



PATTERNS AND DETERMINANTS OF RURAL SAVINGS AND INVESTMENTS IN REWA DISTRICT OF MADHYA PRADESH

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ABSTRACT

The present review explores the trends and drivers of rural savings and investments in Rewa district of Madhya Pradesh with the aim of identifying the socio-economic dynamics of the grass-root level that drive financial behavior. The agrarian nature of the district economy and the seasonal nature of the income and reliance on informal financial systems influences the nature of the household savings and investment choices. Income variability, landholding size, education, gender roles, caste, and trust in institutions contribute towards financial decisions. Although formal financial services, SHGs and government schemes such as PMJDY and PM-KISAN have tried to enhance financial inclusion, they have not succeeded in reaching many people due to infrastructural and informational barriers. The paper highlights the role of financial literacy, credit access, institutional trust, as well as personalized policy interventions in enhancing the rural financial resilience. In general, it is necessary to increase informal support systems and formal mechanisms, which is the key to sustainable and inclusive economic growth in rural Rewa.

Keywords: *Rural Savings, Investment Behavior, Financial Inclusion, Self-Help Groups (SHGs), Seasonal Income, Credit Access, Financial Literacy, Rewa District.*

1. INTRODUCTION

Savings and investments in the rural areas are critical in improving the economic security of households, reducing poverty and in ensuring inclusive regional growth. Although rural population in India is high (more than 65 per cent), the financial behaviors and decision-making patterns at the grass-root level, especially in particular districts, are not well studied [1]. It is important to understand these patterns because rural households are usually characterized by uncertain incomes, poor access to formal financial services, and different financial literacy levels. These issues have direct implications to their capacity to save, invest and develop long term financial sustainability. District-level studies are therefore necessary to make policies specific to the socio-economic situation of rural people.



Figure 1: Rural Savings [2]

Rewa district located in the northeastern region of Madhya Pradesh is an example of semi-agricultural rural India. The district has been typified by monsoon-based subsistence farming and high rates of informal financial activities including saving in livestock, jewelry and rotating credit groups. Although there are formal programs such as bank accounts and self-help groups available,



there is little use of the programs because there is an infrastructural, educational as well as lack of trust. This review aims at synthesizing the available data and literature to realize how socio-economic factors, i.e. income variability, size of landholding, education, caste, and gender roles, affect saving and investment decisions of rural households in Rewa [3].

1.1 Background of the Context

The saving and investment behavior of rural households is central to enhancing the resilience of households economically, the creation of entrepreneurs, and the long-term development of regions. In India with more than 65 percent of the population living in the rural regions, the local financial dynamics play a very important role in the inclusive policy making. Nevertheless, the rural financial behavior is usually beyond the micro-level analysis [4]. The case of Rewa is a semi-agricultural district in the northeast Madhya Pradesh, which represents the general issues of rural India, which are seasonal income, weak financial literacy, and reliance on informal financial mechanisms. Livestock, gold and community-based lending systems remain the primary traditional method of savings, and formal institutions suffer a lack of accessibility and credibility.

1.2 Objective of the Study

- To analyze rural savings and investment patterns in Rewa district.
- To identify key socio-economic factors influencing financial behavior.
- To assess the role of financial institutions, SHGs, and government schemes.
- To examine challenges and suggest measures for financial inclusion.

2. RURAL SAVINGS BEHAVIOR IN REWA

Rural families in Rewa are dependent on seasonal farming and their income is variable with a combination of informal (livestock, gold, chit funds) and very little formal (banks, SHGs) savings. Their saving is affected by factors such as education, gender, landholding, remittances, caste and trust in institutions.



2.1 Income Sources and Seasonality

The rural Rewa economy is largely agricultural with a substantial number of households involved in farming, rearing of animals and daily wage earning [5]. Seasonal earnings are caused by the monsoon-based cropping patterns, particularly kharif and rabi crops. There is more favorable financial situation during the post-harvest, when households can save or invest, and more financial vulnerability during the pre-sowing and off-season periods, when households frequently borrow or distress sell assets or consume their earlier savings. Work-related seasonal migration, particularly by the younger males, is also a common experience in lean months in agriculture, which also affects household saving behavior.

2.2 Modes of Savings

The rural households in Rewa have a two-mode saving pattern, a combination of the traditional and modern savings:

- **Informal Modes:** These are the physical assets that are owned like livestock (considered as the moving savings), gold/jewels (emergency use), home cash storage (prone to theft or irrational expenditure), and the use of rotating savings and credit associations (chit funds or local committees) [6]. These practices are more favored because of flexibility, availability, and low cost of entry.
- **Formal Modes:** Bank savings accounts, post office schemes, fixed deposits and savings under Self-Help Groups (SHGs) are included. The uptake however is relatively low, because of:
 - Poor banking facilities in the rural regions.
 - Visions of complexity and bureaucracy of formal financial services.
 - Ignorance on interest bearing instruments and government savings plans.

The government schemes such as the Pradhan Mantri Jan Dhan Yojana (PMJDY) have enhanced account ownership, but there is still low frequent usage.

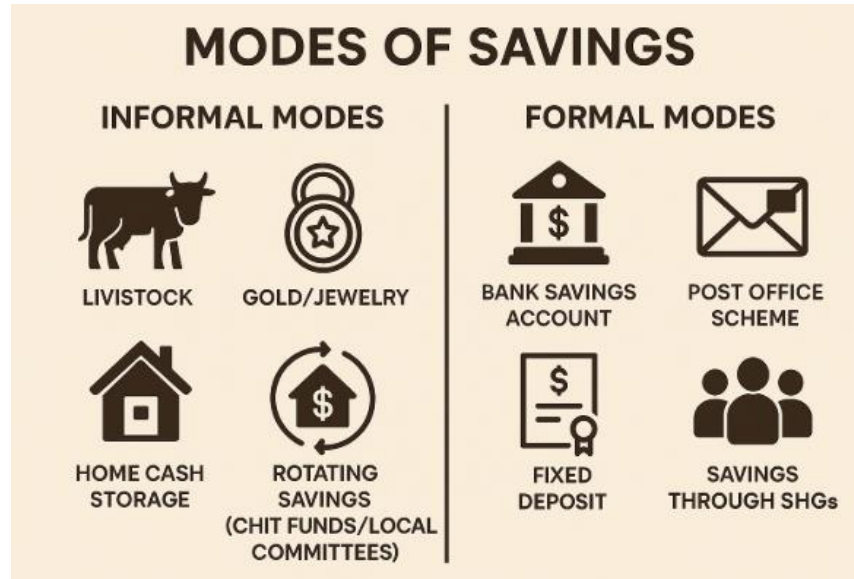


Figure 2: Modes of Savings [7]

2.3 Influencing Factors

- **Education Level:** The level of literacy and education on finance plays a major role on savings behavior. The more literate people tend to trust banks, comprehend the accrual of interest and have systematic saving patterns.
- **Gender Dynamics:** The women of rural Rewa are also actively involved in the process of savings through SHGs which are not only savings systems but also providers of small credit. The involvement of women in Mahila Mandals and microfinance organization creates a culture of disciplined savings.
- **Size of landholdings:** The owners with larger landholdings possess excess income that can be used in the formal saving and investment. They are also riskier and more aware of agricultural insurance and other schemes.
- **Remittances:** Families of migrant workers (most often in the capital or other states) get remittances that complement income. Such households will be more likely to open accounts in banks and save towards housing, education or future security.

- **Caste and Social Hierarchy:** The marginalized groups lack access to productive assets and institutional credit and are limited in their ability to save. The financial independence of women can also be discouraged by social norms in certain parts.
- **Government Schemes:** There is a rise in formal financial participation due to specific financial inclusion programs (PMJDY, SHG-Bank Linkage Program, National Rural Livelihood Mission). Awareness and confidence levels are however developing.
- **Trust and Accessibility:** Lack of trust in banking systems particularly lack of trust in grievance redressal mechanisms and previous experience of cooperatives or financial frauds tend to make the rural households hesitate in using the formal channels fully [8].

3. INVESTMENT PATTERNS IN RURAL REWA

Rural families in Rewa put their savings into productive (such as livestock, farm equipment and irrigation), non-productive (such as gold, land and social ceremonies) and increasingly human capital (education, health and training) assets. The sources of investments are formal, i.e. banks, cooperatives, microfinance and government schemes, and informal, i.e. moneylenders and family networks, with the latter being the most favored because of the flexibility even though the interest rates are high [9]. Nevertheless, risks such as monsoon variability and income instability influence, to a large extent, investment behavior resulting in preference of low-risk, tangible assets rather than ventures with higher returns. Poor insurance cover and institutional backing also limit rural investment prospective.

3.1 Types of Investment

The savings of rural households in Rewa are directed to various forms of investment which can be broadly classified as productive, non-productive as well as human capital investments. The productive investments are the investments in the livestock, agricultural equipment such as tractors or threshers, building wells or tube wells, and the expansion of irrigation in order to increase the farm productivity and stability of income. Income-non-generating investments are important in the rural asset-building behavior and they entail purchases of gold, real estate (mostly to create social prestige), and heavy spending on social events such as weddings or festivals. The recent years are marked by the emergence of the interest in human capital investment, and the proportion of resources spent by families on the education of children, their vocational training, and medical



care is growing. These are not just perceived as expenditure but long-term investments to enhance future earning capacities and social mobility.

3.2 Investment Channels

The formal and informal financial channels are used to support rural investment in Rewa. Formal channels of investments are access to institutional credit via banks and cooperatives, agricultural and infrastructure loans and enrolment in government support programs like PM- KISAN, which gives direct income support and MGNREGA, where wage income is frequently partly saved or invested in small-scale assets. SHG-bank linkage programs and microfinance institutions are also becoming an increasingly important source of finance of small-scale entrepreneurial activities or in housing and sanitation. Nevertheless, because of time consuming processes, bureaucracy and rigid eligibility criteria of formal systems, informal sources like local moneylenders, family borrowing and rotating savings groups continue to be common. The advantage of these sources is that they are immediate and on flexible terms but the interest charged is usually exorbitant particularly in case of emergency or seasonal input requirements, thereby skewing good investment decision making.

3.3 Risk and Uncertainty

Risk and uncertainty that defines rural livelihoods play a significant role in investment behavior in Rewa. The unpredictable nature of monsoons, high incidence of drought and low irrigation capacity lead to wide fluctuations in farm income causing households to be unwilling to make long-term or large-scale investments. Insurance and risk reduction products coverage is low, with most schemes experiencing delays in the settlement of the claims and low levels of awareness. This means that the rural investors will choose low risk and tangible investments such as livestock or gold as opposed to riskier investments with higher returns in farm technology or entrepreneurship. In this type of environment, informal financial networks can be expected to fill the gap but high interest load of these networks can create over-indebtedness, asset sales or inefficient investment choices. In general, the returns uncertainty, and poor institutional support remain a bottleneck to growth of rural investments in the region.

Table 1: Reference Table

Author(s)	Study	Focus Area	Methodology	Key Findings
Haraguchi, Martorano, & Sanfilippo (2019) [10]	Critical factors contributing to successful industrialization in developing countries	Industrial growth and development policy	Comparative policy analysis across countries	Industrial growth depends on manufacturing, public policy, innovation systems, and alignment of macroeconomic stability, education, and institutional reform.
Hastings & Mitchell (2020) [11]	Influence of financial literacy and time preferences on retirement savings and investments	Behavioral economics, retirement savings	Survey and behavioral analysis	Higher financial literacy improves investment behavior; impatience reduces savings and leads to poor financial decisions.
Igwe et al. (2018) [12]	Investment climate and productivity of SMEs in Nigeria	SME productivity and entrepreneurship in Nigeria	Empirical case study and econometric analysis	Infrastructure gaps, regulatory burdens, and lack of credit limit SME growth; socio-political instability weakens productivity.

Jabeen et al. (2020) [13]	Role of women's empowerment in economic contributions in rural Pakistan	Women entrepreneurship and rural development	Field surveys and statistical analysis	Empowered women increase household income; education, decision-making, and microfinance access are key enablers.
Kwilinski et al. (2020) [14]	Conceptual frameworks for national investment security	Investment security and governance frameworks	Conceptual and theoretical framework analysis	Legal protections, strong institutions, and financial regulations enhance national investment security; integrated strategies are essential.

4. DETERMINANTS OF SAVINGS AND INVESTMENT BEHAVIOR

Economic, social and institutional factors play a complex role in determining the savings and investment behavior of the rural households in Rewa. These determinants are important to know in order to facilitate financial inclusion and sustainable economic growth [15].

- Income Stability is a pillar. Since the income generated in agriculture is seasonal and uncertain, this means that households usually experience discontinuous cash flows and therefore, it is difficult to follow a regular process of saving or plan to invest in the long term. During lean times, households focus on liquidity and short-term consumption requirements and end up borrowing or asset sales rather than saving [16]. The non-farm and diversified income people are relatively stable in terms of savings.
- The use of formal financial services is largely affected by the Financial Literacy. The educated people have higher chances of knowing the advantages of bank accounts, interest

gain, insurance, and investment programs [17]. The financial literacy has a direct effect on making quality decisions about risk, returns and long-term asset building. Financial literacy initiatives, both by government and non-government organizations, have achieved some success in rural regions, though a significant part of the population is still ignorant about simple financial products.

- Another important determinant is Access to Credit. The households having access to institutional credit (through banks, cooperatives, or microfinance institutions) have higher probabilities of making productive investments by purchasing farm machinery, starting small businesses, or making house-improvement. Conversely, the reliance on unofficial lenders such as moneylenders tends to expose them to predatory interest rates, which minimizes net returns and risk-taking investments [18]. Marginal farmers are usually locked out by collateral requirements and cumbersome procedures in formal systems.
- Household allocation of resources is affected by the Social Norms and Cultural Practices. Social pressure in the communities pushes people to spend on ceremonies, dowries and festivals at the cost of savings and investment in many communities [19]. Financial behavior is also influenced by gender roles; women tend to be more consistent savers and may have little control over bigger investment decisions, particularly when they are members of Self-Help Groups (SHGs).
- Asset Ownership, land especially, is a source of income as well as collateral to credit. Land owners usually earn more and more constant income and therefore save and invest more in resources that enhance their productivity. Conversely, landless workers or marginal farmers are more shock prone and experience less savings and investments. SHG membership has become a significant asset-poor household empowerment tool, which enables access to small savings schemes, credit and a common financial decision-making platform.

Further, demographics like age, size of family and dependency ratio have an impact on financial behavior as well. Young households with less number of dependents will be more risk prone to investment whereas old or joint families will be conservative [20]. Moreover, remittance inflows,



access to infrastructure and policy interventions (direct benefit transfer or subsidies) also contribute to the development of the household-level financial decision making in rural Rewa.

5. ROLE OF FINANCIAL INSTITUTIONS AND SHGS

- a) **Banks:** Commercial banks play an important role in the mobilisation of rural savings but in such regions as Rewa, they have a limited influence because of their branch density, poor financial infrastructure and physical inaccessibility of banking services [21]. Digital banking can be realised, but it is usually impeded by a lack of digital literacy, inadequate internet connectivity and technology phobia. In addition, the documentation and procedural complexities make the marginalized groups reluctant to engage in formal financial markets.
- b) **Cooperative Societies:** Cooperatives are more culturally and socially penetrated in the rural areas. They are less intimidating and are more approachable to local societies [22]. They however, encounter some challenges like poor professional management, low financial ability, political interference and excessive Non-Performing Assets (NPA). Nevertheless, they are crucial to providing agriculture and dairy credit, as well as credit to other rural businesses, and they frequently serve as a conduit between rural communities and formal finance.
- c) **Self-Help Groups (SHGs) and Microfinance Institutions (MFIs):** SHGs are now established as strong, local level institutions, which promote thrift, mutual aid and access to finance, in particular by rural women. They also promote group savings and easy access to microcredit and social cohesion. These groups have also been incorporated with the formal banking sector through SHG-Bank Linkage Programs (SBLP) [23]. MFIs supplement SHGs by providing slightly bigger loan, financial literacy and enterprise development services. SHGs and MFIs have also played a crucial role in women empowerment, entrepreneurship and enhancing financial strength at the household level.
- d) **Emerging Digital Platforms and Financial Inclusion Drives:** The reach of the financial institutions is being increased by government programs like Pradhan Mantri Jan Dhan Yojana (PMJDY), Aadhaar-enabled payment systems, and mobile banking services [24]. Last-mile delivery is being closed using Business Correspondents (BCs) and fintech



models that deliver doorstep banking in underserved locations. These innovations are enhancing access to savings instruments, insurance and pensions hence increasing financial security.

- e) **Challenges and Way Forward:** Institutions and SHGs have come a long way but there are still issues such as low financial literacy levels, gender gap, regulation and slow credit disbursement [25]. The effectiveness of these institutions can be improved by strengthening SHG federations, digitizing the records of cooperatives, incentivizing the rural banking infrastructure and training women in money handling.

6. CONCLUSION

The situation of rural savings and investment in Rewa district indicates a complicated interaction between socio-economic, institutional, and cultural aspects. In spite of the increased financial inclusion efforts, rural households still depend on informal saving methods and investment vehicles because of seasonality of incomes, inadequate access to credit, and poor financial literacy. Although formal institutions, SHGs, and government schemes have brought change in the situation, challenges like lack of infrastructure, trust, and formal processes are still hindering the process. The solution to these issues should be localized and multi-pronged, comprising the empowerment of the grassroots financial institutions, digital and financial literacy, institutional trust, and asset diversification. Gender-sensitive, caste-sensitive, and seasonal-sensitive interventions can help establish more sustainable and productive financial behavior and lead to rural development in Rewa that is inclusive of all.

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