird scholars to look insight perspectives of saving leading them to study it in micro-level fashion. Here, an attempt has been made to present some selected micro-level studies in household savings and investment, which came to notice in a process of on going research work.

A micro-level survey study undertaken by Narayana D.L.(1979) for1200 rural households and 450 urban households from 12 villages and three towns in Chottor District restricting their annual income ranging between Re.15,000 to 25,000 for the year 1973-1974, and by adopting the balance sheet method collected some information on income, savings and investment. No information was gathered on consumption expenditure. The definition of household saving includes purchases of consumer durables as well as gold and jewelery.

The result revealed that, the averages saving-income ratio of total rural households was 15 per cent and that for urban households it was 16 per cent. More than 35 per cent of rural households and 28 per cent urban households were dissavers. Of the total financial savings of rural households, 43 per cent was belonged to net investment in gold and silver. In the case of urban households, 7 per cent of the physical assets formatting represented in consumer durables. For revealing saving pattern of rural and urban households, study had attempted to analyse
household saving by occupational category, by educational standards of chief earners and by number of earners.

State Planning Board in Kerala had conducted a household survey in 1977-78. It was entitled as “Report of the Survey of Household Saving and Investment”. This survey covered all the erstwhile 11 districts in Kerala state. For that multistage sampling designing was adopted.

The balance sheet method was adopted for estimating savings of sample households. In that survey, it was revealed that household saving ratio was 18 per cent of state domestic product during the year 1977-78. Then the state possessed a low per capita state domestic product compared with the national average. At that time, Central Statistical Organization (CSO) had estimated national level household saving at 15.3 per cent of national gross domestic product (GDP).

One of outstanding study entitled as “Rural Household Saving and Investment” was conducted by P.G.K. Panikar in 1992. It was aimed at estimating household saving and investment in the villages of Kerala and Tamilnadu states. The study covered each 2 villages from Kerala and Tamilnadu state. The identification of the villages involved a multi-stage selection-sample villages from the selected blocks which were chosen after consultations with the block level government officials. Trivendrum and Kottyam from Kerala state and Tanjawar and Thirunelveli from Tamilnadu were four villages selected for survey. Total 445 households in all over four villages were selected as sample size.

The survey first focused on demographic profile. Earners and dependants, level of education, size and pattern of assets and income level of selected sample households were the supporting variables studies by the researcher.

The main objective of the study was to gain insight in to the various factors affecting the level of saving and investment among rural households. For this he had adopted income method and balance sheet method. By applying income method for estimating the savings and investment of rural households, it was found that three out of four villages were dissavers. Average saving in both villages from Kerala was negative. But by using balance sheet method, it was found that majority of sample household samples in all four villages, emerged as savers.

The study analysed that factors underlying the rate of saving, such as ability to save, desire to save and motivation for saving. A study revealed that there was relatively high proportion of saving in the form of financial saving. It was also noticed that investment in constructing houses and purchasing that consumer durables was substantially higher in the case of villages in Kerala.
In pursuance of this intellectual virtuals we preferred to pay our attention to the drought zone BPL families, whose happiness index remained at a satisfactory level. The poor even with natural adversities prefer to save due to their optimistic views of life without discouraging the facts caused by natural factors. We can not separate income, saving consumptions and investment from one another. It is comprehensive economic activity depending upon the scale of peace and harmony in the routine life and encourages freedom to perform freely by the poor communities. This is rarely been seen even in rural area. Hence the study was conducted to acknowledge the fact lying with drought poor families.

The Methodology must have a potentiality in depicting the overall research carried out in a nut shell. Keeping this in mind, the present research work, at the very outset motivated to select the area, which is drought.

There were two intentions behind earmarking the study area. First, it takes into account the geographical and socio-economic conditions of region. The region possess some distinctive socio-economic and geographical characteristics rarely found in other territories. Secondly, study area indicates the nature of topic and society involved in it. The rural poor vis-à-vis a behavioural economic movement of landless BPL families in respect of their income earning, savings and investment habits is the hunting area of research. The degree and spread of rural poverty can be identified through their efforts to struggle for better life has potential to improve through state effects, The traditional form of growth can not work in the area due to varieties of reason. We should be in search of paradigm shift in socio-economic aspect through local efforts.

Khatav taluka is located in a rapidly developing Satara district of Western Maharashtra. It it is a part of Deccan. Plateau with an average height of 700 meters from the sea level. The topography is characterised by presence of rugged hill range on the eastern and western borders separated by the river Yeral which broadens towards south ward. The average annual rainfall in Khatav taluka is about 462mm. The region possesses poor brown soils which is deficient in various nutrients. There is no major dam for facilitating irrigation throughout the year. The region expresses inadequate supply of both surface and underground water due to the insufficient measures of storage facilities of water established or rainwater harvesting. So it is identified as sever rain shadow drought prone taluka in Satara District. Hardly 20.27 per cent of land is used for cultivation (District Statistical Office Satara- 2001) by public and private irrigation sources to total land under cultivation.

On the industrial front also picture is very gloomy. Not a single medium or large scale industrial unit is located in Khatav taluka. The
ratio of small scale industrial units to total population was 0:02:100. Consistency in facing risk in cultivation due to very poor and scanty rainfall and barren land have badly affected on economic conditions of the farmers. Due to severe industrial backwardness opportunities of employment lacks impressively. There is a out migration of skilled labour. In such a crucial agricultural and industrial situation the people of the taluka struggle to earn for a day to day lively-hood. The families above poverty line also face number of socio-economic problems. In such a critical economic conditions, the BPL families in general and landless BPL families in particular are observed to be a enterprising group in their day to day life style. The landless BPL families are struggling to command over whatever sources of income available in the region. They are in search of the potentialities harmonising the daily income and expenditure, with optimistic look for the future. In spite of all such odds the people are forced to face varities of problems and compel them to prefer to stay at their natives rather than migrating to urban area. This peculiarity had helped in balancing the rural and urban population in the region.

1.4 Importance of Micro-studies

The poverty eradication has been a major socio-economic goal in India since independence. Minimum standard of living for all within a reasonable period, has been the major objectives of Five Year Plans in India. This has led to study and analyse the problem of poverty in various perspectives and dimensions such as norms of poverty, measuring and extent of incidence of poverty, finding out the permanent causes of poverty and the suggesting the policy measures for permanent eradication of poverty. Major studies are found in this dimension are nature of macro-studies. In spite of several macro level studies which attempted to explain measures and find out causal relationship among various macro economic variables and its impact on solving the problem poverty has still known as a home for as many as 260 million poor people, largest number in any single country in the world (Radha Krishna, Ray 2005). No doubt the macro level studies have an impact in understanding the magnitude and various dimensions of problem of poverty, but have not proved enough in bringing out rapid declining rate in proportion of poverty.

It reflects the need of studying the nature of problem of poverty in micro level sense. Unfortunately, it would be found that, in India little attention has been paid to study on micro-level analysis. The efforts in this directions of revealing the grass root level realities of poverty may help in understanding an acute nature of and measures to be employed to
tackle the problem of poverty. The micro level studies in this regard may be effective in searching out various hidden facts, such as composition of source of income and its approbation, saving and investment with potentialities and hurdles in accumulating the savings and investment.

In India, The National Council of Economic Research (NCAER) and National Sample Survey Organization (NSSO) are functioning in that direction. But the sample selected by them belongs to cover the large geographical area and the social classes. Efforts in this regard, failing to collect and assess all the realities may be causing in infectiveness in designing the accurate policy measures for implementation with, desired impact of poverty alleviation through various programmers.

It ultimately emphasizes the need of studying very phenomenon with insight and searching out the fact centred around the issues related to poverty. The micro level analytical and diagnostic efforts in this regard would be effective in determining and further managing the policies which may help in raising the capabilities of poor people from within themselves and to overcome the problems faced by them, rather than relying on merely on diagnosing and determining policy treatment based on macro level attempts so as to analyse the poverty phenomena in India.

In pursuance to this fact, an attempt has been made to study the behavioural analysis of income earning, savings and investment habits of the landless BPL families in least developed area. The poor people also save and make investment for their future. They are also enterprising in their capabilities.

1.5 Methodology

After recognising the area and the pattern of study, the of data was complied by applying primary as well as secondary sources of data. The primary data mainly belongs to the demographic profile, sources of income and saving and investment behaviour of the landless the BPL families in drought prone area of Maharashtra. which was gathered by open ended questionnaires with informal dialogues with the main and the subordinate family holders, for the reference period. The field survey was under taken for observing the insight and out side economic status of each and every family. This has helped in measuring the exact sources of income and composition of savings along with the pattern of investment. Another innovative device was used for collecting the information. It was Cross Evolution Checking Methodology (CECM). Some intimate and delicate issues pertaining to income size, mode of savings and investment of such families do not reveal perfectly to the objectives of the study. Such cases were carefully discussed with near by (neighborhood) families and with public administrative officers serving at
local areas. This has helped in removing and avoiding the errors in obtaining the correct information.

The primary data was supported by some of the secondary sources of data. The secondary data was mainly concerned to demographic profile of Khatau taluka and the number of BPL families vis-à-vis landless BPL families. The information from the Population Census (2001) and the registered village wise list of BPL families was based on the survey done by the Govt. of Maharashtra in 2002-03. The statistical data relevant to the study was gathered from the Office of District statistics Department of Zilla Parishad, Satara.

A) Sampling

The present study encountered to income, saving and investment behaviours of the landless BPL families in Khatau taluka. The survey conducted by Govt of Maharashtra (2002-03) is the basis for selecting the sample units. The 5000 landless BPL families were registered, in the total 9041 BPL families in taluka. It revealed that 53.30 per cent of families belonging to landless BPL families. For a micro level study, it was further determined to select 8 per cent landless BPL families out the total 5000 landless BPL families for insuring enough representation of landless BPL families. Two statistical techniques were applied to select the sample units by considering their rationality in concern to nature and scope of present study.

1. SSM

When an element or factor along with its variable is composed of different groups or classes, the stratified random sampling method (SSM) is generally applied. The stratified random sampling method had been applied to select the 400 landless BPL families from the universe of 5000 landless BPL families. These families were scattered in 136 villages in Khatau taluka. The villages were classified into 5 different population sizes. While doing so the demographic status of village (Population Census 2001) was the base of our study. The classification of villages on the basis of different population size, and number of villages belonging to each population size and the selected samples from each population size has been presented in the Table No.1.1
Table No.  1.1

Universe of Samples

<table>
<thead>
<tr>
<th>Class of village under different population size.</th>
<th>Number of villages belonging to each population size</th>
<th>No.of LBPL Families</th>
<th>Selected samples</th>
</tr>
</thead>
<tbody>
<tr>
<td>0 - 500</td>
<td>13</td>
<td>100</td>
<td>8</td>
</tr>
<tr>
<td>501-2000</td>
<td>84</td>
<td>1712</td>
<td>137</td>
</tr>
<tr>
<td>2001-4000</td>
<td>25</td>
<td>1326</td>
<td>106</td>
</tr>
<tr>
<td>4001-6000</td>
<td>7</td>
<td>662</td>
<td>53</td>
</tr>
<tr>
<td>6001- &gt;</td>
<td>7</td>
<td>1200</td>
<td>96</td>
</tr>
<tr>
<td>Total</td>
<td>136</td>
<td>5000</td>
<td>400</td>
</tr>
</tbody>
</table>

Note:
1. All villages were (136) selected for field survey.
2. The LBPL families at the rate of 8% were selected for survey.
3. The selected samples were categorised into the social groups. Viz. (a) open category (b) scheduled caste category (c) scheduled tribes including V.J.N.T. category (d) other backward caste category.

Taking in to consideration the total population of Khatav taluka, and villages belonging to different population size and it’s per cent to total the population, the 400 sample units were selected. It was observed that size of population and number of economic activities, such an employment opportunities, educational infrastructure were closely associated. So to have an enough representation of landless BPL families in sample units, from among 136 villages with varying size of population, the villages were classified under 5 different population size. The selected samples from the various villages has been equally distributed among the total number of villages as mentioned in table No.1.1. where the number of samples was less, there we employed our free choice of selecting the samples for study purpose. Thus the selection of landless BPL families was made on the basis of population size with all prescribed types of sample units living in the selected villages.

B) Social Category

After classifying the villages into 5 population sizes and resolving to cover adequate sample units from within each size of population probability proportional to size methodology has been considered. The landless BPL families belonging to different social categories were traced
and accordingly classified into four major social groups i.e. open category, scheduled caste category, scheduled tribes including V.J.N.T category and other backward caste category.

By applying village population size and social category criterion, the final samples were selected by probability proportion of size method. The sample size of 400 landless BPL families were classified into 4 social categories encountering 100 landless BPL families from each social groups. At the stage of selecting the 100 sample units the proportional to population methodology was adopted. Accordingly 2 landless BPL families from the first population size, 34 from second, 27 from third and 13 and 24 from fourth and fifth population size groups respectively were selected finally. The probability proportional to size methodology was essentially enhanced in selecting the sampling units. This has helped to cover the samples having various demographic, educational, social and economic characteristics which differ from population sizes.

1.6 Research Design

As was stated earlier the research work was based on secondary and primary sources of data collection.

a) Secondary sources of data collection

The secondary sources of data pertaining to demographic profile and poverty status of Khatav taluka was compiled from Population Census-2001. The list of BPL families based on survey of BPL families conducted by Govt. Of Maharashtra in 2002-03 was considered as the baseline of our sampling universe. The statistical data compiled by these methods were considered most authentic in a sense that it’s origin belongs to government agencies. For reaching the selected sample units the registered village wise list of BPL families, was obtained from the Office of Block Development Officer. The village wise list of BPL families had not marked or identified specifically whether the family belongs to the category of landless BPL family or not. However in consultation with the local Revenue Officer and also the Village Development Officer, a separate list of landless BPL families was prepared. This has helped estimate the total number of landless BPL families in the selected 136 villages. The total number has arrived to 5000 in Khatav taluka during the survey period.

By applying the stratified random sampling and probability proportional to size methodology 100 landless BPL families to each of the social category and in all 400 sample landless BPL families were chosen for our observation. The statistical data regarding the income,
savings and investments of the selected sample sizes was obtained for three consecutive budget years beginning from 2004-05.

**b) Primary Sources of data collection.**

As said earlier, the research work is a micro level study, which has relied on primary sources of data. The data related to the demographic and economic characteristics were the main items of our observation. A questionnaire and open ended dialogue method was adopted for collecting the data.

The questionnaire was shaped on the basis of objectives of the study. It was classified into four parts. The first part of questionnaire was composed of some major demographic characteristics of landless BPL household. In Which their class of social category, household size, gender classification aging pattern, literacy, educational status were included. The weightage was given to observe the demographic status of sample households. The second part includes information about the sources of income. While confining to the sources of income we accepted the National Sample Survey Organization (NSSO) and the National Council of Applied Economic Research (NCAER) as a basis for sources of income. To reach the realities towards goal of measuring and analysing the income sources, questions were so designed that the sample household has to reveal his all sources of income. In this part in all 11 items of sources of income were identified. The next part of questionnaire was designed to collect the data about the savings habits. The savings were categorised into financial savings and physical savings as referred by the Reserve Bank of India CSO and also NCAER. In addition, a new form of savings through Bhishees and Self Help Group were also observed. In all 9 items of savings were identified.

The last part of questionnaire consists of the information regarding investment pattern and the investment habits of sample households. Various forms of investment were categorised into financial and physical investments, as structured by the RBI and NCAER. In additions the windfall investment and investment in Bhishees were taken care off.

Financial investment, as per its compositions were classified into 5 groups and the physical investment were classified into 10 groups. The data pertaining to the income, savings and investments were compiled for three consecutive budget years beginning from 2004-05 to 2006-07.

**1.7 Tools of Analysis**

In persuasion to the income earnings, savings and investment of landless BPL families reflected in the questionnaires, it goes without saying that any encumbrances except labour, which has a negligible small
size of income did not contribute to the gross-domestic savings and investment. The present study emphasises to analyse the facts pertaining to income, saving and investment behaviour of landless BPL families in least developed rural area.

The compiled data has been exploited by using the simple average method to illustrate the average household size of sample households, aging pattern, average age of the head of the household, sex ratio educational status etc. The village population size and classification of selected sample households was the basis for analysing the compiled data.

The triannual income, saving and investment performance of selected sample households for selected periods, were taken up for the analysis. Also percentage share of each source of income in total triannual income was observed. Then percentage share of each types of saving and investment in total saving and investment were taken up for the analysis. Average propensity to save and invest were calculated.

1.8 Chapters in Brief

The suitable chapterisation has been designed and the brief view of it has been taken up in the present research work.

The second chapter deals with the profile of landless BPL families is Khatav taluka. The landless BPL families in least developed rural area are the bottom stratum of rural poverty pyramid. The size of and socio economic along with demographic status of such household in overall poor household determines the exact nature of povertyness in least developed rural areas. Keeping this in mind the chapter is designed. At the first stroke it belongs to per cent of such families to total number of BPL households and their composition based on social characteristics of landless BPL families. An effort have been undertaken to reveal their demographic features, housing status and sources of income other than labour and their educational status.

The third chapter is designed to illustrate the sources of income of landless BPL families. Considering the overall sources of income of rural households as mentioned in NSSO quenquinal rounds and also observed in the field survey of the sample size were compiled and included in the questionnaire. In all 11 sources of income were checked. The data pertaining to each source of income was compiled for three consecutives budget years beginning from 2004-05 though it accounts the volume of income level, depicts the approbation towards and capabilities to command over the sources of income. The compiled data is analysed with the selective tools of analysis.
The fourth chapter deals with the saving habits of landless BPI families. It was one of the major settled objectives of the study. Basically, it was determined to study on the ground of whether such households possess any capabilities and willingness to save? if so, what is it’s magnitude and preferential scale to different types of savings? were recognised. The composition of savings structured by RBI, CSO/NAS, NCAER were followed, Accordingly, total saving was mainly classified into two components such as financial savings and physical saving. In all 9 types of savings were considered and the data related to it was compiled for three consecutive budget years beginning from 2004-05.

Certain tools of statistical techniques to find out relationship between income (Y) and saving(S) were used. This is termed as Y-S.

Fifth chapter deals with the measurement and analysis of investment behavior of landless BPL families in Khatav taluka. For which the composition of total investment, such as financial investment and physical investment structured by RBL, CSO/NAS and NCAER were used with certain additions observed in the survey. Contribution to Bhishies and a wind fall investment with which sample households were found familiar were added to the components of investment. Financial investment was classified into 5 and physical investment to 10 components. After collecting the data of three consecutive budget years beginning from 2004-05 it was processed with the help to certain statistical tools of analysis. The average, ratio, tri-annual average, percentage method were applied to analyse the compiled data. An attempt was also made to reveal relationship between income (Y) and investment (I) which is presented in (Y-I) terminology for convenience of explanation.

The sixth chapter concludes the whole analysis. The major findings and policy measures pertaining to it are submitted.