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MOBILISING RURAL SAVINGS

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I. Introduction and Objectives

Savings are the unconsumed incomes of an individual economic unit in a given time period. Savings, thus, consist of deferred consumption and capital formation including current investment, and may be defined as changes in earned surplus or earned net worth of an economic unit(1). National savings constitute the sum of net changes in the networths of all economic units in an economy. The amount saved is a function of a number of variables including satisfaction derived from current versus future uses of earnings. The interest rate being the opportunity cost of income saved, plays an important role in allocation of total earnings between current and future uses.

(Savings can be either held in the form of physical assets such as machinery and equipment, livestock, inventories of produce and raw materials, household durables, precious metals and materials, or as financial assets such as currency, deposits with banking institutions, firms, shares in cooperatives, public and private securities and bonds, etc. Allocation of savings by individual economic units depends upon their preferences for liquidity, yield and risk associated with different forms of storing and/or investing the savings.) In rural India while low efficiency of capital on farms discourages reinvestment of surpluses, lack of financial intermediation acts as a major handicap in deposits mobilisation. Savings are generally stored in the form of gold, silver and other precious metals and materials.

The main objectives of this paper are:

1. to discuss the factors that might affect the saving decision by individual economic units.

2. to examine the pattern of savings in India with special reference to rural India;

3. to discuss the need and problems of mobilising rural savings; and

4. to discuss the role of financial intermediation in mobilising rural savings.

II. Factors Affecting Decision to Save

(The savings by an individual economic unit are determined by a number of economic and non-economic factors such as income level, wealth, interest rate, efficiency of capital in own business, quality of financial intermediation available to savers, relative position in class or social ladder, stage of life span and number of dependents. Each of these influences savings through their effect on either of three aspects of savings decisions, namely, ability to save, willingness to save and opportunity to save. (The opportunity to save here may not be confused with the availability of surpluses which we have referred to as the ability to save. Throughout this paper, the opportunity to save reflects the availability of institutional infrastructure).

Assuming the rational behaviour of individuals it is expected that increments in income and wealth would add to the ability to save whereas increased dependency (ratio of dependents to earners) would have negative effect on ability to save. Similarly high interest rate enhances willingness to save while improvements in social status generally depresses it. The willingness to save, however, has different pattern of association with age at different stages of entrepreneur's life. During the first and last stage the willingness is expected to bear a negative relationship with age, while between these two stages of life the willingness to save moves with age. Under the Indian environment, however, because of inheritance motive, the relationship between the willingness to save and age of individual remains positive even in the last stage of his life. The quality of financial intermediation and efficiency of capital are expected to improve the opportunity to save.

At individual's level, the ability to save is expected to increase more than proportionately with the rise in income because the increments in consumption expenditures would be less than proportionate. However, since the consumption expenditure increases more than proportionately with the increased dependency, the increased number of dependents would diminish the ability to save more than proportionately. In case of wealth one expects the ability to save to increase but generally at less than proportionate to wealth increases.

Because a minimum consumption is to be maintained, the willingness to save would increase less than proportionate to interest rate. The consumption expenditures, however, increase with the rise in social status, decreasing thereby the willingness to save. Regarding the relationship between willingness to save and age of household earning unit (member), the Franco Modigliani hypothesis would be appropriate (2). Accordingly, in the early years of one's life, one is not quite serious about the future but is more concerned with the improvement in the present consumption. The relationship between willingness to save and age during this phase of life is, therefore, expected to be negative. Subsequently, however, one starts thinking of future income flows and becomes interested in expansion of the business activity. This we refer to as second phase of life when the relationship of willingness to save with age becomes positive but less than unity. The willingness to save changes more than proportionately with the age in the third phase of life when the individual becomes more interested in expanding his business and is more concerned with future income flows from the present investments. However, subsequently the enthusiasm subsides in the fourth phase when he would have accumulated enough wealth for his old age and he becomes indifferent to further additions to wealth or savings. And ultimately in the fifth and final phase of life, he might start even to consume his earlier savings and his willingness to save once again bears a negative relationship with age. However, in India where inheritance motive is quite strong, the last stage of negative savings is rarely prevalent. Even the fourth stage would be quite short.

The opportunity to save increases more than proportionately with the development of financial intermediation as well as with the efficiency of capital in own business especially in the developing countries where the financial intermediation is not well developed and the marginal efficiency of capital is rising, the association between opportunity to save and efficiency of capital and financial intermediation would be positive (3).

(The final savings, however, would depend upon the interaction of these three aspects of savings decision, namely, the ability to save, the willingness to save and the opportunity to save.) Better ability and enhanced willingness to save would not result in savings unless opportunity to save exists.) Similarly, improvement in ability and opportunity to save would be meaningless for want of willingness to save. Further, enhanced willingness and improved opportunity to save are unlikely to increase savings in the absence of ability to save.

At aggregate level it may, however, be conceptualised that most of the variables affecting ability to save, willingness to save and opportunity to save change slowly over time and are not subject to policy manipulation except income, interest rate and financial intermediation. The other variables though important for individual units become very weak at aggregate level.

Such conclusions are not much different for business and government sectors. However, because of differences in the savings functions of household, business and government sectors, some of the variables affecting savings decision may be more/ less relevant for the latter two sectors compared to that for the household sector. However, we would not go into these details because our objective is not to compare the saving decisions in different sectors, but to discuss the factors that might affect the savings decision by individuals.

III. Pattern of Savings in India

The estimates of savings in India were first prepared by the Reserve Bank of India (RBI) in 1960 (4). The whole economy was divided into: i) public; ii) corporate and iii) household sectors. Table 1 indicates the contribution of each of these sectors to the national savings. Two important points emerge from a perusal of the table. Firstly, there was a sharp growth in the magnitude of savings during 1950-51 and 1978-79 (nearly 20 folds). Secondly, the household sector remained as the major source of savings mobilisation throughout the periods. In recent years, however, the public sector has shown an upward trend in per cent contribution to the total savings.

Household savings have been divided into physical assets and financial assets. The results are presented in Table 2. It could be observed that in 1950-51 about 96 per cent of the total savings were in the form of physical assets. The trend was almost reversed in 1978-79 when nearly 50 per cent of total household savings was in such financial assets as currency, bank deposits, securities, insurance, and small savings.

Table 1: Patterns of Savings in India at Current Prices

Years	Public Sector	Corporate Sector	Household Sector	All Sectors
		Rs. in million		
1950-51	959 (17.70)[a]	350 (6.46)	4110 (75.84)	5419 (100.0)
1955-56	1114 (11.48)	600 (6.18)	7991 (82.34)	9705 (100.0)
1960-61	2394 (17.45)	1067 (7.78)	10258 (74.77)	13719 (100.0)
1965-66	5920 (23.11)	990 (3.86)	18710 (73.03)	25620 (100.0)
1970-71	7470 (21.63)	2100 (6.08)	24960 (72.29)	34530 (100.0)
1975-76	28210 (31.52)	3440 (3.84)	57860 (64.64)	89510 (100.0)
1978-79	34430 (19.87)	3010 (1.74)	135830 (78.39)	173270 (100.0)

[a]Figures in parentheses indicate percentage to the all sectors savings for the respective year.

- Source: Compiled from Lakdawala, D.T. and R.J. Modi, Financial Assets and Instruments for Mobilisation of Savings, Monograph 3, Sardar Patel Institute of Economic and Social Research, Ahmedabad, for 1950-51 to 1960-61, Basic Statistics Relating to Indian Economy: 1950-51 to 1975-76, CSO, New Delhi, 1978 for 1965-66 and relevant issues of Report on Currency and Finance RBI, Bombay for 1970-71 onwards.

Table 2: Changes in Composition of Household Savings at Current Prices in India

Year	Net Financial Assets	Physical Assets	Total Household Savings
		Rs. in million	
1950-51	166 (4.04)[a]	3944 (95.96)	4110 (100.0)
1955-56	3902 (48.83)	4098 (51.17)	7991 (100.0)
1960-61	4383 (42.73)	5875 (57.27)	10258 (100.0)
1965-66	8378 (44.78)	10332 (55.22)	18710 (100.0)
1970-71	12960 (51.92)	12000 (48.08)	24960 (100.0)
1975-76	37430 (64.69)	20430 (35.31)	57860 (100.0)
1978-79	66740 (49.13)	69090 (50.87)	135830 (100.0)

[a]Figures in parentheses indicate percentages of the total savings for the respective years.

Source: Compiled from Lakdawala, D.T, and R.J. Modi, Financial Assets and Instruments for Mobilisation of Savings, Monograph 3, Sardar Patel Institute of Economic and Social Research, Ahmedabad, for 1950-51 to 1960-61, Basic Statistics Relating to Indian Economy: 1950-51 to 1975-76 CSO, New Delhi, 1978 for 1965-66 and relevant issues of Report on Currency and Finance RBI, Bombay for 1970-71 onwards.

The net household savings in financial assets are summarised in Table 3. These net savings are arrived at by deducting such financial liabilities as bank advances, loans from insurance agencies, loans and advances from governments, from the gross financial savings of household sector. It is noticed that currency was the major form of financial savings between 1950-51 and 1965-66. Since 1965-66 however, bank deposits was the most important form of financial savings. The importance of currency as the form of savings is reduced to fourth place since 1975-76. Deposits in the form of provident fund ranked second during 1978-79. Further it was found that gross savings have increased manifold from Rs.823 million in 1950-51 to Rs.84840 million in 1978-79.

Table 4 presents the NCAER estimates of financial savings and their composition in rural and urban areas for the year 1975-76. It was found that rural financial savings accounted for one third of the total financial savings in the reference year (5). Further 48.25 per cent of the financial investment in 1975-76 was accounted for deposits. Provident fund was the second important form that contributed another 22 per cent to the total financial savings. This situation remains unchanged when the savings are decomposed into rural and urban savings. In percentage terms, however, deposits figured relatively more important in rural than those of in urban areas whereas provident fund was more popular among the urbanites for the obvious reasons. Similarly life insurance was relatively more important in urban areas. Small savings however were more popular in rural than

Table 3: Financial Savings of the Household in India

Year	Gross Savings	Currency	Bank Deposits[a]	Insurance Fund[b]	Provident Fund	Claims on Government	Shares and Securities[c]	Financial Liabilities	Net Savings
				Rs. in million					
1950-51	823	796	97	213	190	802	329	657	166
1955-56	5130	1903	845	353	503	1017	509	1228	3902
1960-61	5805	1603	932	571	1093	989	617	1422	4383
1965-66	11068	2874	3867	897	1982	1054	394	2690	8378
1970-71	19150	3440	8540	2200	4160	590	220	6190	12960
1975-76	48950	3340	22400	3770	8350	9470	1120	11520	37430
1978-79	84840	15120	44000	9580	14560	290	1290	18100	66740

[a] Includes deposits of public with non-banking companies since 1961-62.

[b] Includes State Government Insurance Fund.

[c] Covers cooperatives and corporate securities, and United Trust of India.

Source: Compiled from Lakdawala, D.T. and R.J. Modi, Financial and Instruments for Mobilisation of Savings, Monograph 3, Sardar Patel Institute of Economic and Social Research, Ahmedabad, for 1950-51 to 1960-61, Basic Statistics Relating to Indian Economy: 1950-51 to 1975-76 CSO, New Delhi, 1978 for 1965-66 and relevant issues of Report on Currency and Finance, RBI, Bombay for 1970-71 onwards.

Table 4: Composition of Financial Investment in 1975-76

Particulars	Rural	Urban	All India
	Rs. in million		
Deposits	6880 (53.46)[a]	11970 (45.70)	18850 (48.25)
Provident Fund	1680 (13.05)	6920 (26.42)	8600 (22.02)
Life Insurance	1340 (10.41)	4240 (16.19)	5580 (14.29)
Small Savings	1570 (12.20)	1590 (6.07)	3160 (8.09)
Shares and Securities	650 (5.05)	1050 (4.01)	1700 (4.35)
Others	750 (5.83)	420 (1.61)	1170 (3.00)
Total	12870 (100.0)	26190 (100.0)	39060 (100.0)

[a]Figures in parentheses are percentages of the total financial investments of the respective sector.

Source: Compiled from Attitudes Towards Life Insurance Cover, National Council of Agricultural Economic Research, New Delhi, 1979.

areas. On the whole the performance of rural sector in mobilisation of financial savings seems quite unsatisfactory in relation the size of population and the potential that existed.

Table 5 presents the growth in rural deposits between 1968-69 and 1975-76. It could be observed that rural deposits have grown fourfold during the period under reference. Further the share of deposits with the rural branches to the total have increased from 10.5 per cent in 1968-69 to 13.4 per cent in 1975-76. But when deposits with semi-urban branches are included as under Column A, the per cent share of rural deposits showed an increase from 29.8 in 1968-69 to 33.2 in 1975-76. The survey conducted by NCAER (6) revealed that rural saving contributed about 60 per cent to the total savings in 1977-78. It implied that the growth in deposits with rural and semi-urban branches was much faster compared to that of with the urban branches. The table also shows that credit deposits ratio for rural branches has gone down from 2.1 to 1.7 during the reference period. It might have gone further down after 1975-76 owing to the expansion of banking facilities in rural areas. However, there is a need to bring this ratio down to 1.00 to achieve self sufficiency in rural financing.

Table 5: Rural Deposits in India

Year ending June 30	Deposits		Total Deposits	Percent of the total deposits		Credit deposit ratio	
	A	B		A	B	A	B
			Rs. in million				
1968-69	15781	5540	52983	29.8	10.5	0.75	2.1
1971-72	27277	10586	87262	31.3	12.1	0.88	2.3
1972-73	35340	14038	106160	33.3	13.2	0.74	1.9
1973-74	41026	16658	124175	33.0	13.4	0.72	1.8
1974-75	47765	19594	145062	32.9	13.5	0.74	1.8
1975-76	58005	23480	174672	33.2	13.4	0.69	1.7

A = Rural and semi-urban areas: It covers rural and semi-urban branches of commercial and cooperative banks. Rural branches are those which are located in centres with population upto 10,000. Against this, semi-urban branches are those located in centres with population of 10,000 to 1,00,000.

B = Rural areas: It covers rural branches of commercial and cooperative banks.

Source: Compiled from Desai, B M. "Rural Banking in India. Its performance and problems", Prajnan: Vol. VIII(2), April - June 1979, pp. 113-134.

IV. Nee. for and Problems in Mo ilisation of Rural Savings

Although the term mobilisation of savings connotes a variety of meanings, it generally signifies an increase in aggregate savings. In other words, it amounts to realising the savings potential or raising the propensity to save.

According to an All India Rural Household Survey (7) the marginal propensity to save ranged between 4.5 to 16.8 per cent depending upon the inclusion or exclusion of three items, viz. a) changes in currency holding, b) consumer durables, and c) livestock. The survey also found that about 60 per cent of the rural households had either negative or zero net savings. Another survey conducted by NCAER(8) indicated that rural savings contributed about 60 per cent (Rs. 49,560 million) to the total savings of Rs. 82,980 million in 1977-78. However, the ratio of rural savings to the gross income was 0.16 against 0.22 for urban savings.

The farm sector is not a monolithic entity comprising of homogeneous production and saving units. The differences are so large that any straight-cut' generalization about additional incomes, savings and investment could prove to be extremely hazardous and even dangerous. While it is possible that in some areas and on some farms, a large proportion of additional income has been invested in output increasing capital initially, it is possible that among a number of farm household units, a saturation point is slowly reaching where additional avenues of on-farm profitable investment are drying up forcing a larger allocation of increased income to either non-farm investment or consumption or hoarding/or investment in usual hedges against inflation (gold, land / buildings, etc.). The irony, however, is that the distribution of land and thus of income being skewed, it is possible that while one farm may not be left with much scope for additional capital formation and is forced to spend or invest elsewhere, the other farm may be starved of necessary resources for any worthwhile increase in capital. The intra-sectoral flow of savings and investment is thus of no less importance than the inter-sector transfer of savings (9).

Agriculture in India generates a little less than half of the national income (10). Its contribution to institutionalised savings, however, is less than proportionate. It has, thus, been emphasized that agriculture should generate surpluses to finance not only its own investment and capital formation but should also help the non-farm sector.

Investible surplus is the difference between income and expenditure at the family level. Such surpluses generated in the rural areas need careful mobilization efforts in the rural sector, because of a number of reasons.

Firstly, the gap is said to persist (11) in the agricultural sector between capital requirements and its actual availability.

Secondly, some surveys conducted by the Reserve Bank of India found that the growth of trade and small scale industries in many unabnked rural and semi-urban areas was retarding because of lack of institutional credit (12).

Thirdly, substantial portion of potential savings of the rural household sector is not mobilised at present. It is simply used for unproductive purposes for drinking, gambling, smoking, etc. or spent on non-productive social occasions or invested in speculative investment in land, real estate, etc. or stored in the form of gold, silver and other precious metals or materials (13). Availability of appropriate form of financial intermediation might help in diverting at least a part of the rural savings from such uses to institutionalised savings.

Fourthly, the rural farm savings could be allocated to either of the three alternative uses, namely, a) on own farm where it is generated, b) on other's farm by an intra-farm transfers, and c) non-farm by net inter-sectoral transfers. The rationale for relative allocation of farm savings among its competitive uses would depend on the socio-economic objectives of the planned development. It is generally held that the agricultural sector in the context of increased incomes and saving potentials, is not only under-taxed but also subsidised in the form of low irrigation rates, power tariffs, etc. There is also a fear that in the absence of adequate means of mobilisation such surplus savings may be increasingly used for speculative investment in land, real estate, gold, silver, consumer durables and less essential consumption. It might perhaps be socially more desirable to mobilise such savings even at the cost of increased on-farm investment. Another aspect of favourable tax structure in agriculture sector is the investment by industrialists and others to convert their black income into white.

Fifthly, mobilisation may cut through conspicuous consumption and leave the productive investment and financing of current inputs unaffected.

Finally, inadequacy of resources continues to be major constraint with small and marginal farmers. For them savings could supplement the resources to finance the adoption of new technology.

One of the essentials of achieving higher rate of economic growth with relative price stability is to raise the marginal propensity to save by relevant policy interventions. Unless a higher rate of savings is generated in the economy to correspond to high level of planned investment, inflationary situation will arise. Therefore, while mobilising resources, a distinction should be made between inflationary and non-inflationary means of resource mobilisation. It it advisable for a country like India to rely on non-inflationary means for mobilising resources to ensure growth and stability.

The different means for mobilising rural surpluses are:

i) self-mobilisation by investing units such as farmers, rural traders, small scale rural industries, etc.;

ii) savings through financial institutions such as deposits with cooperatives, regional rural banks, and commercial banks;

iii) saving with government agencies such as post-office saving banks, government bonds and other securities;

iv) contractual savings such as pension funds, provident funds, life and other insurances;

v) compulsory contributions, such as taxes, cesses and duties;

vi) share of cooperative organizations, etc.

V. Measures for Increasing Financial Savings

One effective measure to mobilise **savings** into investments in the priority sector is to create appropriate financial assets and financial intermediaries. Larger the saving in the financial assets, greater is the possibility of achieving desired pattern of physical investment. Growth of financial assets and development of financial market also raise the aggregate rate of saving in the country. Any policy that would increase total savings in general would also help to increase financial savings except in socialist economies. To eliminate obstacles to savings the International Chamber of Commerce(14) listed the following five prerequisites: i) increase in income level, ii) stabilisation of currency, iii) betterment of savings climate, iv) improvement of investment climate and v) provision of the necessary legal framework, giving recognition and protection to private property.

While most economists would agree that the composition of financial saving can be altered by changes in the differential among interest rates, widespread scepticism exists about the effectiveness of changes in the average level of interest rates to influence the level of total financial savings flows. In theory, increasing the rate of return on financial assets should increase the volume of financial saving by raising the preference for financial as against real assets and/or by deterring borrowing to finance the purchase of real assets. Undoubtedly, the forces of economic rationalisation do work to these ends, but the empirical evidence is not all clear (15).

The policies followed by some of the developing countries to increase financial savings have included the following: i) adapting instruments to savers' requirements, e.g., in India banks have introduced various saving schemes, such as Double Benefit Deposit Scheme, Recurring Deposit Account, Platinum Jubilee Pension Scheme, Pigmy Deposit Scheme introduced by Bank of India; Regular Income-cum-Recurring Deposit Plan, Janata Cash Certificates, Festival Deposit Plan, Regular Income Plan introduced by Bank of Baroda, Deposit-cum-Reinvestment Certificate Scheme, Diamond Jubilee Cash Certificate Scheme, School Bank Scheme introduced by Union Bank; etc.(16); ii) increasing confidence in financial institutions and making them more accessible e.g., nationalisation of banks and setting up regional rural banks in India; iii) dissemination of information as a part of savings promotion and linking it to acquisition of goods and services, e.g., deposits for housing, marriage, education, etc.; iv) increasing yields through interest rates and the use of tax policy and subsidies, e.g., exemption from income tax on 10 years fixed deposits, interest on savings, dividend from cooperatives upto certain limit and purchase of new equity shares and subsidy on input prices, etc.; v) facilitate contractual savings, e.g., insurance funds and social security, etc.; vi) protecting savings and investment against loss of value through inflation e.g. indexed bonds, etc.

VI. Role of Financial Intermediation in Savings Process

There are three major ways in which financial intermediation helps the savings investment process for the overall economic development of the area :

a) by the collection of additional savings from savers;

b) by the allocation of funds among the uses; and

c) by redistributing the benefits of larger returns on capital investment between the users and the savers.

If a developing country does not have adequate financial intermediation, then farmers and others living in rural areas do not have much opportunity to choose between different forms of savings. They could either save in the form of currency or hoard gold or other consumer goods, either as a measure of protection against inflation or to be certain of obtaining the consumer goods when needed. Whereas farmers and small businessmen may have outlet for directly investing their savings for improving their farms/enterprises, the salaried persons lack such opportunities. Availability of adequate financial intermediation to these population groups helps in diverting their savings to deposits with the financial institutions.

Allusion was made to the fact that savers' choice can be effectively limited, even when the financial structure encompasses a wide range of asset types, if the small saver finds it inconvenient to acquire them or if the information available to the small saver on the advantages of the alternative savings choices is inadequate. The issue of convenience of savings outlets as a stimulus to small savers must be considered in several aspects, viz. physical convenience, the availability of a variety of financial instruments in small denominations and the ready redemption or transferrability of financial assets. One effective measure to mobilise savings for investment in the priority sector is to create appropriate financial assets. Since saving units are not necessarily investment units, financial assets provide an efficient mechanism of transferring investment funds from savers to investors.

The financial intermediaries in India have introduced various deposit schemes to attract a continuously rising flow of deposits particularly from personals of small means. While the schemes introduced by individual financial institutions may vary in detail (as mentioned earlier), they could be grouped under

a) Reinvestment Schemes

b) Recurring Deposit Schemes

c) Pension Plan, and

d) Small Deposit Schemes.

The bank deposits apart from their total safety (Deposit Insurance Guarantee Scheme) also enjoy the benefits of liquidity. Various deposit schemes of banks have incorporated such motives of the savers as i) owning a house, ii) children's education and marriage, iii) providing for consumer durables, iv) providing for emergency expenditures, etc. Other schemes to attract financial savings are to provide some free services to the savers such as door to door collection of deposits, monthly income interest deposits, insurance linked saving deposits, payment of utility bills from deposits by the institution, etc. Though most of these schemes are prevalent with many urban branches of various commercial banks in India, many are not available with the rural branches especially door to door collection and payment of utility bills. Special facilities provided at the counter are incentives for depositors such as teller system, special cheque transfer schemes, courtesy cards, personal loan schemes, special credit transfer system, investment service, etc. Almost all the scheduled commercial banks in India provide most of these facilities. However, not all the rural branches of different banks provide such facilities.

Over the years demand and time deposits with the banks registered a steady progress. The total deposits increased from Rs.65470 million in 19[illegible]1 to Rs. 294630 million in 1979 (17).

Similarly cooperatives try to attract public savings by offering incentives. State cooperative banks offer $\frac{1}{4}$ per cent more interest on fixed deposits than do the commercial banks, district cooperative bankS give additional half per cent and primary cooperative societies give one per cent more on fixed deposits. However, even then the cooperative institutions have achieved only modest success in deposit mobilisation.

Another way of collecting deposits from the rural savers, adopted by cooperatives in addition to share deposits is sale of debentures to the public (by Land Development Banks). Rural Debentures Scheme has special importance in mobilising rural surpluses. The Government of India have introduced various small saving schemes for the savers from time to time which carries higher interest rates. The small savings collection during 1979-80 was recorded at Rs.11250 million and the total outstanding balance was of the order of Rs.70,000 million. However, how much of those belonged to rural areas is not known. But according to a official release greater attention is being given to the rural sector where over a lakh village postmasters are involved in the promotion of small savings movement (18).

Non-banking companies are also accepting deposits on certain conditions imposed by RBI. These companies attract deposits by offering higher yield (19). But how much of these deposits originate from rural areas could not be ascertained. However, rural contribution is not expected to be substantial. Similarly mutual benefit associations also collect deposits from members through prize schemes, etc. Again the contributions from rural areas may not be substantial.

The introduction of a well functioning financial intermediation system and the development of money and capital markets, thus, enable the rural people to earn interest on their financial savings and broaden their choice among physical assets. In other words, savings opportunities are widened and a more preferred package of yield, risk and liquidity are made available. The performance in deposit mobilisation by rural branches of commercial banks after their nationalisation in 1969 and by Regional Rural Banks are the live evidences.

Such a system helps in a more rational allocation among the competing uses of funds. The social distribution of savings achieves a redistribution because of the changed form of savings from goods or currency to interest yielding deposits or dividend earning investments.

FOOTNOTES

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4. RBI Bulletin, RBI, Bombay, March, 1960; August, 1961 and March, 1965.

5. NCAER, Attitude Towards Life Insurance Cover, New Delhi, 1979, p.2

6. Ibid, p.1

7. NCAER, All India Rural Household Survey, Vol.II, New Delhi, 1965.

8. NCAER, Attitudes towards Life Insurance Cover, Op. Cit. p.1

9. For details see Batra, M.M., "Intersectoral Linkages - Flow of Surpluses for Financing Investment," Indian Journal of Agricultural Economics, Vol. 34(4), Oct. - Dec. 1979, pp.113-119. In the same issue also see Namboodiri, N.V., "The Production Linkages between Agriculture and the Manufacturing Sector," pp. 61-66 and Ranjit Sahu, "Reporteur's Report on Intersectoral Linkages" pp.224-226.

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11. Government of India, Report of the National Commission on Agriculture, Part XII, New Delhi, 1976.

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19. For details see RBI, *Directions on Company Deposits*, Bombay, 1974.