

Study On Evaluating Cultural Factors Influencing Savings & Investment Patterns

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Abstract :

The study examines how cultural factors influence savings and investment patterns in India, where financial decisions are intricately linked to social and cultural norms. Cultural influences, including religion, family dynamics, geographic location, and linguistic backgrounds, play a pivotal role in shaping individuals' financial behavior. This research specifically explores these factors by analyzing primary data from 170 respondents in the Thane-Mumbai region, representing the lower-middle, upper-middle, and affluent classes. Secondary data from various Indian states complement this primary data to provide a more comprehensive understanding.

Key cultural factors such as religious beliefs, which may discourage interest-based earnings, family structures that dictate housing preferences, and gender norms that influence financial autonomy, are central to this study. The research also incorporates typology from psychology, allowing for a nuanced examination of individual and group behavior in the context of financial decisions.

The findings highlight the complex interplay of cultural diversity in influencing savings and investment patterns. Cultural values and traditions are not only deeply embedded in financial decision-making but also vary significantly across different social strata. This cultural heterogeneity emphasizes the need for financial institutions to tailor their products and services to align with the unique cultural preferences of different communities.

The research concludes that while culture is a defining factor in financial behavior, awareness and education regarding savings and investment are crucial to enhancing economic prosperity. By promoting informed financial decision-making, capital can be effectively utilized to create further economic growth, benefiting society as a whole.

Keywords: Cultural Factors, Savings Patterns, Investment Decisions, Indian Society

In India, an economy does not operate solely on theories and mathematical models; the same is true for individuals, households, and society as a whole. Numerous factors influence consumption, savings, and investment decisions, with culture being a significant one. Culture is a multifaceted concept that encompasses the social customs, traditions, knowledge, arts, rituals, skills, and habits that define a community. These cultural traits are shaped through continuous interaction and social behavior within the community. Cultural influences permeate every aspect of human life, affecting lifestyle, living conditions, social interactions, and financial behavior, including spending, saving, and investment patterns. This study seeks to explore how cultural factors specifically impact savings and investment decisions in the Indian context.

Factors influencing savings & investment patterns

Human beings are inherently social, and their financial decisions are shaped by interconnected and dynamic cultural factors. Cultural considerations, such as religious beliefs that forbid charging interest, influence savings and investment behaviors. For instance, investors from such religions may avoid businesses that earn through interest. Similarly, cultural norms regarding

family living arrangements can impact housing markets. Financial institutions must be aware of these cultural differences when offering products. This study focuses on the cultural factors influencing financial decisions, such as religion, family norms, and social expectations.

- Religion
- Linguistic Culture
- Geographical Region
- Institutions of Learning
- Family/Community
- Gender
- Age
- Financial Status

REVIEW OF LITERATURE

The topic under consideration involves studying the interrelation between culture, savings, investments and trends. These aspects interact with one another in a dynamic manner. Researchers in the past have conducted research on these aspects in isolation or otherwise. This Chapter is an overview of the research that has been carried out on the topic under consideration. Some of the most relevant works have been reviewed here as a part of my research work.

Authors	Year	Key Findings
Geetha Gopi	2018	Observed a significant relationship between annual savings, rate of return, investment percentage, and knowledge level. The main reasons for investment were returns and tax savings, with a focus on personal and family expenses.
Sailesh Singh Thakur & S.C. Jain	2017	Observed that house rental was the most preferred income source, followed by Provident Fund options. Fixed deposits were seen as safe, while National Pension System had low preference due to lack of awareness.
C. Sathiyamoorthy	2015	Found that investors prefer diversified portfolios for capital appreciation. Bank deposits, fixed deposits, Provident Fund, Mutual Fund, and Government securities were most preferred.
Taposh Ghoshal	2015	Examined the impact of culture on Indian consumer behavior. Found that socio-cultural changes and cultural elements like tradition, social norms, and lifestyle significantly influence buying behavior.
Anitha and Bhargavi	2014	Found that investment trends vary across age and gender, with females and older investors being more risk-averse.
Deene and Pathi	2013	Highlighted risk, return, share prices, and financial advice as key factors influencing corporate investment decisions.
Harisha Jariwala	2013	Highlighted low financial literacy among the 18-35 age group, especially females. Suggested financial education in schools to improve financial awareness.

Palanivelu and Chandrakumar	2013	Found age, education, and income level to be significant factors influencing investment intentions among the working class.
Sireesha and Laxmi	2013	Found that demographic factors like gender and age significantly influence investment choices, with conservative approaches dominating.
Virani	2013	Determined that income is a major factor influencing investment decisions, with bank deposits being preferred for safety and future needs.
Chakraborty	2012	Found that demographic factors like age and occupation influence saving goals and investment patterns, with women being more risk-averse.
Chandra and Kumar	2012	Revealed that asymmetrical information and psychological heuristics significantly influence investment decisions.
Chaturvedi and Khare	2012	Examined investment awareness across genders, finding no significant relationship between age, gender, and investment channel awareness.
Dhar and Dey	2012	Highlighted that optimism and trust influence long-term investment preferences, with male investors favoring long-term options.
Jain and Jain	2012	Found that bank deposits are the preferred investment avenue, with savings primarily aimed at children's education and post-retirement security.
Kousalya and Gurusamy	2012	Analyzed the perceptions of women investors, finding a low level of awareness despite educational status. Age did not significantly impact investment awareness.
Murithi et al.	2012	Investigated investment behavior in India, finding that gold, land, and insurance are top preferences among female investors.

Objectives

- 1) To determine the cultural factors influencing savings & investment patterns.
- 2) To correlate the cultural factors with the effect they have on savings & investment.

Scope

This research aims at understanding the effect of cultural factors on savings & investment. For this purpose, primary data of approx. ~170 people predominantly living in the Thane-Mumbai region and belonging to lower middle, upper middle and rich classes has been gathered. The secondary data on people living in various states of India has been taken from published sources. Furthermore, a personal hypothesis has been constructed by taking into account some concepts from typology, which is a subfield within psychology and correlating it with the respondents' data.

The findings are displayed in the form of various tables and charts with suitable narrations as follows-

A) Age-wise breakup

Age Group	No. of people
18-25	131
25-40	27
40-60	6
60+	1
Grand Total	165

It can be seen from the above chart that vast majority of the sample space falls under the age group of 18-25, specifically 79.39% followed by the age group of 25-40 which is 16.36%

B) Gender-wise breakup

Gender	Number of respondents
Female	76
Male	89
Grand Total	165

53.93% of the respondents are Male whereas 46.07% of the respondents are female.

C) Marital Status

Married	Number of respondents
No	153
Yes	12
Grand Total	165

It can be seen from the pie chart that 92.72% of the participants in the survey are not married. This is because the age mix is predominantly from 18-25 and then from 25-40. Since average age is low, unmarried people vastly outnumber married ones.

D) Family Size

Frequence	Family Size
2	4
3	51
4	67
5	29
6	10
7	2
10	1

14	1
Grand Total	165

In the case of a married adult respondent, the value is 4 due to having two children. In families with more than 4 members, both: children and grandparents live under the same roof. In those cases where the number of members is less than 4, the cause for it is either being 'having a single child or being a married adult with no kids.

E) Religious Inclination

Religion	No	Somewhat	Yes	Grand Total
Buddhism	1	2		3
Christianity	1	2	2	5
Hinduism	34	62	41	137
Islam		1	1	2
Jainism		10	7	17
Judaism			1	1
Grand Total	36	77	52	165

The number of irreligious people is seen to be highest in Hinduism where possibly the families of the respondents are more liberal in their upbringing. There are no Jain, Muslim and Jewish respondents who are not religious. It is likely that this phenomenon occurs due to more conservative upbringing and strong connection with community.

F) Income Level

Income level (in rupees)	Number of respondents
10,00,000-15,00,000	32
15,00,000-20,00,000	27
20,00,000-25,00,000	12
5,00,000-10,00,000	47
Above 25,00,000	34
Below 5,00,000	13
Grand Total	165

The distribution in terms of income level is fairly scattered. This indicates that the financial status of the respondents under the survey does not significantly differ with respect to one another. This implies that the income level of these respondents is not very influential for differences in savings & investment choices.

G) Occupation

Occupation	18-25	25-40	40-60	60+	Grand Total
Business	5	3	1		9

Homemaker		1			1
Student	64	3			67
Working professional	62	20	5	1	88
Grand Total	131	27	6	1	165

Majority of the respondents are working professionals followed by students. This is because of the predominant age-groups as well as a generally risk-averse predisposition of the cultural environment the respondents grew up in. Many interviewees stated that they were told from a young age to prioritize stability.

Trends in data obtained with regard to savings & investment

1) Percentage of annual personal income saved

Savings Range	No. Of Respondents
10%-20%	35
20%-30%	30
30%-40%	18
40%-50%	12
Less than 10%	31
More than 50%	39
Grand Total	165

It was observed that savings rates vary significantly among individuals. Those with higher savings percentages tend to spend less on consumption or have higher incomes, or both. In contrast, those who save and invest less often have lower incomes or spend more on consumption. Additionally, individuals who grew up in financially aware families make smarter investment decisions, leading to higher savings. Gender also correlates positively with savings, as female respondents often do not use their income for household expenditures.

2) Percentage of annual household income saved

Savings Percentage	No. of people
10%-20%	42
20%-30%	41
30%-40%	27
40%-50%	18
Less than 10%	21
More than 50%	16
Grand Total	165

In the case of annual household income saving percentage, too, the values are fairly scattered. It clearly shows an extension of personal characteristics to household characteristics.

3) Absolute average savings – age wise & religious inclination wise

Age Group	Yes	No	Somewhat	Grand Total
18-25	329,643	473,276	448,881	422,424
25-40	396,591	433,929	529,167	450,463
40-60	400,000		1,250,000	541,667
60+	625,000			625,000
Grand Total	356,250	465,625	468,669	432,576

The absolute average savings are arrived at by taking the simple average of the total annual household income of respondents multiplied by household savings percentage in the data. Based on age groups, it is evident that older people end up saving and investing more as compared to people younger than them.

Findings

Based on the primary data collected through interviews and Google forms, and secondary data from other sources, the following key findings have emerged:

1. **Fixed Deposits:** The most popular investment choice, driven by the Indian cultural emphasis on safety and stability, reflecting a generally risk-averse attitude.
2. **Direct Equity:** Favored by individuals raised with financial awareness, who are more comfortable taking risks.
3. **Equity Mutual Funds:** The third most popular, offering a balance between risk and return, allowing participation in the equity market while diversifying risk.
4. **Gender Differences:** Men are more likely to opt for high-risk, high-reward investments, while women prefer safer options like Fixed Deposits.
5. **Age Differences:** Older individuals prefer traditional investments, while younger people lean towards Recurring Deposits and Systematic Investment Plans.
6. **Religious Influences:** Religious principles generally have a limited impact, but specific tenets in Islam and Jainism lead some adherents to avoid certain types of investments.
7. **Institutional and Peer Influence:** Financial attitudes are shaped by the culture of institutions where people study or work, and by peer behavior.
8. **Family Influence:** A person's family culture plays a significant role in shaping their savings and investment decisions.
9. **Wealth Origin:** Those from traditionally wealthy families prefer stable investments, while newly wealthy individuals tend to make flashier investments.
10. **Marital Status:** Unmarried employed individuals save more due to fewer financial obligations.
11. **Parental Influence:** Children of risk-averse parents are less likely to invest, while those raised by investing parents are more inclined to invest themselves.

12. **Family Size:** Larger families and married individuals prioritize insurance to protect against contingencies.

Suggestions

- **Improve Financial Literacy:** Address widespread financial unawareness in India through targeted educational initiatives.
- **Encourage Risk Assessment:** Teach basic probability analysis during formative years to counteract the general risk-averse mentality.
- **Reframe BFSI Marketing:** Shift away from reinforcing cultural stereotypes and focus on educating about wise investment choices.
- **Promote Gender Equality:** Increase efforts to empower women, especially in rural areas, to boost family income, savings, and investments.
- **Financial Education in Schools:** Implement workshops in schools and colleges to develop financial acumen in students.
- **Foster Scientific Temperament:** Encourage rationality and critical thinking to counter superstitious beliefs that hinder financial decisions.
- **Government Initiatives:** Publicize investment options clearly, inform citizens of their rights, and create incentives for investing.

Conclusion

This research was undertaken to gather insight on cultural factors influencing savings & investment patterns. The study was limited by the amount of primary data which could be gathered, although efforts were taken to look into secondary data in order to generate a more holistic perspective. In conclusion, the culture and the interwoven factors in India are highly diverse and they influence savings & investment patterns in a complex and dynamic manner. Diversity is our strength and we should channel awareness in our society regarding saving and investing such a manner that the economy flourishes in the best possible manner and increases surplus income in the hands of the general public because ultimately, capital goes a long way in creating further capital.

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