

The Impact of Socio-economic Factors on Saving and Investment decisions

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ABSTRACT

This study identifies the association between socioeconomic factors and an individual's saving behavior. This study evaluates the effects of gender, age, marital status, and education on saving behavior and the determinants of saving behavior among individual investors. The sample size consisted of 200 respondents from the Nashik District of Maharashtra State. The Chi-Square test is used in this study to determine the impact of socioeconomic factors on saving patterns and test the hypothesis.

Socio-economic factors are widely expected to play a vital role in an individual's saving and investing behavior. Most Socio-Economic factors, such as marital status, gender, age, education, and income, seem to have influenced individuals' saving decisions in this study. This study concludes that there is no significant association between gender and marital status in individuals' savings. However, there is a strong association between age, education, income, and individuals' savings. Furthermore, this study found that a person saves because they want to purchase a house/property in the future and achieve financial independence. Individuals also save for marriage or family affiliates and for unforeseen uncertainties and risks.

Keywords: Saving, Investment, Socio-economic factors, Demographic factors.
JEL Code: D14, D91, G41, E21, J10

INTRODUCTION

A considerable portion of Indian domestic earnings is saved. Whereas more than 50 percent of income goes into physical assets like housing and gold, the rest goes into financial avenues, which are then available for investments by the government and businesses. (CRISIL, 2022) In the Indian economy, domestic financial reserves are the most vital source of investment resources. However, in a country like India, the quality of living is almost unpredictable, leading to further spending rather than saving, which has become a major issue.

A recent initiative to provide all households with access to bank accounts has laid the foundation for increased financial savings. Savings for capital formation are made by both the public and private sectors, in addition to families. (Kaur, et al, 2012). Many socio-economic factors link gender, age, marital status, and income to the saving behavior of individuals. (Prasad, et al, 2021)

Saving money is rooted in the psychological need and desire for financial stability. The security that accompanies saving is one of the basic motivational principles for saving money for the things one wants and needs. In addition, various reasons for saving money motivate individuals to ensure that money is budgeted accordingly and savings are earmarked for later use. Numerous studies provide compelling evidence across various contexts. Abdul Mateen et al. (2025) showed that income and jobs have a direct effect on household savings, while Prasad et al. (2021) showed that jobs and marital status have an effect on investment motives. Prasad et al. (2021) demonstrated that behavioral and socio-economic factors substantially influence investment decisions, exhibiting distinct effects across genders.

Some interesting and more detailed results have emerged. Shailashree et al. (2024) found no significant differences related to education or marital status, indicating intricate and context-sensitive relationships. The evidence encompasses various countries and demographic groups, yielding a thorough, though not conclusive, understanding of the influence of socioeconomic factors on financial decision-making. Kuznets (1960), via a comprehensive cross-sectional analysis examining the correlation between national savings and per capita income across two groups of countries, determined that nations with elevated per capita income generally

demonstrate higher saving ratios. His findings underscore that economic prosperity is instrumental in enhancing national saving capacity. Nevertheless, the study did not include a saving function that depends exclusively on per capita output as the independent variable. Kuznets also pointed out an important flaw: savings cannot continue to increase at the same rate as income forever, which means that there is a saturation point.

Chandra and Long (2003) examined the factors influencing household savings in relation to Taiwan's economic development between 1952 and 1999. Their research demonstrated that household saving rates rise in correlation with both the magnitude and growth rate of household disposable income. This highlights the dynamic relationship between income growth and savings habits. The authors also noted that the actual deposit interest rate has a significant positive effect on savings, which means that good returns on deposits make people more likely to save.

OBJECTIVES OF THE RESEARCH STUDY:

- 1) To examine and identify the socio-economic factors of saving and investment.
- 2) To analyze the impact of socio-economic factors on one's saving patterns, such as income, age, level of education, and household size.
- 3) To investigate the impact of socio-economic factors on people's saving patterns.
- 4) To determine the motivation factors for saving and investment for an individual investor.

HYPOTHESIS OF THE RESEARCH STUDY:

H01: *There is no association between respondents' savings patterns and their gender.*

H02: *There is no association between respondents' savings patterns and their marital status.*

H03: *There is no association between respondents' savings patterns and their age.*

H04: *There is no association between respondents' savings patterns and their education.*

H05: *There is no association between respondents' savings patterns and their income.*

METHODOLOGY OF THE STUDY:

This study examines the association of socio-economic factors on individuals' saving and investment and motivation to save using the Pearson Chi-Square Test. The researchers used a descriptive research approach.

i) Sources of Data: Primary and secondary data were used in this research. Primary data were collected using a questionnaire, and secondary data were obtained from books, websites, journals, and research papers.

ii) Sample Size and Sampling Technique: The sample size consisted of 200 respondents from the Nashik District of Maharashtra State. A proportional sample was drawn based on the principle of stratification on a random basis, giving weightage to Businessman, Professionals, Private Sector Employees, and Government Sector Employees.

iii) Data analysis technique: The Collected Primary and Secondary data were analyzed using both descriptive and inferential statistics. In addition, the Chi-Square test is used in this study to determine the impact of socioeconomic factors on saving patterns and to test the hypothesis.

$$Y = a + b_1x_1 + b_2x_2 + b_3x_3 + b_4x_4 + b_5x_5 + b_6x_6 + b_7x_7 + b_8x_8 + U.$$

where Y = Savings of individuals; X_1 = Sex, X_2 = Age of the Respondents, X_3 = size of Income, X_4 = Level of Education, X_5 = Dependent member in Household, X_6 = Aggregate Household Income, U = Random Error term, b_1 - b_8 = Regression Coefficient.

RESULTS AND DISCUSSION:

Data were collected through primary and secondary sources. The collected data were analyzed and processed in light of the research objectives. In the first step of the study, it is assumed that there is no significant difference between the demographics and the saving behavior of individuals. The demographic profiles of the respondents are presented in the following table.

Table 1: Gender and saving of individual

Gender	Annual Saving				Total
	0 to 1 Lakh	1 to 2 Lakh	2 to 4 Lakhs	< 4 Lakhs	
Female	34	11	8	14	67
Male	58	25	26	24	133
Total	92	36	34	38	200

(Data Source: Primary data collected by the author)

H0: There is no association between respondents' savings patterns and their gender.

H1: There is an association between respondents' savings patterns and gender.

The above table demonstrates that out of the total sample respondents, 133 respondents were male, and 67 percent were female. Thus, the majority of respondents were male.

Table 2: Chi-Square test of Gender and Saving Pattern

Test	Value	df	Asymptotic Significance (2-sided)
Pearson Chi-Square	2.341	3	.505
Likelihood Ratio	2.427	3	.489
N of Valid Cases	200		

The above Table 2 indicates that the chi-square value is 2.241 and the p-value is 0.505 at a 5 percent level of significance. Therefore, the null hypothesis is accepted, and hence, it is found that there is no association between gender and annual savings.

Table 3: Marital status of the Individual and Annual Savings

Marital Status	Annual Saving				Total
	0 to 1 Lakh	1 to 2 Lakh	2 to 4 Lakhs	More than 4 Lakhs	
Married	77	31	28	30	166
Unmarried	15	5	6	8	34
Total	92	36	34	38	200

(Data Source: Primary data collected by the author)

Approximately 166 respondents were married, and 34 were unmarried. This means that most respondents were married.

H₀: There is no association between respondents' savings patterns and their Marital Status.

H₁: There is an association between respondents' savings patterns and their Marital Status.

Table 4: Chi-Square test of Marital Status and Saving Pattern

Test	Value	df	Asymptotic significance (2-sided)
Pearson Chi-Square	.731	3	0.866
Likelihood Ratio	0.720	3	0.869
N of Valid Cases	200		

Table 4 indicates that the chi-square value is 0.731 and the p-value is 0.866 at a 5% significance level. Therefore, the null hypothesis was accepted, and it was concluded that there is no association between marital status and annual savings.

Table 5: Age of the Individual and annual savings Pattern

Age Group	Annual Saving				Total
	0 to 1 Lakh	1 to 2 Lakh	2 to 4 Lakhs	More than 4 Lakhs	
bellow 28	13	4	1	2	20
29 to 40	50	18	19	15	102
41 to 55	25	9	10	11	55
Above 55	4	5	4	10	23
Total	92	36	34	38	200

(Data Source: Primary data collected by the author)

Of the total sample respondents, 20 were below 28 years of age, 102 were between 29 and 40 years of age, 55 were 41 to 55 years of age, and 23 were above 55.

H₀: There is no association between respondents' savings patterns and their age.

H₁: There is an association between respondents' savings patterns and their age.

Table 6: Chi-Square test of Age and Saving Pattern

Test	Value	df	Asymptotic significance (2-sided)
Pearson Chi-Square	17.205	9	0.046
Likelihood Ratio	17.256	9	0.045
N of Valid Cases	200		

The above Table 6 indicates that the chi-square values are 17.205 and the P value is 0.046 at a 5% significance level. Therefore, the null hypothesis is rejected, and it is concluded that there is an association between respondents age and annual savings.

Table 7: Educational Level of the Individual and annual savings Pattern

Education	Annual Saving				Total
	0 to 1 Lakh	1 to 2 Lakh	2 to 4 Lakhs	More Than 4 Lakhs	
Up to 12th	10	0	1	3	14
Graduation	22	8	9	10	49
Post-Graduation	41	15	12	13	81
Profe./ Doctoral	19	13	12	12	56
Total	92	36	34	38	200

(Data Source: Primary data collected by the author)

Of the total sample respondents, 14 were educated up to the 12th class, 49 were graduates, 81 were postgraduates, and 56 were doctoral degree and professional qualification holders, such as chartered and cost management accountants. Most Respondents were well-educated.

H₀: There is no association between respondents' savings patterns and their education.

H₁: There is an association between respondents' savings patterns and their education.

Table 8: Chi-Square test of Educational Level and Saving Pattern

Test	Value	df	Asymptotic significance (2-sided)
Pearson Chi-Square	9.952	9	0.354
Likelihood Ratio	12.479	9	0.188
N of Valid Cases	200		

The above Table 8 indicates that the chi-square values are 9.952 and the P-value is 0.354 at a 5% significance level. Therefore, the null hypothesis is rejected, and it is concluded that there is an association between respondents' education and annual savings.

Table 9: Income Level of the Individual and annual savings Pattern

Income Range	Saving Range				Total
	0 to 1 Lakh	1 to 2 Lakh	2 to 4 Lakhs	More than 4 Lakhs	
Below 2 Lakhs	9	0	0	0	9
2 to 5 Lakhs	46	6	0	0	52
5 to 10 Lakhs	37	19	9	5	70
10 to 20 Lakhs	0	10	21	21	52
Above 20 Lakhs	0	1	4	12	17
Total	92	36	34	38	200

(Data Source: Primary data collected by the author)

H₀: There is no association between respondents' savings patterns and their income.

H₁: There is an association between respondents' savings patterns and their income.

Table 10: Chi-Square test of Income Level and Saving Pattern

Test	Value	df	Asymptotic significance (2-sided)
Pearson Chi-Square	147.377	12	0.000
Likelihood Ratio	181.075	12	0.000
N of Valid Cases	200		

Table 10 indicates that the chi-square values are 147.377 and the p-value is 0.000 at a 5% significance level. Therefore, the null hypothesis is rejected, and it is concluded that there is an association between **respondents' yearly and annual savings.**

Analysis of Individuals Saving Behavior:

Opinions on the following statement were collected on a Likert scale to test the respondents' attitudes toward saving: The results are presented in Table 11.

Table No. 11 Statements of Saving behaviour of Individuals

The hypothesis of Saving Behavior	χ^2 Value	Result	Conclusion
I save to build a reserve for unforeseen Uncertainty and risks.	97.45	97.45>13.27	Accepted
I save for marriage of self or family affiliates.	16.25	16.25>13.27	Accepted
I save because I wish to purchase a house/property in future.	24.50	24.5>13.27	Accepted
I save to achieve Financial Independence.	85.90	85.9>13.27	Accepted
I save because I desire to meet gradually increasing expenditure to improve the standard of living.	63.35	63.35>13.27	Accepted
I save because I wish to carry out speculation business.	5.15	5.15<13.27	Rejected
I save because I wish to become a business person/ entrepreneur.	23.40	23.4>13.27	Accepted
I prefer investment opportunities with a potentially large return, even if they are riskier.	35.50	35.5>13.27	Accepted
I consult my family members/friends before making an investment decision.	44.00	44>13.27	Accepted
I am getting a good return because I have made the calculated decision.	83.35	83.35>13.27	Accepted
I feel I am making a good investment choice.	81.20	81.2>13.27	Accepted
My investment decisions will never fail irrespective of any situation.	58.95	58.95>13.27	Accepted
I forgo my present consumption to get a future return.	33.75	33.75>13.27	Accepted

I invest only at the end of the year for tax savings, although I have enough money for investments.	52.55	52.55>13.27	Accepted
I decide on saving after getting full information.	62.45	62.45>13.27	Accepted
I review my investment decisions regularly.	78.25	78.25>13.27	Accepted

(Data Source: Primary data collected by the author)

The above statements were measured using a Likert Rating scale to test the respondents' attitudes toward saving. The response was received on a five-point rating scale. Each statement has its own set of frequencies. The chi-square Test was applied to test the reliability of the above statement at the 0.01 level of significance. The Calculated χ^2 value of Chi-Square is entered in column 2 of the above table. The Table value is 13.25 for the degree of freedom 4. If the Table value is greater than the calculated value of the statement, the null hypothesis is rejected, which means the alternative hypothesis is accepted. Almost all statements are accepted, except "I save because, I wish to carry out speculation business" which is rejected, meaning the null hypothesis of this statement is rejected.

CONCLUSION:

When an individual saves and invests, it is widely expected that socio-economic factors play a vital role. Most demographic characteristics, such as marital status, gender, age, education, and income, influenced individuals' saving decisions in this study. This study concludes that there is no significant association between gender, marital status, and individuals' savings. However, there is a strong association between age, education, income, and individuals' savings. Furthermore, this study found that a person saves because he/she wants to purchase a house/property in the future and achieve financial independence. Further, individuals save for their marriage or that of their family affiliates and for unforeseen uncertainties and risks.

Furthermore, this study found that during saving, an individual prefers investment opportunities with potentially significant returns, even if they are riskier. They consult their family members/friends before making an investment decision, so the individual getting a good return makes a calculated decision.

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