
Saving Behavior of the Workers in Ilam Tea-Estate, Ilam Municipality

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Abstract

The issue selected for research is found very interesting and essential for future perspective of the workers of the Tea estate of Ilam. Saving is important for accumulation of capital required to generate future income, enable future consumption and to provide mechanism for managing risks. Saving has positive impact on the economy because funds that are placed in financial assets are their channeled through financial intermediaries to fund investments by firms. High saving leads the accumulation of wealth that allows individuals to improve their living standard. This study focuses on saving behavior of permanent workers of Ilam Tea-estate. The general objectives of the study is find out the present income situation of the workers of Tea-estate and the specific objectives is to analyze saving behavior of their income. Specially, primary data are used in this study. To collect primary data, the researcher used field survey, observation and direct interview method with 15 permanent workers in the Tea-estate. According to the collected data, information's and direct interview, two variables, financial literacy and self-control have the strong significant on the saving behavior of the workers.

Keywords: saving behavior, financial literacy, income, expenditure, growth

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Introduction

The word 'Saving contained broad-based meaning and numerous explanations. In economics context, saving is defined as the residual income after deducting current consumption over a certain period of time. Conversely, saving in psychological context is referred to the process of not spending money for current period in order to be used in future. In other words, saving behavior is the combination of perceptions of future needs, a saving decision and a saving action. On the other hand, people are likely to define saving as investing, putting money in bank account, speculating and paying off mortgages (Mayt, 2019).

Saving is defined as the part of income that is not spent on consumption. In other words, the portion of disposable income not spent on consumption of consumer goods and services is called saving. In economics, a distinction is made between 'saving and 'savings'. Saving is a flow concept including the difference between income and consumption during a particular period but 'savings' is a stock variable representing in net wealth. Saving function states the relationship between income and saving. There is positive relationship between saving and income, It means that the higher the income, the higher will be saving and vice-versa.

Symbolically,

$$S = f(y)$$

$$S = y - c$$

$$\text{Or, } S = y - (a + by) \quad [c = a + by]$$

$$\text{Or, } S = y - a - by$$

$$\text{Or, } S = -a + (1-b)y$$

$$\text{Or, } S = -a + s y \quad [1 - b = s]$$

Where,

s = Marginal propensity to save = $(1-b)$

b = Marginal propensity to consume

y = Level of income

$-a$ = saving at zero income

S = saving

Thus, saving is the function of income i.e. $S = f(y)$. In general, the higher the income the higher will be the saving and lower the income, lower will be the saving (Adhikari/Acharya, 2017). Saving made by an individuals and households is known as personal saving. They save some part of their present income by curtailing their present consumption to use it in future. At macroeconomic level, individual saving benefits the entire nation.

Saving has positive impact on the economy because funds that are placed in financial assets are then channeled through financial intermediaries to fund investments by firms. Subsequently, investment by firms will ultimately benefit the nation through higher productivity and economic growth. Furthermore, high saving can also hedge countries against economic downturns and financial crisis (David & Hu, 2005). Saving is important for accumulation of capital required to generate future income, enable future consumption and to provide mechanism for managing risk. High saving leads to accumulation of wealth that allows individuals to improve their living standard (David & Hu, 2005).

Tea cultivation has become integral part of agriculture system which is cultivated mostly in eastern part of Nepal, especially in Ilam district since 1863 A.D.. It was first introduced by 'the Badha Hakim' Colonel Mr. Gaja Raj Singh Thapa, the Chief District administrator of Ilam. But this cultivation has been introduced and spread to different parts of Nepal. It is one of the leading cash crops and also one of the agro-based and most labor-oriented sectors. On the other hand, it has reduced the problem of unemployment and gain foreign currency through its export and contributes in environmental conservation. So, it is one of the main income sources of the small farmers to handle their economic situation (Basnet, 2014). Ilam is very beautiful among the hilly districts of Nepal. It is located in the eastern part of Nepal having the height of 300 meters to 3636 meters above sea level. This district is famous for cultivation of tea, ginger, potato, cardamom, broom grass (Amliso), orange etc. All these productions have helped the people to increase their income and profit. This district is also very famous for tourism and eco-tourism. As many places with scenic beauty exist here, many domestic and foreign tourists visit this place to have enjoyment and get pleasure looking different types of views like sunrise, sunset beautiful hilly reasons and mountains.

Basic problems of the workers of Ilam Tea-estate

The workers at Ilam Tea-estate face a various challenges related to employment, income, consumption, and saving which are explain below:

1. Employment related problems

(a) Seasonal Employment: Tea estate often operate seasonally, with peak production during certain months and off-season with limited work. This makes the workers vulnerable to periods of unemployment, affecting their operable job security and stability.

(b) Precarious job conditions: In Ilam Tea-estate, there are altogether 45 workers out of them only 15 workers are permanent the rest 30 workers are employed on temporary or contract-based terms, which can lead to job insecurity. Even permanent workers face challenges like job benefit such as health insurance or retirement saving.

2. Income related problems

- (a) Low wages: The workers of Ilam Tea-estate are facing most significant issues is low level of wage. Despite the hard work involved in tea picking, wage are often insufficient to meet basic living needs. In some cases, workers earn below the poverty line, and their earning are not enough to cover essential expenses like food, health care, and education for their families.
- (b) Piece-rate payment system: Workers are often paid based on the amount of tea they harvest (piece-rate system), which can lead to inconsistent earning. The amount of tea picked may depend on various factors such as weather condition, the size of the harvest, and the worker's health or ability which makes their income unreliable.
- (c) Lack of income Diversification: Most workers rely solely on tea estate wage, without access to alternative sources of income. This lack of diversification makes them highly vulnerable to economic fluctuation, poor harvest, of change in tea market prices.

(3) Consumption Related Problems

- (a) Limited Access to Basic Problems: Due to low income, tea estate workers often struggle to access essential goods and services, such as nutritious food, healthcare, and education. The Estate may provide housing and basic necessities, but these facilities are often substandard limiting their quality of life.

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- (b) High cost of living vs. low income: The cost of living in and around tea estate can be high relative to worker's wages. For instance, basic food items, transportation, and health care may be unaffordable. This forces workers to compromise on essential needs.
 - (c) Debt and Borrowing: Many workers are forced to borrow money from local moneylenders or informal sources to cover basic consumption needs, leading to debt cycles. The high interest rates charged by informal lenders often exacerbates their financial difficulties.

4. Saving Related Problems

- (a) Inability to save: Given the low income and high consumption needs, workers rarely have the ability to save money. Saving is often seen as a luxury for wealthier families, and most workers live paycheck to paycheck, without the financial cushion to deal with emergencies or future needs.
- (b) Lack of financial literacy and Inclusion: Many workers do not have the knowledge or tools to manage their finances effectively, which further hinders their ability to save or invest for the future.

Objectives

The general objective of this study is to find out the present income situation of the workers of Ilam Tea-estate and the specific objective is to analyze saving behavior of their income.

Methodology

This study adopted both descriptive and exploratory research design. This study was based on both primary and secondary data, the primary data were collected by field survey. To collect secondary data, relevant books, journals, reports, published and

unpublished documents were studied minutely. To analysis the collected data different statistical tools have been used and result were derived with discussion. The information and data were collected from households, including some information collected from concern government officer and managers of the Tea-estate.

Result and Discussion

Selection of the study area

The study area is situated in Ilam district of Koshi Pradesh (Province-1) in the eastern region of Nepal lying above 1300 meters from the sea level. The study selected Ilam Tea-estate which lies in ward no. 7 of Ilam Municipality. It is located in the north-west side of Ilam Municipality which covers 135 acres of land. All together there are 45 workers among them 15 workers are permanent and others are seasonal daily wage workers. The saving behavior of the workers is the major concern of the study. Although many researchers from Nepal and abroad have carried out their research works on Tea estate in Ilam, yet the researcher claims that the area selected regarding the employment income and saving condition of the workers have not been studied deeply.

History of tea in Nepal

Ilam district lies in the eastern region of Nepal which lies $26^{\circ} 40'$ to $27^{\circ} 08'$ north latitude and $87^{\circ} 47'$ to $88^{\circ} 10'$ eastern longitudes. The altitude from the sea level rises from 300 meters to 3636 meters. Ilam is surrounded by Darjeeling district of west Bengal, India in the east, Dhankuta and Morang in the west, Panchthar in the north and Jhapa in the south (Ilam municipality, 2005)

The history of tea cultivation in Nepal is not recent phenomenon. Tea plantation in Nepal was first started in Ilam more than hundred years ago in 1863 A.D. (NTCD, 1997). When the first Rana Minister Junga Bahadur Rana came in power, his son in law

Gajaraj SinghThapa (1863, A.D.), the chief district administrators of Ilam, established the first tea garden. After visiting the Darjeeling tea garden, he was impressed by it and bought tea plants and planted in Ilam, Soktim, Lodiya, Bahludhunga of Vijayapur, Dharan, which are located in the eastern part of Nepal. Ilam and Soktim tea garden where he planted the tea were given by prime-minister Junga Bahadur Rana as a 'KhuwaBirta'. So the income earned from these two estates was his own (NTCDB, 1997).

In Nepal, the total area of cultivation presently consists of labor in 17127 hectares and producing 16607555 Kg. including private and public tea estate among which 9159 hectares in private and government sectors 7968 hectares in small farmers. Now, there are total 2535 tea garden in Nepal including private and government sectors (NTCDB, 2010).

The industry began to be more organized and recognized as a potentially significant sector with the government promoting the establishment of Nepal Tea and coffee development Board Act in 1993 and setting up of the Tea Board. A National Tea policy was introduced in the year 2000 to support the growth of the sector. The government divested their holding so that the private sector would become the engine of growth for the industry envisaging that tea would be one of the major crops of poverty reduction in rural and hilly areas and becomes a significant export earner. Against this background there has been significant increase of export in quantity and value of tea over the past years. Nevertheless, tea constitutes only 0.5 percent to the total export earnings of Nepalese commodities at present (NTCDB, 1998).

Prospects of Tea Industry in Nepal

The industry in Nepal is growing rapidly due to the active participation of the private sector. Now, Nepal has self-international market for both orthodox and crushing, tearing and curling (CTC) tea. It is noteworthy to mention that most of the tea processors are interested to explore foreign market because of the higher prices fetched by our teas

comparing to domestic and regional market. Tea gives the highest returns compared to any other crop cultivated by farmers. Tea industry is also a firm step towards empowering women as it generates good employment opportunities for women. More than 60 percent of the workers employed in the tea industry are women. Small farmers who grow their tea plant using farmyard manure and locally available pesticides contribute to the major share of tea production, which we can call organic tea. There is high demand of organically produced tea in European markets. Unique Himalayan climate for tea production coupled with the considerable amount of fallow land available for cultivation could be used for the expansion of tea industry without disturbing the environment but rather preserving it. These indicate good future prospects of tea industry in Nepal. Nepal's yield per hectare is still lower than the major tea producing and exporting countries in the region, for example India and Sri Lanka. Empirical evidence indicates that average Indian per hectare was 1838 Kg. in 1999/2000 A.D. whereas Nepal's yield during the same period was only 80 percent of that Indian average. Similarly, Nepal's yield is only 71 percent of the other global tea industry leader Kenya (Subedi, 2000). Currently Nepal's tea yield per hectare is 750-1477 Kg. made tea. Production potentiality of tea is 5000 Kg. made tea.

Influencing Factors on Saving Behavior

In order to sustain a long-term development and economic growth of a nation, saving plays a prominent part. Moreover, in event of economic recessions and financial crisis, saving is provision of an imminent support individual and countries. Saving behavior is influenced by several factors, such as Nature of employment, financial literacy, parental socialization, peer influence, self-control, and income.

Demographic data of the respondents

Demographics data of the respondents include gender, age, education, monthly salary, and position. These data are collected by field survey and direct interview from the Tea-Estate.

Number of respondents by gender

According to the Tea-estate, there are 45 workers out of them 10 workers are male and 30 workers are female which is present in the table 1.

Table1

Number of respondents by gender

Gender	Number	Percentage
Male	10	22.22
Female	35	77.78
Total	45	100.00

Source: Field survey (2024)

Table1 represents of respondent gender demographics. This shows 77.78 Female respondents have a higher portion on our survey is compared to 22.22 percent in male respondents. This data presents that there are more female workers in Ilam tea-estate.

Nature of Employment in Tea-estate

There are mainly three types of employment in Ilam Tea-estate.

- (a) Permanent
- (b) Temporary
- (c) Seasonal

Tea-estate has given them permanent employment including some basic facilities such as quarter, some money for their treatment and some amount for celebrating festivals like Dashain and Tihar. According to the respondents, temporary and seasonal workers do not get such facilities. The nature of the employment workers has been presented below table 2.

Table 2

Nature of employment

Nature of employment	No. of labor	Percent
Permanent	15	33.33
Temporary/Seasonal	30	66.67
Total	45	100.00

Source: Field survey, (2024).

The table shows that 33.33 percent workers are permanent and 66.67 percent workers are temporary/seasonal. The table shows that temporary/seasonal workers are more than permanent workers.

Number of respondents by Age

Age can be taken as a important variable to analysis their economic condition in the tea estate which is presented in the table 3.

Table 3

Number of respondents by age

Age (in years)	Number	Percentage
25 and below	0	0
26 - 35	10	22.22

36 - 45	20	44.45
46 - 55	10	22.22
Above - 55	5	11.11
Total	45	100.00

Source: Field Survey, (2024)

Table 3 represents the findings of respondent age demographics. This shows (44.45%) is the highest which is between 36 - 45 years and second highest (22.22%) which is between 26.35 years and 46 -55 years. There is no any respondents below the age of 25 years. And the rest respondents are above 55 years and they are the least percentage which is (11.11%).

Educational level of Respondents

Educational level of the respondents could effect on their saving behavior.

Table 4

Educational level of respondents

Educational Level	Number	Percentage
Under S.L.C.	10	22.22
S.L.C. pass	35	77.78
Bachelor degree	0	0
Master degree	0	0
Total	45	100.00

Source: Field Survey, (2024)

Table 4 represents the education level of the respondents. Among them, the highest percentage shown in table is SLC pass level which is 77.78 percent. Out of 45

respondent 10 respondents (22.22%) are under SLC level education. There is no any respondent who has passed bachelor degree and Master degree.

Number of respondents by monthly salary

Monthly salary level is the most important factors which could effect on the saving behavior of the workers.

Table 5

Number of respondents by monthly salary

Monthly Salary	Number	Percentage
10,000 – 15,000	20	44.45
15,000 – 20,000	15	33.33
20,000 – 25,000	6	13.33
Above – 25,000	4	8.89
Total	45	100.00

Source: Field Survey, (2024)

This table indicate the monthly salary of the respondents. The highest percent shown in figure is between 10000 to 15000 which is (44.45%). The second highest percent is between 15000 to 20000 and 20000 to 25000. Which is (33.33%). Above 25000 is the least percent which is (8.89%).

Position of the Respondents

Position of the respondents could affect on the saving behavior of the workers, which has been in the following table 5.

Table 6

Position of the respondents

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Position level	Number	Percentage
Manager	1	2.22
Supervisor	1	2.22
Other	43	95.56
Total	45	100.00

Source: Field Survey, (2024)

Table 6 shows the position of the respondents who are working in tea tea-estate. This table shows that out of 45 respondents 1 Manager which is (2.22%), 1 supervisor which is (2.22%) and others 43 are workers which is (95.56%).

Financial literacy of the respondent

The ability to consider the financial benefits and choosing the right financial institutions are essential for every person. Table – 8 presents the financial literacy levels among the workers in tea-estate.

Table 7

Financial literacy of the respondents

Statement	Number	Percent
I have the ability to prepare my own monthly budget	11	24.45
I have the ability to maintain financial record of my income and expenditure	10	22.22
I have better understanding of how to manage my credit use	9	20.00
I have a very clear idea of my financial needs during requirements	15	33.33
Total	45	100.00

Source: Field survey, (2024)

Table 7 indicates the financial literacy of the respondents. The highest percentage show in table is 33.33% which represent many respondents have a clear idea of future financial needs after their retirement. Many workers are confident that they can manage their income and expenses very well because they have been in touch with financial knowledge. Many respondents believe that they know how to prepare their monthly budget. Similarly, the respondents know how to maintain credit use as they have self – management of their income and expenses.

Self-Control

Self-control is the ability of people not to spend money whenever they are interested in the new products or services.

Table 8

Self-control of the respondents

Statement	Number	Percent
I always control myself from spending money	9	20.00
I control myself not to buy new product in the market	20	44.44
Before buying the product, I used to consider whether this product is essential for me	12	26.67
When I get money, I always save it immediately at the bank	4	8.89
Total	45	100.00

Source: Field survey, (2024)

Table 8 represents self-control above expenses of the respondents. The highest percentage is 44.44% which indicates that the respondents think about their saving at the bank before buying goods and services. Many respondents control themselves no to buy

new product lunched in the market if it is unnecessary. The respondents always control not to spend money much that they get a saving culture for their parents and they learned well about saving money.

Saving Behavior

This section explores the saving behavior practices of the respondents.

Table 9

Saving behavior of the respondents

Statement	Number	Percent
In order to save, I always follow a careful monthly budget	7	15.56
In order to save, I often consider the real necessity before I make purchase	10	22.22
In order to save, I plan to reduce my expenditure	15	33.33
In order to save, I always follow a careful monthly budget	5	11.11
I save to archive certain goals	3	6.67
I always have money available in the event of emergency	5	11.11
Total	45	100.00

Source: Field Survey, (2024)

Table 9 represents the saving behavior of the respondents. Many respondents are very familiar with saving practice so that they think if the product should be purchased or not. To get more saving, many respondents are narrow down on their spending and they spend only on necessary thing. Many people plan money for unexpected or urgent issue as they are aware of how to manage their financial matters. Besides, many respondents really take care of their monthly earning so that they can manage money for saving and spending.

Conclusion

This study intended to identify the saving behavior of workers in Ilam Tea-estate and examine the influencing factors of workers. The saving behavior of workers at Ilam Tea-Estate reflects a complex interplay of socio-economic factors, including income level, financial literacy, and access to financial services. The study highlights that while many workers demonstrate a desire to save, challenges such as low wage, limited financial education, and lack of struted saving mechanism impede their ability to do so effectively. However, workers who engage with formal saving system, such as cooperatives or local banks, tend to exhibit more consistent saving patterns.

Saving behavior of the workers at Ilam Tea-Estate is severely limited due to several factors. Among the 45 workers, 15 permanent, and 30 temporary, with the majority being seasonal workers who experience irregular income. The low wage rates, coupled with the inconsistency in earnings, make it difficult for the workers to save for their future. Additionally, the high cost of living and absence of strong saving culture further exacerbate their financial challenges. Key factors such as irregular income, high prices of goods, and lack of saving habits contribute to the worker's inability, it is crucial to address these underplaying issues, such as providing more stable income sources, improving wage rates, and promoting financial literacy. These steps could help enhance the financial wellbeing of workers and ensure better economic security for them in the long term.

This research underscores the need of improved financial education and better access to formal saving channels in rural areas. By addressing these barriers, workers at the Ilam Tea-Estate could potentially improve their financial stability and enhance their long-term well-being. Future policies should aim to create a supportive environment for

saving, empowering workers to build financial security and contribution to the broader economic development of the reasons

In order to improve the saving level, Tea-estate should focus on those employees in order to have more saving behavior, employees will have more saving money for their future financial goals of the employees so that they will have big dream their future and good life style.

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