



IMPACT OF SOCIO-ECONOMIC PROFILE ON HOUSEHOLD BORROWING BEHAVIOUR

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Abstract

Households sector is the major sources of capital formation to the country, act as a producer, consumer, tax payer, professional and saver and their financial decisions influence our economy directly or indirectly. The study about household financial behaviour is need of an hour to policy decisions and implementation, this study was conducted to analysis the influence of socio-economic profile on borrowing behaviour of households. Coimbatore district was selected as the universe of the study in the state of Tamil Nadu. Respondents of 413 households were selected for this study by adopting multi-stage cluster sampling method. A suitable structured questionnaire was prepared and distributed to collect the data from the head of the family. Borrowing from friends/Neighbour is the most preferred sources of borrowings, followed by commercial banks, co-operative banks and money lenders. The results reveals that the households with below 35 years of age, education of under graduate, occupation of business, one dependent in the family, whose savings ranges from Rs.5000-Rs.10000 and sources of income from business uses formal sources of borrowings. Households, those who have living in semi-urban area, with no formal education, with no dependent, monthly income of below Rs.20,000 and monthly savings of Rs.5000 to Rs.10000 and sources of information from friends and relatives accessed informal sources of borrowings.

Keywords: Households, Borrowing

Introduction

Households sector is the major sector which plays a vital role in the functioning of an economy as factors of production, as consumers, and as a source of financing for investment through saving which is called as net financial surplus sector of the economy. Financial decision of households is considered as one of the key indicator of the financial stability of the country since households are the major sector which contributes more capital to the country than the public and private corporate sector. Financial decision of the households influences directly or indirectly on the economic conditions of the economy. Reserve Bank of India report that the majority of the households in India invested in the form of physical assets and real estate, 11% in gold and remaining 5% in financial assets of bank deposits, post office savings banks and in capital market. Household savings as a proposition to GDP growth rate falls to 17.2% during 2017-18 when compared to previous years and unsecured loans are increasing year by year as it was Rs 5.08 lakh crore during 2017-18 as against Rs 3.76 lakh crore in 2016-2017.

The economic liberalisation brings the market potentiality as it creates an employment opportunity and woman also involved in the workforce which will increase the earning capacity of the family. Increased income level induces the households to increase their disposable income as well as make them to borrow money for buying assets, purchasing or renovating a home, buying goods and services, investing in financial and non-financial assets, consumption purpose,