

## **Financial Behaviour and Savings Decisions of the Working Class: An Empirical Study in Amritsar City**

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### **ABSTRACT**

Most of the working class consists of the young generation. It has been observed that people are spending most of their salary. It has been seen that they tend to spend more on luxury than on necessities. It has been observed that the young generation likes to invest in various options, and they are also investing in the share market, as compared to their earlier generations. Most of the respondents invest their savings in LIC and in mutual funds. Investments in various fields will strengthen our economy. 42% respondents are risk-averse, and only 25% are risk takers. But still a large amount of investment is made in fixed deposits, insurance and public deposits.

**Keywords:** Savings, Investment, LIC, Insurance.

### **INTRODUCTION**

As capital formation is an important factor in economic growth, countries that were able to accumulate high levels of investment achieved faster rates of economic growth and development. The effects of investment on economic growth are two-fold. Firstly, demand for investment goods forms part of aggregate demand in the economy. Thus, a rise in investment demand will, to the extent that this demand is not satisfied by imports, stimulate production of investment goods which in turn leads to high economic growth and development. Secondly, capital formation improves the productive capacity of the economy in a way that the economy is able to produce more output. Also investment in new plant and machinery raises productivity growth by introducing new technology, which would also lead to faster economic growth. To finance investment required for economic growth, the economy needs to generate sufficient saving or it should borrow abroad. However, borrowing from abroad may not only have adverse effects on the balance of payments as these loans will have to be serviced in the future but it also carries a foreign exchange risk.

### **REVIEW OF LITERATURE**

The review of existing literature provides a broad spectrum of the work done in the area of impact of “*saving and investment pattern of working class*” and helps to formulate relevant objective. Bhattacharjee (2024) The study looks at how demographic factors affect the saving and investment habits of working-class individuals. It also examines their understanding of financial and physical assets. Data for the research comes from a carefully designed

questionnaire. The study found that most respondents see acquiring physical assets as their main saving and investment goal. They are motivated primarily by the desire to earn interest. Respondents believe that saving and investing are vital for ensuring financial security in old age and for funding their children's education. The study suggests that financial institutions should work on raising public awareness about various saving and investing options. It is essential to inform people about the risks and returns linked to different investment choices, particularly for those who prefer short-term investments.

Shahid (2023) investigated the influence of behavioral biases on investors' investment decisions and explore the moderating role of financial literacy in this relationship, finding that financial literacy plays a role in linking behavioral biases and investment decisions.

**Haruna Issahaku (2014)** this study was based on a microeconomic approach of estimating the determinants of financial saving and investment in one of the most deprived district capitals in Ghana, the Nadowli in the Nadowli District of the Upper West Region. Two separate multiple linear regression models were fitted for saving and investment. The Paper found that there is the propensity to save and invest in Nadowli in spite of low income. Whereas the levels of income, educational status, occupation, have positive influence on saving, the number of dependents exerts a negative influence on saving. The paper found that age composition and assets do not have a significant effect on saving. The factors that drive household investment are occupation expenditure, assets and saving. Any decision or policy pertaining to finance and development by government, the private sector or financial institutions geared towards improving saving and investment in Nadowli must incorporate these factors.

**Friedman (2012)** the study was done to evaluate the saving and investment patterns of the working class in Botswana. The objective was to establish the level of saving and whether the workers had any investments in financial securities other than saving accounts. The study also aimed at identifying the factors that inhibit workers from investing in financial securities.

**Asian Development Bank (2010)** argues that policies aiming to reduce the imbalance between savings and investment should focus on increasing consumption rather than promoting investment, since the evidence for under-investment in Asia is slight. Consumption can be promoted by both raising the share of household income in total income, and by reducing the incentive for precautionary saving. Regarding the former, ADB (2009) advocates that governments in the region encourage increased dividend payments to stockholders, and implement income transfer schemes to support low-income groups. For the latter, ADB (2009) also advocates increased spending on social protection and social safety nets, including greater state provision of health care, education, and pension benefits.

**Securities and Exchange Board of India (SEBI) and NCAER (2000)** 'Survey of Indian Investors' has reported that safety and liquidity were the primary considerations which determined the choice of an asset. Ranked by an ascending order of risk perception fixed deposit accounts in bank were considered very safe, followed by gold, units of UTI-US64, fixed deposits of non-government companies, mutual funds, equity shares, and debentures. Bank deposits, which had an appeal across all income classes, and tax-saving schemes were preferred by middle-income and higher-income groups. There was a correlation between the income levels and investments of households in market-related securities.

**Somasundaram (1998)** has found that bank deposits and chit funds were the best known modes of savings among investors and the least known modes were Unit Trust of India (UTI) schemes and plantation schemes. Attitudes of investors were highly positive and showed their intention to save for better future. Nearly two-thirds of the investors were satisfied with their savings. Both income and expenses of a family influenced the level of satisfaction over savings. A large proportion of investors were concerned about their children's well-being. Among the dissatisfied investors, majority were of the opinion that cost of living was too high. The most common mode of investment was bank deposits. However, a shift was noticed from bank deposits to other forms of investment. Almost all the investors had invested in gold and silver. Among several parameters in investing, safety of money was considered to be the most important element. Next, the investors expected regular return from their investments.

### **OBJECTIVES OF THE STUDY**

The main objective of this study is to carry on brief study on “saving and investment pattern of working class in Amritsar city”

#### **Secondary objective of the studies are as follows:**

1. To analyse the saving habits of the working class in Amritsar city with respect to their emotional, physical and financial conditions.
2. To investigate the attitude of the working class towards investment.
3. To identify the various investment plans available and people’s awareness and perception about the various investment schemes.
4. To find out the factors that influence the investment decision of the working class.

### **RESEARCH METHODOLOGY**

**1) Sampling Technique:** This research has used convenience sampling technique.

**2) Sampling Plan:** A sample of **100** was taken the sample size of 100 individuals were selected on the basis of convenient sampling technique. .

**3) Sources of Data Collection:** Research will be based on two sources:

**a) Primary Data:** Primary data was collected by preparing questionnaire for respondents. The questionnaire was filled through direct contact or personal interviews.

**2) Secondary Data:** Secondary data will consist of different literatures like books which are published, articles, and internet.

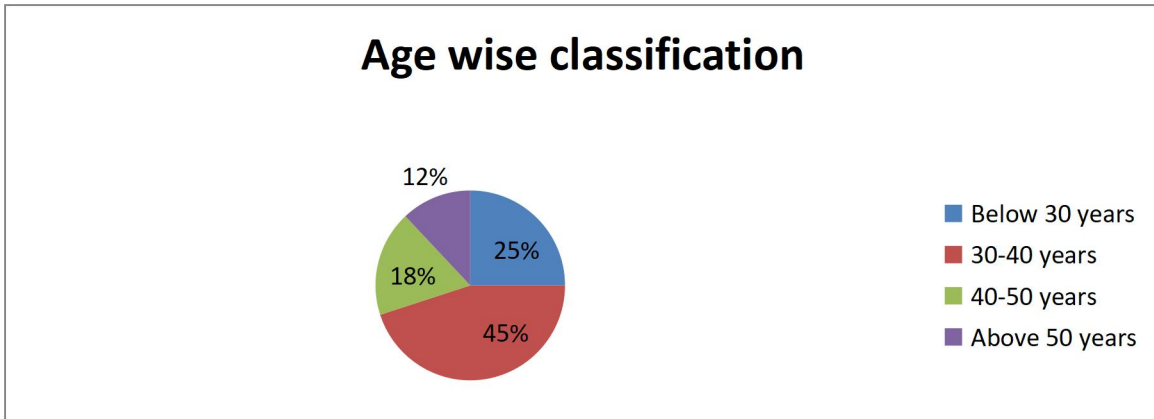
#### **4) Statistical Tools Used**

The main statistical tools used for the collection and analyses of data in this project are: Questionnaire, Pie Charts, Bar Diagrams, Percentage and Weighted Average.

### **Data Analysis and Interpretation**

**Table: 1: Age-Wise classification**

<b>Particulars</b>	<b>No. of respondents</b>
Below 30 years	25
30-40 years	45
40-50 years	18
Above 50 years	12
Total	100

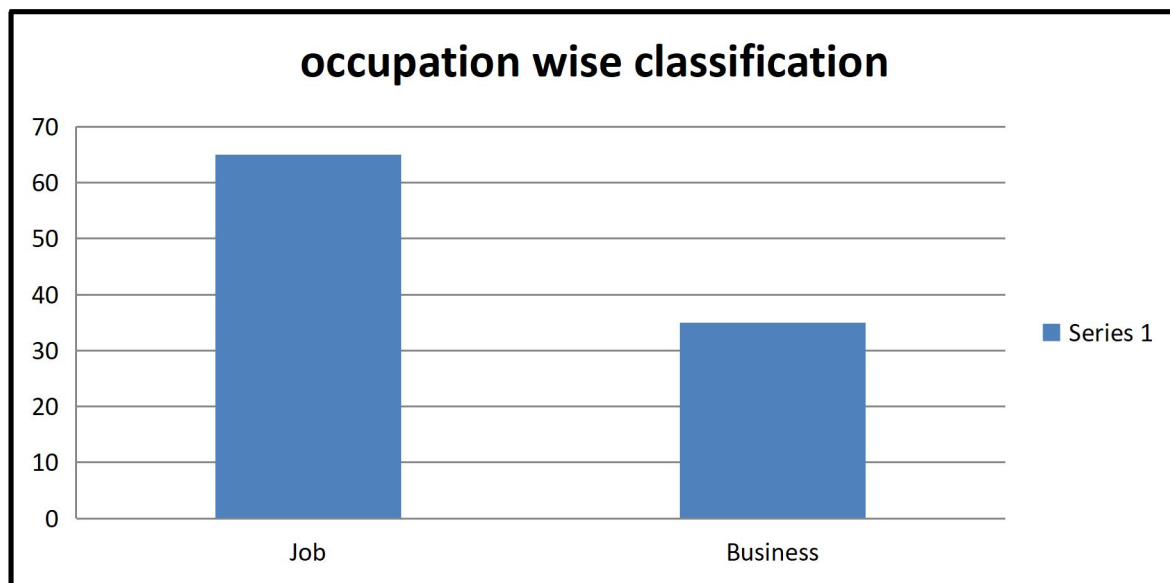


**Figure: 1**

From the survey of 100 respondents, it was found that 25 individuals were below the age of 30 years. The largest group, consisting of 45 respondents, fell within the age range of 30–40 years. Another 18 respondents were between 40–50 years of age, while the remaining 12 respondents were above 50 years.

**Table: 2 Occupation-wise classification**

Particulars	No. of respondents
Job	65
Business	35
Total	100



**Figure: 2**

From the survey it was found that amongst 100 respondents, 65 respondents are performing jobs and 35 respondents have their own businesses.

**Table: 3 Income Level**

Particulars	No. of respondent	Percentage
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Below Rs. 100000	31	31%
Between Rs.100000-Rs. 300000	42	42%
Between Rs.300000-Rs.500000	20	20%
Above Rs. 500000	7	7%
Total	100	100%

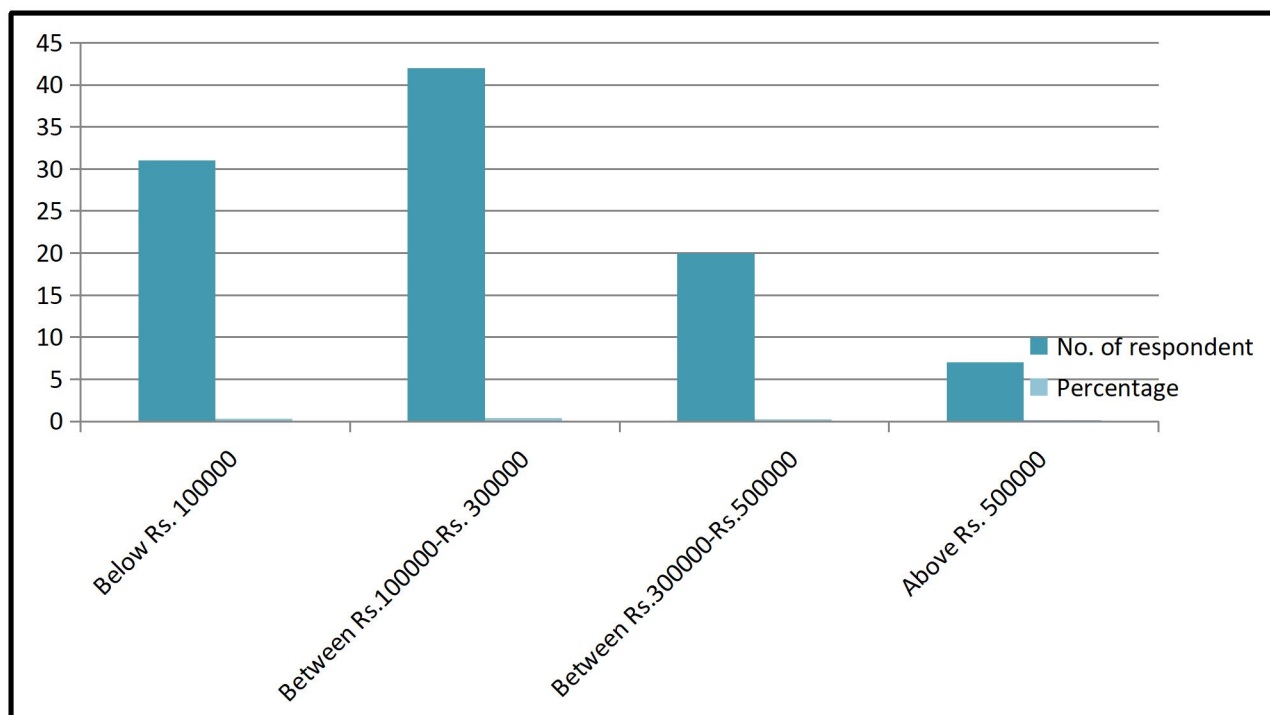
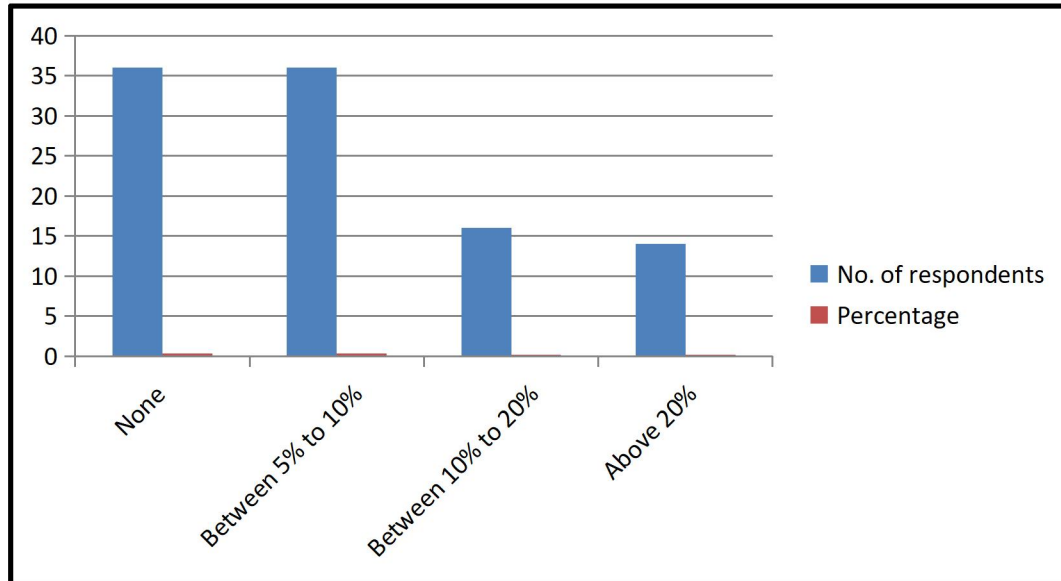


Figure 3

From the survey it was found that amongst 100 respondents, 31% of the respondents have an average annual income up to 1 lakh, 42% of the respondents have an average annual income from 1 lakh to 3 lakh, 20% of the respondents have an average annual income from 3 lakh to 5 lakh and 7% of the respondents have an average annual income above 5 lakh.

**Table 4: Percentage of Income Saved by Respondents**

Particulars	No. of respondents	Percentage
None	36	36%
Between 5% to 10%	36	36%
Between 10% to 20%	16	16%
Above 20%	14	14%
Total	100	100%

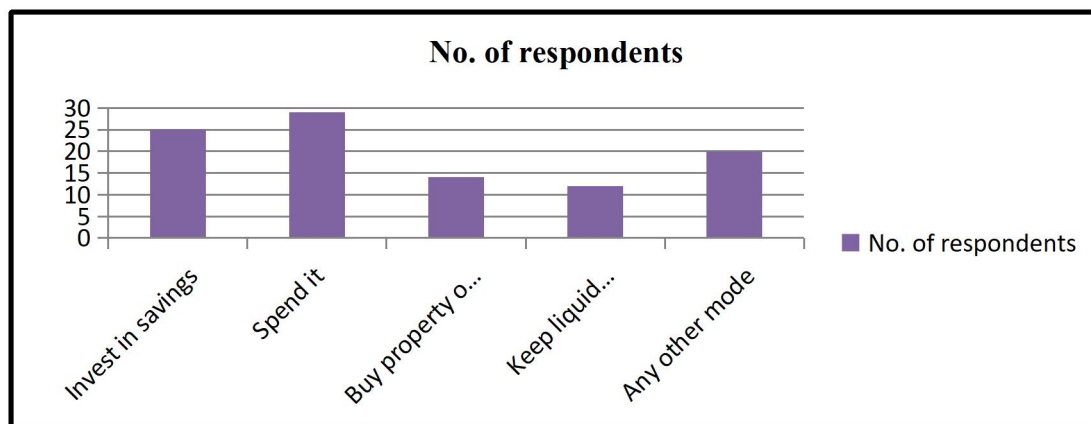


**Figure:4**

From the survey of 100 respondents, it was found that 36% do not save any portion of their income, while another 36% save between 5% and 10% of their annual income. Additionally, 16% of the respondents save between 10% and 20%, and the remaining 14% save more than 20% of their annual income.

**Table: 5 Utilization of Savings by the respondents**

Particulars	No. of respondents
Invest the savings	25
Spend it	29
Buy property or gold	14
Keep liquid assets	12
Any other mode	20



**Figure:5**

From the survey of 100 respondents, it was found that 25 respondents invest their savings, while 29 tend to spend them. Additionally, 14 respondents invest in property or gold, and 12 prefer to

keep their savings as liquid assets. The remaining 20 respondents utilize their savings through other modes.

**Table: 6 Percentage of Savings in investment**

Particulars	No. of respondents	Percentage
None	31	31%
Between 10% to 50%	33	33%
Between 50% to 80%	31	31%
Above 80%	5	5%
Total	100	100%

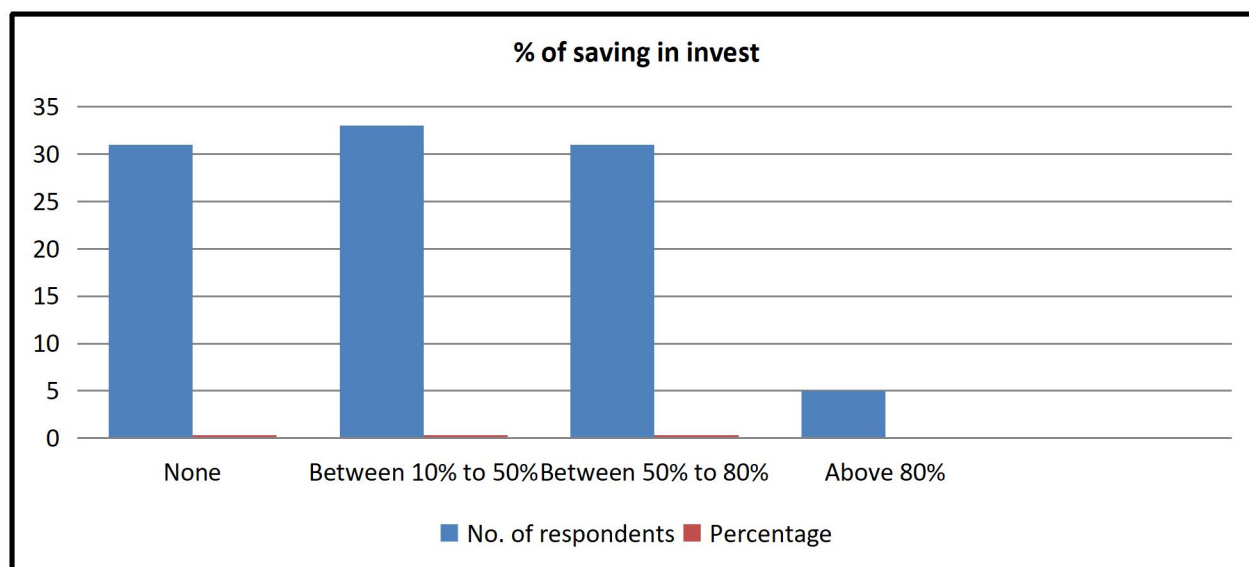


Figure 6

From the survey of 100 respondents, 31% do not invest any portion of their income, while 33% invest between 10% and 50%. Additionally, 31% invest between 50% and 80%, and only 5% invest more than 80% of their annual income.

**Table: 7 Types of Investment Selected**

Particulars	No. of respondents	Percentage
Commercial income	14	14%
Life insurance policy	16	16%
Mutual funds	19	19%
Shares of listed companies	3	3%
Government securities	16	16%
In property	6	6%
Others	26	26%
Total	100	100%

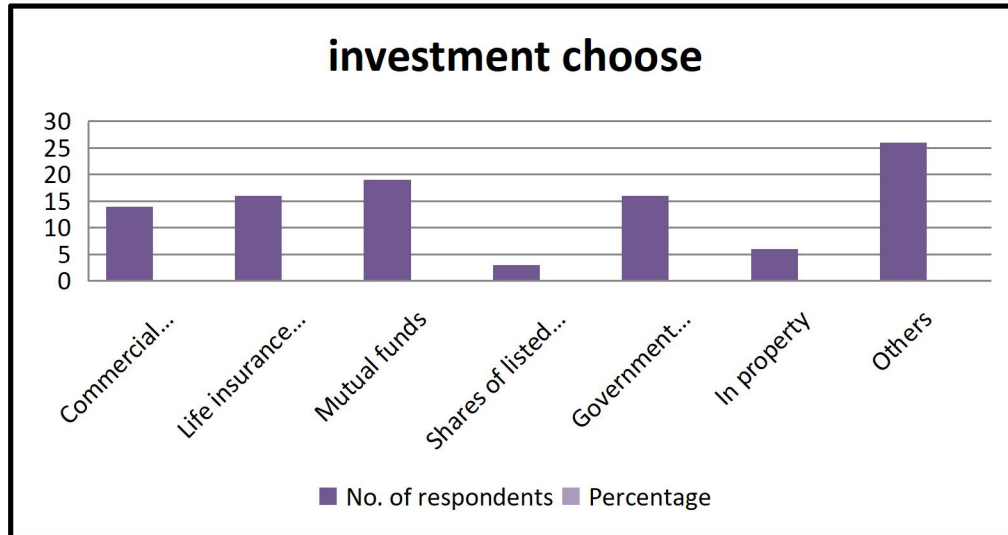


Figure 7

From the survey of 100 respondents, it was found that 14% invest in commercial banks and 16% invest in life insurance policies. Additionally, 6% of the respondents choose to invest in property or gold, while 19% prefer mutual funds. The remaining 26% invest through other modes.

**Table 8: Awareness Level of Saving and Investment Instruments**

Particulars	No. of respondents	Percentage
UTI schemes	33	33%
Post office schemes	12	12%
LIC insurance schemes	8	8%
Shares of listed companies	31	31%
Commercial banks	16	16%
Total	100	100%

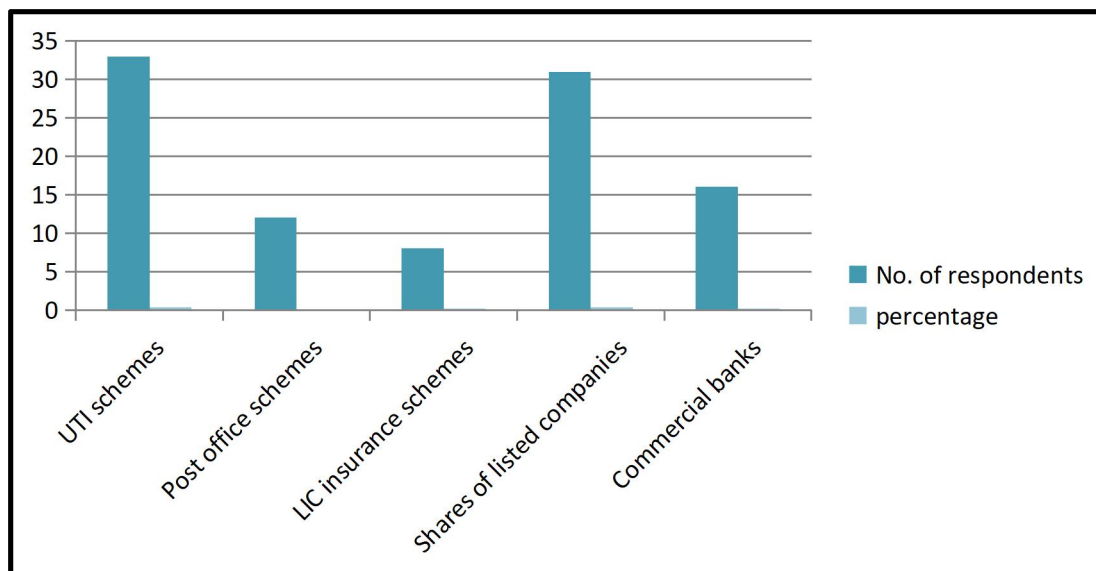
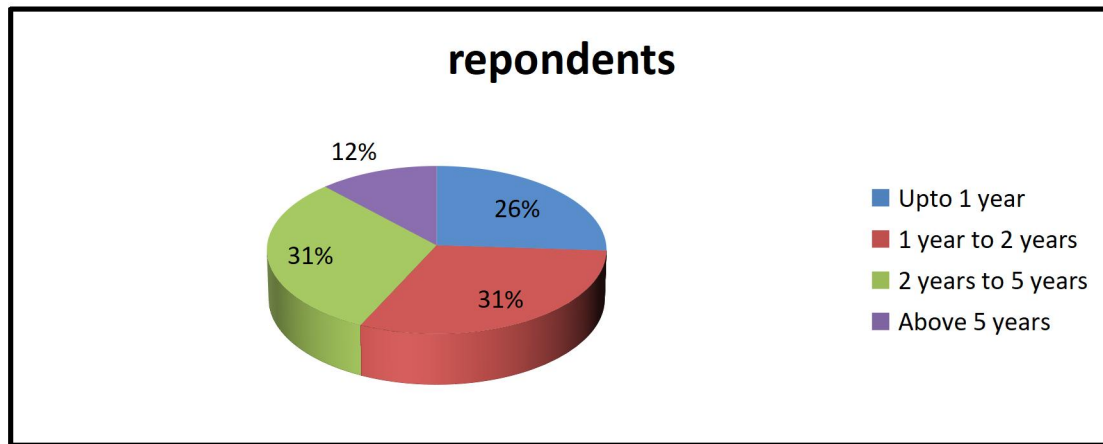


Figure 8

From the survey of 100 respondents, 16% were aware of investment options in commercial banks, 8% were aware of life insurance policies, and 12% knew about post office schemes. Additionally, 33% were aware of UTI schemes, while 31% were aware of investing in shares of listed companies.

**Table 9: Preferred Investment Tenure**

Particulars	No. of respondents	Percentage
Up to 1 year	26	26%
1 year to 2 years	31	31%
2 years to 5 years	31	31%
Above 5 years	12	12%



**Figure: 9**

From the survey it was found that amongst 100 respondents, 26% of the respondents are investing up to 1 year, 31% of the respondents are investing between 1 year to 2 years and 2 years to 5 years and 12% of the respondents are investing above 5 years.

**Table 10: Sources of information for investment**

Particulars	No. of respondents	Percentage
Print media	6	6%
Visual media	12	12%
Family members or friends	56	56%
Somewhere else	26	26%
Total	100	100%

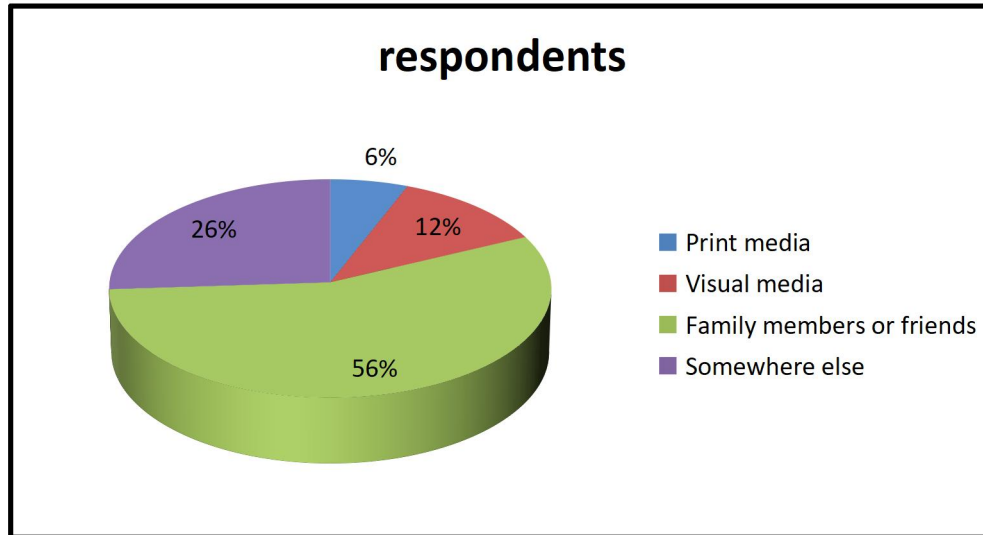


Figure: 10

From the survey it was found that amongst 100 respondents, 6% of the respondents are made decision on the basis of print media information, 12% of the respondents are made decision on the basis of visual media information, 56% of the respondents are made decision on the basis of family members or friends information and 26% of the respondents are made decision on the basis of somewhere else information.

**Table 11:** Impact of Social Circle on Your Decisions regarding Investment

Particulars	No. of respondents	Percentage
Very likely	36	36%
Somewhat likely	16	16%
Undecided	26	26%
Very unlikely	22	22%
<b>Total</b>	<b>100</b>	<b>100%</b>

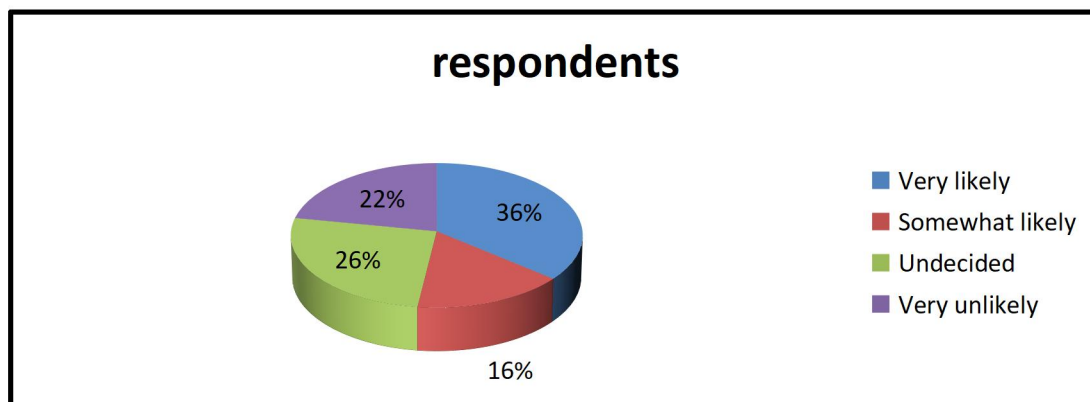


Figure: 11

From the survey of 100 respondents, 36% reported that they are very likely to make decisions based on information from family members or friends, while 16% indicated they are somewhat likely to do so. Additionally, 26% of the respondents remained undecided about relying on such

information, and 22% stated that they are very unlikely to make decisions based on advice from family members or friends.

**Table 12: Preferred Type of Investment Portfolio**

Particulars	No. of respondents	Percentage
Shares and government securities	31	31%
Mutual funds	14	14%
Commercial options, CDs & shares	24	24%
LIC ,mutual funds, shares & government securities	16	16%
Nothing of above	16	16%

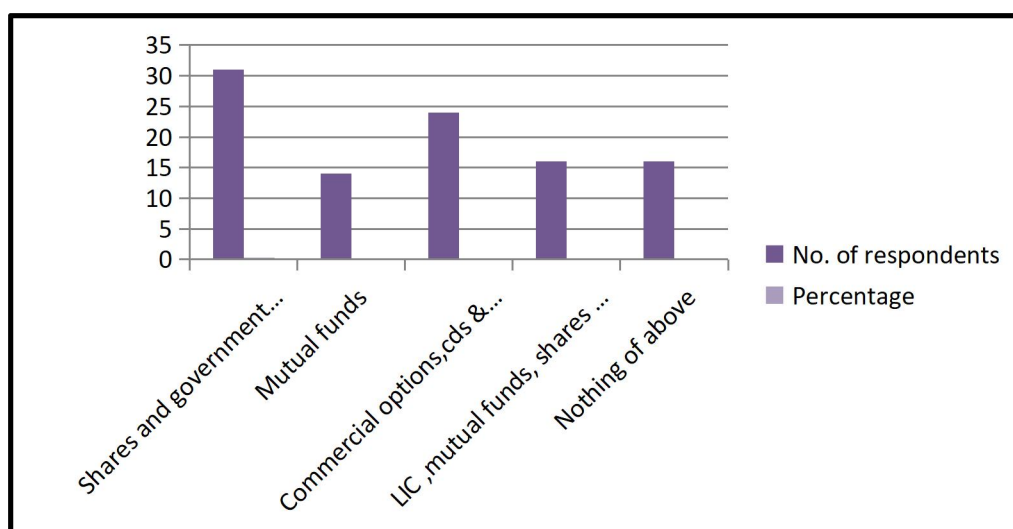
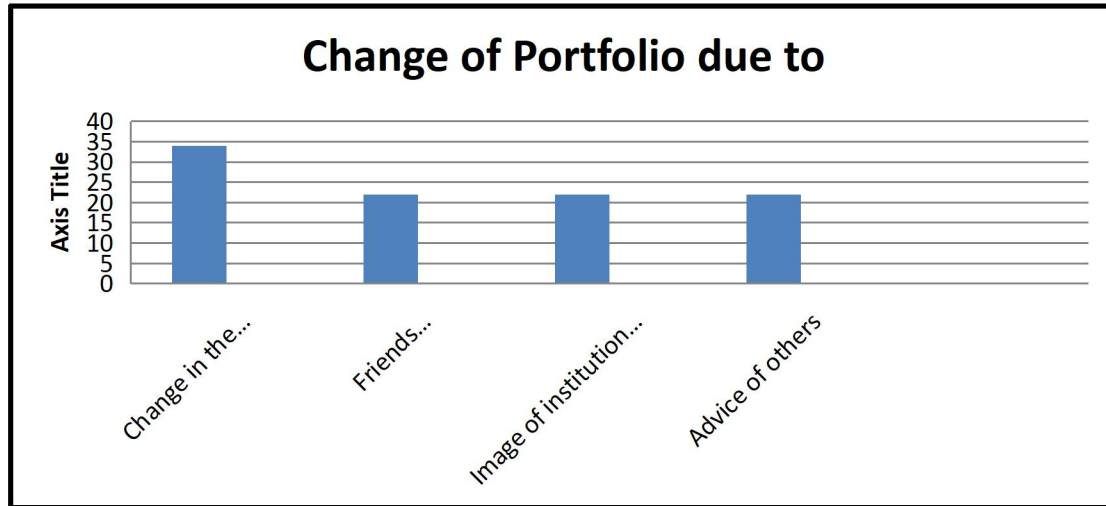


Figure:12

From the survey it was found that amongst 100 respondents, 24% of the respondents are invest in commercial banks, 16% of the respondents are investing in life insurance policy, 31% of the respondents are investing in shares & government securities, 14% of the respondents are investing in mutual funds and 16% respondents invest in any other mode.

**Table 13: Reasons for Changing Your Investment Portfolio**

Particulars	No. of respondents	Percentage
Change in the interest rate	34	34%
Friends recommendation	22	22%
Image of institution in market	22	22%
Advice of others	22	22%
Total	100	100%

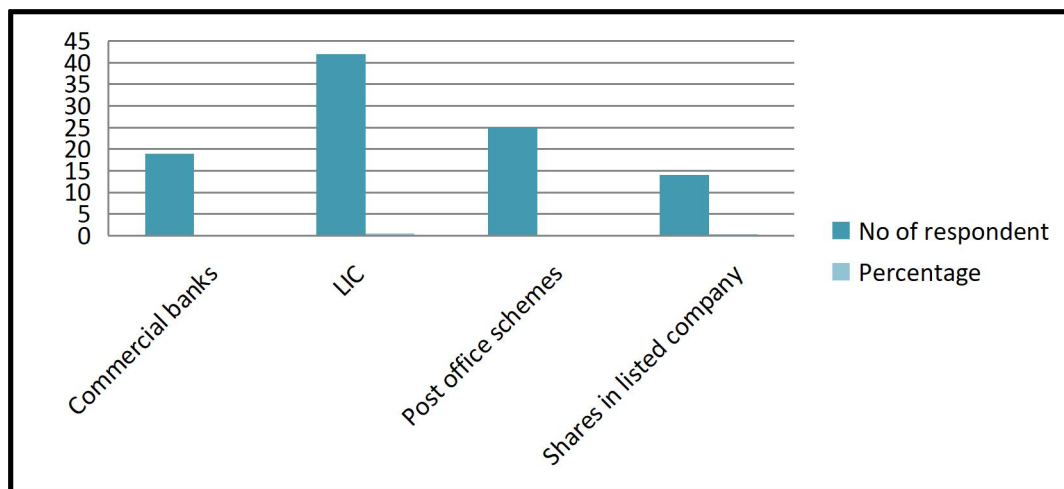


**Figure 13**

From the survey of 100 respondents, 34% reported that they make investment decisions based on changes in interest rates, while 22% stated that their decisions are influenced by the market image of the institution. Additionally, 22% make decisions based on information from family members or friends, and another 22% rely on the advice of others when making investment choices.

**Table14: Previous investment institution**

Particulars	No of respondent	Percentage
Commercial banks	19	19%
LIC	42	42%
Post office schemes	25	25%
Shares in listed company	14	14%
Total	100	100%



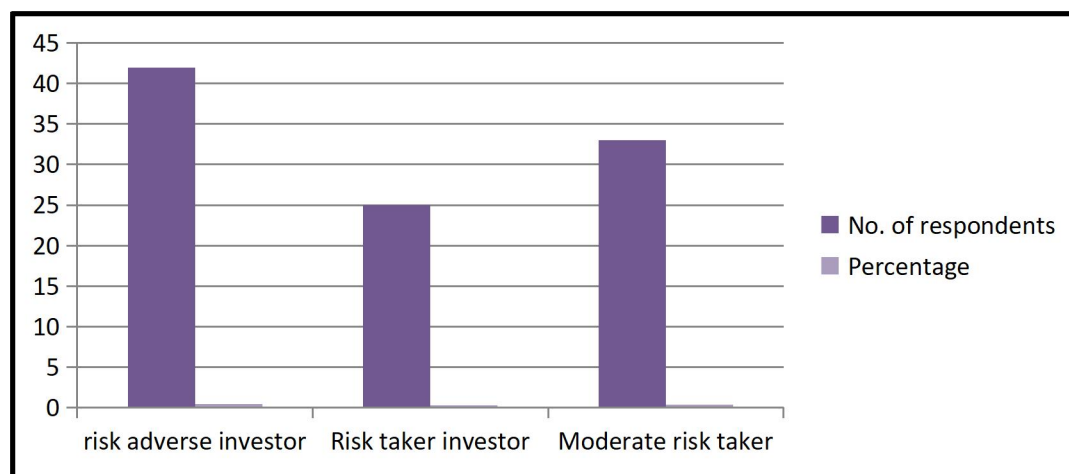
**Figure14**

From the survey it was found that amongst 100 respondents, 19% of the respondents are invest in commercial banks, 42% of the respondents are investing in life insurance policy,14% of the

respondents are investing in shares & government securities and 25% of the respondents are investing in post office schemes.

**Table: 15 Investment Objectives for the Current Investment**

Particulars	No. of respondents	Percentage
risk adverse investor	42	42%
Risk taker investor	25	25%
Moderate risk taker	33	33%
<b>Total</b>	<b>100</b>	<b>100%</b>

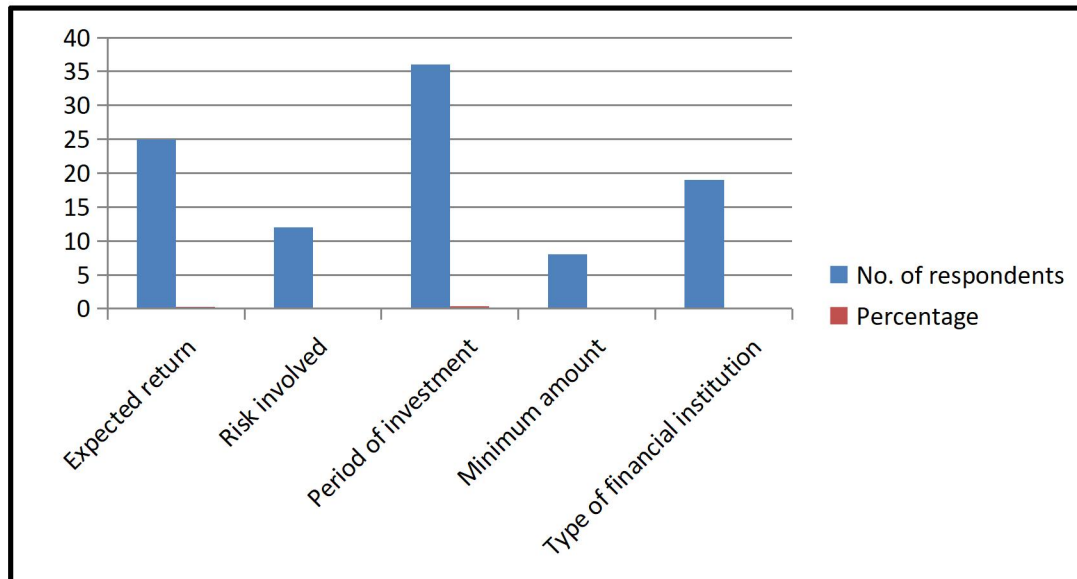


**Figure 15**

From the survey it was found that amongst 100 respondents, 42% of the respondents are risk adverse, 33% of the respondents are moderate risk taker and 25% of the respondents are risk taker.

**Table: 16 Factors taken into consideration when selecting an investment**

Particulars	No. of respondents	Percentage
Expected return	25	25%
Risk involved	12	12%
Period of investment	36	36%
Minimum amount	8	8%
Type of financial institution	19	19%
<b>Total</b>	<b>100</b>	<b>100%</b>



**Figure:16**

From the survey of 100 respondents, 25% considered expected returns when investing, 12% focused on the risk involved, 36% prioritised the period of investment, 8% looked at the minimum investment amount, and 19% based their decisions on the type of financial institution.

**Table: 17 Preference Ranking of Various Investment Options**

Saving options	Safety	Liquidity	Return	Convenience
LIC	37	25	20	18
Shares in listed companies	31	15	29	25
Mutual funds	25	37	20	18
Commercial option	22	32	30	16
Government securities	32	16	30	22

**Table: 18**

Saving Options	Safety (4)	Liquidity (3)	Return (2)	Convenience (1)	Total	WAS	Rank
LIC	37	25	20	18	281	2.81	1
Shares in listed companies	31	15	29	25	252	2.52	5

Factors	Extremely important (5)	Very important (4)	Somewhat important (3)	Not very important (2)	Not at all important (1)	Total	WAS	Rank
Tax rebate	66	11	8	8	7	421	4.21	1
Insurance cover	55	20	7	16	2	410	4.10	2
Capital appreciation	36	42	20	0	2	410	4.10	2
Quick liquidity	36	16	20	22	6	354	3.54	4
Regular return	22	33	22	16	7	347	3.47	5
Institution image	25	20	25	27	3	337	3.37	6
Safety of investment	42	25	20	13	0	396	3.96	3

Mutual funds	25	37	20	18	269	2.69	2
Commercial option	22	32	30	16	260	2.60	3
Government securities	32	16	30	22	258	2.58	4

**ANALYSIS:** With the help of WAS, it concluded that investors give 1st rank to LIC, 2<sup>nd</sup> rank to Mutual Fund, 3<sup>rd</sup> rank to commercial options, and 4<sup>th</sup> to govt. securities and 5<sup>th</sup> rank to share in listed company.

**Table 19: Factors that best motivate you to investing**

Factors	Extremely important	Very important	Somewhat important	Not very important	Not at all important
Tax rebate	66	11	8	8	7
Insurance cover	55	20	7	16	2
Capital Appreciation	36	42	20	0	2
Quick liquidity	36	16	20	22	6
Regular return	22	33	22	16	7
Institution image	25	20	25	27	3
Safety of investment	42	25	20	13	0

With the help of WAS, it found that investors give 1st rank to Tax rebate, 2<sup>nd</sup> rank to insurance cover and capital appreciation, 3<sup>rd</sup> rank to safety of investment, 4<sup>th</sup> to quick liquidity and 5<sup>th</sup> rank to regular return & 6<sup>th</sup> rank to institution image.

## **FINDINGS**

1. Approximately 31% of all respondents save none due to the low income and only 14 respondents who save above 20% of their income.
2. Only 5 respondents invest above 80% of their savings.
3. Most of the respondents invest their savings in LIC and in mutual funds.
4. The persons are not fully aware about various investment schemes such as listed and government securities.
5. Those who are aware of listed and government securities are considering it as a risk due to lack of information available and information access.
6. 42% respondents are risk averse and only 25% respondents are risk taker.
7. Expected return and period of the return are the most affected the investor's decision.

## **RECOMMENDATIONS**

1. Decide what amount of your total income you are willing to invest in your fund. Most people are comfortable with investing around ten percent of their total income. Then, choose the investment to use. It is best to take the amount and invest it into one particular investment.
2. Decide your objectives and priorities and then formulate the investment strategies.
3. There are many investment schemes available choose that one that best suit your investment objectives.
4. To get the knowledge regarding various investment schemes available.
5. Acquire enough information on your investment plan mostly while investing in listed securities and government securities then it will be easier for you to take right decisions. It will help you to minimize the loss and maximize the return.
6. Reading financial news it will not only boost your knowledge but also help you the future investment plan.

## **CONCLUSION**

After scanning the whole project report and its findings it becomes clear that there are some gap between the investment and saving because of their low initial income save. There are many investment schemes available but all the persons are not fully aware regarding various investment plans. The following conclusion has been drawn from the study:

1. The majority of working class do not save enough or invest in listed securities due to their low income, perceived high risk of investing in listed securities and due to the lack of awareness of the available financial securities.
2. There is a strong need for financial institutions to sensitize and educate persons on the benefits of investing in financial securities.
3. Stock exchanges and other financial institutions should consider ways of making financial securities more affordable to the low income workers
4. Factors such as age, education and income and risk affect people's decision to invest, how much and where to invest.

## **LIMITATIONS OF STUDY**

Due to the following unavoidable and uncontrollable factors, the result might not be accurate. Some of the problems faced while conducting the survey are as follows:-

- Time and cost constraints were also there.

- Chances of some biasness could not be eliminated.
- A Samples size of 100 has been use due to time limitations.
- A majority of respondents show lack of cooperation and are biased towards their own opinions.
- Some of the respondents were reluctant to give their responses.
- Only limited sample size had been considered for the study and therefore, the conclusions drawn based on this may not be a reflection of the entire population.
- This study is limited to Amritsar city only.

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