A Study Of The Constituents Of Domestic Savings And Investments In Urban Cities With Special Focus On Mumbai And Delhi

** Nupur Gupta*
*** Vijay Agarwal*

ABSTRACT

After the economic reforms and liberalization policy of 1991, there was a shift from rudimentary finance to an organized financial system. Post independence and until liberalization, the composition of Indian household savings was primarily concentrated in physical assets as compared to financial assets. However, in the late nineties, the share of financial savings rose in various instruments - stock markets, mutual funds, market linked insurance, etc. The SEBI-NCAER study of 1999 found that around 1.4% of the population had invested in direct equity. A study done by MCX stock exchange found that 65% of the cash trading in equities happened in the cities of Mumbai and Delhi for the financial year 2009-10. The present paper examines the important constituents of domestic savings and investments by conducting a survey among 251 households in the cities of Mumbai and Delhi. The three constituents that influenced the pattern of savings and investments were the following : The city of dwelling influenced investment pattern and stock market investments. Income influenced investment pattern and stock market investments of the respondents in the age group of 40-49 years. It influenced the domestic savings of the respondents in the age group of 30-39 years. Interest rates influenced the domestic savings of households, but not their stock market investments. The present study brings out the importance of city of dwelling in making investment decisions.

Keywords : Urbanization, Domestic Savings, Investment, Stock Markets
JEL Classification : C12, D14, E21

INTRODUCTION

Finance essentially involves the transfer of funds in exchange for goods and services on promise of a future return. An efficient financial sector mobilizes savings and allocates it to those investments which yield the highest rate of return. Financial markets like securities markets and financial intermediaries like banks are a critical element in the functioning of the economy that facilitates the transfer of funds for economic growth. After the economic reforms and liberalization policy in 1991, the role of various financial markets and private players in the banking sector and securities market increased in the Indian economy. As financial markets grew in size, especially since the late 1990s, the dominant fear of market failure receded, the process of financial sector reforms saw a decisive shift towards market-oriented strategies, enabling price discovery through deepening of the financial system with multiple and diverse financial entities of different risk profiles. Unshackling the financial system from excessive controls constituted an important element of financial liberalization in India.

Savings are the difference between income and consumption. An increase in the volume of real domestic savings means that resources that would have been used for consumption are released for investment. This leads to a higher capital formation in the economy and leads to a continuous path of growth. Savings converted into investments enhance the well being of people. Wealth has a strong correlation with well being (Diener & Diener, 1995). There is a correlation between rise in income and the rise in national savings. Permanent income is critical in determining savings rather than transitory income (Ireland, 1995).

The three components which constitute gross domestic savings are the savings by the household sector, private corporates and the public sector. Gross domestic capital formation is the sum of gross domestic savings and capital inflow from abroad. The biggest component of the savings in our economy has been contributed by the household sector. This is due to the parsimonious nature of Indians.

* *Assistant Professor (Finance),* Vivekanand Education Society's Institute of Management Studies and Research, Near Municipal School, Collector's Colony, Chembur, Mumbai-400074. E-mail: nupur_gupta28@yahoo.co.in
** *Assistant Professor (Finance),* Department of Management, Birla Institute of Technology, Mesra, Ranchi, Jharkhand -835215. E-mail: vijayag@gmail.com

REVIEW OF LITERATURE

Financial liberalization after 1991 saw a spurt in the savings rate. For the fiscal year ended 2010, the share of gross savings as a part of GDP was at 33.7%, out of which 23.45 % had been contributed by the household sector. The composition of the Indian household savings post independence in physical assets constituted the largest portion of the savings compared to the financial assets. However, in the late nineties, the share of financial savings rose to 44.5% of the total savings of the household sector. Within this sector, bank deposits turned out to be the most popular mode of saving .The SEBI-NCAER survey in 1999 found that only 2.8% of the financial savings of all households was in equity and debt securities. Out of which, only 1.4% were in direct equities, confirmed by the demat account holding of only 16.8 million out of a population base of 1.17 billion (NSDL & CDSL, 2009). The top five cities in India contributed 84% to trading in direct equity in 2009-10. Mumbai and Delhi contributed 65% of cash trading volumes in equities and 60% of mutual fund volumes. This is contrasted with the fact that these cities account for only 24% of the national income.

Singh's (2008) study on the income and savings in urban India reflected heterogeneity of India in its savings pattern. His study found that economically vibrant cities had lower savings rate in comparison to households in tier two cities. Among the top cities, Mumbai witnessed the lowest savings rate; Delhi and Kolkata followed next. High consumerism and the mall culture can be an important reason for low savings rate in these tier one cities.

The market capitalization to GDP ratio is an important indicator which confirms heightened stock market activity (Refer to Table 1). It is the same as the market capitalization to sales ratio for individual companies. The share of equity traded as a percentage of GDP was 87% for the financial year 2009-10. Another important indicator is the market liquidity measured as a percentage of turnover velocity to market capitalization. Around 84% of equity turnover in India continues to come from the top 5 cities. According to the SEBI-NCAER survey in 1999, only 1.4% of the population of 1173 mn had Demat a/cs. This shows that a minuscule population invests into the direct equity market. India is positioned as a nation with a strong savings rate, but India's corporate bond market was just 3% of the GDP in 2009. Insurance penetration accounted by the premium volume as a ratio of GDP for financial year 2006 stood at 4.10% for life and 0.6% for non - life insurance. Asset under management of mutual funds industry as a ratio to GDP stood at 11% in 2009. A survey undertaken by Invest India Incomes and Savings Survey (IISS, 2007) for the Committee on Financial Sector Reforms pointed out that only 14% of the people in the lowest-income quartile and 26% in the second quartile had life insurance as against 69% in the highest income quartile. With regard to non- life insurance products, the status was quite alarming as only 1% of the population appeared to have medical insurance.

The book *"How India Earns, Spends And Saves"* launched by Deputy Chairman, Planning Commission, Mr. Montek Singh Ahluwalia (2008) contains a survey which found that people in India do not plan for the long -term future and keep away from investing in long term instruments. This pattern is prevalent not just among poor or middle-class households, but is prevalent in rich households too. The survey revealed that most Indians preferred keeping 65% of their savings in liquid assets like banks or post office deposits and as cash at home; while investing 23% in physical instruments like real estate and gold, and only 12% invested in financial instruments. Only 5% of the families put their money in the post office, while 2% bought insurance policies and 0.5% invested in equities actively. Only 38% of the urban households had life insurance policies.

The level of urbanization in India increased from 27.81% in 2001 to 31.16% in 2011 (Census of India). According to the latest Census data (2011), more than 377 million people are already living in urban areas. The growth rate of India's total population was around 17.64%, and the growth at which the urban population increased in 2011 was a whopping

Table 1: Demography of Population, Gross Domestic Savings and Stocks Traded

Indicator Name	1991	1995	1999	2003	2007	2010
Population aged 15-64 yrs. (% of total population)	58.46	59.48	60.72	62.13	63.53	64.49
Urban population (% of total population)	25.72	26.6	27.48	28.30	29.26	30.10
Gross domestic savings (% of GDP)	21.98	25.40	24.15	25.48	34.11	26.07
Stocks traded, total value (% of GDP)	8.65	6.16	61.90	47.51	89.14	61.12
Source: Compiled using data of World Bank						

31.8%. The largest five urban agglomerations are Mumbai, Delhi, Kolkata, Chennai and Bangalore. The demography of the population is also youthful. India has more than 50% of its population below the age of 25 years, and around 65% of the population is in the working age group of 15-64 years (refer to Table 1). It is expected that in 2020, the average age of an Indian will be 29 years, as compared to 37 years for the world's most populous country, China. This will also bring the dependency ratio of India to be just over 0.4. A young population would mean that a lot of people, who will be in the high savings phase of their life cycle, will save more than an older population, as the latter will move into the retirement phase and may stop active saving. This shows a great potential for varied investment instruments.

Shaikh and Kalkundrikar's study (2011) revealed that demographic factors have an impact on retail investor's investment decisions. In a similar study by Mehta and Aggarwal (2011), an association of demographic profiles and personality type of the investor with their investment choice was found. Their study found that most of the investors invest keeping the safety of their money in mind. As per the study, there was no association of income, age, gender, occupation, education on the percentage of income an investor wanted to save for future requirements. There was also no association of age, gender, occupation, education with the appropriate investment period, but there was a significant relationship of income with the appropriate investment period.

NEED OF THE STUDY

The paper investigates the investment pattern of households in the two largest urban agglomerations of India - Mumbai & Delhi. An attempt has been made to find the constituents of domestic savings in these two urban cities. As the SEBI-NCAER survey revealed that 65% of the trading in the stock markets happened in the cities of Mumbai & Delhi, this paper attempts to empirically find the constituents of stock market investments in these two cities. This paper assessed the extent of penetration levels of various financial instruments in the two metros of India. The pattern will throw light on the most and the least popular avenues of investment chosen by the households. The constituents of domestic savings and stock market investments in urban cities would throw light on the drivers of investment in urban cities in India. This study examines the select age group and income level of households which invest in stock markets in the two largest metros of India. The impact of interest rates on investment pattern and stock market investments signify the extent of movement economic indicators have on financial investments. This study brings out the importance of city dwelling while making investment decisions.

OBJECTIVES AND HYPOTHESES

Objective 1: To investigate the pattern of investment among households in Mumbai and Delhi.

- **Ho: Investment pattern is independent of city of dwelling.**
- **Ha: Investment pattern is dependent on city of dwelling.**
- **Ho: Investment in stock markets is independent of city of dwelling.**
- **Ha: Investment in stock markets is dependent on city of dwelling.**
- **Ho: Investment pattern is independent of income levels.**
- **Ha: Investment pattern is dependent on income levels.**

Objective 2: To explore the constituents of domestic savings in Mumbai and Delhi.

- **Ho: Domestic savings are independent of interest rates.**
- **Ha: Domestic savings are dependent on interest rates.**
- **Ho: Domestic savings are independent of city of dwelling.**
- **Ha: Domestic savings are dependent on city of dwelling.**
- **Ho: Domestic savings are independent of income levels.**
- **Ha: Domestic savings are dependent on income levels.**

Objective 3: To explore the constituents of stock market investments in Mumbai and Delhi.

- **Ho: Stock market investments are independent of domestic savings.**
- **Ha: Stock market investments are dependent on domestic savings.**
- **Ho: Investment in stock markets is independent of income levels.**

❖**Ha: Investment in stock markets is dependent on income levels.**
❖**Ho: Investment in stock markets is independent of interest rates.**
❖**Ha: Investment in stock markets is dependent on interest rates.**

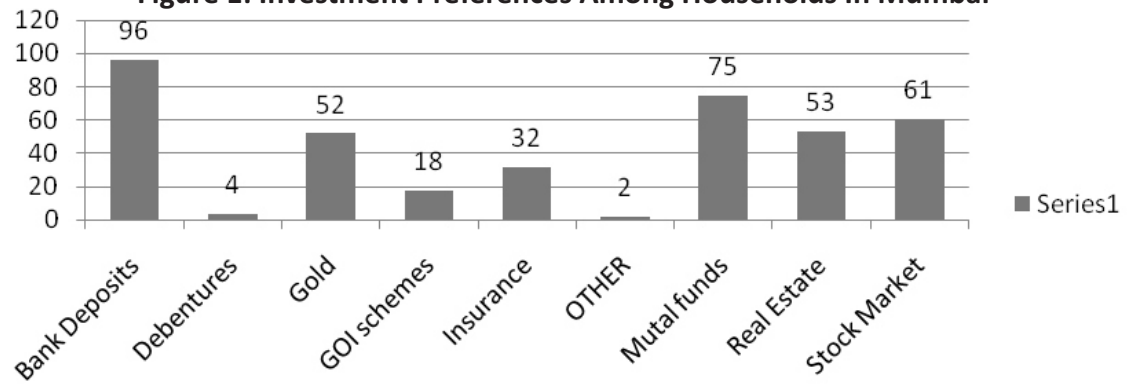
DATA AND METHODOLOGY

❖ **Data Collection :** According to the NCAER Report (1999), 65% of the stock market trading volumes happened from the cities of Mumbai and Delhi. Primary research was done in these two cities. The number of households surveyed were given weightage according to the population size of the two cities. Responses from 142 households from Mumbai and 109 households from Delhi were collected by the way of personal interviews in some cases, emailing the questionnaire and by conducting an online survey through the portal of surveymonkey.com. The type of sampling chosen for the study was convenience and snowball sampling. Respondents in the working age group of 20-60 years were chosen and interviewed within a period of six months from April to November 2011. They were primarily employed in private, public and government sectors. Some businessmen and professional practitioners were also surveyed. The sectors of occupation were divided into five sectors: Banking and Financial Services (BFSI), IT/ITES, Manufacturing, Education and Other Services. The level of the respondents varied from clerical level to top management level, with a majority of the respondents in the junior, middle and senior management level. Hence, the respondents' profile was heterogeneous and consisted of working individuals across various industries and levels in the professional hierarchy.

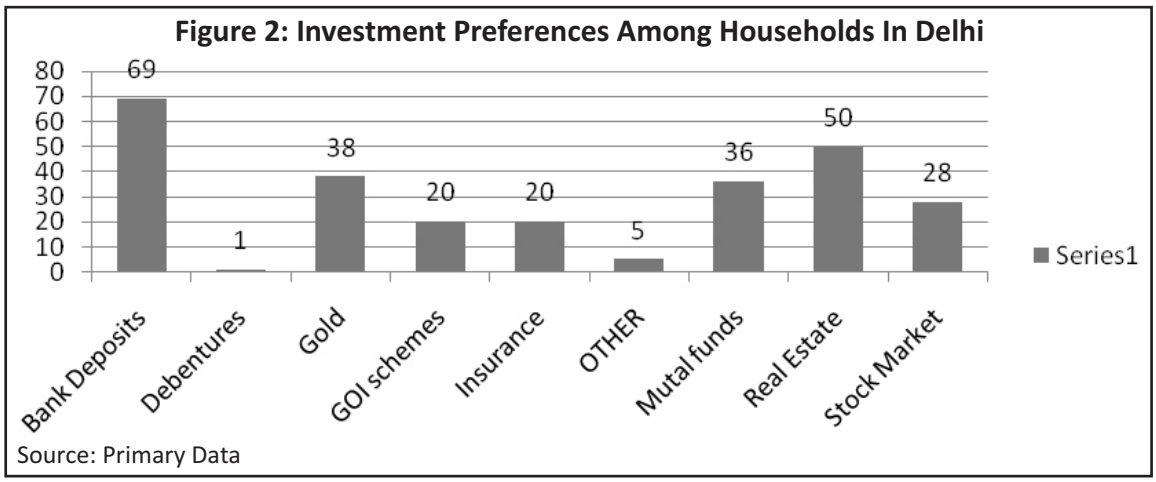
❖ **Research Methodology :** The research design used in the paper is non experimental survey method. The reliability of the questionnaire was ascertained by Cronbach's alpha method and was found to be 0.75. Factor analysis was done on the entire questionnaire to extract the important variables of the study.
The three factors identified were :
1) Stock market factor
2) Savings factor
3) Interest rate factor

Three indices were constructed signifying each of the above three factors by multiplying the individual responses of each question under the three variables with the rotated component score. This was done to obtain continuous variables showing domestic savings, interest rates and stock market investments. Correlation and regression were used among the continuous variables to establish presence or absence of the relationship. For discrete data viz: Investment Pattern, Investment In Stock Market and City of Dwelling, chi-square test was used to establish the presence or absence of association. For finding the relationship between discreet independent variables like Income Level on continuous dependent variables viz. Domestic Savings and Stock Market Investments, one-way ANOVA test was used after addressing the issue of confounding exhibited by moderating variable - Age, which could have

Figure 1: Investment Preferences Among Households In Mumbai



Source: Primary Data



influenced the results. SPSS version 20 was used to conduct all statistical tests.

HYPOTHESES TESTING AND ANALYSIS OF DATA

Objective 1: To investigate the pattern of investment among households in Mumbai & Delhi.

Respondents were asked about their choices of investment across asset classes consisting of Bank FDs, debentures issued by Corporates and PSUs, Gold or other precious commodities, GOI bonds & Postal schemes, Insurance investment schemes, Mutual funds, Real estate, Stock markets and any other type of investments not falling under these categories. The respondents were free to select multiple options. This has been graphically represented in Figure 1 and 2. It can be inferred from the Figures 1 and 2 that the least popular category of investments preferred by the respondents of Mumbai and Delhi were debentures issued by corporates, with just 1 out of 109 respondents in Delhi and 4 out of 142 respondents in Mumbai selecting it. Govt. of India bonds and other categories like Postal schemes were the second least preferred category of investments preferred by Mumbai respondents.

- **Ho: Investment Pattern is independent of city.**
- **Ha: Investment Pattern is dependent on city.**

The investment patterns were categorized into Non - Risky, Risky and Combination. The composition of these three investment classes was determined on the basis of selection of preferred investment options marked by the respondents.

Composition of Non Risky investment preferences: **1)** Bank Deposits ; **2)** Debentures ; **3)** Gold ; **4)** Government of India Bonds ; **5)** Insurance (all plans except term plan, which is a security, not investment) ; **6)** Others (including post office schemes & PPF) ; **7)** Real estate.

Composition of Risky investment preferences: **1)** Stock Market investments only.

Table 2: Cross Tabulation of City and Investment Pattern

			Investment Pattern			Total
			Non - Risky	Risky	Combination	
City	Mumbai	Count	44	7	91	142
		% within City	31.0%	4.9%	64.1%	100.0%
	Delhi	Count	57	1	51	109
		% within City	52.3%	0.9%	46.8%	100.0%
Total		Count	101	8	142	251
		% within City	40.2%	3.2%	56.6%	100.0%

Source: Primary Data

Table 3 :Cross Tabulation of City and Preference In Stock Market Investment Pattern					
			Preference in Stock Market investment		Total
			No	Yes	
City	Mumbai	Count	81	61	142
		% within City	57.0%	43.0%	100%
	Delhi	Count	80	29	109
		% within City	73.4%	26.6%	100%
Total		Count	161	90	251
		% within City	64.1%	35.9%	100%
Source: Primary Data					

Table 4: ANOVA[a]					
	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	337.529	1	337.529	11.111	.001[b]
Within Groups	7564.298	249	30.379		
Total	**7901.827**	**250**			
a. Dependent variable: Stock market factor					
b. Predictors: (Constant), city					
Source: Primary Data					

Table 5: Results of Chi - Square Test Between Investment Pattern And Income Level - Age Wise		
Age group	**N**	**Results**
20-29 yrs.	78	Chi square = .718, Contingency coefficient =.254, P value more than 5%
30-39 yrs.	64	Chi square = .157, Contingency coefficient = .396, P value more than 5%
40-49 yrs.	68	Chi square = .041, Contingency coefficient =.437, P value less than 5% **Significant relationship between investment pattern and household income**
50-59 yrs.	41	Chi square = .704, Contingency coefficient= 0.344, P value more than 5%
Source: Primary Data		

Composition of Combination investment preferences :**1)** Mutual Funds only ; **2)** Any portfolio comprising of : **a)** Risky and Non Risky Investments ; **b)** Non- Risky Investments and Combination ; **c)** Risky Investments and Combination.

From the Table 2, we can see that the number of households surveyed were 251. Their chi-square value calculated was found to be 13.333; P value was .001, which was significant at 5% significance level. The contingency coefficient was .225. Hence, the hypothesis - that investment pattern is dependent upon the city of dwelling of the investor - is accepted.

- **Ho: Investment in Stock markets is independent of city of dwelling.**
- **Ha: Investment in Stock markets is dependent on city of dwelling.**

The preference of households with reference to stock market investments are tabulated in the Table 3. One way Anova test on the basis of city was conducted to test the preference of stock market investments, and the results are depicted in the Table 4. The results of the ANOVA test show an F value significant at 5% level of confidence. Hence, it can be concluded that the hypothesis - stock market investments are dependent on the city of dwelling (of the household) - is accepted.

- **Ho: Investment pattern is independent of income levels.**
- **Ha: Investment pattern is dependent on income levels.**

Table 6 : ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	3.252	1	3.252	4.846	.029[b]
	Residual	167.087	249	.671		
	Total	**170.339**	**250**			

a. Dependent Variable: savings_factor

b. Predictors: (Constant), interestrate_factor

Source: Primary Data

Table 7: Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	6.560	.239		27.501	.000
	interestrate_factor	.101	.046	.138	2.201	.029

a. Dependent Variable: savings_factor

Source: Primary Data

Table 8 : ANOVA

	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	5.296	1	5.296	7.991	.005
Within Groups	165.043	249	.663		
Total	**170.339**	**250**			

a. Dependent Variable: savings_factor

b. Predictors: (Constant), City of dwelling

Source: Primary Data

Table 9: Results of Chi - Square Test Between Domestic Savings And Income Level - Age Wise

Age group	N	Results
20-29 yrs.	78	F value of Anova = 1.803, Calculated value =.138, which is more than the table value at 5 % significance level
30-39 yrs.	**64**	**F value of Anova = 2.835, Calculated value =.032, which is less than the table value at 5 % significance level**
40-49 yrs.	68	F value of Anova = .590 , Calculated value =.671, which is more than the table value at 5 % significance level
50-59 yrs.	41	F value of Anova = 1.992, Calculated value =.117, which is more than the table value at 5 % significance level

Source: Primary Data

Table 10 : ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	403.043	1	403.043	13.383	.000[b]
	Residual	7498.785	249	30.116		
	Total	7901.827	250			

a. Dependent Variable: stockmarket_factor

b. Predictors: (Constant), savings_factor

Source: Primary Data

To remove the confounding nature of the moderating variable age, the aforementioned hypotheses were tested for the all the four age groups. The findings are tabulated in the Table 5. From the Table 5, it can be seen that for the age group of 40-49 years, it was found that investment pattern was dependent on the household income of households in Mumbai and Delhi.

Objective 2: To explore the constituents of domestic savings in Mumbai & Delhi.

- **Ho: Domestic savings are independent of interest rates.**
- **Ha: Domestic savings are dependent on interest rates.**

A regression of the savings factor was done against the interest factor to understand the impact of interest rates on domestic savings of the households under study. The outcome of the test is represented in the Tables 6 and 7.

- **Ho: Domestic savings are independent of the city of dwelling.**
- **Ha: Domestic savings are dependent on the city of dwelling.**

A one way Anova test on the basis of the city was conducted to test the dependence of the city on domestic savings. The results were tabulated and are presented in the Table 8. The significance of the calculated value is equal to the table value. Hence, the researchers concluded that the hypothesis - domestic savings are dependent on the city of dwelling of the household - is accepted.

- **Ho: Domestic savings are independent of income levels.**
- **Ha: Domestic savings are dependent on income levels.**

To remove the confounding nature of the moderating variable age, this hypothesis was tested for the all the four age groups. The results of the test conducted are presented in the Table 9.The researchers inferred from the Table 9 that in the age group of 30-39 years, the domestic savings were dependent on the household income of the households in Mumbai and Delhi. Hence, the hypothesis Ha is accepted.

Objective 3: To explore the constituents of stock market investments in Mumbai & Delhi.

- **Ho: Stock market investments are independent of domestic savings.**
- **Ha: Stock market investments are dependent on domestic savings.**

A regression model was established between stock market investments factor and domestic savings factor. The output of the model is tabulated in Tables 10 and 11.

The results of the model represented in table 10 and 11 show a significant relationship between the stock market investment factor and domestic savings factor at 10% significance level. Hence, it could be inferred that stock market investments were dependent on domestic savings.

Table 11 : Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	-3.878	2.994		-1.295	.196
	savings_factor	1.538	.420	.226	3.658	.000
a. Dependent Variable: stockmarket_factor						
Source: Primary Data						

Table 12: Results of Chi - Square Test Between Stock Market Investments And Income Level - Age Wise

Age group	N	Results
20-29 yrs.	78	F value of Anova = .740, Calculated value =.568, which is more than the table value at 5 % significance level
30-39 yrs.	64	F value of Anova = 2.164, Calculated value =.084, which is more than the table value at 5 % significance level
40-49 yrs.	**68**	**F value of Anova = .5.220, Calculated value =.001, which is less than the table value at 5 % significance level**
50-59 yrs.	41	F value of Anova = .498 Calculated value =.737 which is more than the table value at 5 % significance level
Source: Primary Data		

Table 13: Post Hoc Test Of Stock Market Investment Within Different Age Groups			
(I) HH income	**(J) hh income**	**Mean Difference (I-J)**	**Sig.**
below 5 lakhs	between 15-25 lakhs	-9.02867*	.000
	above 25 lakhs	-8.43533*	.030
between 5 -10 lakhs	between 15-25 lakhs	-9.27968*	.000
	above 25 lakhs	-8.68635*	.024
between 10-15 lakhs	between 15-25 lakhs	-8.38000*	.000
	below 5 lakhs	9.02867*	.000
between 15-25 lakhs	between 5 -10 lakhs	9.27968*	.000
	between 10-15 lakhs	8.38000*	.000
above 25 lakhs	below 5 lakhs	8.43533*	.030
Source: Primary Data			

Table 14 : ANOVA[a]						
Model		**Sum of Squares**	**df**	**Mean Square**	**F**	**Sig.**
1	Regression	14.510	1	14.510	.458	.499[b]
	Residual	7887.318	249	31.676		
	Total	**7901.827**	**250**			
a. Dependent Variable: stockmarket_factor						
b. Predictors: (Constant), interestrate_factor						
Source: Primary Data						

Table 15 : Coefficients[a]						
Model		**Unstandardized Coefficients**		**Standardized Coefficients**	**t**	**Sig.**
		B	Std. Error	Beta		
1	(Constant)	5.918	1.639		3.611	.000
	interestrate_factor	.214	.316	.043	.677	.499
a. Dependent Variable: stockmarket_factor						
Source: Primary Data						

❖ **Ho: Investment in stock markets are independent of income levels.**

❖ **Ha: Investment in stock markets are dependent on income levels.**

To remove the confounding nature of the moderating variable age, the hypotheses were tested for the all the four age groups. The results are tabulated in the Table 12. From the Table 12, the researchers found that in the age group of 40-49 years, it was found that stock market investments were dependent on the household income of the households in Mumbai and Delhi. Hence, the hypothesis Ha is accepted. A post hoc test was conducted to find the differences in stock market investment within different age groups. The results are tabulated in the Table 13.

It can be inferred from the Table 13 that significant differences were found in the dependence of investment in stock market between household income levels below ₹10 lakhs and household income levels of ₹ 15 lakhs and above. Significant differences can also be seen in the dependence of investment in stock market investment between income levels of ₹ 10-15 lakhs and ₹ 15-25 lakhs. Hence, the study found that in the cities of Mumbai and Delhi, the investment in stock markets was dependent on the income levels of households that belonged to the affluent middle age group.Hence, the hypothesis Ha is accepted.

❖ **Ho: Investment in stock markets is independent of interest rates.**

❖ **Ha: Investment in stock markets is dependent on interest rates.**

A regression model was investigated between stock market investment factors and domestic savings factor. The results of the test are tabulated in the Tables 14 and 15. The researchers found no significant relationship between stock market investment factor and interest rates, as represented by the results of the regression model in Tables 14 and 15. Hence, the Ho - investment in stock markets is independent of interest rates - is accepted.

CONCLUSION

This paper attempted to examine the investment pattern of households in India's two largest metros- Mumbai and Delhi. It was found that bank deposits still continue to be the most preferred form of investment, followed by mutual funds, real estate and gold. However, significant differences were found in the investment pattern of households between the two cities. Stock market investment was the third most preferred form of investment in Mumbai; however, it was not so in Delhi. Hence, it was perceived that household income is a chief driver governing savings and investment behaviour of investors.

However, the paper found a significant dependence of investment pattern on household income only in the age group of 40-49 years. The two important constituents of investment pattern which the study observed are : *City of dwelling of household* and *Income levels*. Interest rates impacted domestic savings. The domestic savings were statistically different between the two cities under study. Household incomes affected the level of domestic savings in the age group of 30-39 years only. *Hence, the present paper found four important constituents of domestic savings - Interest Rates, City of Dwelling, Household Income Levels and Age of Investor.* Domestic savings impacted the stock market investment of households. However, no significant relationship was found between interest rates and stock market investments. This implies that the level of interest rates did not affect the household's investment in the stock market. Household income levels impacted the stock market investments only in the age group of 40-49 years. In this age group, significant differences were found in the stock market investments of households with income level of below ₹ 5 lakhs, and households with income level of above ₹15 lakhs. Hence, the researchers concluded that the stock market investments were preferred by households whose members belonged to the middle age group of 40 -49 years, with income levels of above ₹ 15 lakhs.

REFERENCES

1) Association of Mutual Funds of India, CSO Data 2009, http://insurancemasteronline.com/financial_services.html accessed on November 28, 2011.

2) Diener, E. And Diener, C. (1995): "The Wealth of Nations Revisited: Income and Quality Of Life." *Social Indicators Research*, 36(3), pp. 275 286.

3) http://legalserviceindia.com/article/l48-Household-Savings.html , accessed on November 28, 2011.

4) http://news.bbc.co.uk/2/hi/south_asia/6911544.stm , accessed on January 5, 2012.

5) http://planningcommission.nic.in/data/datatable/1705/final_6.pdf , accessed on November 28, 2011.

6) http://www.censusindia.gov.in/ , accessed on May 13, 2012.

7) http://www.mcx-sx.com/downloads/Indian_Equity_Investors_Survey_2010.pdf , accessed on November 13, 2011.

8) http://www.thehindubusinessline.in/2008/04/13/stories/2008041350890300.htm , accessed on December 28, 2011.

9) Indian Equity Investors Survey 2010: Concise report published by MCX. Accessed from : www.mcx-sx.com/downloads/Indian_equity_survey_2010.pdf , retrieved on November 8, 2011.

10) Indians are wise savers but poor investors: Survey published in international Business Times Print Edition on February 11, 2008 accessed by, http://www.scribd.com/doc/62412079/Indian-Are-Wise-Savers-but-Poor-Investors-Survey on January 5, 2012.

11) Ireland, P.N. (1995). "Using The Permanent Income Hypothesis For Forecasting." Federal Reserve Bank of Richmond, *Economic Quarterly,* 81(1), Winter 1995, pp. 49-63.

12) Mehta, S.K. & Aggarwal, N. (2011). "The Effect Of Demographics On Investment Choice: An Empirical Study Of Investors In Jammu." *Indian Journal of Finance*, 5(10), pp. 43- 47.

13) Report of Mckinsey Global Institute. *"India's Urban Awakening: Building Inclusive Cities, Sustaining Economic Growth."* April, 2010.

14) Shaikh, Arifur R.H. & Kalkundrikar, A. B. (2011). "Impact of Demographic Factors On Retail Investors' Investment Decisions - An Exploratory Study." *Indian Journal of Finance*, 5(9), pp. 35-39.

15) Shukla, Rajesh (2010). *"How India Earns, Spends and Saves- Unmasking The Real India."* Sage Publications Pvt. Ltd., India ISBN 9788132104766.

16) Singh, A. (2008). "Income and Savings In Urban India." http://www.indicus.net/media/index.php/blogspace/1227-income-and-savings-in-urban-india accessed on December 28, 2011.