



FACTORS INFLUENCING TO SAVE MONEY WITH EFFECT TO STRESS ON SPENDING

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ABSTRACT

India is growing economy and has over the past two decades witnessed some dynamic changes in the financial environment. The process of liberalization of the India economy in the early 1990s gave the Indian markets a huge booster in the terms of competition, with the entry of many players both from within India and abroad. This open market saw the proliferation of products and services that needed to be customized for the individual needs, on account of cut-throat competition. This urge for spending created through heavy competition in the market, suppressed the saving habit. This article deals with important factors of savings among individuals beyond stress on spending.

KEYWORDS : Saving, Spending, Stress, Factors influencing to save, Factor Analysis etc.,

INTRODUCTION

In ordinary language, the term savings refers to money deposited in banks or societies as protection against future insecurities or to save up for particular goods and services or setting aside income to finance future spending. In economics, savings is defined as “the act of deferring current consumption, such that resources are made available to maintain and increase the amount of productive capital for the production of national wealth”. more specifically, saving is regarded as refraining from consumption during one period in favour of later possibilities for consumption, or simply that which is left after meeting current financial responsibilities, and accumulated for later financial responsibilities and or emergencies. Further, economists characterize saving as a residual category i.e., what is left out of disposable income after deducting consumption. Further, people saw within themselves the emergency of earlier unmet needs and the wind of consumerism blew across the Indian territory. This made more wants and the basic needs saw a new definition. Buying things on credit, which was earlier the comfort of a few, was the latest trend and the new consumer wanted the immediate gratification of his/her needs. Also the changes in social structure saw a break away from the joint family systems and with more nuclear families, saving for old age and post-retirement years was the new concern to look after, for the individual, during their working years itself.

REVIEW OF LITERATURE

Augustine and et.al (2000) in their article, “Small Saving Schemes of Post Office Need to be Known More”, the level of saving from improving the post office needs in farm assets decreases with an increase in level of education of the head of the family. **Booz (2008)** in their research paper titled, “Consumer Spending in the Economic Downturn”, our founder Edwin booz, defined the profession when he established the first management consulting firm of saving and spending in 1999. The highest income group will significantly reduce their charitable contribution. As the economy spending as even greater proportion of the highest income group will decrease the amount and frequency of their consumer spending. **Davis and et.al (2009)** in their article, “Income Saving Behavioral Science to Some of Society's”, the financial providers also have an opportunity to capitalize on a new market segment while having a positive social impact. An integrated service delivery model that bundles together transaction services, savings and spending actually mitigate some risks typically associated with customers.

OBJECTIVES OF THE STUDY:

- To Study the factors influencing to save money.

LIMITATIONS OF THE STUDY:

This study was conducted only in Coimbatore city which may not give a general conclusion. The sample size was limited to 200 respondents. The entire study is dependent on the respondents, so the attitude and the mental status of the respondents will be reflected in the research findings. Since the time was limited convenient sampling method is used to select respondents.

RESEARCH METHODOLOGY:

Convenience sampling technique is used for the study. A well structured questionnaire covering the objectives were framed for the data collection. The sample size is 200 respondents. Factor analysis is used to elucidate the important factors encouraging the saving and spending pattern of the respondents beyond the stress on spending pattern. For the purpose of the study both primary data and secondary data has been used. Primary data is collected through well structured questionnaire.

Statistical tools used

Factor Analysis is used for the study and it is techniques used to reduces variables into fewer factors which explain much of the original data, more economically.

ANALYSIS AND DISCUSSION

Table – 1 KMO and Bartlett's Test

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.	.671	
Bartlett's Test of Sphericity	Approx. Chi-Square	334.009
	Df	45
	Sig.	.000

*p<0.01 S-Significant

From the above table, two tests, namely Kaiser-Meyer-Olkin Measure of Sampling Adequacy(KMO) and Bartlett's test of sphericity have been apply to test whether the relationship among the variables has been significant or not. The Kaiser-Meyer-Olkin Measure of sampling adequacy shows that the value of test statistics 0.671, which means the factor analysis for the selected variable is found to be appropriate. Bartlett's test of sphericity is used to test whether the data are statistically significant or not with the value of test statistics and the associated significance level. Which it shows that there exists a high relationship among variables.

Table – 2
Rotated Components Matrix

Variable Name	Variable code	1	2	3	4
For something special I want to buy	X3	.786			
Daughter's Marriage	X8	-.752			
Retirement benefits	X7	-.541			
Future Needs	X5	.502			
Parents tell me to save	X1		.861		
Friends save	X2		.698		
Holiday Plans	X9		.582		
Simply to have more money	X4			.833	
Hospital Expenses	X10				-.867
To Face Contingencies	X6				.561

Extraction Method: Principal Component Analysis.
Rotation Method: Varimax with Kaiser Normalization.
Rotation converged in 7 iterations.

The above table represents the Rotated Components Matrix, Which is an important output of principal component analysis. The coefficients are the factor loadings which represent the correlation between the factor and the ten variables(X1 to X10). From the above factor matrix it is found that coefficients for factor-I have high absolute correlations with variable X3 (For something special I want to buy), X8 (Daughter's Marriage), X7 (Retirement Benefits), X5 (Future Needs) that is, 786, -.752, -.541 and 502 respectively. Similarly factor-II has high absolute correlation with variable X1 (Parents tell me to save), X2 (Friends Save), X9 (Holiday plan) that is, 861, .698 and 582 respectively. Next factor-III has high absolute correlation with variable X4 (simply to have more money) that is 833 respectively. Factor-IV has high absolute correlation with variable X10 (Hospital expenses), X6 (To face Contingencies) that is, -867 and 561 respectively.

TABLE – 3
Factors Reduction

Variable name	Variable code	Factor
For something special I want to buy	X3	Future Needs
Daughter's Marriage	X8	
Retirement benefits	X7	
Future Needs	X5	
Parents tell me to save	X1	Luxury Needs
Friends save	X2	
Holiday Plans	X9	
Simply to have more money	X4	Simple Needs
Hospital Expenses	X10	Emergency Needs
To Face Contingencies	X6	

Looking at table 4.1, the rotated factor matrix, we notice that variables X3,X8,X7 and X5 have loadings of .786,-.752,-.541 and .502 on factor-I respectively. This suggests that factor-I is a combination of these four variables. Thus factor-I can be interpreted as a combination of 'For something special I want to buy'(X3), 'Daughter's Marriage'(X8), 'Retirement benefits'(X7) and 'Future Needs'(X5). At this point, our task is to find a suitable phrase, which captures the essence of the original variables, which combine to form the underlying concept or 'Factor'. In this case factor-I can be named as 'Future Needs'.

Now we will attempt to interpret factor-II. From the table 4.1, we find that the variables X1,X2 and X9 high loadings of .861,.698 and .582 on factor-II is combination of these three variables. Thereby, factor-II can be interpreted as a combination of 'Parents tell me to save'(X1), 'Friends save'(X2) and 'Holiday Plans'(X9). Hence factor-II can be named as 'Luxury Needs'.

To interpret factor-III, we use the third column of the table 4.1 and find that variables (X4) are loaded high on factor-III. Thereby, factor-III can be interpreted as a combination of 'Simply to have more

money'(X4). Hence factor-III can be named as 'Simple Needs'.

To interpret factor-IV, we use the last column of the table 4.1 and find that variables (X10) and (X6) are loaded high on factor-IV. Thereby, factor-IV can be interpreted as a combination of 'Hospital Expenses'(X10) and 'To Face Contingencies'(X6). Hence factor-III can be named as 'Emergency Needs'.

CONCLUSION:

Stress causing factors are predominant in both spending and saving pattern. In modern, globalized world, people tend to spend more than their income pattern, this leads to a severe stress on the individuals towards their saving nature. Hence, it can be concluded that the ten variables encourage savings among individuals, has been successfully categorised or reduced to 4 factors. Viz Future needs, Luxury needs, simple needs and Emergency needs. Thus these 4 factors are the influencing factors for saving money among individuals.

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