

A study on management of household expenditure and savings-investment in select households in Guwahati City

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ABSTRACT

National savings and household savings-investment are one of the key factors that have direct relationship with economic growth of a nation. In India rural household prefer physical investment or economic investment. Urban Indian prefer to invest in the form of financial investment like share, mutual fund and fixed deposit savings etc. Researchers have revealed that urban households are willing to take more risk as compared to rural households. A total 150 households of Guwahati city are surveyed to understand the expenditure behaviour and savings-investment behaviour. It is found that income and educational status of the households head are important factors that influence the expenditure habit and savings-investment habit. Households prefer less risky saving-investment avenues rather than investment in stock market and mutual funds. Higher income households often keep a written or electronic record of monthly expenses and they have expenditure plans. They prefer savings in emergency fund out of excess disposable income. Most of the households have male members as Households head that also influence the expenditure and savings-investment habit. Number of dependent in every Households also influence savings-investment habit.

Keywords: Expenditure behaviour, Savings-investment habit, Household income, Educational status, Risk.

INTRODUCTION

Expenditure and savings are dependent variables of income. Income level determines the consumption expenditure and savings habits of every household. The categorical variables such as age of family head, education level, occupation and number of dependent family members are also work as factors that influence savings and spending habit of every household. Household expenditure consist of consumption expenditure on food and non-food items. Food expenditure increases up-to a point and after that it remains constant. Expenditure on non-food items increase if disposable

income increases depending on many factors. Household debt and credit pattern also plays an important role in influencing the spending and saving habit of households. Economic and attitudinal both factors influence the spending and saving habit of consumers. But there are some factors which must take into account for the purpose of obtaining sufficient insight into consumer behaviour on spending and savings. Current and past incomes, current and past savings, presence or absence of regular saving plans, motives for saving, reasons for changing the amounts of saving, information on saving motives, holdings of liquid assets, attitudes toward liquid assets held, negative

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savings, liquid asset holdings on new savings, Income expectations, price expectations and opinions about the general economic outlook are the variables that have influence on consumer behaviour (Katona & Likert, 1946).

Guwahati City is one of the largest metropolis in North-east India. The most common economic problem faced by the citizens of Guwahati is the hike in prices of essential commodities, vegetables, poultry, fish, petrol, diesel, transportation cost at a rapid speed. The prices of these commodities keep escalating at an inordinate rate because of which the households find it difficult in managing their expenditure out of limited and stable income. In another side the city is the educational hub of North-east Indian states. Therefore it is important to study the spending and saving habit of households in the city for understanding spending-saving behaviour of urban households.

LITERATURE REVIEW

Household income is the sum total of consumption expenditure and savings-investment. Under the head consumption expenditures, all items of food and non-food including expenditures on durables are included. Non-food items include clothing and footwear, medical care and health services, transport expenses, education, and household utensils and alcohols (Sethi & Pradhan, 2012). Engle's law observed the decline of relative percentage of income on food, when income increases (Engel, 1857; Houthakker, 1957; Ankar, 2011; Chai & Moneta, 2010; Perthel, 1975; Zimmerman, 1932). Spending of income on other areas of household expenditure increases with the increase of income. Consumption pattern of majority of Indian households depend on many factors like assets, level of education, occupation and demographic characteristics.

Household expenditure functions for food and consumer good, healthcare, education and durable goods can be estimated by using Engle's law (Parida et al., 2015; Working, 1943; Leser, 1963) where households have remittance income. Multinomial logit Model can be used to estimate house-

hold expenditure function for food and consumer goods, health care, education and durable goods. Migration from one state to another is driven by income distress in rural India and remittance plays an important role for determining spending behaviour of rural India. Households having higher income spend more income in educating other dependent members of the household to enable them to migrate in other countries for earning income (Oberai & Singh, 1980; Krishnaiah, 1997; Deshingkar et al., 2006; Samal, 2006; Awasthi, 2010). Remittance helps to meet the immediate consumption need and improve the socio-economic condition of migrant's family member at origin, reduce poverty, investment in home country or home state and have spill-over effect to other household (Mohanty et al., 2014). Remittance at international level strengthen foreign exchange reserve and indirectly contribute economic growth.

Indian household's income spending habit depends on factors like educational status of households, number of dependent family members, past and present income, financial knowledge, distance of financial institution from residential area.

Household behaviour deals with theories of spending (expenditure), savings behaviour, amount of income, influence of variables other than income on spending and savings, determinants of asset holdings, determinants of specific expenditures, management of household budget and decision making process (Ferber, 1962). Income has a positive impact on savings. Current income without differentiating the types of income has a positive impact on savings (Keynes, 1936; Friedman, 1957; Muradoglu et al., 1996).

In north-east India household spending and savings are influenced by many factors like income level due to their educational status, degree of financial inclusion, occupation, lack of saving knowledge, facilities available, etc. The investment level was strongly dependent with their occupation in the population. The Government employees were the most invested group according to most of the respondents and Businessmen, Private Employees and Housewives respectively

rank second, third and fourth investing group of people (Wangkheimayum, 2014; Khatun, 2010; Nath, 2018).

OBJECTIVES OF THE STUDY

- (1) To study the expenditure behaviour of households in Guwahati City.
- (2) To study the savings-investment behaviour of households in Guwahati City.

RESEARCH METHODOLOGY

The present study is a descriptive research with a structured questionnaire followed by interview of 150 households in Guwahati city. Five point Likert scale is applied to prepare the questionnaire and to understand the expenditure-savings behaviour of the households. The popula-

tion of the study consist of households of Guwahati City. Data are coded and analysed using MS excel and SPSS software. In addition to primary data from filed survey secondary data are also used from different journal papers, thesis, websites for doing and understanding the literature review and research gap respectively.

DATA ANALYSIS AND INTERPRETATION

Table 1 shows the demographic details of households. In this table frequency and percentage are included for the data. Gender is an important determinant who is the head of households in the studied area. It is found that 81 percent of the households are headed by senior male member in their family. Age wise it is found that majority (50 percent) of households head is age group between

Table1. Demographic Details of Respondents

Gender of respondents	No. of respondents	Percentage
Male	122	81.3
Female	28	18.7
Age	No. of respondents	Percentage
18 to 30 years	10	6.7
31 to 50 years	75	50.0
Above 50 years	65	43.3
Education level	No. of respondents	Percentage
Non-Graduate	54	36.0
Graduate	56	37.3
Above Graduate	40	26.7
Family Type	No. of respondents	Percentage
Nuclear	103	68.7
Joint Family	47	31.3
Occupation	No. of respondents	Percentage
Private Service	48	32.0
Government Service	29	19.3
Business	45	30.0
Others	28	18.7
Number of Dependents	No. of respondents	Percentage
One	14	9.3
Two	70	46.7
Three	25	16.7
More than three	41	27.3

Source: Field Survey by the researcher

30 to 50 years old, followed by 43.3 percent households head is above 50 years of age. It is found that majority (37.3 percent) of the urban household heads are graduate, followed by 36 percent are non-graduate and 26.7 percent are above graduate. 68.7 percent households are nuclear family households. Occupational status highlights that in Guwahati city majority (32 percent) of the household's primary occupation is private service, followed by 30 percent households have business income source, 19.3 percent household's primary occupation is government service and 18.7 depends on other source of income. It is found that majority of the household's (46.7 percent) have two dependent members in their family, followed by 27.3 percent households have more than three dependent members and 16.7 percent households have only two dependent member in their family.

Table 2 shows statistics on average monthly income, average monthly expenditure, monthly household debt repayment and monthly household savings-investment. It is found that the mean (average) monthly income of households is

10.84 which lies between Rs.30000 to Rs.32499, the mean monthly expenditure of households is 8.34 that lies between Rs.20000 to Rs.24999, the mean monthly debt repayment of households is 2.45 that lies between Rs.5000 to Rs.7499 and the mean monthly savings-investment of households is 2.44 that lies between Rs.5000 to Rs.7499. During filed survey, there are total 20 class intervals for average monthly income and average monthly expenditure each starting from "less than Rs.5000" and last class interval "Rs.55000 & above" and 21 class intervals for monthly household debt repayment and monthly household savings-investment each starting from "none", "less than Rs.5000", "Rs.5000 to Rs.7499" and last interval "Rs55000 & above". It is found that the maximum amount of monthly expenditure for the households lies between Rs.42500 to Rs.44999 and the maximum amount of monthly debt repayment of household's lies between Rs.40000 to Rs.42499. It is found that the maximum amount of monthly savings-investment of household's lies between Rs.17500 to Rs.19999.

Table 2. Statistics on Monthly Income, Expenditure, Debt and Savings-investment of the Households

Statistics				
	Monthly Income (Rupee in thousand)	Monthly Expenditure (Rupee in thousand)	Monthly Repayment of Debt (Rupee in thousand)	Monthly Savings- investment (Rupee in thousand)
N	150	150	150	150
Mean	10.84	8.34	2.45	2.44
Std. Deviation	5.412	3.610	2.347	2.038
Variance	29.290	13.031	5.511	4.154
Minimum	1	1	1	1
Maximum	20	16	16	8

Source: Field Survey by the researcher

Table 3. Household expenditure behaviour, attitude and behaviour

Statement on Expenditure behaviour	1 = never, 2 = seldom, 3 = sometimes, 4 = often, 5 = always					
	N	Mean	S.D.	Variance	Mini	Max
Pay all household bills on time	150	3.03	1.328	1.764	1	5
Keep a written or electronic record of monthly expenses.	150	3.25	1.336	1.784	1	5
Stay within budget or spending plan.	150	3.01	1.361	1.852	1	5
Save money from every pay check.	150	3.08	.959	.920	1	5
Save for a long term goal such as a car, education, home, etc.	150	2.55	1.144	1.309	1	5
Contribute money for a retirement plan/scheme.	150	2.31	1.142	1.304	1	5
Buy bonds, stocks or mutual funds.	150	1.97	1.234	1.522	1	5
Buy household items.	150	2.85	.712	.507	2	4
Maintain an emergency savings fund.	150	2.75	1.342	1.801	1	5
Contribute an amount for adequate health insurance policy.	150	1.96	1.092	1.193	1	4
Contribute an amount for adequate property insurance like auto or home-owners insurance policy.	150	2.46	.939	.881	1	4
Contribute an amount for adequate life insurance policy.	150	2.77	.743	.552	1	4
Compare products at the time of purchasing it.	150	3.04	.962	.925	1	5
Compare prices of products at the time of purchasing it.	150	3.21	1.046	1.095	1	5
Searched for information about a big-ticket item before purchasing it	150	2.89	1.090	1.188	1	4

Source: Field Survey by the researcher

Table 3 shows the expenditure and savings-investment behavior of the urban households of Guwahati City. A total of five point Likert scale (1 = never, 2 = seldom, 3 = sometimes, 4 = often, 5 = always) based statements (Xiao & Dew, 2011) are included to understand the household's expenditure and savings-investment behavior. Expenditure behavior are analyzed from the statements, 'Pay all household bills on time', 'Keep a written or electronic record of monthly expenses', 'Stay within budget or spending plan' and 'Buy household items' with mean scores are found 3.03, 3.25, 3.01 and 2.85 respectively. It is found that 26.7 percent respondents often pay all household

bills on time followed by 24.7 percent respondents sometimes pay all household bills on time and 4.7 percent always pay all household bills on time. It is found that 26.6 percent respondents sometimes keep a written or electronic record of monthly expenses, followed by 23.3 percent often keep a written or electronic record of monthly expenses and 22 percent households always keep a written or electronic record of monthly expenses. 43.7 percent respondents sometimes buy household items, followed by 34 percent respondents seldom buy household items and 18.7 percent respondents often buy household items. Financial behaviour are analysed from the statements, 'Compare prod-

ucts at the time of purchasing it', 'Compare prices of products at the time of purchasing it' and 'Searched for information about a big-ticket item before purchasing it' and mean score are found as 3.04, 3.21 and 2.89 respectively. It is found that 50 percent respondents often compare prices of products at the time of purchasing it, 32 percent respondents often compare products at the time of purchasing it and 36.7 percent respondents often search for information about a big-ticket item before purchasing it. The savings- investment behaviour are studied with the statements, 'Save money from every pay check', 'Save for a long term goal such as a car, education, home, etc.', 'Contribute money for a retirement plan/scheme', 'Buy bonds, stocks or mutual funds', 'Maintain an emergency savings fund', 'Contribute an amount for adequate health insurance policy', 'Contribute an amount for adequate property insurance like auto or homeowners insurance policy' and 'Contribute an amount for adequate life insurance policy'. The mean score of response on the above statement are 3.08, 2.55, 2.31, 1.97, 2.75, 1.96, 2.46 and 2.77 respectively. 46 percent respondents sometimes save money from every pay check, 32 percent respondents sometimes save for a long term goal such as a car, education, home, etc. It is found that majority of the (55.3 percent) respondents never buy bonds, stocks or mutual funds. Most of them do not prefer high risk investment avenues. 28.7 percent respondents sometimes maintain an emergency savings fund, which means they have a positive attitude towards savings. Majority (49.3 percent) of the respondents never contribute an amount for adequate health insurance policy, which indicates that either they are not aware about the importance of health insurance policy or they prefer other investment options more than this. 63.3 percent respondents sometime contribute an amount for adequate property insurance like auto or homeowners insurance policy, whereas 62 percent respondents contribute an amount for adequate life insurance policy.

COLCUSION

Among the surveyed households of Guwahati city majority are nuclear family households with income from private service, govt. service and business income respectively. The educational status of most of the households head is non-graduate. The average monthly income of majority of the households are between Rs.15000 to Rs.17499 (8.7 percent), Rs.32500 to Rs.34999 (8.7 percent), Rs.12500 to Rs.14999 (8 percent), Rs.55000 & above (8 percent). It indicates that they have the capacity to save a minimum amount out of their monthly earnings. It is also important to mention that gender wise, majority of the household heads are male members and HH expenditure, savings-investment is influenced by the male member of the HHs. Higher income with stable sources of income HHs are willing to spend with planning and save/invest on regular basis. Income and education are overall important determinants of HHs spending, repayment habit of debt and savings-investment habit.

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