Journal of Current Research in Engineering and Science
Bi-Annual Online Journal (ISSN: 2581 - 611X)
VOLUME:8, ISSUE:2, AUGUST 2025, PAPER NUMBER:11

IMPACT OF CULTURE ON HOUSEHOLD SAVINGS

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Abstract: **Households, the private sector, and the public sector are the three sectors that contribute savings or surplus to the country. In this case, household savings are essential to the nation's ability to accumulate capital. There are many numbers of factors, including political, cultural, and economic ones, as well as many more, affect how households save money. India has a rich historical legacy; thus, culture has a big influence on how households save money. The primary cultural elements taken into account in this research include acquisition of wealth, avoiding uncertainty, and long-term orientation. The purpose of this study is to determine which cultural elements have a greater influence on a household's saving behavior. The discovered factors assist policymakers in designing new plans that respond to the needs. A total of 351 samples were collected and analyzed using a variety of statistical procedures, including percentage analysis, weighted averages, correlation, ANOVA, and structural equation modelling (SEM), in order to identify these. The data were processed in the Statistical Package for the Social Sciences (SPSS). Recommendations are to be given in accordance with the elements impacting the savings behavior based on the analysis results.**

Keywords: Household savings, Culture, long- term orientation, wealth accumulation, uncertainty avoidance.

1. INTRODUCTION

Culture is often understood to be the transmission of beliefs, values, and habits from one generation to the next. It has a significant impact on how an individual behaves. Culture influences a household's savings through three different channels. First, national beliefs and values; second, how culture influences institutions; and third, how culture influences how an economy allocates its resources. India's saving culture changed after the country obtained its independence as a result of alterations in societal norms, globalization, liberalization, and economic policy.. Renowned cultural scientists emphasize that there are six aspects of culture that have an impact on the country. These include Uncertainty avoidance, power distance, long-term/short term orientation, masculinity/femininity, indulgence/restraint, and individualism/collectivism. The current study is driven by the desire to understand the elements impacting savings as a result of the global economic crisis. It is important to understand which cultural elements have a greater influence on saving behavior. Problems including growing obligations, bad saving habits, and rising living expenses can cause savings to decline for households as well as for individuals. Overcoming these obstacles is crucial to every family's development in terms of saving. The significance of savings has grown recently on a global scale in light of social and economic progress. It is the nation's duty to mobilize home savings and invest them for the general well-being of both the country and its enemies. To be more precise, household savings are essential to safeguarding both the nation's economy and the future of individual households. Due to the unpredictable climate, especially in the wake of COVID, the government has encouraged households to focus more on their financial well-being over the previous ten years. Savings, in general, refers to a family's disposable income—that is, the amount left over after deducting gold and other tax deductions, as well as the amount required for household expenditure. Culture is more than just passing along values and beliefs that may be unique to one group to another. For instance, in the context of this study, a certain group of people save for the long term because they were raised with an understanding that long-term objectives may be achieved. Some people save in order to protect themselves from unforeseen circumstances or emergencies, while others place value on accumulating riches in order to leave such an inheritance for future generations. This study also seeks to identify the factors that have a greater impact on households' saving behaviors.

2. LITERATURE REVIEW

(Ye, 2021) There is a general understanding that savings are influenced by culture, although the empirical data is insufficient. Using macro data from 48 nations spanning the years 1990–2013 and the Hofstede cultural indices, this study examines the connection between savings and culture. They find that culture plays a significant role in explaining variations in savings across national boundaries, since it can account for a large portion of these individual effects. To determine the relative significance of the various cultural variables influencing saving rates, they employ the Relative Importance Analysis (RIA) approach.

(Paule-Paludkiewicz, 2016), they examine whether cultural factors influence households' saving habits and which cultural pathways are significant in influencing this family choice. In order to separate cultural influences from institutional and economic reasons, they investigate the relationship between second-generation immigrants' saving behavior and the attitudes and beliefs in the respective nations of origin. Utilizing data from the UK and Germany, they discover that household saving behavior is strongly influenced by culture. The two cultural elements that this paper can conclusively determine influence saving rates are the desire to accumulate wealth and the attitudes toward thrift: Immigrants from second-generation countries that place a higher emphasis on thrift and wealth growth typically save more in Germany.

(Manos, 2015), this study explores how national culture, focusing on uncertainty avoidance and future orientation, shapes aggregate savings behavior. Using the life-cycle model, the research emphasizes the impact of societal aspirations, revealing that high aspirations related to future orientation and uncertainty avoidance positively influence savings rates. The study suggests that these aspirations lead to mistrust in societal arrangements, motivating individuals to save for future security and uncertainty reduction. Additionally, a preference for savings through member-owned microfinance institutions is observed among those with high societal aspirations.

(Steindel, 2006),This paper discuss about household savings and wealth accumulation of US people and the study concludes that Despite a reported negative U.S. personal saving rate, household wealth is rising, sparking discussions on potential underestimations in traditional saving data. Emphasizing a need for a more inclusive definition, encompassing consumer durables, corporate saving, and intangible assets, the research underscores historical trends indicating short-term wealth fluctuations are influenced by changes in asset prices, notably corporate equity, with real estate assets consistently contributing to long-term wealth. Currently, stock and real estate market trajectories are pivotal, supporting wealth growth amid modest saving but potentially hindering formation during adverse market conditions despite intensified saving efforts.

3. NEED AND SCOPE OF THE STUDY

When countries develop and become better, savings money also becomes a big part for building wealth. Here, culture plays a crucial role in how people handle their money which will affect the ability to save. In countries like India which is rich in culture it is important to understand how these cultural factors affect the families to save. As the world is full of challenges like natural calamities and economic crisis and other uncertain situations, saving money becomes essential to handle situations like this. It is not only about the family or individual; it has a big impact on the entire economy. It is important to the policy makers and experts to make good decisions for the country’s growth and stability. To make India as a developed nation it is important to increase how family save and how efficiently these savings are utilized.

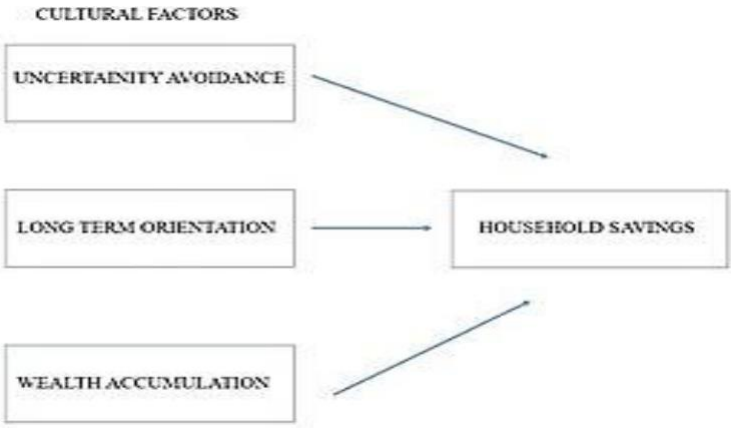
The scope of the study is to find how the cultural factors influences the saving behavior of the household in Tamil Nadu particularly in urban and semi urban areas. And to know which cultural factor influences the savings behavior more.

4. OBJECTIVES OF THE STUDY

- To know the relationship between age, family size, total household income, education level, location and savings of the household.
- To investigate the impact of long-term orientation on savings decisions
- To investigate the impact of uncertainty avoidance on savings decisions.
- To investigate the impact of wealth accumulation on savings decisions.

5. CONCEPTUAL FRAMEWORK

Fig. 1. Conceptual framework



Household savings*: Savings* refers to the excess of income over expenditure. Whereas household savings is calculated by subtracting consumption expenditure, other tax deductions, contributions to the society from the income plus other social benefits received by the family.

Uncertainty avoidance*:* Uncertainty avoidance refers to attitude towards the aversion of risk foe taking risk or dealing with uncertain situation. It plays the significant role in the attitude towards the savings behavior of household in investment decisions.

Long-term orientation**:** Long-term orientation means how people plan for future and how they give Importance to the future goals. The future goal can be education purpose, building house etc. Long term orientation is influenced by cultural factors which gives importance to the financial planning.

Wealth accumulation: Wealth accumulation refers to accumulating wealth for future goals where importance is given to the appreciation of money invested. Acquiring land, gold are the example for wealth accumulation. Culture which gives importance to the thriftiness, integration financial planning encourages household to prioritize wealth accumulation.

6. METHODOLOGY

This study employs simple random sampling method to gather data from the cities such as Chennai, Madurai Tiruchirappalli and Thanjavur. The primary data is collected through structured questionnaire method. As the population size is more than six lakhs, and with the confidence level of 95% was kept to calculate the sample size, the derived sample size was 382 but due to time constrain 91.8% that is 351 samples were collected. Using this data some statistical tools such as reliability analysis, Descriptive statistics, correlation, ANOVA and structural equation model has been done.

Hypothesis

HA_1: There is relationship between long term orientation and household savings

HA_2: There is relationship between Wealth accumulation and household savings.

HA_3: There is a relationship between uncertainty avoidance and household savings.

HA_4: There is a relationship between gender and household savings

HA_5: There is a relationship between family size and household savings.

HA_6: There is a relationship between family income and household savings.

HA_7: There is a relationship between education level and savings behavior.

HA_8: There is a relationship between employment status and savings behavior.

HA_9: There is a relationship between origin of location and savings behavior

HA_{10}: There is a relationship between age and cultural factors (Long term orientation, uncertainty avoidance and wealth accumulation).

7. DATA ANALYSIS AND FINDINGS

A. Reliability analysis

TABLE 1 RELIABILITY ANALYSIS

Cronbach's Alpha	No. of Items
.854	37

Source: Primary data**.** Processed by SPSS 20

Table 1, shows that reliability analysis of Data collected. The Cronbach's Alpha value for the scale is 0.854 which is 85.4%. The Cronbach's Alpha is 0.854 which shows the very good internal consistency. The data is reliable and questionnaires and data are also valid.

B. Percentage analysis

TABLE 2 PERCENTAGE ANALYSIS

Demographic variables		**Number of respondents (n = 351)**	**Percentage**
Gender	Male	180	51.3
	Female	171	48.3
TOTAL		**351**	**100**
Age	20 -30	152	43.3
	31-40	67	19.1
	41-50	57	16.2
	50 Above	72	20.5
TOTAL		**351**	**100**
Level of education	High school (10th)	50	14.2
	Diploma	19	5.4
	Undergraduate	104	29.6
	Postgraduate	125	35.6
	Doctorate or professionals	52	14.8
TOTAL		**351**	**100**
Employment status	Employed	130	37
	Unemployed	82	23.4
	Self employed	62	17.7
	Home maker	37	10.5
	Retired	40	11.4
TOTAL		**351**	**100**
Marital status	Married	220	62.7
	Unmarried	104	29.6
	Widow	8	2.3
	Divorced	19	5.4
TOTAL		**351**	**100**
Annual income	Below Rs 3,00,000	130	37
	Rs 3,00,001 - 5,00,000	82	23.4
	Rs 500,001-700,000	62	17.7
	Rs 700,001-	37	10.5

	900,000		
	Above Rs10,00,000	40	11.4
TOTAL		**351**	**100**
Location	Urban	234	66.7
	SEMI-URBAN	110	31.3
TOTAL		**351**	**100**
Family size	1Member	21	6
	2 Members	53	15.1
	3 Members	96	27.4
	4 Members	120	34.2
	More than 4 members	61	17.4
TOTAL		**351**	**100**

Source: Primary data**.** Processed by SPSS 20

Table 2 shows the percentage analysis of demographic variable, where the majority of the respondents are male with the age group of 20-30, the majority of the respondents are employed and married, the family income of respondents is below 300,000. Majority of the respondent's family size is 4 members who are living in urban.

CORRELATION ANALYSIS

TABLE 3

	Savings Behavior	Long term Orientation	Uncertainty Avoidance	Wealth Accumulation
Savings Behavior	1	0.607	0.659	0.465
Long term Orientation	0.607	1	0.561	0.409
Uncertainty Avoidance	0.659	0.561	1	0.524
Wealth Accumulation	0.465	0.409	0.524	1

Source: Primary data**.** Processed by SPSS 20

From the table 3, all the correlations in the table are positive, ranging from 0.409 to 0.659. This suggests a positive relationship between Savings behavior, long term orientation, uncertainty avoidance and wealth accumulation. The savings behavior and Uncertainty Avoidance (0.659). This indicates that Savings behavior is more strongly associated with long term orientation and Uncertainty avoidance compared to Wealth accumulation.

TABLE 4

		Gender	Savings Behavior
Gender	Pearson Correlation	1	0.053
Savings Behavior	Pearson Correlation	0.053	1

Source: Primary data**.** Processed by SPSS 20

The correlation coefficient between gender and savings behavior is 0.053 suggests a very weak positive linear relationship between gender and savings behavior.

TABLE 5

		Marital Status	Savings Behavior
Marital Status	Pearson Correlation	1	-0.142
Savings behavior	Pearson Correlation	-0.142	1

Source: Primary data**.** Processed by SPSS 20

Table 5 shows the correlation coefficient between marital status and savings behavior is -0.142, suggests a weak negative linear relationship between marital status and savings behavior of household. Specifically, individuals who are not married tend to have lower levels of savings behavior compared to those who are married.

TABLE 6

		Family Size	Savings behavior
Family Size	Pearson Correlation	1	0.33
Savings behavior	Pearson Correlation	0.33	1

\Source: Primary data**.** Processed by SPSS 20

Table 6 shows the correlation coefficient between family size and savings behavior is 0.330, suggests a moderate positive linear relationship between family size and household savings behavior. It indicating that individuals from larger families tend to exhibit higher levels of savings behavior.

TABLE 7

		Level of education	Savings behavior
Level of education	Pearson Correlation	1	0.131
Savings behavior	Pearson Correlation	0.131	1

Source: Primary data**.** Processed by SPSS 20

Table 7, shows the correlation coefficient between the level of education and Savings behavior is 0.131, suggests a relatively weak positive linear relationship between the level of education and Savings behavior.

TABLE 8

		Family Income (Per Annum)	Savings behavior
Family Income (Per Annum)	Pearson Correlation	1	-0.084
Savings behavior	Pearson Correlation	-0.084	1

Source: Primary data**.** Processed by SPSS 20

Table 8 shows the correlation coefficient between family income and savings behavior is -0.084, suggests a very weak negative linear relationship between family income and savings behavior.

TABLE 9

		Location	Savings behavior
Location	Pearson Correlation	1	-0.018
Savings behavior	Pearson Correlation	-0.018	1

Source: Primary data**.** Processed by SPSS 20

Table 9 shows the correlation coefficient between location and savings behavior is -0.018, suggests an extremely weak negative linear relationship between location and savings behavior.

ANOVA

TABLE 10

	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	5.056	4	1.264	2.628	.034
Within Groups	166.441	346	.481		
Total	171.497	350			

Source: Primary data**.** Processed by SPSS 20

From table 10, the significant F-value (2.628) and the very low p-value (0.034) suggest that there are significant differences in long term orientation among different age groups. It indicates that to reject the null hypothesis.

TABLE 11

	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	8.607	4	2.152	5.259	.000
Within Groups	141.569	346	.409		
Total	150.177	350			

Source: Primary data**.** Processed by SPSS 20

From table 11, the significant F-value (5.259) and the very low p-value (0.000) suggest that there are significant differences in Wealth accumulation among different age groups. It indicates that to reject the null hypothesis.

TABLE 12

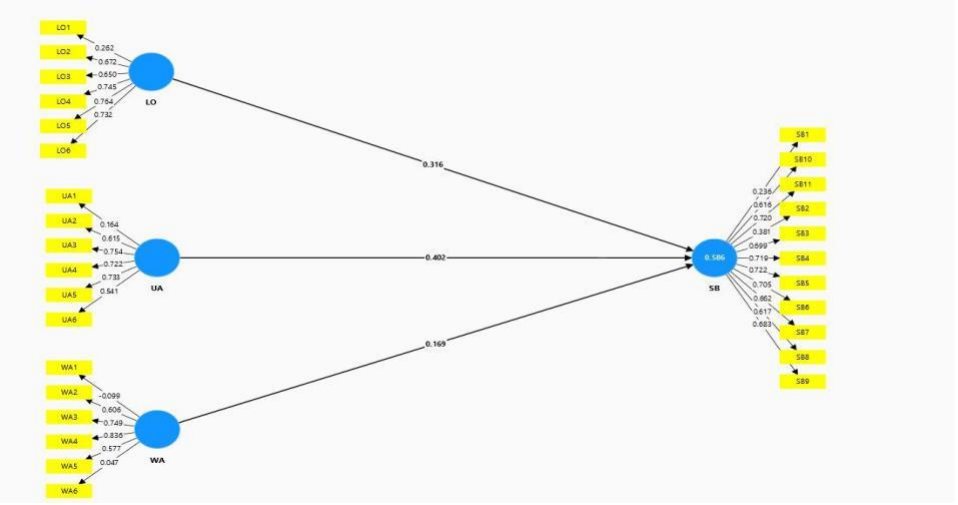
	Sum of Squares	Df	Mean Square	F	Sig.
Between Groups	11.786	4	2.946	6.280	.000
Within Groups	162.324	346	.469		
Total	174.109	350			

Source: Primary data**.** Processed by SPSS 20

From table 12, the significant F-value (6.280) and the very low p-value (0.000) suggest that there are significant differences in uncertainty avoidance among different age groups. It indicates that the differences in uncertainty avoidance among different age groups. It indicates that to reject the null hypothesis

C. Structural Equation Model

Figure 2 Structural Equation Model



Source: Primary data**.** Processed by Smart PLS.

From figure 2, it shows the R-square value 0.586 which means that 58.6% of the variability in the dependent variable is explained by the independent variable. The path coefficient value of correlation between long term Orientation and savings behavior is 0.316, between Uncertainty Avoidance and Savings behavior is 0.402 and between Wealth accumulation and Savings behavior is 0.169. From the above diagram it is concluded that Uncertainty Avoidance is the most influential path coefficient for savings behavior as the value is 0.402 which is higher than the others.

TABLE 13

	Cronbach's alpha	Composite reliability (rho_a)	Composite reliability (rho_c)	Average variance extracted (AVE)
Long-term orientation	0.732	0.766	0.812	0.436
Savings behavior	0.841	0.867	0.874	0.401
Uncertainty avoidance	0.661	0.722	0.772	0.388
Wealth Accumulation	0.48	0.686	0.647	0.329

The objective of the study is, the instruments chosen to measure the variable must be precisely represent the variables. Cronbach's alpha scores is 0.841 which is considered as good score, other values are also ranging 0.73 to 0.6 is also considered as good. The composite reliability values ranging from 0.86 to 0.68 it is acceptable to the threshold. The average values in table are ranging from 0.3 to 0.4 as the criteria of 0.5 is not met.

TABLE 14

	LO	SB	UA	WA
LO				
SB	0.773			
UA	0.847	0.867		
WA	0.764	0.775	0.917	

Source: Primary data. Processed by Smart PLS

**LO-Long-term Orientation, SB- Savings Behavior, UA- Uncertainty Avoidance, WA- wealth Accumulation*

The criteria have been satisfied as the given values are less than 0.9 except only one which is more than 0.9.

FINDINGS

From the study it is identified that individuals from larger families tend to exhibit higher levels of savings behavior. The level of education will not affect the savings behavior of the household. Individuals whose family income is more will affect the savings behavior. Individuals' origin of location will not affect the savings behavior of the household.

People's savings behavior and long-term orientation are strongly connected to each other, which means it influences the savings behavior more. It is identified that people also save for avoiding uncertain situations.

6. RECOMMENDATIONS

From the study it is found that majority of the respondents are prioritizing savings increase in financial literacy programs may further increase the savings behavior of the household.
The financial literacy programs should focus on importance of savings, budgeting techniques and long-term benefits of savings. As uncertainty avoidance influences the savings behavior of household the policies must aim to reduce the economic uncertainty and promote savings on other views such as to achieve long term goals etc, as long-term orientation also influences savings behavior, more schemes must be introduced which gives good returns for long run.
While wealth accumulation was found to have a relatively weaker correlation with savings behavior, incentives such as tax breaks or matching contributions to retirement accounts could motivate individuals to save more for the long term.

7. CONCLUSION

From the study it is observed that Cultural factors such as long-term orientation, uncertainty avoidance, and respect for tradition significantly influence savings behavior. By improving financial knowledge, individuals can make informed decisions regarding their savings habits, leading to better financial outcomes in the long term. By improving financial knowledge, individuals can make informed decisions regarding their savings habits, leading to better financial outcomes in the long term. Additionally, incentives such as tax breaks or matching contributions to retirement accounts could further incentivize individuals to save for the future, in summary, these findings emphasize the substantial impact of cultural factors on household savings behavior, highlighting the needfor tailored financial interventions and policies that account for cultural nuances to effectively promote savings and financial well-being. It is essential to continuously monitor the effectiveness of implemented strategies and interventions. Regular evaluations can help identify emerging trends or challenges, allowing for timely adjustments and improvements to savings promotion efforts.

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