



### A STUDY OF CHANGES IN SAVINGS AND INVESTMENT DUE TO INFLATION OF THE PEOPLE OF SAURASHTRA REGION

Dr. Kalpesh P. Gandhi

Assistant Professor at Government Arts and Commerce College Jafrabad Opp. ITI, Una Road, Jafrabad, Dist. Amreli 365540 Mo. 9909898126 Email kpsgandhi@gmail.com

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#### **Abstract**

*Economic activity of a person starts with income then consumption and residual is treated as savings and from that he makes investment for future income or growth. The savings and investment have been influenced by different factors and inflation is one of them. The purpose of the present study is to evaluate the changes of savings and investment due to inflation and assess the association with different variables. Generally one can think that due to inflation either people decrease the savings and investment or make no change but in the present study around 17% have increased it during inflation period. The result of a study requires data and that has been collected through questionnaire as the study is based on primary data. To check the hypotheses, Chi-square has been implemented and it has been found that none of the demographic variables have association with it as gender, place, education, age and income have not significant association with changes in savings and investment due to inflation.*

**Key Words:** *Impact of inflation, savings and investment.*

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#### **Introduction**

Savings and investments are treated as the weapon used to beat future uncertainties. The circumstances of future are always uncertain any downfall in income or high inflation have not been accurately predicted by the people, the relevant examples of these are corona lockdown worldwide and extreme price rise in Srilanka are the case of two situations mentioned. The savings and investment are not the new phenomenon, it was observed in many centuries ago. The method was different with the present but it was there. Savings and investment have been affected by various factors like income of people, consumption pattern, standard of living, approach of person towards it etc. The present study focuses on one of these factors and that is inflation. Generally with the raise of inflation, if income of a person has not

been increased then he may have two options either reduce the expenditure or utilize the savings and investment created in past. Now a day majority of the person cannot go for former case in every aspect like cutting expenditure is not possible or not preferred in all the categories like necessity goods, children education, loan instalments, usage of personal vehicle etc. so they may go for second alternative to utilize savings and investment to beat inflation. After some period of time income of the people may raise then usage of savings may reduced but initial period require more savings or investment. From these, it can be said that with the increase of inflation at faster rate or sudden raise, people may reduce present portion of savings and investment from their income and they may utilize if previously made by them.

The present study focuses on the changes of savings and investment due to inflation in the life of respondents. There are three broader categories to measure the changes in it, increase, decrease, and no change. If a person has surplus income above its consumption requirement or his income is also increased with increase of inflation or having fear of future higher inflation then he may go for increase of savings and investment. If income of a person is limited and cannot be able to reduce the cost of standard of living then he may go for decrease the investment and third situation where he is firm with the financial discipline and adjust inflation with limited income then he may go for no change. In the present study, total 174 respondents have given responses and out of them 29 respondents have increased the savings and investment, 52 have mentioned no change and 93 have decreased it.

### **Literature review**

Das S. and Kumar L. (2018)<sup>1</sup> have carried out study does inflation affect savings non-linearly? evidence from India. Researchers have covered the period during 2007-08 to 2012-13. They have mentioned the objective to ascertain how the inflation affects the saving and for that they have used linear and non linear methodology. Researchers have found from linear method that domestic and private savings were negatively correlated with inflation and from non linear model did not suggest relationship between them. They have concluded that inflation has a linear and significant negative effect on savings in their findings.

Gedela S. (2012)<sup>2</sup> has conducted a study on determinants of saving behaviour in rural and tribal households (an empirical analysis of Visakhapatnam district). Researcher has used interview method for collecting the data and total 120 respondents have been contacted by him

for mentioned region. He has executed multiple regression model and logistic regression model for analysis of the data and found the determinants as age of the head of the family, gender, dependency ratio and medical expenditure are the significant influencer for saving of the household for the study.

Mose N. and Thomi J. (2022)<sup>3</sup> have performed a study on inflation and saving: a puzzle. Researchers have stated that the study examined to what extent inflation clarify the variation in the saving behaviour in developing countries as Kenya. For the purpose of the study they have used Ordinary Least Square method. Researchers have found that savings were positively related to inflation, economic growth and interest rate and on the contrary consumption expenditure was negatively related to national savings.

### **Research methodology**

#### **Objective**

The fundamental objective of the study is to assess the changes in savings and investment due to inflation of the respondents. The impact of inflation on savings and investment has been observed in the study and to check the association with the demographic variables of the respondents.

#### **Data collection**

The present study is based on primary data which have been collected through close ended questionnaire. The data have been collected from 174 respondents having different demographic variables. The convenience sampling method has been used for the collection of data. The data have been collected in July, 2022. The secondary data have been used for review purpose. The collected data have been analysed with the help of Chi-square.

#### **Scope of the study**

The functional scope of the study is to evaluate the change of savings and investment due to inflation and having association with any demographic variables of the respondents. The savings and investment is not observed but any changes due to inflation in it like increase, decrease or no change. The geographical

scope of study includes 11 districts of Saurashtra region of Gujarat state of India.

**Hypotheses**

There is no significant association between changes in savings and investment due to inflation and demographic factors of the respondents.

**Data analysis**

**Table No.1 Cross tabulation and result of Chi-square with Gender**

Changes/ Gender	No change	Decrease	Increase	Total
Male	36	71	20	127
Female	16	22	9	47
Total	52	93	29	174
$\chi^2$ Tests	1.14			
P value	0.565			

(Source: Primary data)

Behavioural changes have been observed between male and female and when the comparison in case of savings and investment comes at that time differences exist in many cases. The present case is regarding the changes in savings and investment due to inflation and gender of the respondents. The cross tabulation between them have been stated in table No. 1. The result of hypothesis test indicates that the null hypothesis is accepted as the P value is higher than 0.05 at 5% level of significance. The changes in savings and investment due to inflation and gender have not significant relationship. Generally savings and

investment vary with the gender whether related to preferences, awareness, and knowledge and accordingly changes have been expected but in the present case changes due to inflation have been set as variable and in this case association have not been formed. The horizontal percentage analysis states that major variations in one category of increase, decrease or no change are not there. The reason for no association can be due to various reasons like impact of inflation have been same for both the genders, due to inflation movement of savings and investment in one direction by one particular gender is not observed.

**Table no. 2 Cross tabulation and Result of Chi-square with Place**

Changes/ Place	No change	Decrease	Increase	Total
Semi-urban	4	9	3	16
Rural	10	18	5	33
Urban	38	66	21	125
Total	52	93	29	174
$\chi^2$ Tests	0.270			
P value	0.992			

(Source: Primary data)

The table no. 2 shows the cross tabulation and result of Chi-square between changes in saving and investment due to inflation and places of the respondents. The result of hypothesis has been stated that the null hypothesis is accepted which means there is no significant association between the two variable as the P value is higher than 0.05 at 5% level of significance. There may have differences between changes due to inflation and place of respondents because inflation have faster impact at urban than other places but in the present case, places have not any association may be due to various reasons like changes in savings and investment have similar

effects irrespective with the place and price raise in specific commodities like petrol and diesel, increase the cost of transportation raises the price of commodities at all the places, people at rural level may have limited expenditure which have lower impact of inflation etc. The standard of living of people of different places have dissimilar because of availability of resources and cost of living like theatre and restaurants at urban are higher than the rural people, so rural people may have not that much expenditure, so association may construct but in this case it is not formed.

**Table no. 3 Cross tabulation and result of Chi-square with education**

<b>Change/ Education</b>	<b>No change</b>	<b>Decrease</b>	<b>Increase</b>	<b>Total</b>
Upto HSC	1	6	1	8
Other	7	10	5	22
Graduate	9	19	3	31
Post graduate	25	46	16	87
Professional	10	12	4	26
Total	52	93	29	174
$\chi^2$ Tests	8.43			
P value	0.392			

(Source: Primary data)

The education affects decision making process of the people because the process like collection of data, availing various alternatives, analysis of them and selecting best alternative etc. have been executed properly with higher education which have been supported by various studies. The present study set the hypothesis as there is no significant association between the changes in savings and investment due to

inflation and education of the respondents. The availed result also states that null hypothesis is accepted as the P value is 0.392 which is higher than 0.05 at 5% level of significance, so there is no significant association between them. The change in education and change in decision for savings and investment due to inflation has not been viewed in the present case.

**Table no. 4 Cross tabulation and the result of Chi-square with age**

<b>Change/ Age</b>	<b>No change</b>	<b>Decrease</b>	<b>Increase</b>	<b>Total</b>
18 to 25	1	11	2	14
26 to 35	26	37	12	75
36 to 45	23	35	14	72
46 & Above	2	10	1	13

Total	52	93	29	174
$\chi^2$ Tests	11.8			
P value	0.067			

(Source: Primary data)

Generally it has been found in various studies that with the raise of age, people become more conscious about savings and investment, their decision regarding investment instruments, tenure, knowledge etc have been become precise. When inflation comes into existence at that time the age factor also become inoperative, so null hypothesis has been set as there is no significant association between the changes in savings and investment due to inflation and age of the respondents. The result mentions that the null hypothesis is

accepted as the p value is 0.067 which is higher than 0.05 at 5% level of significance. The value is very closer to the rejection but then also it is higher, so null hypothesis is accepted. Age of respondents also important because it also affects the income and sources of income, so there would be chance of association between impact of inflation on savings and investment and age of respondents but such association have not been observed in the present case.

**Table no. 5 Cross tabulation and result of Chi-square with income**

Change/ Income	No change	Decrease	Increase	Total
Upto 10,000	4	22	5	31
10,001 to 25,000	8	16	3	27
25,001 to 50,000	8	21	8	37
50,001 & Above	32	34	13	79
Total	52	93	29	174
$\chi^2$ Tests	11.5			
P value	0.074			

(Source: Primary data)

Income of the people plays vital role in the act of savings and investment. Generally higher income group of people have higher savings and investment even though higher standard of living and on the contrary lower income group of people have lower savings and investment. These have been affected by the inflation to all the people as price raise of commodities reduced the savings and investment if the person's income has not been increased. The null hypothesis has been set as there is no significant association between changes in savings and investment due to inflation and income of the respondents. The p value is 0.074 which is higher than 0.05 at 5% level of significance, so null

hypothesis is accepted and reveals that there is no association between them. The higher differences in one category of income have not been witness which separate with rest, so no association have been observed.

### Conclusion

The behaviour of human being has been affected by various factors and one talk about behaviour towards savings and investment then the determinants has been raise. The inflation is strong factor which affect the decision making of a person because it directly affects the economic condition of a concern and simultaneously it affects the savings and investment of

him. The present study centres the changes in savings and investment due to inflation. Recently various aspects are responsible for inflation at worldwide like higher liquidity after corona, high crude price, Russia-Ukraine war etc. The present study focuses on the changes in savings and investment due to inflation and it has been found by applying Chi-square test that in the present study none of the demographic factors have significant association with the theme. Age and monthly income are closer to the association but significant association have not been established in the study and rest variables as gender, location and education have also not any association with changes in savings and investment. There are various reasons for it like any demographic variable in any category is not moving in one direction like increase, decrease or no change, so association have not been established.

## **References**

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<sup>3</sup> Mose N. and Thomi J. (2022), “a study on inflation and saving: a puzzle”, *The Developing Economies*, Vol. 12, Issue 6, 2022, pp 61-74