

# The Saving Practices of Middle-Class Families

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**Abstract:** *Savings are an important part of financial management and economic development. In simple terms, savings refer to the portion of income that is not spent on current consumption and is kept aside for future use. Individuals and families save money to meet future needs, handle emergencies, achieve financial goals, and improve their standard of living. Savings may take different forms such as bank deposits, fixed deposits, insurance policies, pension schemes, mutual funds, gold investments, and other financial instruments*

**Keywords:** *financial management*

## I. INTRODUCTION

In modern society, savings are considered essential for maintaining financial stability and security. Every family faces uncertainties such as medical emergencies, unemployment, educational expenses, accidents, and rising living costs. Savings help families deal with such unexpected situations without facing severe financial difficulties. In addition, savings support long-term goals such as children's education, home ownership, marriage expenses, retirement planning, and wealth creation. Families that save regularly are generally better prepared to manage economic challenges and maintain a stable lifestyle.

The importance of savings becomes even more significant for middle-class families. Middle-class households usually have moderate and fixed sources of income, while their expenses continue to increase due to inflation, urbanization, and changing lifestyles. These families often need to balance daily necessities with future financial responsibilities. Therefore, careful financial planning and disciplined saving habits are necessary for maintaining economic security.

Middle-class families play a vital role in the economy of India and many developing nations. They contribute significantly to national income, consumption, investment, and economic growth. The middle class forms a major section of the workforce, including salaried employees, teachers, government workers, professionals, and small business owners. Their spending patterns influence market demand, while their savings contribute to capital formation and financial development.

Household savings are also important for the overall economic progress of a country. When families deposit money in banks or invest in financial institutions, these funds become available for productive activities such as business expansion, infrastructure development, and industrial growth. Thus, savings not only benefit individual families but also support national economic development.

In recent years, the saving behavior of middle-class families has changed due to technological advancement, digital banking, consumerism, and increased access to investment opportunities. While some households are adopting modern financial products such as mutual funds and systematic investment plans, many still prefer traditional and safer options like bank savings and fixed deposits. Rising inflation, increasing educational costs, healthcare expenses, and loan repayments have also affected the ability of families to save regularly.

Therefore, studying the saving practices of middle-class families is important for understanding their financial behavior, challenges, and future security. This study aims to analyze the savings patterns, investment preferences, and factors influencing the saving habits of middle-class households.

### **Statement of the Problem**

Savings are essential for ensuring financial stability and long-term economic security. However, many middle-class families face difficulties in maintaining regular savings due to increasing living expenses and changing economic conditions. In recent years, the cost of essential goods and services such as food, housing, healthcare, transportation, and education has risen significantly. As a result, middle-class households often struggle to balance their income and expenditure effectively.

Most middle-class families depend on fixed monthly incomes, which limits their financial flexibility. While their earnings may increase slowly over time, household expenses continue to rise rapidly because of inflation and changing lifestyles. Families are required to spend a large portion of their income on daily necessities, loan repayments, children's education, medical treatment, and social obligations. These financial responsibilities reduce the amount available for savings and investments.

Another major issue is the lack of proper financial planning and awareness regarding modern investment opportunities. Many families continue to rely only on traditional savings methods such as bank deposits and insurance policies because they consider them safe and secure. Although modern investment options such as mutual funds, retirement plans, and systematic investment schemes may provide better returns, limited financial literacy prevents many households from using these opportunities effectively.

Consumerism and changing lifestyle patterns have also influenced saving habits. Increased spending on luxury goods, entertainment, electronic gadgets, and online shopping has reduced the tendency to save among some middle-class families. Easy availability of loans and credit facilities further encourages higher spending and debt accumulation, which negatively affects household savings.

In addition, economic uncertainties such as unemployment, medical emergencies, and unexpected financial crises create stress for families with insufficient savings. The lack of emergency funds often forces households to borrow money or reduce essential expenditures during difficult situations. This weakens their overall financial security and future planning.

The problem becomes more serious because savings are necessary not only for individual welfare but also for economic growth. A decline in household savings can affect investment levels, capital formation, and financial stability in the economy. Therefore, it is important to examine the saving practices of middle-class families and identify the factors that influence their financial decisions.

This study attempts to analyze the saving behavior of middle-class households, understand the challenges they face in saving regularly, and evaluate the impact of income, expenditure, inflation, and financial awareness on their savings practices. The findings of the study may help families, policymakers, and financial institutions develop strategies for improving household savings and financial security.

## **II. REVIEW OF LITERATURE**

The review of literature is an important part of any research study because it provides knowledge about previous studies and helps in understanding the theoretical background of the topic. It also helps identify the factors influencing the saving behavior of middle-class families and highlights the research gap for the present study.

Many economists, researchers, and financial institutions have conducted studies on household savings and financial behavior. Their studies explain how income, expenditure, inflation, financial literacy, occupation, and economic conditions influence savings patterns among families.

### **Savings Theory by John Maynard Keynes**

John Maynard Keynes was one of the most influential economists who studied savings and consumption behavior. According to Keynes, savings are directly related to income levels. His theory states that when a person's income increases, consumption also increases, but not in the same proportion as income. As a result, a part of the increased income is saved.

Keynes explained this relationship through the concept of the "Marginal Propensity to Save." He believed that families with higher incomes generally have a greater ability to save compared to lower-income households. His theory is

important in understanding the saving behavior of middle-class families because their savings largely depend on monthly income and expenditure patterns.

Keynes also emphasized that savings play an important role in economic growth and capital formation. Increased household savings provide financial resources for investment and development activities in the economy.

#### **Sources of Data:**

Mainly Secondary data is used for the better study.

#### **Secondary Data**

- Journals
- Books
- Government reports
- Websites
- Socio-economic factors influencing savings

#### **Government Reports**

Government reports were used to collect information regarding national savings trends, economic conditions, inflation rates, and household expenditure patterns.

Reports published by government departments and agencies provided authentic statistical data related to:

- Household income and expenditure
- Employment levels
- Inflation and price rise
- Economic growth
- Financial inclusion

Government reports helped in understanding the economic environment in which middle-class families operate. They also provided information about policies and schemes introduced to encourage savings and financial security among households.

These reports were useful in comparing household saving behavior with broader national economic trends.

#### **RBI Publications**

Publications issued by the Reserve Bank of India were one of the most important sources of secondary data for this study. RBI reports and publications contain detailed information regarding:

- Household financial savings
- Banking habits
- Deposit trends
- Investment patterns
- Inflation rates
- Financial market developments

RBI publications helped in understanding the changing saving preferences of Indian households. The reports also highlighted the role of banks and financial institutions in mobilizing household savings.

Through RBI data, the study gained insights into:

- Preference for traditional saving instruments
- Trends in bank deposits
- Financial stability
- Monetary policies affecting savings behavior

The RBI reports were considered reliable because they are published by the central banking authority of India.

### **Financial Websites**

Financial websites and online resources were used to gather updated information about:

- Modern investment options
- Mutual funds
- Digital banking
- Financial planning strategies
- Current economic conditions

These websites provided recent articles, expert opinions, market trends, and financial awareness materials that helped in understanding the modern saving practices of middle-class families.

Online financial resources also helped in studying how digital technology and online banking services are changing traditional saving habits.

Financial websites were especially useful for collecting current and updated information that may not be available in printed materials.

### **Newspapers and Magazines**

Newspapers and magazines were used to collect information regarding current economic developments, inflation, financial policies, and investment trends.

Business newspapers and financial magazines regularly publish articles related to:

- Household savings
- Economic conditions
- Banking services
- Tax policies
- Consumer behavior
- Personal finance management

These sources provided practical and real-life insights into the financial challenges faced by middle-class families. They also highlighted expert opinions and public reactions regarding economic issues affecting savings.

Magazines related to finance and business helped in understanding changing investment preferences and awareness regarding modern financial products.

### **Importance of Secondary Data in the Study**

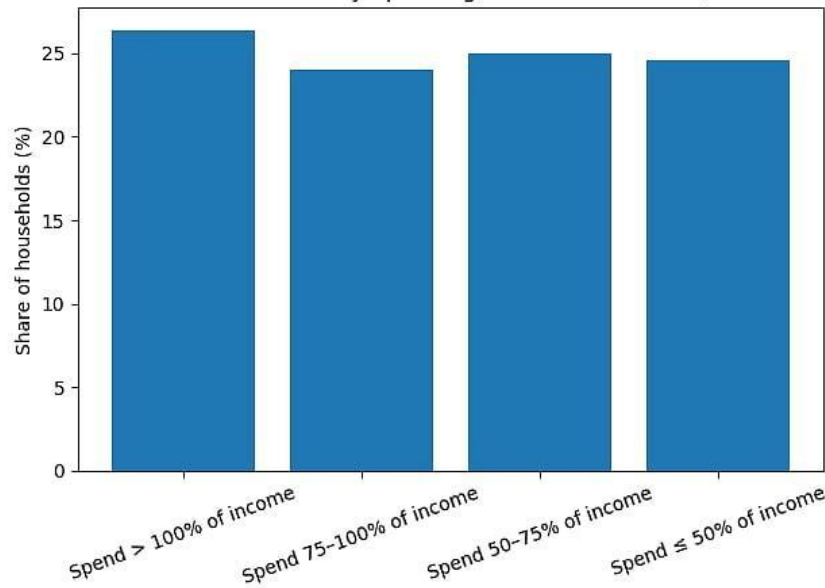
Secondary data played a significant role in the successful completion of the research study. It helped in:

Understanding theoretical concepts related to savings

- Reviewing previous research findings
- Identifying factors affecting saving behavior
- Collecting statistical and economic information
- Supporting data analysis and interpretation
- Providing a strong foundation for the research

The use of secondary data improved the reliability and depth of the study by providing authentic and well-documented information regarding household savings and financial behavior among middle-class families.

Distribution of Indian Households by Spending Relative to Income (PLFS-based analysis)



Source: (Inflation and Financial Pressure on Middle-Class Families section) review of TOI June, 2021.

The above visuals explain:

- Household saving ratios
- Spending patterns
- Traditional saving methods in India households

#### Objectives of the Study:

The major objectives of the study are:

- To study the saving practices of middle-class families.
- To identify factors affecting household savings.
- To examine the investment preferences of middle-class households.
- To understand the impact of income and expenditure on savings.
- To suggest measures for improving saving habits.

#### Limitations of the study:

1. The study focuses mainly on middle-class families.
2. Time and resource constraints limited wider data collection.

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