

Saving Habits Utilization Practices on Rural Nepal : A case study of Namobuddha Kavre

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Received: March 15, 2023

Accepted: May 21, 2023

Published: December 24, 2023

Abstract

Saving is a process of setting aside a portion of current income for future use. Saving is considered important for every individual because of a number of reasons. Saving helps in situations of emergency, helps in providing for family and in living a comfortable retirement. In rural areas, saving money is quite the problem because of illiteracy, lack of employment and poor access to financial institutions.

The main purpose of this research was to understand the perception of people in rural areas about their saving habits. This research was done to understand the respondents view on importance of saving and factors that might affect the saving practices of rural people. Altogether 100 samples were taken in the area of Namobuddha rural area kavre District Rural Nepal .Face to face interview, observation method and structured questionnaire was used to collect data from respondents. The data was then analyzed to reach the conclusion. The research conducted revealed that the saving is influenced by social and cultural factors. People seemed to be conscious about the importance of saving. However, it was seen that the access of people towards commercial banks was extremely low and most of them saved their money in finances.

Key words: *saving, utilization, practice, perception, knowledge*

Introduction

Savings are a person's unapplied earnings. Once the requirements have been met, the balance individual needs for consumption. Saving, or the flow of resources accumulated in this way over a specific time period, is the process of setting aside a portion of current income for future use. Savings can take the form of rising bank deposits, buying securities, or holding on to more cash. People's preferences for future consumption over present consumption, their expectations for future income, and to some extent the interest rate all have an impact on how much they save.

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Every nation must consider saving when examining economic development and growth of any nation. By facilitating the process of capital accumulation, domestic savings growth ensures the realization of economic growth. Savings are essential for support for and growth of rural industries. They directly benefit households in a number of ways. Investments are made with savings. Savings obliquely signal repayment capacity and boost credit rating and collateral in the credit market. This funding source is constrained though. In developing nations, household savings typically make up the majority of domestic savings. Since the majority of rural households are small-scale farmers, a sizable portion of their non-farm income is generated by small and medium businesses. Their savings efforts ultimately contribute to national savings because they are made for future needs such as domestic needs, future needs for farming, or future livelihood (Boruah, K.2019). The national savings open the door for investments in the country's economic and infrastructure development (Jeyachandran, S. 2016). Nepal Gross Savings Rate was measured at 31.7% in Jul 2022, which makes Nepal stand at 22nd rank in the world in terms of savings which is better than average savings 23.15% based on 137 countries (Globeconomy.com). Higher savings rate is the indicator of nation's health as it leads to investment. However, the consumption rate is 83.89% which is greater than average rate 62.13% based on 153 countries

Statement of the Problem

Nepal is a landlocked country with a diverse ethnic and cultural population. Agriculture is important. Central to the national economy, accounting for approximately 28% of national GDP. Agriculture employs nearly 80% of all households and 66% of the labor force in the country, for their livelihoods. Nepal's economy is based on consumption. According to Nepal Rastriya Bank's Fifth Household Budget Survey 2014-15, Nepalese spend more than 85% of their income on consumption. Our country's per capita income has increased to US\$1,208, a 6.06% increase from 2020, and approximately 17.4% of the population is still multi dimensionally poor (2019, MNICS). The urban-rural divide is wide, and more than 78% of the population lives in rural areas.

Saving is influenced by two determinants ability to save and willingness to save. The ability to save is largely influenced by income level of households and others factors. Research on saving behaviors considered income as a predominant factor that influences saving (Boruah, K.2019)

Meanwhile, according to the World Bank's Global Index database 2017, only 46% of Nepal's adult population saved money in the previous year. These figures indicate that Nepal has a poor saving habit. Land size of household, low level of income,

lack of proper education on saving and investment, and unemployment are some of the factors influencing rural Nepalese saving habits. The mindset of “I’ll save when my income rises” has resulted in poor saving habits. This research want to find the real picture of saving habit and attitudes of people of Namobudha kavery rural Nepal.

What are the main elements affecting people saving behaviors?

What effects do socioeconomic factors have on how people save money?

How do financial attitudes and beliefs affect financial behavior?

Objective of the study

The objective of this study is to find out the saving habits of rural people. This study explores on saving habits and analyzing saving habits and attitude of rural people.

Significance of the Study

The saving habit is significant for personal planning, economic stability, reduced debt burden, flexibility, peace of mind, and building generational wealth. It empowers individuals to take control of their finances and prosperous future. It’s important to note that while these saving habits and practices are common in rural areas, there can be variations across different regions and communities factors such as income levels, access to formal financial institutions, cultural traditions, and local economic conditions influence the specific saving practices adapted by rural people. Promoting saving habits and practices in rural communities is vital for individual and community well-being. It enables emergency preparedness, income stability, and access to education, economic employment, poverty alleviation and overall community development by encouraging and supporting saving habits, rural people can build a more & prosper

Research Methods

Research Design and Sampling

The research was conducted using both an exploratory and descriptive research design. Purposive sampling method has been applied and 50 respondent among 250 population of namobudha rural area of kavery District.

Data collection tools and techniques

The primary data has been collected from the fieldwork conducted through schedule questionnaire, observation, and key informant interview method. The secondary data collected from subject related journal articles, research reports, institutional publication and website.

Result and Discussion

General Information

Table 1 Gender composition of the respondent

Gender	Frequency	Percentage (%)
Male	38	38
Female	62	62
Others	-	-
Total	100	100

Source: Field Visit, 2023

As shown in the above table 38% of respondent were male and 62% of the respondents were female. There was no respondent who identified as other gender. Including both the genders supported in taking perspective from both males and females about saving.

Table 2 Marital status of the respondent

Marital Status	Frequency	Percentage (%)
Married	72	72
Unmarried	18	18
Widow/Widower	6	6
Separate	4	4
Total	100	100

Source: Field Visit, 2023

Table no. 2 shows that 72% of respondent were married, 18% were unmarried, 6% were widow/widower and 4% of respondent were separated. It can be seen that there is maximum number of married respondents.

Table 3 Level of education of the respondent

Level of education	Frequency	Percentage (%)
Non-formal	30	30
Primary level up to 5	18	18
Lower secondary up to 7	16	16
Secondary up to 10	10	10
SLC pass	14	14
Intermediate	10	10
Bachelor	2	2
Total	100	100

Source: Field visit, 2023

In this table, it can be seen that 18% of the respondents were educated up to primary level, 16% were educated in lower secondary level, 13.16% were educated up to secondary level, 14 % were SLC pass, 10% were intermediate pass and 2 % were bachelor's degree holder. 30 % of respondent had non-formal education. It seems that most of the people had basic knowledge about reading and writing, only few people were SLC pass outs and bachelor's degree holders were even less in number.

Table 4 Occupation of the respondent

Occupation	Frequency	Percentage (%)
Agriculture	22	22
Business	48	48
Service	16	16
Household Work	10	10
Others	4	4
Total	100	100

Source: Field Visit, 2023

In table no. 4 can see that majority of the people in the area were involved in business with 48%. It seems that there is prospect for business opportunities in the research area as many people seem to be involved in business. 22% of respondent were involved in agricultural work, 16% were doing service jobs, 10% were doing household work and 4% were doing other kinds of work.

Table 5 Family type of the respondent

Family Type	Frequency	Percentage (%)
Nuclear	46	46
Joint	54	54
Total	100	100

Source: Field Visit, 2023

We can see in the table no. 5 shows that 46% of the respondent belonged to the nuclear family while 54% of the respondents belonged to the joint family. It seems that most people in the area live with all their family members. Also, we can see that the trend of nuclear family is emerging as there is less gap between these types of families.

Table 6 Occupation of the respondent

Occupation	Frequency	Percentage (%)
Agriculture	22	22
Business	48	48
Service	16	16
Household Work	10	10
Others	4	4
Total	100	100

Source: Field Visit, 2023

In table no. 6, shows that majority of the people in the area were involved in business with 48%. It seems that there is prospect for business opportunities in the research area as many people seem to be involved in business. 22% of respondent were involved in agricultural work, 16% were doing service jobs, 10% were doing household work and 4% were doing other kinds of work.

Table 7 Working Hour per Day of the Respondent

Working Hour	Frequency	Percentage (%)
6	22	22
8	44	44
10	22	22
12	12	12
Total	100	100

Source: Field Visit, 2023

The above table shows working hour per day of the respondents where 22% were working 6 hours a day. Most of the people work for 8 hours. Likewise, 22% and 12% of the respondents work for 10 hours and 12 hours respectively. The people who were running business were seen working for more than 8 hours.

Table 8 Monthly Income of the Respondents

Monthly Income	Frequency	Percentage (%)
Up to 500	-	-
Up to 1000	-	-
Up to 10000	12	12
Above 10000	88	88
Total	100	100

Source: Field Visit, 2023

The table above represents the monthly income of the respondents. We can see that 88% of the respondents have their monthly income above NRS 10000 and 12% of them have their monthly income up to NRS 10000. The percentage of people having monthly income above NRS 10000 is high because most of them were involved in business.

Table 9 Knowledge on Saving Money of the Respondents

Variables	Frequency	Percentage (%)
Yes	98	98
No	2s	2
Total	100	100

Source: Field Visit, 2023

The respondents were asked whether they had knowledge on saving money or not. Most of the respondents i.e. 98% had the knowledge of saving money, as many of them were literate.

Table 10 Source of knowledge on saving of The Respondents

Source	Frequency	Percentage (%)
Radio/TV	-	-
Bank advertisement	-	-
Parents	4	4
Self	96	96
Total	100	100

Source: Field Visit, 2023

Table 12 shows the source where the respondents acquired the knowledge on saving. Out of 100% respondents, 96% learned about saving by themselves whereas 4% of them learned it from their parents.

Table 11 If the Respondents Save Money or Not

Variables	Frequency	Percentage (%)
Yes	100	100
No	-	-
Total	100	100

Source: Field Visit, 2023

The above table shows whether the respondents save their money or not. Out of 100%, all 100% of the respondents saved their money. They saved their money in order to secure their future and fulfill various basic as well as fundamental needs.

Table 12 Depository of the Respondents

Financial Institutions	Frequency	Percentage (%)
Bank	26	26
Cooperatives	16	16
Finance	52	52
Other	6	6
Total	100	100

Source: Field Visit, 2023

The above table gives a lucid view on the financial institutions where the respondents deposit their savings. Out of 50 respondents, 26% prefer to deposit their money in bank whereas 16% deposit their money in cooperatives. Similarly, 52% prefer finance and 6% of them prefer other depositories. Maximum number of respondents preferred to deposit in finance because it was more accessible and trustworthy than other depositories.

Table 13 Monthly saving of The Respondents

Monthly Saving	Frequency	Percentage (%)
Up to 500	-	-
Up to 1000	-	-
Up to 5000	10	10
Above 5000	90	90
Total	100	100

Source: Field Visit, 2023

Table 13 represents the monthly saving of the respondents. It is seen that most of them save above NPR 5000 and very few number of people save up to NPR 5000. We can say that they are responsible and know the importance of saving.

Table 14 Monthly Expense of the Respondents

Monthly Expense	Frequency	Percentage (%)
Up to 500	-	-
Up to 1000	-	-
Up to 5000	16	16
Above 5000	84	84
Total	50	100

Source: Field Visit, 2023

The above table shows the monthly expenditure of the respondents. Out of 50 respondents, 84% had their monthly expense above 5000 and only 16% of their expenses were below or up to 5000. None of them had their monthly expense below 1000.

Table 15 Sector of Expenditure of the Respondents

Variables	Frequency	Percentage (%)
Health	6	6
Food	48	48
Education	32	32
Clothes	14	14
Total	100	100

Source: Field Visit, 2023

As shown in the above table, 6% of the respondents spend their income on health, 48% on food, 32% on education and 14% on clothes. It is seen that maximum number of people spend their money on food and on educating their children.

Table 16 If the Respondents Invest Their Savings or Not

Variables	Frequency	Percentage (%)
Yes	28	28
No	72	72
Total	100	100

Source: Field Visit, 2023

Table 4.18 gives information on whether the respondents have the habit of investing their savings or not. Only 28% out of 50 respondents invest their saving whereas the rest of them i.e. 72% do not invest on anything. Most of the people did not have any knowledge on investment and some were not willing to invest

Table 17 Where the Respondents Invest Their Savings

Variables	Frequency	Percentage (%)
No	46	46
School	-	-
Training Institutes	-	-
Livestock	8	8
Bank Balance	48	48
Total	100	100

Source: Field Visit, 2023

Table 17 gives information on where the respondents invest their saved money out of 48 people who invest their money. 85.72% of respondents keep their money in bank while 8% of respondent invest in livestock. 46% people didn't seem to be interested in investing their saved money for fear of losing money.

Table 18 if the Respondents got any professional advice on financial planning

Variables	Frequency	Percentage (%)
Yes	-	-
No	100	100
Total	100	100

Source: Field Visit, 2023

The respondents were asked if they got any professional advice or training on financial planning and investment and it was seen that none of them got any advice. It may be due to their negligence and unwillingness. In addition, any awareness programs were not conducted in that area to encourage saving and investment.

Table 19 Interest rate on loan

Variables	Frequency	Percentage (%)
Below 5%	-	-
Above 5%	6	10.34
Above 10%	52	89.66
Total	58	100

Source: Field Visit, 2023

Table no 19 represent the interest rate on loan taken from relatives, neighbors, banks and other financial institutions. As shown in table, no one took loan below 5% interest rate, 10.34% of the respondents took loan between 5% - 10% interest rate and 89.66% of the respondents took loan above 10% interest rate. As people need to cover their necessary expenses like house repairs, farming equipment, they need to take loan and most loan providing entities were charging above 10% interest rate.

Table 20 If there are any challenges in accessing banking/financial institutions

Variables	Frequency	Percentage (%)
Yes	-	-
No	100	100
Total	100	100

Source: Field Visit, 2023

Table no 20 represent the challenges in accessing banking or financial institution's services. As shown in table, no one faced any challenges as there were lots of institutions like cooperatives and finances providing their services going households to households.

Table 21 Discussing savings habits and financial matters with family, friends or community members

Variables	Frequency	Percentage (%)
Yes	96	96
No	4	4
Total	100	100

Source: Field Visit, 2023

Table no 21 represent the discussion of savings habits and financial matters of the respondents with family, friends or community members. 96% of the respondents were discussing their savings habits and financial matters with their friends, family or community members and 4% of the respondents were not discussing their savings habits and financial matters.

Table 22 Receive any advices and support

Variables	Frequency	Percentage (%)
Yes	92	92
No	8	8
Total	100	100

Source: Field visit, 2023

Table no 22 represent the advices and support received from family, friends and community members. 92% of the respondents were receiving advice and support from their friends, family and community members and 8% of the respondents were not receiving any advices and support. Most of them seemed to receive support because they open to discussing their financial matters with their family and community members

Table 23 Social or peer pressure that impact saving decision

Variables	Frequency	Percentage (%)
Donations	30	30
Festivals	52	52
Cultures/Rituals	18	18
Total	100	100

Source: Field visit, 2023

Table no 23 represent the social or peer pressure that impact saving decision of the respondents. They responded that donations impact 30%, festivals impact 52% and cultures/rituals impact 18%. As the village had many stupas and Gumba, people contributed significantly in these places. Festivals like Dashain, Tihar, etc. and cultures like marriage, etc. become a hindrance to saving.

Conclusion

Following an in-depth examination of rural people's saving habits, it is clear that this study sheds critical light on an often overlooked aspect of financial behavior in rural communities. The study revealed important insights into the various factors that influence rural people's saving behaviors, as well as the significant impact it has on their economic well-being and future prospects

We discovered that, despite facing unique challenges and limited access to financial services, rural people demonstrate commendable financial resilience and commitment to saving through this research. Their savings goals are primarily motivated by a desire to secure the futures of their families, deal with emergencies, and invest in agricultural activities.

The findings show that informal saving mechanisms, such as community savings groups and rotating savings and credit associations, play an important role in encouraging rural residents to save. Furthermore, access to financial education and awareness programs has proven to be beneficial in promoting financial literacy and empowering rural residents to make informed savings decisions.

Policymakers and financial institutions must recognize the importance of rural savings and develop tailored strategies to support and improve these saving habits. We can foster a more sustainable and equitable rural economy by facilitating better financial inclusion, providing accessible financial services, and promoting financial literacy initiatives.

Finally, despite various challenges, this research report highlights rural people's resilience, determination, and resourcefulness in cultivating saving habits. It emphasizes the significance of recognizing their specific needs as well as the potential benefits of targeted interventions to improve their financial well-being. Moving forward, addressing rural people's saving habits should be integrated into broader efforts to promote inclusive and sustainable economic development in rural communities.

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