# Investment Pattern and Behaviour of Rural Households on Investment Avenues with Special Reference to Ernakulam District

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*Abstract* - Two-thirds (67.63% of the total population) of the people in rural India live there and contribute one-third of the country's GDP1. One of the most significant areas that increases gross domestic savings is the household sector. The main objective of the study is to understand rural household savings and investment behaviour that is influenced by a number of factors including years of age, schooling, financial status, and occupation. According to the study, the majority of respondents have lower earning potential, and even those who did earn more only set aside a little fraction of their income for savings. In India, there are numerous investment opportunities and there are advantages and disadvantages to any investment strategy. Making the best investment decisions will meet the various demands of different people requires having a thorough understanding of these investing options. This paper projects various investment options and the level of household awareness in rural areas areas. The study utilized a meticulously designed questionnaire to explore the investment preferences and awareness levels of rural investors. The primary aim was to gain insights into their preferred investment avenues and their level of understanding regarding various investment options. For data analysis, simple percentages were employed to summarize the findings, and the chi-square test was used to assess relationships between categorical variables. 300 rural households selected as sample size from Ernakulam District through convenience sampling method.

*Keywords:* Investment Pattern, Investment Behaviour, Rural House Holds, Investment Avenues

## I. INTRODUCTION

Savings can be used to cover short-term expenses, while investments are required to achieve long-term objectives. The degree of income affects one's capacity for saving. An investment is to set aside money with the hope of gaining something later. Savings in a broad population is dependent on two factors, particularly the ability to set money aside and the desire or impact for investing funds.

Bank deposits remain the primary source of household gross financial savings, and over the second half of the 2000s, their percentage of these savings substantially grew. Over time, life insurance funds' part has also gradually risen. Over the years, non-banking deposits, claims against the government, currency, and provident and pension funds have all lost traction. Even if their percentage of family financial savings has increased recently, shares and debentures still make up a very tiny fraction of savings. This reveals the pattern of personal savings in India. Assets and revenue are produced via investments (Podvalny et al., 2021).

People make investments in the expectation of receiving favorable returns, adequate liquidity, and security. Indians are accustomed to save money, yet the majority of them prefer to keep their cash on hand rather than invest it. Some wage earners thinks having money in hand as a status signal. Consumer behaviour is an ever-changing procedure that involves selecting and purchasing goods and services appropriately based on needs, then using them in the hopes of receiving the greatest amount of enjoyment and value for the money.

It comprises making decisions about buying, using, and discarding items as well as spending money to get the most value out of it by a consumer or group of consumers (Gustavo et al., 2024).

The essential conditions for the growth and progress of an economy are savings and investment. The dedication of rural residents is crucial for an economic country like India because of the savings and investments they make. Generally speaking, savings is one of the key factors influencing how money behaves. Savings is not just meant to be simple spending. It involves thoughtfully choosing between immediate and long-term fulfilment. People are compelled to save money for a variety of reasons, most probably to cover unforeseen circumstances. Savings are considered as crucial to maintain higher levels of investment, which are a major factor in economic growth. To make money, people make investments. Investments are made in an effort to generate returns that outweigh borrowing costs. People can invest

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[1] Annual reports (rura.rw)

through various channels, such as purchasing gold, opening bank accounts, investing in National Savings and Investments (NSIs), buying bonds and gilts, acquiring real estate, trading equities (shares), and putting money into investment funds, among other options (Anastasiia et al., 2024).

The Keynesian hypothesis states that saving and investing are equal at the equilibrium income level (Lusardi, 2008). Most people in both developed and developing countries view investing and saving as essential for their financial security. Maintaining substantial levels of National Savings and investment is crucial, as it plays a key role in driving economic growth (Madusudhan, 2001).

In both rich and developing nations, households are responsible for a considerable portion of saving. More investments are attracted by more savings, depending upon the income levels the household investment and saving habits varies. Usually, it depends on the preferences or choices made, the amount of money available, and the household affluence. The population's age distribution has an impact on saving, which in turn has an impact on investment and the growth of a nation. According to research, individuals between the ages of 30 and 50 are more engaged in financial matters than individuals in older age categories (Krishnamoorthy, 2007). In less developed nations, dependence rates & saving rates significantly inversely correlate, claims Reference (Madusudhan, 2001).

Education is a crucial component since it improves people's ability to save money and helps them invest it more wisely. People with higher levels of education are able to comprehend inflation and defend themselves against it. As an individual illiterate save to sustain their current income whereas literates save to benefit their children. Rural investors in India have many options on where they can put their savings. Each investment option comes with varying risks and potential returns. Investors evaluate key factors such as the security of the invested amount, liquidity, income stability, and ease of transferability before making a decision. Rural investors commonly consider options like shares, fixed deposits (FDs), gold, silver, life insurance, and postal savings as their primary investment choices.

## II. STATEMENT OF THE PROBLEM

Savings can be used to cover short-term expenses, while investments are required to achieve long-term objectives. The degree of income affects one's capacity for saving. Investing certain amount with a hope that to gain something later. Rural investors in India have many options on where they can put their savings. Each of these investment possibilities has different risks and potential profits. Previous studies shows the awareness level of rural people about the investment avenues. So this study is conducted after the digitalization of India. Understanding the current level of investor awareness about different investment avenues and their investment patterns based on demographic variables will be beneficial.

## III. REVIEW OF LITERATURE

The current study reveals numerous investment opportunities in the market, though they are predominantly concentrated in urban areas. Rural investors often delay investing due to a lack of experience in managing their portfolios to optimize returns and minimize risks. By providing education through awareness campaigns and involving institutional agencies in rural areas, the rural population can improve their economic well-being and quality of life. Consequently, it is essential for government and non-government organizations to focus on educating and raising awareness among rural communities about the importance of saving and investing their income wisely.

Amsaveni & Vasantha, (2018). The current study concentrated on most investors priorities putting their funds in banks & post offices so they can use the money for their children's weddings, education, and other expenses. They would make these types of investments if they'd been aware that shares & mutual funds offer longer-term investments with higher returns. The expansion of manufacturing industries will increase if rural entrepreneurs start to invest in stocks and mutual funds, which results in the growth of our economy.

This study will aid in encouraging rural residents' savings practices and build the financial security of each individual client. Saving money in a bank is one of the crucial ways to properly mobilise capital, benefiting both the consumer and the nation. Rural residents typically do not understand the value of conserving money, and as a result, they encounter several issues in daily life. Because they believe they will receive higher interest, certain chit fund and fake finance companies take advantage of victims. This research will alter their behaviour in this aspect to encourage the saving habit.

The effect of financial education, information, and literacy programmes on household saving behaviour was examined by Lusardi A. The study discovered that low education and informational levels have an impact on people's capacity to save and ensure a decent retirement. One of the main causes of inadequate retirement planning and wealth was found to be poor levels of financial literacy. Regardless of their level of financial literacy, the majority of people do not rely on financial consultants to help them with their savings and investing decisions.

The attempted to analyse the financial behaviour of the household sector. For the aim of the study, a sample of 50 respondents was chosen at random, and information from this sample was gathered by questionnaire. According to the report, most people risk averse & prefer investing in safe assets. They also view investing in stocks as risky.

The made an effort to research the investment habits and knowledge of salaried class entrepreneurs in the Niligiris District. The study made use of the original information, which was gathered by questionnaire from 600 salaried

investors. According to the poll, 81 percent of those surveyed opted to invest in insurance and bank deposits.

## IV. RESEARCH GAP

Most of the previous studies were conducted to know the investment pattern, investors aim, investment behaviour of people. Those were conducted in different areas all over the world or country. No other studies happened in Ernakulam area regarding the same topic among rural people.

## V. OBJECTIVES

1. To understand the current level of awareness of rural households towards various investment avenues or options.
2. To study the investment preference of rural households.

## VI. RESEARCH METHODOLOGY

The study focuses on rural households in Ernakulum district, Kerala, and was conducted using a well-structured questionnaire with pertinent questions. It aims to explore the investment preferences and awareness levels of rural investors.

Data sources: This study primarily relies on both primary and secondary data. Primary data were gathered using a carefully designed questionnaire and supplemented with interviews. Secondary data were sourced from books, research journals, newspapers, and relevant study reports. The analysis employed simple percentages and chi-square tests.

Sample size: A total of 300 respondents (135 male and 165 female) were selected using convenience sampling.

## VII. RESULTS AND FINDINGS

TABLE I SOCIO ECONOMIC PROFILE

| Socio Economic Profile | Numbers | Percentage |
|---|---|---|
| Gender | | |
| Male | 135 | 45.0 |
| Female | 165 | 55.0 |
| Age | | |
| 18-25 years | 33 | 11.0 |
| 26-35 years | 63 | 21.0 |
| 36-45 years | 71 | 23.7 |
| 46-55 years | 69 | 23.0 |
| Above 56 years | 64 | 21.3 |
| Marital Status | | |
| Married | 187 | 62.3 |
| Unmarried | 35 | 11.7 |
| Divorced | 37 | 12.3 |
| Widowed | 41 | 13.7 |
| Size of Family | | |
| Small | 207 | 69.0 |
| Medium | 68 | 22.7 |
| Large | 25 | 8.3 |
| Educational Qualification | | |
| Illiterate | 1 | 0.3 |
| SSLC | 78 | 26.0 |
| HSC | 47 | 15.7 |
| UG | 36 | 12.0 |
| PG | 47 | 15.7 |
| Professionals | 8 | 2.7 |
| Others | 83 | 27.7 |
| Occupational Status | | |
| Working | 132 | 44.0 |
| Not Working | 44 | 14.7 |
| Others | 124 | 41.3 |
| No of Earning Members in family | | |
| One | 97 | 32.3 |
| Two | 166 | 55.3 |
| Three | 36 | 12.0 |
| Four | 1 | .3 |
| No of Non-Earning Members in family | | |
| Zero | 35 | 11.7 |
| One | 82 | 27.3 |
| Two | 98 | 32.7 |
| Three | 69 | 23.0 |
| Four | 13 | 4.3 |
| Five | 3 | 1.0 |
| Annual Family Income | | |
| Less than one lakh | 37 | 12.3 |
| One lakh to Two lakhs | 84 | 28.0 |
| Two lakhs to Three lakhs | 109 | 36.3 |
| Three lakhs to Four Lakhs | 63 | 21.0 |
| Above 5 Lakhs | 7 | 2.3 |
| Family Expenditure Per Month | | |
| Up to Rs.15000 | 6 | 2.0 |
| Between Rs.15000 to Rs. 25000 | 26 | 8.7 |
| Above Rs.25000 | 268 | 89.3 |
| Family Savings Per Month | | |
| Up to Rs.10000 | 67 | 22.3 |
| Between Rs.10000 to Rs. 25000 | 194 | 64.7 |
| Above Rs.25000 | 39 | 13.0 |
| Type of Family | | |
| Joint | 97 | 32.3 |
| Nuclear | 203 | 67.7 |
| Status in Family | | |
| Head | 97 | 32.3 |
| Member | 203 | 67.7 |

Source: Primary Data

## VIII. FINDINGS

The above Table I Illustrates socio economic profile of rural households in Erankulam District. Out of three hundred rural households, majority of rural households are between 36 to 45 years of age. Most of rural households marital status is married and they belong to nuclear family and their educational qualification is others and their current occupational status is working. Most rural households have two earning members in their family and two non-earning members in their family. Majority of their annual income is of Rs. 2 lakhs to 3 lakhs. Their family expenditure is above Rs. 25000 and savings of Rs. 10000 to Rs. 25000. Most of rural households lead a nuclear and they are member in the family.

Awareness towards Investment Avenues among rural households.

To find the factors influencing level of awareness towards investors among rural households, Chi-square test is employed. The following paragraphs discuss about the result of the study. Factors Influencing Level of Awareness shown in Table II.

TABLE II FACTORS INFLUENCING LEVEL OF AWARENESS

| Factors | Level of Awareness | | | Total | Chi-square value |
|---|---|---|---|---|---|
| | Low | Moderate | High | | |
| **Gender** | | | | | |
| Male | 18 | 97 | 20 | 135 | 0.987 |
| | (42.9) | (44.9) | (47.6) | (45.0) | |
| Female | 24 | 119 | 22 | 165 | |
| | (57.1) | (55.1) | (52.4) | (55.0) | |
| **Age** | | | | | |
| 18-25 years | 3 | 28 | 2 | 33 | |
| | (7.0) | (13.4) | (4.2) | (11.0) | |
| 26-35 years | 6 | 42 | 15 | 63 | |
| | (14.0) | (20.1) | (31.3) | (21.0) | |
| 36-45 years | 0 | 53 | 18 | 71 | 53.377** |
| | (0.0) | (25.4) | (37.5) | (23.7) | |
| 46-55 years | 9 | 51 | 9 | 69 | |
| | (20.9) | (24.4) | (18.8) | (23.0) | |
| Above 56 years | 25 | 35 | 4 | 64 | |
| | (58.1) | (16.7) | (8.3) | (21.3) | |
| **Marital Status** | | | | | |
| Married | 18 | 136 | 33 | 187 | |
| | (41.9) | (65.1) | (68.8) | (62.3) | |
| Unmarried | 9 | 24 | 2 | 35 | 20.917** |
| | (20.9) | (11.5) | (4.2) | (11.7) | |
| Divorced | 4 | 23 | 10 | 37 | |
| | (9.3) | (11.0) | (20.8) | (12.3) | |
| Widowed | 12 | 26 | 3 | 41 | |
| | (27.9) | (12.4) | (6.3) | (13.7) | |
| **Size of Family** | | | | | |
| Small | 34 | 143 | 30 | 207 | |
| | (79.1) | (68.4) | (62.5) | (69.0) | |
| Medium | 7 | 47 | 14 | 68 | 3.451 |
| | (16.3) | (22.5) | (29.2) | (22.7) | |
| Large | 2 | 19 | 4 | 25 | |
| | (4.7) | (9.1) | (8.3) | (8.3) | |
| **Educational Qualification** | | | | | |
| Illiterate | 0 | 1 | 0 | 1 | |
| | (0.0) | (0.5) | (0.0) | (0.3) | |
| SSLC | 11 | 54 | 13 | 78 | |
| | (25.6) | (25.8) | (27.1) | (26.0) | |
| HSC | 3 | 35 | 9 | 47 | |
| | (7.0) | (16.7) | (18.8) | (15.7) | |
| UG | 2 | 28 | 6 | 36 | 23.069 |
| | (4.7) | (13.4) | (12.5) | (12.0) | |
| PG | 3 | 35 | 9 | 47 | |
| | (7.0) | (16.7) | (18.8) | (15.7) | |
| Professionals | 1 | 4 | 3 | 8 | |
| | (2.3) | (1.9) | (6.3) | (2.7) | |
| Others | 23 | 52 | 8 | 83 | |
| | (53.5) | (24.9) | (16.7) | (27.7) | |
| **Occupational Status** | | | | | |
| Working | 9 | 96 | 27 | 132 | |
| | (20.9) | (45.9) | (56.3) | (44.0) | |
| Not Working | 10 | 32 | 2 | 44 | 15.399* |
| | (23.3) | (15.3) | (4.2) | (14.7) | |
| Others | 24 | 81 | 19 | 124 | |
| | (55.8) | (38.8) | (39.6) | (41.3) | |
| **No of Earning Members in Family** | | | | | |
| One | 26 | 59 | 12 | 97 | |
| | (60.5) | (28.2) | (25.0) | (32.3) | |
| Two | 15 | 122 | 29 | 166 | |
| | (34.9) | (58.4) | (60.4) | (55.3) | 19.019* |
| Three | 2 | 27 | 7 | 36 | |
| | (4.7) | (12.9) | (14.6) | (12.0) | |
| Four | 0 | 1 | 0 | 1 | |
| | (0.0) | (0.5) | (0.0) | (0.3) | |
| **No of Non-Earning Members in Family** | | | | | |
| S | 14 | 19 | 2 | 35 | |
| | (32.6) | (9.1) | (4.2) | (11.7) | |
| One | 15 | 55 | 12 | 82 | |
| | (34.9) | (26.3) | (25.0) | (27.3) | |
| Two | 5 | 75 | 18 | 98 | |
| | (11.6) | (35.9) | (37.5) | (32.7) | |
| Three | 8 | 45 | 16 | 69 | 35.022** |
| | (18.6) | (21.5) | (33.3) | (23.0) | |
| Four | 1 | 12 | 0 | 13 | |
| | (2.3) | (5.7) | (0.0) | (4.3) | |
| Five | 0 | 3 | 0 | 3 | |
| | (0.0) | (1.4) | (0.0) | (1.0) | |
| **Annual Family Income** | | | | | |
| Less than one lakh | 14 | 22 | 1 | 37 | |
| | (32.6) | (10.5) | (2.1) | (12.3) | |
| One lakh to Two lakhs | 15 | 59 | 10 | 84 | |
| | (34.9) | (28.2) | (20.8) | (28.0) | |
| Two lakhs to Three lakhs | 9 | 78 | 22 | 109 | |
| | (20.9) | (37.3) | (45.8) | (36.3) | 31.154** |
| Three lakhs to Four Lakhs | 5 | 46 | 12 | 63 | |
| | (11.6) | (22.0) | (25.0) | (21.0) | |
| Above 5 Lakhs | 0 | 4 | 3 | 7 | |
| | (0.0) | (1.9) | (6.3) | (2.3) | |
| **Family Expenditure** | | | | | |
| Up to Rs.15000 | 4 | 2 | 0 | 6 | |
| | (9.3) | (1.0) | (0.0) | (2.0) | |
| Between Rs.15000 to Rs. 25000 | 10 | 16 | 0 | 26 | 31.545** |
| | (23.3) | (7.7) | (0.0) | (8.7) | |
| Above Rs.25000 | 29 | 191 | 48 | 268 | |
| | (67.4) | (91.4) | (100.0) | (89.3) | |
| **Family Savings** | | | | | |
| Up to Rs.10000 | 15 | 48 | 4 | 67 | |
| | (34.9) | (23.0) | (8.3) | (22.3) | |
| Between Rs.10000 to Rs. 25000 | 24 | 136 | 34 | 194 | 10.983 |
| | (55.8) | (65.1) | (70.8) | (64.7) | |
| Above Rs.25000 | 4 | 25 | 10 | 39 | |
| | (9.3) | (12.0) | (20.8) | (13.0) | |
| **Type of Family** | | | | | |
| Joint | 13 | 68 | 16 | 97 | |
| | (30.2) | (32.5) | (33.3) | (32.3) | 0.113 |
| Nuclear | 30 | 141 | 32 | 203 | |
| | (69.8) | (67.5) | (66.7) | (67.7) | |
| **Status in Family** | | | | | |
| Head | 25 | 59 | 13 | 97 | |
| | (58.1) | (28.2) | (27.1) | (32.3) | 15.032** |
| Member | 18 | 150 | 35 | 203 | |
| | (41.9) | (71.8) | (72.9) | (67.7) | |

Source: Primary Data

** Significant at One Percent Level

* Significant at Five Percent Level

Result of Chi-square discloses that age, marital status, occupation status, no of earning members, no of non- earning members, annual income family expenditure and status in family are significantly associated with level of awareness. High level of awareness among rural households, whose annual income ranges between two lakhs to three lakhs and low level of awareness among rural households, whose family expenditure is up to Rs. 15,000.

## IX. SUGGESTION

Savings and investments are integral to managing daily life, and without adequate savings and thoughtful investments, handling both expected and unexpected expenses can be challenging. While numerous investment opportunities are available in the current market, these options are often more accessible to urban areas. Consequently, rural investors may hesitate to invest due to a lack of knowledge about managing their portfolios effectively to maximize returns and minimize risks. To address this issue, education through awareness programs and the involvement of institutional agencies in rural areas can significantly enhance financial health and living standards. Therefore, it is crucial for both government and non-governmental organizations to focus on raising awareness and educating the rural population about the importance of saving and making informed investment decisions.

## X. SCOPE FOR FURTHER RESEARCH

This study focuses on the investment pattern and behaviour of rural households. The focal point of the research is only rural households. Further research can be conducted in urban households, or a comparative study can be performed in urban and rural households and even across different regions/countries to identify regional variations in investment patterns and behaviour among rural households. By further exploring all the areas, researchers can contribute a deeper understanding of the investment patterns and behaviour of rural households, inform policy interventions and identify opportunities for enhancing financial inclusion and economic development in rural areas.

## XI. CONCLUSION

Savings and investments are essential to our daily lives, and without adequate savings and prudent investments, managing both anticipated and unexpected expenses can be quite challenging. While the current market offers a range of investment options, these opportunities often focus on urban areas. Consequently, rural investors may be hesitant to invest due to a lack of knowledge about effectively managing their portfolios to maximize returns and minimize risks. The introduction of institutional organizations into rural areas, coupled with educational awareness campaigns, could significantly enhance the financial well-being and living standards of rural populations. Understanding household saving and investing behavior is crucial, as mastering the art of saving and managing money is essential. It is important for

individuals to learn effective strategies for saving, spending, and distinguishing between what is important and what is not.

The Indian government and the Reserve Bank have prioritized expanding banking services to underserved areas. Initiatives like the Financial Inclusion Programme and the Prime Minister's Jan Dhan Yojana have effectively encouraged various social groups to engage with the financial market, thanks to their widespread promotion in media. NABARD's microfinance initiative has also made a positive impact in rural areas. Self-help groups are proving useful for capital accumulation and small deposit mobilization. Additionally, insurance providers should establish effective communication channels to reach rural residents, and educational programs should be implemented to increase knowledge about shares, debentures, bonds, and mutual funds.

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