IJARSCT
International Journal of Advanced Research in Science, Communication and Technology
International Open-Access, Double-Blind, Peer-Reviewed, Refereed, Multidisciplinary Online Journal
ISSN: 2581-9429
Volume 6, Issue 1, July 2026
Impact Factor: 8.2

A Study on Savings and Investment Behaviour of Farmers with Special Reference to Shivamogga District

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Abstract: *For a study of Income, expenditure, saving, and investment behavior of farmers the literature review can be schematized around these themes. The literature review was thus planned around these central concepts related to farmer's behavior. A macro to micro perspective was approached in conducting the review. The first part reviewed the literature on the global scenario. The second part covered the Indian scenario. The sector not only provides employment opportunities but also contributes to food security, poverty alleviation, and overall economic growth. Farmers, as some actors in this sector, play a critical role in ensuring the sustainability and resilience of agricultural production system. Their ability to save and invest effectively is fundamental to improving productivity, adopting modern technology, and enhancing the sector's competitiveness in global markets. Therefore understanding the financial behavior of framers becomes imperative for policymakers. Researchers, and development practitioners aiming to promote sustainable agricultural development and rural prosperity. Despite the vital role they play, farmers often encounter numerous challenges that affect their savings and investment decision. These challenges include income volatility due to fluctuating pries and weather conditions, limited access to credit and financial services, inadequate infrastructure, and uncertain market conditions. Additionally, savings contribute to building resilience to climate change and other external shocks, allowing farmers to withstand periods of economic uncertainty and invest in sustainable farming practices. Effective savings strategies also empower farmers to seize market opportunities, negotiate better pieces for their produce, and improve their bargaining power within agricultural value chain.*

Keywords: Savings and Investment, Poverty, Global Market, Agricultural Development, Financial Service, Sustainable Development, Rural Prosperity.

I. INTRODUCTION

Agriculture remains a cornerstone of economies worldwide, sustaining livelihoods, Ensuring food security, and contributing significantly to national economies. In the context of agricultural development, the savings and investment behaviors of farmers hold immense importance, influencing not only their own economic stability but also the broader agricultural sector's growth and resilience. Farmers, particularly in developing countries, face unique challenges such as climate variability, market fluctuations, and limited access to financial services, which significantly shape their financial decision. Understanding how framers manage savings and allocate investments is crucial for designing effective policies, programs, and intervention aimed at enhancing agricultural productivity, income stability, and rural development. Agriculture remains the backbone of many economies, particularly in developing countries where it serves as a primary source of livelihood for millions of rural households. The sector not only provides employment opportunities but also contributes to food security, poverty alleviation, and overall economic growth. Farmers, as key actors in this sector, play a critical role in ensuring the sustainability and resilience of agricultural production system. Their ability to save and invest effectively is fundamental to improving productivity, adopting modern technology, and enhancing the sector‘s competitiveness in global markets. Therefore understanding the financial behavior of framers becomes imperative for policymakers. Researchers, and development practitioners aiming to promote sustainable agricultural development and rural prosperity. Additionally, savings contribute to building resilience to climate change and other external shocks, allowing farmers to withstand periods of economic uncertainty and invest in sustainable farming practices. Effective savings strategies also empower farmers to seize market opportunities, negotiate better pieces for their produce, and improve their bargaining power within agricultural value chain.

II. REVIEW OF LITARATURE

B Wieliczko, et.al (2020) have identified that the ability to accumulate savings and their level determines farmer investment decisions related to farm size and level of innovation. They examined that savings of small farms and the level of their mobilization are conditional by several social, economic and institutional factors. Those include age, gender and level of education of a farm manager agricultural experience number of people in a family size of an agricultural holding. The aim of the article is to determine the savings generating potential of small farms in Poland and the impact of savings on their sustainable development. The limitation of the study may hinder the mobilization of savings by small farms and thus affect their sustainable development. Therefore, as recommendations we present measures that can increase savings by small farms in Poland.

Ms Snehal J and Mirajkar, et.al (2021) Identified that India is an agricultural country. Agricultural is the source of living of about 60% population in India around 43% of the land is used for agricultural activities in India agriculture is the main contributor to the GDP of India. They founded that savings and investment pattern is only related to deposits loans and livestock etc. It‘s observed that farmers are not aware of their investment avenues and the study is observed that government should frame policies to increase savings and investment of farmers in the study area. They concluded that savings and investment patterns of farmers has helped the researcher in the generation of ideas and knowledge of now new strategies should be developed by banks and governments to improve savings and investment of farmers.

Min Li et.al (2022) Examined that incorporating ecological property right into the natural resources property rights structure may significantly influence farms behavior in forestry investment. It may also trigger forest protection water conservation and urban water securing.‘ The main aim of the research is to evaluate the impact of ecological property rights and farmers ‘investment behavior in the economic forest. The study also found that the lower the farmers forest land expropriation risk is expected the greater the possibility of investment and the higher the input level. However, we traced that the farmers ‘forest land adjustment has no significant impact on farmers ‘willingness to invest. The study suggested that sustainable development of water conservation forest should be highlighted to encourage formers to invest in forestry.

A Zandil (2023) In this article financial literacy plays an important role in financial well being and that differences in financial knowledge acquired early in life can explain a significant role in financial capacity and savings behavior in adulthood life. The main objective of the study is to investigate the effect of financial literacy on financial capacity and savings behavior. This study concluded that financial literacy has widely statistically significant effects on savings behavior and financial capacity.

L Zheng, et.al (2023) Examine the effects and mechanism paths of monetary policy on firms‘ short term debt for long term investment behavior using panel date of Chinese a share listed firms for 2007 to 2019. The findings indicate that loose monetary policy suppresses corporate SDFLI behavior by lengthening corporate credit maturity structure through the credit maturity structure channel.

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III. RESEARCH GAP

On reviewing the existing literature, it appears that the different studies on income, saving and investment behaviour conducted in India provide a piecemeal account of its various dimensions. It is interesting to observe that in spite of lot of emphasis being given to investment and saving spondee attempts have been made to explore investment behaviour of people engaged in agriculture. The attempt made so far by various distinguished researchers cover one or the other aspects on the subject. A comprehensive study of this kind has not been carried out in Shivamogga district. The present study can be considered to explore the factors influencing farmers' decisions to save and invest, effectiveness of existing of financial products and services, income stability, barriers and challenges faced by farmers in managing and accessing financial resources effectively as one among the many bricks that will be required to bridge the gap between research needs and research efforts made so far.

IV. STATEMENT OF THE PROBLEM

The savings and investment behaviour of farmer presents several critical issues that warrant investigation. Firstly, despite the inherent income volatility and seasonality associated with agricultural activities, there is a need to understand how farmers manage their savings and financial resources over different agricultural cycles. Secondly, identifying the factors that influence farmers'decision to save and invest, such as access to financial services, risk perceptions, and socio-economic characteristics, is essential for designing effective interventions and policies. Furthermore, assessing the impact of savings and investment decisions on agricultural productivity, income stability, and resilience to shocks is crucial for promoting sustainable development in rural areas. Addressing these issues will provides valuable insights into enhancing financial inclusion, promoting agricultural growth, and improving the overall well- being of farmers and rural communities.

V. NEED FOR THE STUDY

The need to study the savings and investment behaviour of farmers is crucial for several reasons. Firstly, agriculture is a vital sector that supports livelihoods and food security globally, yet farmers often face significant challenges such as income volatility, climate risk, and limited access to financial services. Understanding how farmers manage their savings and allocate investments can provide insights into improving their resilience to economic shocks, enhancing agricultural productivity. And promoting sustainable development. Secondly, effective savings and investment strategies can empower farmers to adopt modern agricultural technologies, improve farm productivity, and participate more effectively in agricultural value chains. Moreover exploring the factors influencing farmers' financial decision can inform policymakers, financial institutions, and development practitioners in designing poverty, and fostering inclusive growth in rural areas.

VI. OBJECTIVES OF THE STUDY

1. To identify barriers and challenges faced by farmers in managing and accessing financial resources effectively.
2. To explore the factors influencing farmers' decisions to savings and investments in agricultural contexts.

Research methodology:

Sources of Data: In order to meet the objectives of the study, the required data would be collected from the both primary and secondary data sources.

Primary Data: Primary data mean original data that has been collected specially for the purpose in mind. This type of data is generally afresh and collected for the first time. It is useful for current studies as well as for future studies. Primary data will be collected through the personal interview and structured questionnaire.

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SAMPLING:

Sample size: A total number of 100 respondents selected for the collection of information related to savings and investment behaviour of farmers.

Sample: I have taken farmers who are engaged in the savings and investing activities.

Sampling techniques: Simple random sampling technique is used to draw the sample.

VII. SCOPE OF THE STUDY

The scope of the study on the "savings and investment behaviour of farmers" encompasses a comprehensive analysis of various facets that influence how farmers manage their finances and make investment decisions in the context of agriculture. This research aims to investigate the intricate financial practices of farmers, considering a multitude of factors, such as economic, social, and environmental which play a pivotal role in shaping their savings and investment behaviour. Geographic area of the study confines to Shivamogga district.

Conceptual Frame Work on Savings and Investment Behaviour of Farmers:

India is an agricultural country. Agriculture is the source of living of about 60% population in India. Around 43% of the land is used for agricultural activities in India. Agriculture is the main contributor to the gross domestic product (GDP) in India for economic development but there is a continuous decrease in the percentage of GDP in agriculture. Savings and investment are an unavoidable part of any individual. This study is beneficial to understand the existing pattern of savings and investment of farmers. Any nation‘s savings and investment tendency also play an important role in attaining dynamic stability in the stock market. Income, Savings, and Investment play important roles to measure the growth of the economy. While investment is the single most factor for the development of an economy, it is savings that provide the basis for investment savings play an important role in the Indian developing economy. Similarly, the progress of agricultural sectors in India depends upon the utilization of farmer‘s income which is generated from farming. Also, there is a continuous increase in the income of the non-agriculture sector because of the increase in agriculture growth. Agriculture helps in the development of the economy as well as the reduction in poverty by increasing employment. It also provides food security for people in India. Therefore, Agriculture is the most growing sector in India. The development of the agricultural economy heavily depends on the capital increased in a farming Organization and retained earnings of capital in the form of savings for the future development of the farming organization.

Savings and Investment Behaviour of Farmers – An Analysis:

Data analysis is considered to be important step and heart of the researcher in researcher work. After Collection of the data with the help of relevant tool and techniques i.e., from structured questionnaire that next logical step is to analyse and interpret data with a view to arriving at empirical to the problem those data will help to understand more about respondent and guide towards better decision for investment. For the survey sample of 100 respondents from choice under simple random sampling method.

Table No 1.1 Factors influenced Savings Decisions:

Factors	No. of Respondents	Percentage (%)
Income stability	29	29.0
Access to financial services	15	15.0
Future investment opportunities	24	24.0
Family obligation(e,g, weddings, funerals)	32	32.0
Total	100	100.0

(Source: Survey Result)

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The above table shows the factors influenced to do savings. Out of 100 respondents, 29% of respondents influenced by income stability, 15% of respondents influenced due to access to financial services, 24% of respondents influenced by future investment opportunities, and 32% of respondents influenced due to family obligation. This indicates majority (32%) of respondents opined that family obligations such as children education, wedding factors influenced to take savings decisions.

Table No 1.2 Challenges faced by the respondents in assessing the finance:

Challenges	No. of Respondents	Percentage (%)
High interest rates on loans	49	49.0
Lack of collateral or assets to secure loans	20	20.0
Limited availability of financial institutions in the area	17	17.0
Complex loan application processes	12	12.0
Other	02	02.0
Total	100	100.0

(Source: Survey Result)

The above table shows the challenges faced by the respondents. Out of 100 respondents, 49% of respondents face high interest rates on loans in agricultural activities, and 20% of respondents are faced challenge is lack of collateral or assets to secure loans in agricultural, and 17% of respondent facing challenge is Limited availability of financial institutions in the area of finance for agricultural, 12% of respondents, complex loan application processes in agricultural, 2% of respondents other. This indicates majority (49%) of respondents opined that high interest rates on loans for agricultural investment is the biggest challenge faced by them while accessing finance.

VIII. LIMITATIONS OF THE STUDY

1. The study may have a limited sample size, and the sample may not be fully representative of all farmers.
2. The farmers who agree to participate in the study may differ from those who do not, leading to selection bias.
3. the study is based on a single point in time, it may not capture the dynamics of savings and investment behaviour over the long term.
4. The behaviour of farmers can be heavily influenced by local economic, social, and environmental factors.
5. Farmers may not accurately report their savings and investment behaviour.

IX. MAJOR FINDINGS OF THE STUDY

1. It was found that majority (32%) of respondents opined that family obligations such as children education, wedding factors influenced to take savings decisions.
2. It was found that majority (49%) of respondents opined that high interest rates on loans for agricultural investment is the biggest challenge faced by them while accessing finance.

X. SUGGESTIONS

1. The majority of respondents have lower educational qualifications, there's a need for financial education programs tailored to their level of understanding.
2. Encourage diversification of investment portfolios beyond traditional options like bank deposits and postal savings.

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3. Promote awareness of alternative investment avenues to potentially increase returns.
4. Provide training and resources for farmers to cope with climate-related challenges.
5. Encourage sustainable farming practices that mitigate climate change effects.

XI. CONCLUSION

The financial landscape of farmers is multifaceted, influenced by numerous factors. Farmers tend to adopt cautious financial strategies due to the unpredictability of weather, fluctuating market prices, and agricultural diseases that pose risks to their livelihoods. To build a financial safety net and fund future agricultural endeavours, many farmers engage in savings, utilizing methods like setting up emergency funds, maintaining savings accounts, or investing in low-risk assets. Furthermore, a significant portion of their savings is often reinvested in agricultural activities, which can involve acquiring new machinery, embracing advanced technology, . Access to formal financial services, such as loans and credit, is pivotal in shaping farmers' investment decisions. Limited access can hinder investment capacity, while easy access can empower them to make substantial and strategic investments. A comprehensive understanding of these dynamics is pivotal for policymakers, financial institutions, and agricultural stakeholders to provide tailored support and resources to meet the needs of the farming community.

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