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## MOBILIZATION OF RURAL SURPLUS—A STUDY OF SAVINGS IN RURAL HISSAR

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The sustained economic growth of a country primarily depends upon the investible capital which can be increased either by mobilizing savings within the country or securing an increased flow of capital from abroad. In India, which has embarked upon a policy of growth through self-reliance, there is pressing need to have an even greater quantum of savings. In our economy over 80 per cent of the total savings originate in the household sector. The contribution of rural household sector is nearly half of the urban household sector to the total savings (Sahani, 1967). Increments in rural earnings are generally spent in unproductive channels or are hoarded in the form of gold, silver, jewellery or currency. Moreover, there were hardly any agencies which could mop up surplus. Before the World War I, the post office was the main institution to mobilize the rural savings.

Since Independence the Government of India has launched several saving schemes to inculcate the habit of thrift amongst the rural masses and to mobilize the additional earnings in nation building activities. In the wake of green revolution unprecedented prosperity came to certain sections of the rural society especially in the Punjab and Haryana. Since the nationalisation of banks by the State, branches of different banks started operating in the rural areas for the first time. Much effort and attention has been devoted to mobilize rural surplus of earnings but the achievements in this direction have fallen short of the targets mainly due to the neglect of prevalent social, economic and cultural climate in the rural areas.

An attempt has been made in this paper (i) to assess the saving (which can be deposited in Banks) in three agro-climatic zones of rural Hissar, (ii) to locate the social values associated with saving and banking habits, and (iii) to suggest the ways for mobilizing the savings.

### METHODOLOGY

Erstwhile Hissar district (including the present Bhiwani district minus Dadri tehsil) being a large district, was purposively selected for the study (1971-72) as it represented the different agro-climatic conditions. The sample was drawn in a multi-stage purposive-cum-stratified random manner. The village was considered the primary unit of sampling and land holding as the final unit. The sampling broadly involved the following stages.

The demarcation of Hissar district into different zones, based on agro-climatic data is as follows :

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(a) *Barani* zone — This tract lies along the western border of the district and covers parts of Bhiwani, Hissar, Fatehabad and Sirsa tehsils. Soil is sandy and rainfall being the only source of irrigation. (b) *Irrigated zone*— This area comprises the parts of Sirsa, Fatehabad, Hissar and Hansi tehsils. Soil is fertile and it is irrigated by canal and tubewells. (c) *Waterlogged*— It covers the Ghaggar valley in Fatehabad and Sirsa tehsils and parts of Hansi tehsil. The water table varies from 8 to 15 feet with different soil types. It is irrigated by canal and tubewells.

From each zone one village, typical of the category, was selected in consultation with the local revenue and development department officers. From each village 30 respondents were selected randomly from the three land strata out of the prepared lists of farm families. These respondents were from small, medium and large land holders (Appendix 1). Primary data were collected through the survey method by personally interviewing the respondents on a structured schedule. The data have been analysed in terms of averages and percentages.

*Definitions* taken into account for calculating the rural surplus capital:

(i) Farm family income comprised of (a) farm income, (b) non-farm income, and (c) borrowings during the year. (ii) Farm family expenditure consisted of (a) cash operating expenses on farm and non-farm other than the family, (b) family consumption expenditure, and (c) investment (capital expenses).

Investment was included in farm family expenditure for the purpose of calculating the surplus capital which lies with the farmers.

(iii) *Savings*—From the gross income of the farm family the gross expenditure as given above was deducted. The resulting figure was considered saving (surplus).

#### RESULTS AND DISCUSSION

The discussion is centred on factors like size of land holding (Goyal, 1957, Kahlon, 1966, Sisodia, *et. al.*, 1970), occupational pattern (Kahlon, 1966, Phukan, *et. al.*, 1970), type of family (Kahlon, 1966) and educational level of the chief earner (Kahlon, 1966, Goyal, 1970) which were considered materially affecting the saving potential of the farmer

##### *Size of Land Holding*

Feudal or land owning classes generally spend their income on estate, land purchase, construction of buildings, etc. Peasants are thrifty, but the motivating force behind their thriftiness is not a desire for productive investment but to provide for the days of crisis. Keeping this in view, the size of land holding was taken into account. The relationship of the size of land holding to savings is presented in Table I.

TABLE I—SIZE OF HOLDING AND SAVINGS

Size of holding	Zone	No. of respondents	Level of surplus per family (Rs. )	Surplus as percentage of income	Percentage of savers	Hoarders (percentage of total savers)
Small	<i>Barani</i>	.. 12	— 751	—13.17	33.33	75
	Irrigated	.. 10	— 384	— 4.66	20	100
	Waterlogged	.. 11	— 410	— 5.51	27.18	66.66
Medium	<i>Barani</i>	.. 14	157	+ 2.19	64.28	33
	Irrigated	.. 13	229	+ 1.66	84.61	72.7
	Waterlogged	.. 12	261	+ 2.23	75	77.77
Large	<i>Barani</i>	.. 4	305	+ 2.47	100	50
	Irrigated	.. 7	801	+ 2.94	100	71.45
	Waterlogged	.. 7	368	+ 1.51	85.71	83.33

The average savings for the three types of holdings were estimated at (—) Rs. 526, Rs. 211 and Rs. 551 for the small, medium and large farms respectively. There was dissaving among the small farmers of each zone, the highest being in *barani*. The highest surplus was for the irrigated zone. The same was reported by Garg, *et. al.*, (1972), Pandey, *et. al.* (1972) and Kahlon *et.al.* (1966). The same trend of saving was observed for the medium farms and for large farms with the highest saving in the irrigated area. For the medium farms also the same trend was reported by Kahlon, *et. al.* (1966) and Sisodia (1970). However, the savings were reinvested in farm improvement and enlargement in the irrigated and waterlogged zones. The small farmers of all the three zones tended to spend more on consumption while the medium and large farmers spent more on farm improvement and farm machinery.

The quantum of saving was associated with the land holding but the habit of saving and banking was independent as the small farmers in the *barani* zone had minimum income but highest number of savers compared to other zones.

Hoarding was most common in the irrigated and waterlogged zones. The maximum number of accounts was found in the *barani* zone especially in the post offices due to their military service. The large farmers were oriented towards hoarding for purpose of private lending as they got higher rate of interest.

The small farmers in the *barani* zone saved for purchasing, as first preference, and consumer goods followed by savings for emergencies. In the irrigated zone they saved primarily for building or buying a house and wedding, dowries and other social ceremonies and in the waterlogged zones to buy consumer goods and building or buying a house. Nikkiran, *et. al.* (1972) found that the proportion of amount required for domestic purposes was higher in the case of small farmers.

The households with small holdings did not like to deposit in banks because they had no savings. Galgalikar, *et. al.* (1970) reported the same. In the *barani* zone the post office was attracting all types of farmers for deposits. In the irrigated and waterlogged zones the small farmers were afraid of being cheated by bank and were not aware of the banking procedures. The medium farmers were more inclined towards bank deposits in all the zones. They preferred bank deposits for security on the one hand but they feared the danger of disclosure of privacy on the other. The large farmers, especially, in the irrigated and waterlogged zones, were found strongly inclined towards private lending as the rate of interest given by banks was low.

### *Occupational Pattern*

The effect of the occupational pattern was studied in order to know the suitability of occupation for enhancing the saving and banking habits. Moreover, it affects the social and economic life of man and is thus a crucial factor. The data regarding occupational pattern and savings are given in Table II.

TABLE II—OCCUPATIONAL PATTERN AND SAVINGS

Occupational category	Zone	No. of respondents	Level of surplus per family (Rs.)	Surplus as percentage of income	Percentage of savers	Hoarders (percentage of total savers)
Agriculture	<i>Barani</i>	.. 17	— 863	—14.11	35.29	66.66
	Irrigated	.. 21	— 346	— 2.60	57.14	91.66
	Waterlogged	.. 13	— 602	—5.50	46.15	100
Agriculture + Service	<i>Barani</i>	.. 12	656	7.60	83.33	40
	Irrigated	.. 3	1,133	6.64	66.66	50
	Waterlogged	.. 13	787	6.06	69.22	77.77
Agriculture + Business	<i>Barani</i>	.. —	—	—	—	—
	Irrigated	.. 6	1,024	4.19	100	50
	Waterlogged	.. 4	47	0.24	75	33
Agriculture + Service + Business	<i>Barani</i>	.. 1	626	6.22	100	Nil
	Irrigated	.. —	—	—	—	—
	Waterlogged	.. —	—	—	—	—

It is clearly revealed from the data that the saving as a percentage of income for different occupational categories, agriculture, agriculture + service, agriculture + service + business and agriculture + business were —5.59, 7.57, 6.22 and 3.41 respectively. These were the highest for the occupation—agriculture + service. The *barani* zone topped in this respect due to the military services of respondents. The savings were least with farm families with agriculture as the only occupation. It was due to low farm income in the *barani* zone; and the small size of holding and more consumption expenditure in the waterlogged zone. The occupational category—agriculture + service + business was found only in the *barani* zone and only with one family, so the inference carries no significance.

Agriculture as the only occupation was the most unfavourable occupation for saving and banking habits in all the zones. Agriculture + service + business was the most favourable occupation for saving as well as banking habits followed by agriculture + service. Thus, multiplicity of avenues of earning was a contributory factor for savings.

The households with agriculture alone as occupation were most inclined towards dowries, weddings and other ceremonies. Darling (1925) and Famine Commission (1880) reported that great majority of agricultural debtors got into debt through improvident expenditure upon domestic ceremonies and in particular on marriages. In the *barani* zone first preference was to emergencies followed by dowries, weddings and marriage. Farm families with agriculture + service and agriculture + service + business preferred to spend first on the education of their children, while those with agriculture + business equally stressed on the education of their children and improvement or enlargement of their business. Farmers with plural occupations preferred bank for its security and disliked the cumbersome and time consuming procedures.

### Family Type

There is a controversy as to which family type—joint or nuclear—is more conducive to increasing productivity and savings. Therefore, the effect of family type was also studied and the relation with saving has been presented in Table III.

TABLE III—TYPE OF FAMILY AND SAVINGS

Family type	Zone	No. of respondents	Level of surplus per family (Rs.)	Surplus as percentage of income	Percentage of savers	Hoarders (percentage of total savers)
Joint	<i>Barani</i>	.. 18	—240	—3.06	44.44	62.50
	Irrigated	.. 15	85	0.40	60	77.77
	Waterlogged	.. 10	28	0.18	50	80
Nuclear	<i>Barani</i>	.. 12	—145	—2.25	75	55.55
	Irrigated	.. 15	306	2.79	80	75
	Waterlogged	.. 20	109	0.88	65	76.92

Net savings for joint and nuclear families were (—) Rs. 62 and Rs. 119 respectively. Thus, the nuclear families were favourably disposed to invest in savings in all the three zones. The joint families were found with higher income but with lesser savings due to the lesser number of earners per unit of dependents. However, in the wake of green revolution coupled with relatively larger size of joint families better results are obtained in the irrigated zone. The joint families were more inclined towards the enlargement of farm while the nuclear to both improvement and enlargement.

Hoarding was found more in joint families probably due to the older age and no risk orientation of the chief earner.

The joint families were more oriented to save for wedding, dowries and other ceremonies while the nuclear families were for buying or building a house. The joint families reported increased rate of interest paid by banks on deposits and provision of loan to them for consumer expenditure also as factors influencing their saving and banking habits.

#### *Educational Level of the Chief Earner*

The effect of education on the rural population needs greater emphasis in the context of the urgency to change their traditional outlook. Therefore, education was considered as an important factor which influenced saving and banking habits of the farm family. The data regarding the relationship between educational level of the chief earner and savings are presented in Table IV.

TABLE IV—EDUCATIONAL LEVEL OF THE CHIEF EARNER AND SAVINGS

Educational level	Zone	No. of respondents	Level of surplus per family (Rs.)	Surplus as percentage of income	Percentage of savers	Hoarders (percentage of total savers)
Illiterate	Barani	.. 18	434	—6.49	44.44	75
	Irrigated	.. 22	40	—0.25	63.63	85.70
	Waterlogged	.. 20	24	0.22	55	100
Junior high school	Barani	.. 9	11	0.85	66.66	33.33
	Irrigated	.. 4	587	3.14	75	100
	Waterlogged	.. 9	104	0.58	66.66	33.33
Matric	Barani	.. 2	264	2.88	100	50
	Irrigated	.. 2	203	1.10	50	Nil
	Waterlogged	.. 1	294	1.50	100	Nil
Above matric	Barani	.. 1	1,100	9.94	100	Nil
	Irrigated	.. 1	1,000	5.98	100	Nil
	Waterlogged	.. —	—	—	—	—



A close perusal of the data presented in Table IV shows that savings of (—) Rs. 102, Rs. 113, Rs. 259 and Rs. 1,000 were estimated for farm households with illiterate, junior high school, matric and above matric educational level of the chief earners respectively.

It was found that the maximum percentage of savers was among those with the educational level of matriculation and above followed by junior high school and illiterate chief earning member. Hoarding was maximum among the illiterate followed by junior high school.

This higher educational level of the chief earning member of the farm family increased their likings for bank deposits. Illiterate chief earners did not like depositing their savings in banks due to the disclosure of privacy and were afraid of being cheated by the banks. Those with above matric level pointed to the rough behaviour of officials and complex and time consuming procedures.

#### CONCLUSION

In all the three agro-climatic zones an increase in the size of land holding was associated with an increase in the quantum of saving and number of savers. Multiplicity of occupation and increasing educational level of the chief earner were closely related to saving and banking habits. The most strong incentive for saving was to buy or build a house followed by expenditure on weddings, dowries and other social ceremonies. Amongst the three zones the highest quantum of savings was found in the irrigated zone while the banking habit was in the *barani* zone. Thus the quantum of saving and banking habits were found independent. Hoarding was highest in the water-logged zone. There was no saving with the small farmers who constituted 36.67 per cent of the total respondents. The highest number of savers was among the large farmers. The medium household ranked first in banking habits.

Farm households with agriculture as single occupation were having least savings and were found diverting their income in spending on social ceremonies while other occupational categories were having savings and intended to spend on the education of their children, they have favourable attitude towards banking habits

The nuclear families were found more favourable to savings and banking habits compared to the joint families. The nuclear families preferred depositing in banks because of the security. They stressed opening of the bank branches in village itself as well as simplification of banking procedures. As per zonal classification, no difference was observed.

Saving and banking habits were also found related to the educational level of the chief earner. With increasing education of the chief earner the

liking for bank deposits increased as they felt it secure and could withdraw the money in emergencies.

### *Implications and Suggestions*

Since there was no saving with the small farmers in all the three zones, there is a need first to advance to them bank credit on easier terms to increase their productivity to effect higher income-cum-savings and secondly at the same time to evolve measures to attract these savings for mobilization as capital or deposits in banks. This will bring them out of the deficient-viscious-circle. The small farmers in the *barani* zone had banking habits in terms of their accounts in the post offices, especially of those with a background of military service. Because of all pervading deficiencies regarding the basic needs of life, the small farmers in all the zones were caught in spending their resources to hardly make both ends meet.

An oscillating trend of increasing surplus income per farm family was a general observation corresponding to the increasing size of land holding as well as the increasing quantum of irrigation according to the category of farmers (small, medium and large) as well as zones from *barani* to waterlogged. More or less the same trend was observed about the percentage of savers from small, medium and large farmers. However, with regard to hoarding of the surplus, a deeply oscillating trend, without any clear direction was observed, rather the small farmers in the *barani* zone were larger hoarders and least hoarders were the medium farmers. The same trend of hoarding was dominantly observed for the small farmers in the irrigated zone. However, in the waterlogged zone the hoarders increased as per the increasing land size. If in a country with low average incomes, the really poor small farmer cannot save and the well-to-do large farmer is not inclined to mobilize his savings, naturally the growth of the economy would suffer. The minimum term loan should be granted to the large farmers or they should only be enabled to cover a part of their working capital needs. Compulsory deposit scheme should be initiated for the large farmers and money be collected at the time of payment of revenue.

In the present context there is a crucial need for subsidiary occupations like dairying, poultry farming, basket making, rope making, etc., especially in the *barani* zone where the income is very low. Dependence on agriculture needs to be reduced. The developmental agencies like MFAL and SFDA need to be extended. Dairying can be initiated in the irrigated and waterlogged zones while sheep and goat rearing and rope making in the *barani* zone. The recovery of loan advanced may be made in kind.

The nuclear families in all the zones were most conducive to saving and banking habits compared to the joint families. The latter type of families preferred private lending while the former preferred bank deposits. Efforts

may, therefore, be focused more on the nuclear families for inculcating in them saving habits and for inducing them to deposit in banks.

An increase in the educational level of the chief earner was found associated with an increase in the level of saving and percentage of savers, except at the matriculation level in the irrigated zone, because they invested more in farm machinery and improvement. Medium and long-term loans should be advanced preferably to the farmers with matric or higher educational level. Education upto matriculation level should be compulsory and if possible free of cost in all the three zones.

Post office saving schemes and bank branches should be opened in large villages. Branch expansion is not only socially very useful but even in the sense of strict banking operations (deposit mobilization and credit dispensation) a wide network of bank branches helps. Strict, assured and immediate viability of a bank branch prevents banks from going to the rural areas. A detailed survey about the habits of people and the quantum of saving can be helpful before opening a new branch in any village.

Local people may be involved in setting up of branch and staff be recruited from local areas, so that the apprehension of respondents about being cheated can be minimized and feeling adverse to bank deposits can be curbed down. While opening the bank branch wide publicity should be made and people be made familiar to banking procedures. The bank employees should be sympathetic and polite with clients. Banking procedures should be made simpler and less time consuming.

In conclusion for getting deposits, bankers should first approach the farmers with higher education, medium or large sized farms, belonging to nuclear family with multiplicity of occupation, who are easily convinced.

#### APPENDIX 1

Zone I	Barani zone	..	(a) Small size holdings	..	Less than 10 acres
			(b) Medium size holdings	..	10 to 30 acres
			(c) Large size holdings	..	More than 30 acres
Zone II	Irrigated zone	..	(a) Small size holdings	..	Less than 6 acres
			(b) Medium size holdings	..	6 to 15 acres
			(c) Large size holdings	..	More than 15 acres
Zone III	Waterlogged zone	..	(a) Small size holdings	..	Less than 5 acres
			(b) Medium size holdings	..	5 to 14 acres
			(c) Large size holdings	..	More than 14 acres

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