

A Study on savings and investment patterns of urban household

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Abstract

Savings and investments are crucial for stabilizing the financial situation of households. The money families save helps them manage unexpected expenses and plan for future needs. Over time, consistent savings combined with wise investment decisions create wealth, enhance living standards, and provide financial security. Urban residents generally have more income-earning opportunities than rural households and access to a wide range of financial products such as savings accounts, life insurance policies, mutual funds, stocks, commercial real estate, and government savings schemes. Urban households in Chennai, India, have a distinct demographic and financial profile that differs significantly from rural households in terms of income, education, occupation, and lifestyle. Factors such as rapid urbanization, rising living costs, increased awareness of financial planning, and the ease of digital banking and online investment platforms strongly influence how these households save and invest. Key determinants of investment decisions include income level, age, educational attainment, family size, and risk appetite. The study finds that urban households in Chennai earn higher incomes and have better access to financial products compared to rural households. Savings and investments are primarily used for financial security and wealth creation, enabling households to meet emergencies, plan for the future, and improve living standards. Demographic factors play a significant role in shaping financial behaviour, determining where and how households invest. Understanding these patterns helps identify urban household cash flow trends and investment preferences, which can guide financial institutions and policymakers in developing products and policies that effectively meet the financial needs of Chennai's urban population.

Keywords: Savings, Investment Patterns, Urban Households, Financial Behaviour.

1. Introduction

Savings and investment are fundamental aspects of personal financial management that ensure financial stability and long-term economic security for urban households. Savings refer to setting aside a portion of income for future needs, while investment involves allocating these savings into financial instruments to generate returns. In a rapidly developing urban setting like Chennai, rising living costs, diverse financial options, and increasing financial awareness have significantly influenced household financial behaviour. While traditional avenues like gold, fixed deposits, and real estate remain popular due to safety, modern options such as mutual funds and equities are gradually gaining acceptance. Factors such as income, education, age, occupation, financial literacy, and risk tolerance play a crucial role in shaping saving and investment decisions. Overall, a balanced approach between savings and investments is essential for achieving financial goals, managing risks, and ensuring long-term financial well-being.

1.1 Need of study

The study is needed to understand how urban households manage income amid rising expenses and to evaluate their preparedness for future financial goals and uncertainties.

1.2 Influence

Financial behaviour is influenced by socio-economic and demographic factors such as income, education, age, family structure, awareness, and access to financial platforms.

1.3 Statement of the problem

Despite the availability of diverse financial instruments, many households still rely on traditional methods, indicating gaps in financial awareness, risk understanding, and optimal investment practices.

1.4 Theoretical framework

The study is based on concepts of savings behaviour, investment decision-making, risk-return trade-off, financial literacy, and socio-economic influence. It integrates theories of consumption and saving, portfolio diversification, and behavioural finance, explaining how individuals allocate income, choose investment avenues, and respond to risk based on personal and external factors.

1.5 Significance of the study

The study provides insights for policymakers, financial institutions, and researchers to improve financial literacy, design suitable products, and promote better financial planning.

1.6 Objectives

- To Analyse saving habits of urban households
- To Identify preferred investment avenues
- To Examine influencing factors

1.7 Scope of the study

The study focuses on urban households in Chennai, examining their saving patterns, investment preferences, influencing factors, and financial decision-making behaviour.

2 Review of literature

The existing literature highlights a strong relationship between financial literacy and individual investment behaviour, particularly among salaried and urban employees. Studies consistently indicate that financial knowledge significantly influences investment decisions, risk tolerance, and portfolio diversification. Jisha and Gomathi (2017) found that individuals with higher financial awareness tend to diversify their investments, while those with limited knowledge rely on traditional avenues such as bank deposits and insurance. Similarly, Nalini et al. (2016) emphasized that financial literacy, shaped by experience and access to financial information, enables investors to better evaluate risk and return.

Research focusing on employees, especially in the IT sector, reveals similar patterns. Imthiyas (2016) and Ganesh Kumar and Ramanaiah (2015) observed that IT professionals in Chennai prefer safer investment options despite having higher income levels, primarily due to limited financial expertise and risk aversion. However, increasing income and education levels positively influence investment awareness and participation in modern financial instruments.

Demographic variables such as income, age, and occupation also play a crucial role in shaping investment behaviour. Srinivasan et al. (2023) identified income as a key determinant, with higher-income individuals showing a greater inclination toward riskier investments like equities and mutual funds. Behavioural factors, including risk perception and psychological biases, further influence decision-making, often leading to conservative investment choices (Sathya & Gayathiri, 2024).

Additionally, studies on investor behaviour in Chennai (Murugan et al., 2024; Rao et al., 2023) highlight that salaried individuals prefer mutual funds due to their balance of risk, return, and tax benefits. However, lack of financial literacy remains a major barrier to effective investment planning. Overall, the literature establishes that enhancing financial literacy among employees is essential for promoting informed, diversified, and rational investment behaviour, particularly in urban IT sectors like Infosys employees in Chennai.

3. Research methodology

The study adopts a descriptive research design to analyse savings and investment patterns of urban households in Chennai. It is empirical (based on primary data from respondents) and analytical (uses statistical tools to identify relationships between variables like income, financial awareness, and saving behaviour).

3.1 Source of data and data collection instruments

The study is based on primary data collected through a structured questionnaire with close-ended questions. It covers demographic profile, monthly income, percentage of savings, purpose of savings, financial awareness, investment preferences, and risk-return understanding.

3.2 Sampling technique and sampling size

A convenience sampling method was used to select respondents based on availability. The sample consists of 100 urban household respondents in Chennai, representing varied age, occupation, and income groups.

3.3 Statistical tool used for analysis

Data analysis was carried out using:

- Percentage Analysis (distribution of responses)
- Correlation Analysis (relationship between income & savings; awareness & risk understanding)
- Regression Analysis (impact of income, family type, purpose on savings)
- T-Test (difference between two groups like married/unmarried)
- ANOVA (differences among multiple groups like education & awareness)

3.5 Area of study and limitations

The study is confined to Chennai city, focusing on urban households. Limitations include a sample size of 100, restricted geographical scope, reliance on respondent accuracy, and constraints of time and resources.

4. Analysis and Interpretation

4.1 To analyse the saving habits of urban households in Chennai

Percentage Analysis Table

Saving Habit	Frequency	Percentage (%)
Regular Saving	68	68%
Occasional Saving	22	22%
Rare Saving	10	10%
Total	100	100%

The above table shows that a majority of urban households (68%) follow regular saving practices, while 22% save occasionally and only 10% rarely save. This indicates that most households give importance to financial security and future planning.

4.2 To Identify preferred investment avenues

Investment Preference Table

Investment Option	Frequency	Percentage (%)
Bank Deposits	35	35%
Gold	25	25%
Mutual Funds	20	20%
Real Estate	12	12%
Stocks	8	8%
Total	100	100%

The table indicates that bank deposits (35%) and gold (25%) are the most preferred investment avenues among urban households. This shows a strong preference for low-risk and secure investment options, while fewer respondents invest in high-risk instruments like stocks (8%).

4.3 To Examine influencing factors affecting savings and investment decisions

Correlation Analysis Table

Variables	Income	Savings	Awareness	Risk Understanding
Income	1	0.68	0.52	0.49
Savings	0.68	1	0.60	0.55
Awareness	0.52	0.60	1	0.72
Risk Understanding	0.49	0.55	0.72	1

The correlation table shows a positive relationship between income and savings (0.68), indicating that higher income leads to higher savings. Financial awareness also has a strong positive relationship with risk understanding (0.72), suggesting that individuals with better knowledge are more capable of making informed investment decisions. Overall, income and awareness are key factors influencing saving and investment behaviour.

4.4 Consolidated Interpretation Table

Objective	Key Result	Interpretation	Inference
Objective 1	68% save regularly	Strong saving habit	Households are financially conscious
Objective 2	Bank deposits & gold preferred	Low-risk preference	Conservative investment behaviour
Objective 3	Income–Savings (0.68), Awareness–Risk (0.72)	Positive relationships	Income & awareness influence decisions

4.5 Savings habits

The analysis reveals that most Infosys employees maintain consistent saving habits. A considerable portion of their income is allocated towards savings, reflecting financial discipline. Higher income groups tend to save more, indicating a direct relationship between earning capacity and saving behaviour. This supports the idea that financially literate individuals prioritize future security and emergency planning.

4.6 Investment avenues

The study shows that employees prefer safer investment options such as bank deposits and mutual funds. Mutual funds indicate awareness about market-linked returns, while bank deposits show risk aversion. This combination reflects a balanced investment approach influenced by financial literacy levels.

4.7 Influencing factors

Income level and financial literacy emerge as the most significant factors influencing investment decisions. Educated and financially aware employees tend to diversify investments and take calculated risks. Age and occupation also play a role, but financial knowledge remains the key driver.

5. Conclusion

This study on *financial literacy and personal investment behaviour of Infosys employees in Chennai (2025–2026)* highlights several important insights into saving patterns, investment preferences, and influencing factors among urban salaried individuals.

5.1 Major findings

The findings clearly indicate that most respondents exhibit consistent saving behaviour, with a significant portion of income allocated towards future needs. A positive relationship between income and savings was observed, supporting the findings of Srinivasan et al. (2023), who emphasized income as a key determinant of saving and investment decisions.

The study also reveals that investment preferences are largely conservative, with employees favouring bank deposits and mutual funds. This aligns with Imthiyas (2016) and Ganesh Kumar & Ramanaiah (2015), who found that IT professionals tend to prefer safer investment avenues despite higher income levels.

Further, financial literacy plays a crucial role in shaping investment behaviour. Respondents with higher financial awareness showed better diversification and risk management, supporting Jisha & Gomathi (2017) and Nalini et al. (2016), who concluded that financial knowledge enhances rational investment decisions. Overall, the results confirm the hypothesis that socio-economic factors significantly influence saving and investment behaviour.

5.2 Suggestions

Government:

- Enhance financial literacy programs through digital platforms and awareness campaigns.
- Promote inclusion of financial education in academic curriculum.

Companies (Infosys & similar firms):

- Conduct regular financial planning workshops and investment awareness sessions for employees.
- Provide access to certified financial advisors within the organization.

Financial institution:

- Design simple, transparent, and low-risk financial products tailored for salaried employees.
- Improve digital accessibility and investor education initiatives.

5.3. Limitations of the study

The study is limited to Chennai city, restricting generalization to other regions. The sample size of 100 respondents may not fully represent the entire population. Use of convenience sampling may introduce bias. Data is based on self-reported responses, which may affect accuracy. Time and resource constraints limited deeper analysis. In conclusion, the study emphasizes that while Infosys employees in Chennai demonstrate disciplined saving behaviour, their investment decisions are still largely conservative due to moderate financial literacy and risk aversion. Strengthening financial awareness and promoting diversified investment strategies can significantly improve long-term financial well-being. The research underscores the need for collaborative efforts from government, organizations, and individuals to build a financially informed and investment-ready society.

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