

A STUDY OF INCOME, SAVING AND INVESTMENT IN AGRICULTURALLY PROGRESSIVE AREAS IN AHMEDNAGAR DISTRICT (MAHARASHTRA STATE)

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1. Introduction

1.1 Income, Saving and Investment are three key variables of the economy of a country. While investment is the *sine qua non* of economic development, it is saving which provides the wherewithal for investment. The level of income is also an important variable as it determines saving and investment whereas past investment in capital goods in turn determines the present level of income. Saving appears to be a crucial variable, indicating the capacity or willingness of an economic unit to forgo current consumption and prefer higher level of future consumption (*via* increased productivity and income) by channelling a part of the resources to capital formation. The low level of income and economic stagnation in under-developed economies are attributed to meagre stock of capital per head of population and the low rate of capital formation.

In view of the crucial role played by saving in a developing economy, detailed study of its magnitude, the shares of different economic entities within the economy, propensities of these entities to save, the forms in which these savings crystallize in investment goods etc. is useful for planning purposes.

The totality of saving (or investment) of a country is generally identified as originating from three distinct saver groups or sectors. These are individual (or household), business and Government. A given sector is by no means homogeneous but this is the minimum division required for analytical purposes. For example, the household sector includes farm households, unincorporated business enterprises (sole proprietorships or partnerships) engaged in manufacture, trading and other types of business activity and other households engaged in services in farm or non-farm activity. The marginal and average propensities to save (and invest) of farm enterprises, unincorporated business firms and individuals engaged in services differ substantially. These propensities of different types of entities together with their shares in total household income determine the contribution to saving and investment by the household sector.

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