PREFACE

In the process of economic growth, great importance is attached to the propor-tion that capital formation constitutes of national product and to the growing capital base. It is desirable that the capital base be mainly financed from domestic saving. Since household sector contributes a very large proportion of total domestic saving, our study is directed towards studying the behaviour of household saving and its components.

Especially after 1970, saving ratios have increased but growth rates have continued to below. With a view to understand this phenomenon we have made an attempt to study the effect of inflation on both the composition of saving and incremental capital output ratio.

Considerable work has been done to identify the factors determining household saving. But in none of the studies, have all the components of savings been considered. The present study attempts to fill in this gap. The variables that had not been considered so far are expected real rates of return on physical assets, expected real rates of return on consumer durables and expected real rates of return on gold; of these the latter two are significantly affecting domestic saving function. The study broadly points out that inflation affects saving ratio positively, mainly because of inflation being accompanied by increase in volume of black money. Inflation also positively affects incremental capital output ratio. Therefore the affects on growth are not encouraging.

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