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Investing in the present, hoping for the future: A financial behaviour analysis of farm households

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Abstract

This study investigates the financial behaviour of rural farm households in Bilaspur district, Chhattisgarh, focusing on the delicate balance between current consumption and future investment. Using primary data from 300 farm households classified by landholding size, the study examines patterns of expenditure and savings, categorizing them into durable and non-durable investments. Descriptive statistical tools are used to evaluate how farmers allocate resources between immediate necessities and long-term goals. The findings reveal that while a significant portion of household income goes toward food and farm inputs, a growing awareness exists around saving for education, health, and emergency needs. The study concludes that farm households exhibit a thoughtful mix of consumption smoothing and future-oriented planning shaped by necessity and aspiration.

Keywords: Financial behaviour, rural households, consumption, investment, saving goals, farm families

1. Introduction

The economic well-being of rural households, particularly those engaged in agriculture, hinges not only on their income generation capabilities but also on how they choose to allocate resources between consumption and investment. Financial behaviour in such contexts is shaped by a multitude of factors -socio-economic characteristics, size of landholdings, risk perception, and financial awareness ^[1, 2]. According to the NABARD All India Financial Inclusion Survey (2021), more than 60% of Indian farm households prioritize consumption over long-term investments, although aspirations for education, health, and durable assets are gradually rising ^[3].

Several studies have noted that saving behaviour in rural India is characterized by precautionary motives, asset creation, and preparation for social obligations ^[8, 9, 10]. Bathla *et al.* emphasized that income stability plays a crucial role in household saving rates, particularly among marginal and small farmers ^[2]. Similarly, Deshpande observed that farm households face structural constraints that affect their ability to convert income into long-term investments ^[6].

In this backdrop, understanding the financial decisions of farm households, especially how they balance short-term consumption with long-term investment priorities, becomes essential for effective rural development planning. This paper attempts to bridge that gap by analyzing primary data

from 300 farm households in Bilaspur, Chhattisgarh. By categorizing expenditures and saving purposes, the paper offers insights into whether these households are becoming increasingly future-oriented in their financial behaviour ^[2, 6].

2. Methodology

This study is based on primary data collected from a sample of 300 farm households in Bilaspur district, Chhattisgarh, using a stratified random sampling method. Households were classified based on their landholding size: marginal (up to 1 ha), small (1-2 ha), medium (2-4 ha), and large (4-10 ha).

2.1 Tools Used

- Percentage analysis
- Average investment
- Garrett Ranking Method (if applicable)

Where:

$R_{ij} = R_{\{ij\}}$ = rank given for the *i*th item by the *j*th respondent,

$N_j = N_{\{j\}}$ = total number of items ranked by the *j*th respondent

Data were collected on investment in food, inputs, education, health, durable goods, and savings for future goals. The analysis focused on durable vs. non-durable

expenditures and categorized saving goals into 12 types.

3. Results and Discussion

3.1 Investment Pattern in Durable and Non-Durable Expenditure

The study found that non-durable consumption, particularly expenditure on food and farm inputs, accounted for the majority of total household expenditure across all categories of farm households. Marginal farmers allocated more than

50% of their expenditure to food, indicating a predominantly consumption-driven financial behaviour ^[1]. Conversely, large farm households invested relatively more in farm inputs and durable assets such as farm maintenance and house assets. Overall, food expenditure constituted the largest share (52.98%) of the total investment, followed by farm inputs (23.55%) and durable goods (12.99%). This pattern reflects the prioritization of immediate consumption needs alongside essential productive investments.

Investment Category	Marginal (INR)	Small (INR)	Medium (INR)	Large (INR)	Total (INR)	% Share
Non-Durable						
Food	48,020	79,450	92,000	84,480	303,950	52.98%
Farm Inputs	14,200	22,653	38,167	60,239	135,259	23.55%
Education	4,520	6,200	8,400	11,000	30,120	5.25%
Health	3,120	4,000	6,250	9,500	22,870	3.99%
Loan Repayment	2,000	6,000	9,800	5,500	23,300	4.06%
Durable						
Farm Maintenance	6,842	9,730	16,662	25,250	58,484	10.20%
House Assets	2,000	3,000	5,000	6,000	16,000	2.79%
Total	80,702	131,033	175,279	201,969	589,983	100.00%

3.2 Future Saving Purposes

Analysis of savings behaviour indicated a gradual shift toward goal-oriented saving among farm households. Fixed household expenses accounted for the largest proportion of savings (23.66%), followed by emergency preparedness (19.09%). Substantial shares were also directed towards medical needs (14.11%), children's education (13.84%), and acquisition of durable assets (13.03%). This diversified saving pattern highlights an emerging awareness among farm households regarding the importance of financial planning for future contingencies and long-term welfare, signaling a transition from short-term consumption to a more balanced financial strategy ^[4, 5, 7].

Purpose	Respondents	% Share
Fixed Expenses	176	23.66%
Emergency Needs	142	19.09%
Medical Needs	105	14.11%
Children's Education	103	13.84%
Daily Consumption	98	13.17%
Durable Assets	97	13.03%
Agri Reinvestment	80	10.75%
Old Age Security	47	6.32%
Business	16	2.15%
Religious/Social	12	1.61%
Housing	8	1.08%
Miscellaneous	15	2.02%

4. Conclusion

The findings of this study demonstrate that rural farm households in Bilaspur district exhibit a nuanced financial behaviour characterized by the dual objectives of meeting immediate consumption needs and securing future investments. Despite the predominance of expenditure on food and farm inputs, there is clear evidence of an increasing propensity to save for education, health, emergencies, and durable asset acquisition. This shift suggests a growing financial prudence influenced by both necessity and aspiration, reflecting a balanced approach to consumption smoothing and future-oriented planning. These insights underscore the need for targeted financial literacy programs and supportive rural development policies that can

enhance the capacity of farm households to optimize resource allocation and improve their economic resilience ^[2, 6].

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