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INTRODUCTION
REVIEW OF LITERATURE
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STATEMENT OF THE PROBLEM
OBJECTIVES
HYPOTHESIS (ES)
RESEARCH METHODOLOGY
RESULTS & DISCUSSION
FINDINGS
RECOMMENDATIONS/SUGGESTIONS
CONCLUSIONS
LIMITATIONS
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APPENDIX/ANNEXURE

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SAVING AND INVESTMENT BEHAVIOUR OF INDIA AND CHINA: A COMPARATIVE STUDY

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ABSTRACT

This study examines the relationship between gross domestic savings and total investment and compare their trend behaviour in both India and china. Secondary data from 2001 to 2013 of gross domestic savings and total investment have been collected from World Development Indicators and World Economic Outlook Database. Statistical techniques like correlation, trend analysis have been used for analysis purpose. It concludes the highly positive correlation between total investment and gross national savings in both India and china. It also concludes that total investment is in surplus over gross national savings in India whereas situation is reverse in case of china. It indicates that India's investment is the outcome of both gross domestic savings and net foreign sources whereas china is the exporting its surplus savings to other countries. Besides, total investment and gross national savings of china have always been upper than of India.

KEYWORDS

saving, gross domestic saving, investment.

INTRODUCTION

Both saving and investment are important factors that affect economic growth of a country. Saving is that part of income which is not spend on final consumption. In other words, saving is the sacrifice of present consumption for more future consumption. In fact, income after taxes can be used for saving and consumption. More consumption will lead to less saving and vice versa.

S =Y-C

(Here S =saving, Y= income after taxes, C= consumption expenditure)

Major source of gross domestic savings in India are household sector savings, public sector savings and corporate sector savings.

Gross domestic savings= GDP-Final consumption

When saving is used for purchasing buildings, roads, factories, new machines, stock of finished goods, transport, forestry etc., then it is called investment. More Investment leads to more capital formation which results in more employment, production and economic growth of the country. Investment does not depend on only savings but it can take place through other foreign sources also like net loan received by households, corporate sector and government from foreign government, net foreign investment etc. Sources of Investment can be separated into two parts:

1) Domestic saving
2) Foreign sources

Net foreign sources= Net foreign liabilities- Net foreign assets

OBJECTIVES OF THE STUDY

The objectives of the study are as under:

1) To study the trend and relationship between saving and investment
2) To compare saving and investment behaviour of India and china

RESEARCH METHODOLOGY

This study is based on secondary data of Total investment (% of GDP) and Gross domestic saving (% of GDP) collected from World Economic Outlook Database and world Development Indicators. Relationship between Two variables, i.e., Total investment (% of GDP) and Gross domestic saving (% of GDP) has been computed by means of coefficient of correlation and coefficient of determination techniques of statistics. Two way tables and graphs also have been used to present data more unambiguously.

ANALYSIS AND INTERPRETATION

1) GROSS DOMESTIC SAVINGS AND TOTAL INVESTMENT IN INDIA

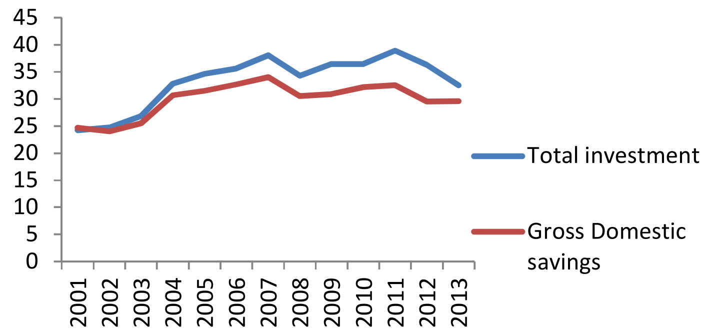
TABLE 1: GROSS DOMESTIC SAVINGS AND TOTAL INVESTMENT IN INDIA

Description	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Total investment(% of GDP)	24.244	24.75	26.831	32.818	34.65	35.659	38.114	34.305	36.48	36.502	38.936	36.297	32.522
Gross Domestic savings (% of GDP)	24.7	24	25.5	30.7	31.5	32.7	34	30.5	30.9	32.2	32.5	29.5	29.6

Source: World Economic Outlook Database and World Development Indicators

Table 1 indicates that gross domestic savings in India has shifted from 24.7% to 29.6% since 2001 to 2013 whereas total investment has also increased from 24.244 per cent to 32.522 per cent. It also points out that investment has always been higher than gross domestic savings in India. Hence India has marked up only 19.84 % increase in gross domestic savings from 2001 to 2013 This table also lays down the fact that total investment in India is increasing at a high pace in comparison of gross domestic savings.

GRAPH 1: GROSS DOMESTIC SAVINGS AND TOTAL INVESTMENTS OF INDIA



The above graph 1 reflects high positive correlation between gross domestic savings and total investment in India as both trend lines are very close to each other. It also pinpoints that the total investment of India has always been remained higher than gross domestic savings which indicates that India has been using foreign sources to finance investment. The gap between total investment and gross national savings is becoming more wider which signifies augmented net foreign sources in India. Net foreign sources are the surplus of net foreign liabilities over net foreign assets.

2) GROSS DOMESTIC SAVINGS AND TOTAL INVESTMENTS OF CHINA

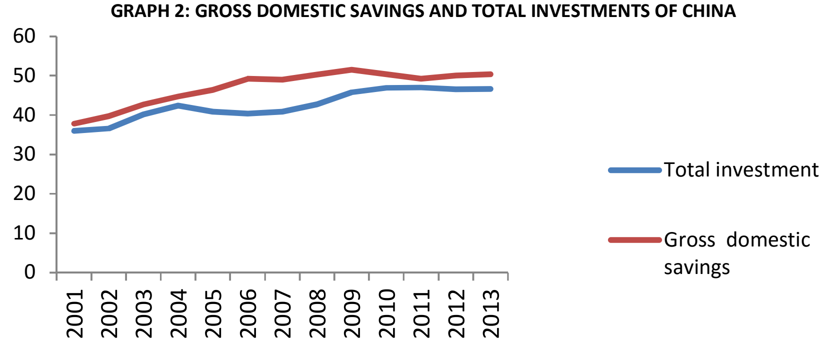
TABLE 2: GROSS DOMESTIC SAVINGS AND TOTAL INVESTMENTS OF CHINA

Description	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Total investment	36.017	36.62	40.165	42.408	40.858	40.373	40.902	42.683	45.801	46.959	47.011	46.504	46.627
Gross Domestic Savings	37.8	39.7	42.7	44.7	46.4	49.2	49	50.3	51.5	50.4	49.2	50.1	50.4

Source: World Economic Outlook Database and World Development Indicators

Table 2 reveals gigantic changes in total investment and gross domestic savings since 2001 to 2013 In 2001 ,total investment is 36.017 per cent of GDP which has augmented up to 46.627 per cent of GDP in 2013 while gross domestic savings also have increased from 37.8 per cent to 50.4 per cent from 2001 to 2013 China has marked up 33.33% rise in gross domestic savings from 2001 to 2013 The above table also indicates that pace of increment in saving in china is higher than the pace of total investment.

GRAPH 2: GROSS DOMESTIC SAVINGS AND TOTAL INVESTMENTS OF CHINA



The graph 2 reflects that total investment has always been lower than gross national savings in China. It indicates that china is indulged in exporting its saving to other countries. Net foreign assets of china is in excess of net foreign liabilities which leads to net foreign sources to be negative. This negative net foreign source specifies that part of gross domestic savings which is in excess of total investment. This graph also indicates high positive correlation between total investment and gross domestic savings in china.

3) RELATIONSHIP BETWEEN SAVING AND INVESTMENT IN INDIA AND CHINA

TABLE 3

Description	India	China
Coefficient of correlation(r)	0.9478	0.84185
Coefficient of determination(r^2)	89.83	70.87

The above table 3 pinpoints that gross domestic savings and total investment in both India and China are high positive correlated but this relationship exists slightly more in India in comparison of China. Moreover, r^2 indicates that 89.83% variation in total investment is explained by gross domestic savings and rest of the variation i.e., (100-89.83)10.17% is by other unexplained variables. On another side, 70.87% change in total investment is due to gross domestic savings and 29.13 % variation by other unexplained variables. It wraps up that investment's behaviour of China is less responsive towards gross domestic savings in comparison of India.

CONCLUSION

There is highly positive correlation between total investment and gross domestic savings in both India and china but it is slightly more i.e., 0.9478 in India in comparison of China i.e., 0.84185. But total investment has been more than gross national savings in India whereas situation is reverse in china. This indicates that

India's investment is the outcome of both gross domestic savings and net foreign source where China is a country having huge amount of saving specially from corporate sector and government sector which is more than sufficient to finance its investment. Moreover, total investment and gross domestic savings of china have always been much superior than of India but the rate of increase in investment in India is greater than in china whereas saving rate is higher in china than in India. That is why china is the exporter of its saving outside the country. This study also wraps up that investment's behaviour of China is less responsive towards gross domestic savings in comparison of India.

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