

# Risk Taking and Saving Pattern of Individuals of Saurashtra Region

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**Abstract:** *In present scenario investors across the nation, have more options to spend, save and invest their money for a shorter or longer period, as compared to their previous generations. It is obvious that as the number of options increase the process of decision-making becomes more complex and challenging. Development in information & communication technology, multifaceted features involved in the various financial products, the speed of growth of financial markets, new financial instruments have emerged, number of institutions enters into the financial market with the more complex products are some of the factors, which play a vital role in saving, and investment decision of the individuals. This paper attempts to review the empirical findings of relevant studies, which are analyzed from different angles, related to the areas of savings and risk taking pattern of rural and urban households. The present study is undertaken based on an in-depth field study to analyze risk taking and saving pattern of individuals of Saurashtra region.*

**Key Words:** *Financial Planning, Level of Risk, Annual Income, Savings.*

## 1. INTRODUCTION:

It is obvious that the household sector makes a major contribution to the total national savings. However, except for such data for the nation as a whole, there is hardly any detailed information based on original micro-observation about household's income and savings in different sector, which is very essential for the policy makers. As the inter-relationship between savings and investment behavior at the micro level and the operations of the economy at the macro level is complex in nature and that too in India, the composition of saving is undoubtedly different from that of the developing economies and drastically differs from that of developed countries.

Another important aspect, which is affecting to the background with respect to household savings, is the extent and pattern of consumption for the different groups of households and the large to save among households has its direct bearing on their level and pattern of consumption of increased revenue, but of diminished consumption. In this context, a detailed examination of the household income, saving behavior involving inevitably the saving patterns, motivations, number of earners, hazards of life sickness, unemployment, old age, purchase of prestigious articles, safety of investment, returns, liquidity, marketability and integrity of the investment has to be made.

## 2. REVIEW OF LITERATURE:

- **Manish Mittal and R.K. Vyas, 2008, Personality Type and Investment Choice: An Empirical Study Journal of Behavioral Finance, Vol. V, No.3, and Pp.6-16.**

The investors have certain cognitive and emotional weaknesses, which come in the way of their investment decisions. Over the past few years, behavioral finance researchers have scientifically shown that investors do not always act rationally. They have behavioral biases that lead to systematic errors in the way they process information for investment decision. Many researchers have tried to classify the investors based on their relative risk taking capacity and the type of investment they make. Empirical evidence also suggests that factors such as age, income, education and marital status affect an individual's investment decision. This paper classifies Indian investors into different personality types and explores the relationship between various demographic factors and the investment personality exhibited by the investors. The results of his study revealed that the Indian investors can be classified into four dominant investments personalities i.e. casual, technical, informed and cautious.

- **Dhiraj J. and Nikhil M, 2012, Impact of Demographic Factors on Investment Decision of Investors in Rajasthan, International Refereed Research Journal, Vol. III, Issue No. 2(3).**

They have investigated the investment decision of individuals with demographic variables (age, gender, income, qualification, occupation and marital status). They used chi-square test and correlation for data analysis and the sample size of the study was 200 respondents. They found negative correlation with them. But there was positive correlation between knowledge and the income level of investors of different cities. There was no significant relationship between genders on investment decisions in this study.

- 3 Lubna Riaz, Ahmed Imran Hunjra, and Rauf.I. Azam, 2012, Impact of Psychological Factors on Investment Decision Making Mediating by Risk Perception: A Conceptual Study, Middle East Journal of Scientific Research, Pp.789-795.

They have stated that every individual is different from others due to various factors, which include demographic factors, age, race and sex, level of education, social and economic background of the investors. The most critical challenge faced by them is the investment decision; they act in a rational manner and usually follow their instincts and emotional biases while making investment decisions. The investigation of previous studies revealed the importance of various psychological factors, which affect their investment decision. Keeping this in view, a study model has been developed to describe the impact of risk propensity, asymmetric information and problem framing on investor s behavior while making decisions through the mediating role of risk perception; also it determines how much weight is attached to each independent variable by the investors when they make their decisions. Overall discussion concluded that the investor s behavior depends on how the available information is being presented to them and how much they are prone to taking risk while making decisions; thus playing a significant role in determining the investment style of an investor.

### 3. RESEARCH METHODOLOGY:

Research Design:	Descriptive
Source of Data :	Primary Data
Research Tool :	A structured questionnaire
Sample Design:	Convenience sampling
Population:	Earning individuals of Saurashtra region
Sample Size:	600 earning individuals of Saurashtra region

### 4. RESEARCH OBJECTIVES:

1. To find out the relation between location of respondents and level of risk taken by them.
2. To find out the relation between location of respondents and annual savings made by them.

#### Research Hypothesis 1:

H0: Place where respondents are residing (location) and Level of Risk taken by them is independent of each other.

Ha: Place where respondents are residing (location) and Level of Risk taken by them is dependent on each other.

**Table 1 Location and Level of Risk Cross tabulation**

Name of District	Level of Risk			Total
	High	Medium	Low	
Dwarka (Urban)	3	11	8	22
Dwarka (Rural)	2	8	6	16
Jamnagar (Urban)	9	17	10	36
Jamnagar (Rural)	4	12	9	25
Morbi (Urban)	3	14	7	24
Morbi (Rural)	4	8	9	21
Rajkot (Urban)	6	18	12	36
Rajkot (Rural)	1	17	8	26
Porbandar (Urban)	10	18	4	32
Porbandar (Rural)	5	11	5	21
Junagadh (Urban)	4	20	11	35
Junagadh (Rural)	7	16	9	32
Gir Somnath (Urban)	3	16	13	32
Gir Somnath (Rural)	4	11	4	19
Amreli (Urban)	4	18	14	36
Amreli (Rural)	10	16	7	33
Bhavnagar (Urban)	3	21	9	33
Bhavnagar (Rural)	2	14	5	21
Botad (Urban)	3	17	6	26
Botad (Rural)	8	9	7	24

Surendranagar (Urban)	3	14	9	26
Surendranagar (Rural)	1	10	13	24
Total	99	316	185	600

**Table 2 Location and Level of Risk**

		Ranks	
Name of District		Number of Respondents	Mean Rank
Level of Risk	Dwarka (Urban)	22	320.30
	Dwarka (Rural)	16	325.50
	Jamnagar (Urban)	36	275.21
	Jamnagar (Rural)	25	314.48
	Morbi (Urban)	24	304.63
	Morbi (Rural)	21	325.33
	Rajkot (Urban)	36	306.42
	Rajkot (Rural)	26	326.60
	Porbandar (Urban)	32	223.97
	Porbandar (Rural)	21	267.74
	Junagadh (Urban)	35	312.51
	Junagadh (Rural)	32	282.56
	Gir Somnath (Urban)	32	339.81
	Gir Somnath (Rural)	19	266.55
	Amreli (Urban)	36	331.86
	Amreli (Rural)	33	247.76
	Bhavnagar (Urban)	33	306.95
	Bhavnagar (Rural)	21	297.38
	Botad (Urban)	26	291.37
	Botad (Rural)	24	261.40
	Surendranagar (Urban)	26	320.27
Surendranagar (Rural)	24	384.54	
Total	600		

**Table 3 Kruskal Wallis Test**

Test Statistics <sup>a,b</sup>	
	Level of Risk
Chi-Square	29.331
df	21
Asymp. Sig.	0.106
a. Kruskal Wallis Test	
b. Grouping Variable: Name of District	

As per the Kruskal Wallis Test P value = 0.106 is higher as compared to the level of significance (alpha=0.05). So null hypothesis is failed to reject. So we can say that place where respondents are residing and level of risk taken by them is independent of each other. Means level of risk taken by respondents is same across all the categories of location of respondents.

**Research Hypothesis II:**

- H0: Place where respondents are residing (location) and Annual Savings by them is independent of each other.
- Ha: Place where respondents are residing (location) and Annual Savings by them is dependent on each other.

**Table 4 Location and Annual Savings Cross tabulation**

Name of District	% of Annual Income saved							Total
	0 to 5%	5 to 10%	10 to 15%	15 to 20%	20 to 25 %	25 to 30%	More than 30%	
Dwarka (Urban)	2	8	5	5	1	0	1	22
Dwarka (Rural)	2	6	2	4	2	0	0	16
Jamnagar (Urban)	7	17	8	1	2	1	0	36
Jamnagar (Rural)	10	7	4	3	0	1	0	25
Morbi (Urban)	2	7	6	6	1	0	2	24
Morbi (Rural)	5	10	0	1	1	1	3	21
Rajkot (Urban)	7	8	6	5	3	2	5	36
Rajkot (Rural)	10	11	3	2	0	0	0	26
Porbandar (Urban)	6	7	13	3	1	1	1	32
Porbandar (Rural)	5	6	2	1	2	1	4	21
Junagadh (Urban)	4	12	8	6	3	2	0	35
Junagadh (Rural)	13	10	3	3	2	1	0	32
Gir Somnath (Urban)	7	9	7	6	1	1	1	32
Gir Somnath (Rural)	6	6	4	2	0	1	0	19
Amreli (Urban)	7	12	6	4	0	2	5	36
Amreli (Rural)	7	11	9	4	2	0	0	33
Bhavnagar (Urban)	5	12	6	7	1	0	2	33
Bhavnagar (Rural)	5	6	3	3	3	1	0	21
Botad (Urban)	5	7	4	4	4	0	2	26
Botad (Rural)	3	4	5	5	3	1	3	24
Surendranagar (Urban)	8	6	3	3	4	1	1	26
Surendranagar (Rural)	2	13	5	2	0	1	1	24
Total	128	195	112	80	36	18	31	600

**Table 5 Location and Annual Savings**

Ranks			
Name of District		Number of Respondents	Mean Rank
% of Annual Income saved	Dwarka (Urban)	22	333.20
	Dwarka (Rural)	16	325.81
	Jamnagar (Urban)	36	262.01
	Jamnagar (Rural)	25	229.28
	Morbi (Urban)	24	356.02
	Morbi (Rural)	21	281.29
	Rajkot (Urban)	36	348.90
	Rajkot (Rural)	26	200.79
	Porbandar (Urban)	32	312.75
	Porbandar (Rural)	21	327.64
	Junagadh (Urban)	35	330.87
	Junagadh (Rural)	32	227.84
	Gir Somnath (Urban)	32	302.31
	Gir Somnath (Rural)	19	251.18
	Amreli (Urban)	36	316.35
	Amreli (Rural)	33	282.48
	Bhavnagar (Urban)	33	313.44
	Bhavnagar (Rural)	21	304.98
	Botad (Urban)	26	331.87
	Botad (Rural)	24	387.02
Surendranagar (Urban)	26	296.79	
Surendranagar (Rural)	24	294.21	
Total	600		

**Table 6 Kruskal Wallis Test**

Test Statistics <sup>a,b</sup>	
	% of Income saved
Chi-Square	40.021
df	21
Asymp. Sig.	.007
a. Kruskal Wallis Test	
b. Grouping Variable: Name of District	

## 5. ANALYSIS:

From the above table 6 it can be observed that P value = 0.007 is lower as compared to the level of significance ( $\alpha=0.05$ ). So null hypothesis is rejected. It means that there is a very strong evidence of relationship between location of respondents and annual savings made by them. As mean rank of respondents residing in Botad Rural area is highest, we can say that they are saving more with reference to the total number of respondents in that particular area and respondents residing in Rajkot Rural area are saving less, as their mean rank is lowest.

## 6. CONCLUSION:

There are many things to consider while saving for the future. The most fundamental factor is to inculcate the habit of saving early and saving more. Generally people follow the equation of  $\text{Income} - \text{Expenses} = \text{Savings}$  but ideally it should be  $\text{Income} - \text{Savings} = \text{Expenses}$ . However, usually people fail to follow the later equation because of some uncontrollable like inflation, unplanned medical emergency, sudden mishaps, etc. So apart from income, saving is dependent on many factors. In the same way risk-taking intensity of an individual is dependent on many factors. For example number of earners in the family means if there are more than one earner in the family then the person whose income is considered as secondary source of income (e.g. females) can take more risk as compare to the person whose income is considered as primary source of income (e.g.) to meet household expenses.

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