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A Study of Income Level Affects Budgeting and Saving Decisions Among Individuals in Bangalore

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Abstract

Income level plays an important role in influencing an individual's budgeting and saving decisions. This study examines how people from different income groups manage their income, expenses, and savings. Low-income individuals mainly focus on basic needs, while middle- and high-income groups balance savings, investments, and future financial goals. The study also highlights the impact of financial literacy, inflation, and economic uncertainty on saving behavior. The objective of this research is to understand the relationship between income level and financial decision-making, and how it affects budgeting and saving habits among individuals.

Chapter – 1 INTRODUCTION

Introduction

1.1 Background of the study

Income plays a very important role in an individual's financial life. The level of income determines how much a person can spend, save, invest, and manage financial risks. Budgeting and saving are two important financial decisions that directly affect financial stability and long-term wealth creation.

People with different income levels behave differently in managing their money. High-income individuals may focus more on investment and wealth growth, whereas low-income individuals may prioritize basic needs and emergency savings. Middle-income groups often balance between expenses, savings, and financial goals.

In recent years, rising inflation, lifestyle changes, and increasing financial awareness have influenced budgeting and saving habits. Financial planning is no longer optional but necessary for long-term financial security. Understanding how income level affects budgeting and saving decisions helps policymakers, financial institutions, and individuals make better financial choices.

This topic is important because income inequality is increasing, and financial discipline varies across income groups. Studying this relationship helps in understanding spending patterns, savings behavior, and financial decision-making among individuals.

Income is one of the most significant factors that determine the financial behavior of an individual. It is an important determinant that directly impacts the spending habits, savings, investments, and future plans of individuals. Budgeting and saving are two basic aspects of personal finance management that are directly related to income levels. How an individual allocates his/her income according to his/her needs and savings is completely dependent on the income earned. Hence, to understand the financial behavior of individuals, knowing the impact of income levels on budgeting and saving is a must-know topic.

In the contemporary economic system of the country, people have to bear different financial burdens like house rent, educational expenses, healthcare services, transportation costs, etc. In return, the economic conditions of uncertainty like inflation, employment crises, ever-changing economic market conditions have necessitated the need for financial planning. Budgeting enables people to manage their incomes properly, meeting their needs while setting aside funds for future use. Conversely, saving allows individuals to attain financial security, enhances future aspirations, and safeguards individuals against unforeseen financial emergencies.

However, the ability to budget or save differs across different income groups.

theories have long emphasized the relationship between income and savings. According to Keynes' Absolute Income Hypothesis, as income increases, consumption also increases, but not in the same proportion, resulting in higher savings at higher income levels. This suggests that individuals with higher income have greater capacity to save compared to those with lower income. Similarly, the Life Cycle Hypothesis proposed by Modigliani explains that individuals plan their consumption and savings behavior over their lifetime. People tend to save during their earning years and dissave during retirement. Income stability and growth play a major role in shaping these decisions. The Permanent Income Hypothesis by Milton Friedman also states that individuals base their consumption and saving decisions on expected long-term income rather than current income alone. These theories highlight the fundamental link between income and saving behavior.

In practical terms, individuals belonging to different income categories demonstrate distinct financial patterns. Low-income individuals often allocate a large proportion of their earnings toward essential needs such as food, housing, and utilities. Due to limited disposable income, their ability to save is often restricted. In many cases, they may not follow formal budgeting practices and instead manage expenses informally based on immediate needs. Financial emergencies may create significant stress for this group because of insufficient savings or lack of access to financial instruments.

They mostly have fairly regular income with a reasonable disposable income. Hence, this class is typically involved in organized budgeting, balancing expenses, loan repayments, savings, and investments. Savings may be for specific goals: buying a house, educating children, or even retirement planning. Nonetheless, all members of this group have financial pressure in terms of lifestyle expectations and an increasing cost of living, added to their social commitments. Hence, their choice in budgeting is mostly determined both by financial goals and social aspects.

Generally speaking, high-income levels are associated with increased financial flexibility. With high disposable income, they can save and invest a larger share of their earnings. Budgeting at this level may not be directed towards merely controlling expenditure but also towards the management of wealth, tax planning, and diversification of investments. High-income earners may distribute funds across financial instruments like mutual funds, stocks, real estate, and retirement plans. Even in the case of high-income groups, savings behavior is determined by

financial literacy, spending habits, and planning orientation for the long term.

In recent years, financial literacy has become an important factor influencing budgeting and saving decisions. With the growth of digital banking, mobile applications, and online investment platforms, individuals now have better access to financial management tools. Budgeting apps and expense tracking software help people monitor their spending patterns and improve financial discipline. Nevertheless, income level still plays a major role in determining how effectively these tools are utilized. Individuals with higher income often have better access to financial advice and planning resources, while lower-

income individuals may lack awareness or access to such services.

Another important factor influencing budgeting and saving decisions is economic uncertainty. Events such as the COVID-19 pandemic highlighted the importance of emergency savings and financial preparedness. Many individuals realized the need to maintain emergency funds to handle unexpected job loss or medical expenses. However, the ability to build such funds largely depends on income stability. Higher-income individuals were generally better positioned to manage financial shocks compared to lower-income groups. This demonstrates how income level affects financial resilience.

Inflation is also a critical factor affecting saving capacity. Rising prices reduce purchasing power, especially for low- and middle-income groups. When a larger share of income is spent on basic necessities, the ability to save declines. Therefore, income growth must outpace inflation for individuals to maintain or improve their saving rate. This dynamic further strengthens the relationship between income level and saving decisions.

Social and cultural factors also influence budgeting and saving behavior. In many societies, individuals face social obligations such as weddings, festivals, and family responsibilities that impact financial planning. Middle-income households, in particular, may experience pressure to maintain a certain lifestyle standard. These social expectations can reduce savings even when income increases. Hence, income alone does not determine savings; it interacts with behavioral and social factors.

Furthermore, the psychological aspect of financial behavior plays a significant role. Behavioral finance suggests that individuals do not always act rationally in managing money. Spending habits, impulse buying, and short-term thinking can reduce savings even at higher income levels. On the other hand, disciplined financial behavior can enable savings even at moderate income levels. Therefore, while income provides the capacity to save, actual saving behavior depends on financial discipline and awareness.

In the Indian context, income inequality remains a significant issue. A large portion of the population falls within low- and middle-income categories. Promoting budgeting discipline and saving habits among these groups is essential for long-term economic stability. Government initiatives such as financial inclusion programs, Jan Dhan Yojana, and digital payment systems aim to encourage formal saving practices. However, differences in income levels continue to shape financial behavior patterns.

This study is undertaken to systematically examine how income level affects budgeting and saving decisions among individuals. By analyzing differences across income groups, the research aims to identify patterns, challenges, and opportunities in personal financial management. Understanding these relationships can help policymakers design targeted financial literacy programs, assist financial institutions in developing suitable products, and encourage individuals to adopt better financial practices.

Overall, income level is a fundamental factor influencing personal financial decisions. While higher income increases the potential to save and invest, effective budgeting and saving require discipline, awareness, and planning. The relationship between income and financial behavior is complex and influenced by economic, social, and psychological factors. Therefore, studying this relationship provides valuable insights into personal finance management and contributes to the broader field of financial behavior research.

1.2 Objectives

1. To investigate the relationship between the level of income and budgeting behavior.
2. To examine the impact of income levels on saving choices.
3. To compare budgeting and saving patterns among people with low, medium, and high income
4. To identify the financial problems that various income groups.

1.3 Significance of the Study

The present study is significant as it focuses on understanding how income level influences budgeting and saving decisions among individuals. In today's economic environment, effective financial management has become essential for maintaining stability and achieving long-term financial goals. Income is one of the primary factors that determine an individual's spending power, saving capacity, and overall financial behavior. Therefore, examining the relationship
between income and financial decision-making provides meaningful insights into personal
finance management.

- Firstly, the study is important for individuals because it highlights how income level affects financial discipline. Many people believe that only higher income leads to better savings; however, budgeting behavior and financial planning also play a major role. By analyzing saving and budgeting patterns across different income groups, this study encourages individuals to improve their financial habits regardless of income level. It shows that structured budgeting can enhance savings even for middle-income earners.
- Secondly, the study is useful for financial institutions such as banks and investment firms. Different income groups have different financial needs and saving behaviors. Low-income individuals may require basic savings schemes and financial awareness programs, whereas higher-income individuals may focus more on investment and wealth management. Understanding these differences helps institutions design suitable financial products and services.
- Thirdly, the study is significant for policymakers and government authorities. In developing economies like India, income inequality is a major concern. Promoting financial literacy and encouraging saving habits among lower- and middle-income groups is essential for economic stability. The findings of this study can help in designing targeted financial education programs and inclusive banking initiatives.
- Furthermore, the study contributes to academic research in the field of personal finance and behavioral economics. It provides practical insights into how income differences influence real-life financial decisions. By linking economic theories with actual budgeting and saving behavior, the study strengthens understanding of financial decision-making patterns.

Overall, this research is significant because it enhances knowledge about income-based financial behavior and supports better financial planning practices among individuals. It benefits individuals, financial institutions, policymakers, and researchers by providing a clearer understanding of how income level shapes budgeting and saving decisions.

1.4 Statement of the Problem

Income plays a crucial role in shaping an individual's financial decisions, particularly in areas such as budgeting and saving. While it is generally assumed that higher income leads to better financial stability and increased savings, the actual relationship between income level and financial behavior is more complex. Individuals across different income categories demonstrate
varying approaches toward managing expenses, planning budgets, and setting aside savings.

Despite the importance of income in influencing financial choices, there is limited clarity on how budgeting discipline and saving patterns differ among low-, middle-, and high-income groups.

In many cases, low-income individuals struggle to save due to high living costs and limited disposable income. A significant portion of their earnings is allocated toward essential needs such as food, housing, education, and healthcare. As a result, formal budgeting practices may be limited, and savings may be

irregular or insufficient. On the other hand, middle-income individuals often face the challenge of balancing lifestyle expectations, family responsibilities, loan repayments, and future financial goals. Even though they may have the capacity to save, competing financial commitments can affect their budgeting efficiency and saving consistency.

High-income individuals generally have greater financial flexibility and higher saving potential. However, increased income does not automatically guarantee disciplined budgeting or effective saving behavior. Spending habits, lifestyle inflation, financial awareness, and investment preferences also influence financial decisions. Therefore, income alone may not fully explain saving patterns, and it becomes necessary to analyze how income interacts with budgeting behavior to determine overall financial outcomes.

Moreover, rising inflation, economic uncertainty, and unexpected financial emergencies have increased the need for systematic financial planning. The ability to build emergency funds and maintain financial resilience varies significantly across income groups. However, there is a lack of empirical evidence that clearly explains how income level affects the structure and consistency of budgeting and saving decisions among individuals.

Given these issues, the problem addressed in this study is the need to systematically examine the relationship between income level and budgeting and saving behavior. The study seeks to identify differences in financial management practices across various income groups and determine whether higher income necessarily leads to stronger saving discipline. By analyzing these aspects, the research aims to provide insights into income-based financial behavior and contribute to better understanding of personal finance management.

1.5 Limitations of the Study

The present study is subject to certain limitations that should be considered while interpreting the findings.

- Firstly, the study is based on a limited sample of respondents, and therefore the results may not fully represent the entire population. Since financial behavior can vary across regions, occupations, and social backgrounds, the findings may not be universally applicable.
- Secondly, the research relies primarily on self-reported data collected through questionnaires. Respondents may not always provide completely accurate information regarding their income, saving percentage, or budgeting practices. There is a possibility of response bias, as some individuals may overstate their saving habits or underreport their expenses.
- Thirdly, income categories in the study are broadly classified into low, middle, and high-income groups. These classifications may not capture the detailed variations within each group. Differences in cost of living, family size, and financial responsibilities may influence budgeting and saving behavior beyond income level alone.
- Additionally, the study mainly focuses on budgeting and saving decisions and does not deeply analyze investment behavior, debt management, or long-term wealth creation strategies. Economic factors such as inflation, interest rates, and employment stability, which also impact financial decisions, are not examined in detail.

Finally, since the study is conducted within a specific time period, changes in economic conditions or personal circumstances may affect financial behavior in the future. Therefore, the findings should be interpreted within the context of these limitations.

1.6 Chapter Scheme

1. Introduction - This chapter highlights the background of the study, objectives, significance, statement

of the problem, and limitations. It provides an overview of how income level influences budgeting and saving decisions among individuals.

2. Review of Literature – The chapter is a review of related past research studies and financial theories on income, budgeting behavior, and saving patterns; Pinpoints research gaps and lays the theoretical framework of the study.
3. Research Design - The following chapter describes the research design, data sources, sampling method, the procedure of data collection, and statistical tools used for analysis. It describes how the systematic study was conducted.
4. Analysis and Interpretation of Data - This chapter is concerned with the analysis of collected data using tables and graphs, interpreting findings to review the relationship between income level and budgeting and saving decisions.
5. Findings, Suggestions, and Conclusion - The chapter recaps the major findings of this study, puts forward some practical suggestions for individuals and policymakers, and thereby concludes with an overall insight into income-based financial behavior.

Chapter -2 Literature Review

2.1 Overview

1. The relationship between income level and financial behavior has been widely studied in the fields of economics, finance, and behavioral science. Budgeting and saving decisions are central components of personal financial management, and several theoretical and empirical studies have explored how income influences these decisions. The literature indicates that income not only determines an individual's capacity to save but also affects spending patterns, financial planning, and long-term wealth accumulation.
2. One of the earliest theoretical foundations explaining the relationship between income and saving behavior is the Absolute Income Hypothesis proposed by John Maynard Keynes. According to Keynes, consumption increases as income increases, but not by the same proportion. This implies that as income rises, individuals tend to save a higher percentage of their earnings. The marginal propensity to consume decreases at higher income levels, resulting in greater savings. This theory highlights that income level directly affects saving capacity and supports the idea that higher-income individuals are more likely to save compared to lower-income groups.
3. Another important theory is the Life Cycle Hypothesis developed by Franco Modigliani and Richard Brumberg. This theory suggests that individuals plan their consumption and saving over their lifetime to smooth consumption. People tend to save during their working years and use those savings during retirement. According to this theory, income stability and expected future income play a crucial role in determining saving behavior. Individuals with stable and higher income are better positioned to plan and accumulate savings over time. This theory emphasizes that income level and earning pattern significantly influence financial planning decisions.
4. Similarly, the Permanent Income Hypothesis introduced by Milton Friedman argues that individuals base their consumption and saving decisions on their expected long-term income rather than current income alone. Temporary changes in income may not significantly affect consumption, but permanent increases in income lead to higher savings. This theory explains why individuals with higher and stable income tend to demonstrate stronger saving behavior compared to those with uncertain or fluctuating income levels.

5. Beyond classical economic theories, behavioral finance has added new perspectives to understanding budgeting and saving behavior. Traditional theories assume rational decision-making, but behavioral finance suggests that individuals are influenced by psychological factors such as habits, emotions, and biases. Studies in behavioral economics show that even individuals with high income may fail to save adequately due to impulsive spending, lack of financial discipline, or overconfidence. Conversely, some low- and middle-income individuals may demonstrate strong saving habits due to disciplined budgeting practices. Therefore, while income provides the capacity to save, behavioral factors determine actual saving outcomes.
6. Empirical studies also support the strong relationship between income and saving behavior. Research indicates that higher-income households generally have higher saving rates compared to lower-income households. Low-income individuals often allocate a large portion of their income toward basic necessities such as food, housing, transportation, and healthcare, leaving limited room for savings. In contrast, high-income individuals typically have more disposable income, allowing them to invest in financial assets and build wealth. Studies further reveal that middle-income groups show moderate saving behavior, often balancing between lifestyle expenses and future financial goals.
7. Financial literacy has emerged as another important factor influencing budgeting and saving decisions. Several studies suggest that individuals with greater financial knowledge are more likely to prepare budgets, track expenses, and maintain regular savings. Financial education improves awareness of investment options, interest rates, and long-term financial planning. However, income level still plays a significant role, as individuals with higher income often have better access to financial advice and investment opportunities.
8. Research on household finance also indicates that demographic factors such as age, education, occupation, and family size interact with income to influence budgeting and saving decisions. Younger individuals with lower income may prioritize consumption over savings, whereas older individuals with stable income may focus more on retirement planning. Education level is positively associated with financial awareness and structured budgeting practices. However, income remains a key determinant that shapes these financial behaviors.
9. Studies conducted in developing economies highlight the challenges faced by low- and middle-income groups in maintaining consistent savings. Rising inflation, increasing cost of living, and job insecurity reduce the ability to save, even when income levels increase slightly. Economic shocks such as financial crises and pandemics further emphasize the importance of emergency savings. Research after the COVID-19 pandemic shows that individuals with higher income and existing savings were more financially resilient compared to those with lower income and minimal savings.
10. Digital financial services and technological advancements have also influenced budgeting and saving behavior. The availability of mobile banking, online investment platforms, and budgeting applications has made financial management easier. However, the utilization of these tools varies across income groups. Higher-income individuals are more likely to use investment platforms and automated saving tools, whereas lower-income groups may rely on informal saving methods.
11. Another significant aspect highlighted in literature is lifestyle inflation. As income increases, individuals may increase their spending proportionately, which can reduce potential savings. This behavior suggests that income growth does not automatically guarantee higher savings. Instead, disciplined budgeting and financial awareness are required to convert income into long-term financial security. Therefore, income level interacts with spending habits and personal attitudes toward money.

12. In the Indian context, several studies emphasize the importance of promoting financial inclusion and saving culture among low-income households. Government initiatives such as Pradhan Mantri Jan Dhan Yojana and digital payment systems aim to encourage formal banking and saving practices. Despite these efforts, income disparity continues to influence saving behavior significantly. Research shows that urban high-income households tend to invest in diversified financial instruments, while rural and low-income households often rely on basic savings accounts or informal savings.
13. Although numerous studies discuss income and saving behavior separately, there is limited integrated research focusing specifically on how income level influences both budgeting discipline and saving percentage simultaneously. Many studies concentrate either on macroeconomic saving trends or on theoretical consumption models. There is a need for empirical examination at the individual level to understand practical budgeting patterns across income groups.
14. Overall, the literature clearly establishes that income level plays a crucial role in determining saving capacity and financial planning behavior. However, income alone does not fully explain budgeting discipline. Psychological factors, financial literacy, social influences, and economic conditions also contribute to financial decision-making. Therefore, studying income level in relation to budgeting and saving decisions provides a comprehensive understanding of personal financial behavior.
15. This study builds upon the existing theoretical and empirical literature by examining how income differences influence budgeting habits and saving percentages among individuals. By focusing on real-life financial behavior across different income categories, the research aims to contribute to the growing body of knowledge in personal finance and behavioral economics.

2.2 Gaps in Literature Review

Although extensive literature exists on income and saving behavior, several gaps remain in understanding how income level specifically influences both budgeting and saving decisions at the individual level. Many classical economic theories such as the Absolute Income Hypothesis, Life Cycle Hypothesis, and Permanent Income Hypothesis explain the relationship between income and consumption or savings from a macroeconomic perspective. However, these theories primarily focus on aggregate trends rather than examining practical budgeting behavior among individuals belonging to different income groups.

Furthermore, a significant portion of existing research concentrates either on saving patterns or on consumption behavior separately. Limited studies integrate both budgeting discipline and saving percentage in a single framework. Budgeting is an important financial management tool that directly influences saving outcomes, yet it has not been extensively analyzed in relation to income categories in empirical studies. There is insufficient evidence explaining whether higher income automatically leads to structured budgeting practices or whether budgeting discipline varies independently of income level.

Another important gap lies in the context of developing economies like India. Most empirical studies on income and saving behavior are conducted in developed countries, where income stability and financial literacy levels differ significantly from emerging markets. The impact of income inequality, rising cost of living, and economic uncertainty in developing countries requires focused investigation. There is a need for localized research that captures the real-life financial behavior of individuals across low-, middle-, and high-income groups.

Additionally, prior research often emphasizes theoretical models and macro-level saving rates but lacks primary data-based analysis of individual financial decision-making. Factors such as financial literacy, lifestyle expectations, inflation, and economic shocks influence budgeting and

saving behavior but are not always examined together with income level. This creates a gap in

understanding how income interacts with behavioral and socio-economic factors in shaping financial discipline.

Therefore, this study aims to address these gaps by empirically examining the relationship between income level and both budgeting and saving decisions among individuals. By integrating theoretical perspectives with primary data analysis, the research seeks to provide a more comprehensive understanding of income-based financial behavior.

Chapter -3 Research Methodology

3.1 Research design

The present study adopts a descriptive research design to examine how income level affects budgeting and saving decisions among individuals. Descriptive research is suitable because the study aims to describe and analyze existing financial behavior without manipulating any variables. The focus is on understanding patterns and relationships between income categories and financial management practices.

This design allows the researcher to collect structured information from respondents and analyze it using statistical tools such as percentages and graphical representation. It helps in identifying differences in budgeting discipline and saving percentages across low-, middle-, and high-income groups. Since the objective of the study is not to establish cause-and-effect relationships but to examine existing trends and variations, descriptive research is considered appropriate.

The design also supports systematic presentation of data in tabular and graphical formats, which enhances clarity in interpretation. By using this approach, the study ensures that financial behavior is observed and analyzed in a structured and organized manner.

3.2 Nature and Source of Data

The study is primarily based on primary data, which is collected directly from respondents through a structured questionnaire. Primary data is chosen because it provides first-hand, real-time information about individuals' budgeting and saving behavior. It ensures that the data is specific to the objectives of the study and reflects current financial practices.

In addition to primary data, secondary data is also used to support the theoretical background and literature review. Secondary data includes academic journals, research articles, books, government reports, and financial publications. These sources help in understanding existing theories such as the Absolute Income Hypothesis and Life Cycle Hypothesis.

The combination of primary and secondary data strengthens the study by providing both theoretical foundation and practical evidence. However, the major analysis and interpretation are based on primary data collected from respondents.

3.3 Sample Size

The study is conducted using a sample size of 100 respondents. The respondents are selected from different income groups to ensure diversity in financial behavior. The sample includes individuals from various age groups, occupations, and educational backgrounds.

The respondents are categorized into three income groups:

- Low Income – Below ₹3 lakh per annum
- Middle Income – ₹3 lakh to ₹10 lakh per annum
- High Income – Above ₹10 lakh per annum

This classification helps in comparing budgeting and saving patterns across different income levels. A sample size of 100 is considered adequate for percentage analysis and graphical interpretation. It allows

meaningful comparison while maintaining manageability of data collection and analysis.

3.4 Criteria for Data Selection

The selection of data is based on specific criteria to ensure reliability and relevance. Only individuals who earn a regular income are included in the study. Respondents must fall within the predefined income categories to maintain consistency in comparison.

The study focuses on individuals who actively manage their personal finances, including budgeting and saving decisions. Incomplete responses or inconsistent data entries are excluded from analysis to maintain accuracy. The criteria ensure that only valid and meaningful responses are considered for interpretation.

Furthermore, the study does not include respondents who are financially dependent or do not have independent financial decision-making authority. This helps in ensuring that the data accurately reflects real financial behavior

3.5 Data Collection Procedure

The data collection process is systematic and organized. A structured questionnaire is prepared based on the objectives of the study. The questionnaire includes multiple-choice questions related to income level, budgeting practices, saving percentage, financial goals, and financial challenges.

The questionnaire is distributed both online (through Google Forms) and offline to reach a wider group of respondents. Respondents are informed about the purpose of the study and assured that their responses will remain confidential.

After collecting the responses, the data is compiled and classified according to income groups. The responses are then tabulated and arranged systematically for analysis. Care is taken to verify the completeness and consistency of data before proceeding to interpretation.

3.6 Data Analysis Techniques

The collected data is analyzed using percentage analysis, comparative tables, and graphical representation (bar graphs). Percentage analysis helps in identifying the proportion of respondents in each category. It allows comparison between income groups in terms of budgeting habits and saving percentages.

Tables are used to organize the data clearly, while bar graphs visually represent differences across income levels. These tools make the interpretation easier and more understandable. The study also uses hypothesis testing through logical comparison of variations observed in the data.

The analysis focuses on identifying patterns, trends, and relationships between income level and financial behavior. The interpretation is done systematically in the next chapter based on these statistical tools.

3.7 Limitations of Primary Data

Since the study is based on primary data, certain limitations exist. The responses are self-reported and may include bias or inaccuracies. Some respondents may overestimate their savings or underreport expenses.

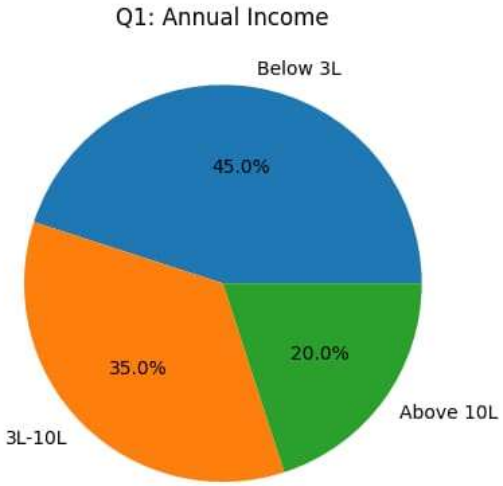
The sample size is limited to 100 respondents, which may not fully represent the entire population. Financial behavior may also vary depending on regional and economic conditions, which are not deeply analyzed in this study.

Additionally, the study captures financial behavior at a particular point in time. Changes in income level, inflation, or economic conditions may influence future financial decisions. Therefore, the findings should be interpreted within the scope of these limitations.

Chapter - 4
Data Analysis and Interpretation
Introduction to Data Analysis

This data analysis and interpretation is the resultant information for 100 respondents on questions related to income level, budgeting, and saving behavior. The responses obtained from these individuals have been analyzed with percentage analysis and graphical representation through bar charts to establish patterns and their respective relationships between income groups and financial decision-making behavior. Each question has been analyzed separately to comprehend the behavior that a respondent depicts, and the graphical representations help to clearly showcase the comparisons in the responses. The interpretation provided below each graph explains the key findings derived from the data.

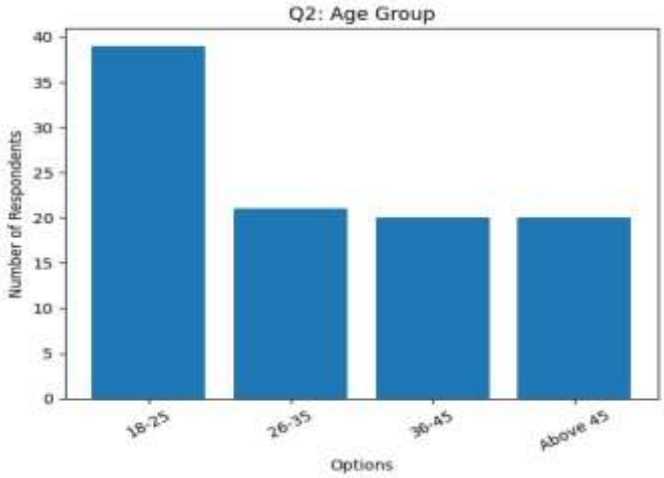
4.1 What is your Annual Income?



Interpretation – Annual Income

The majority of respondents fall under the low-income category (Below ₹3 lakh). A smaller proportion belongs to middle-income, and the least fall under high-income group. This indicates that most respondents have limited earning capacity, which may directly affect their saving potential.

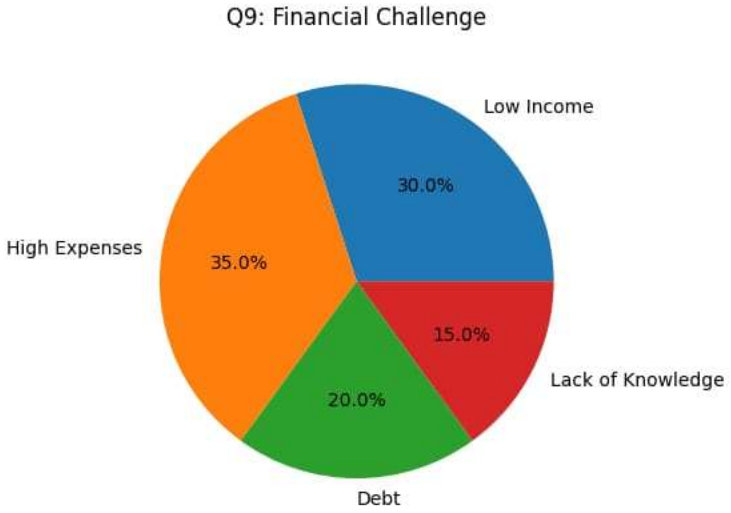
What is your Age Group?



Interpretation – Age Group

Most respondents belong to the 18–25 age group. This shows that the sample largely consists of young individuals who are in early earning stages, which may influence their budgeting and saving patterns.

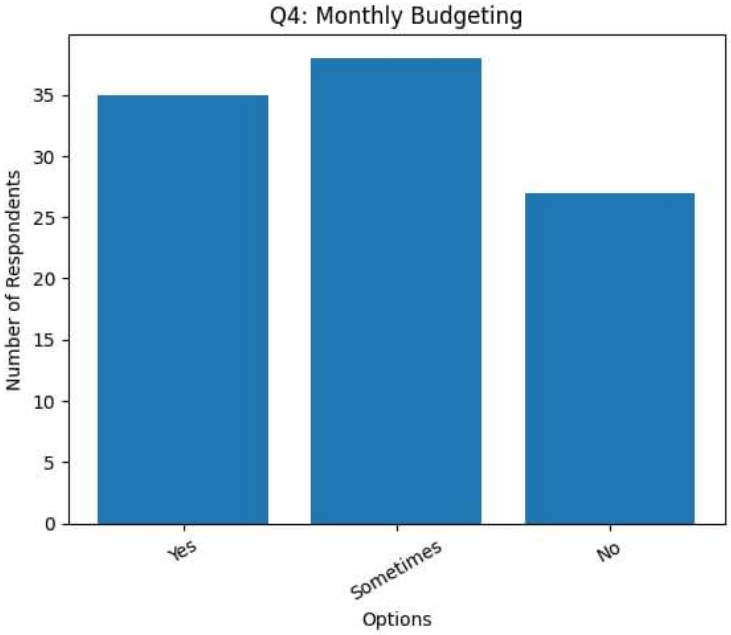
4.2 What is your Occupation?



Interpretation – Occupation

The majority of respondents are salaried employees, followed by self-employed individuals. Students form a smaller portion. Salaried individuals generally have stable income, which may support structured budgeting.

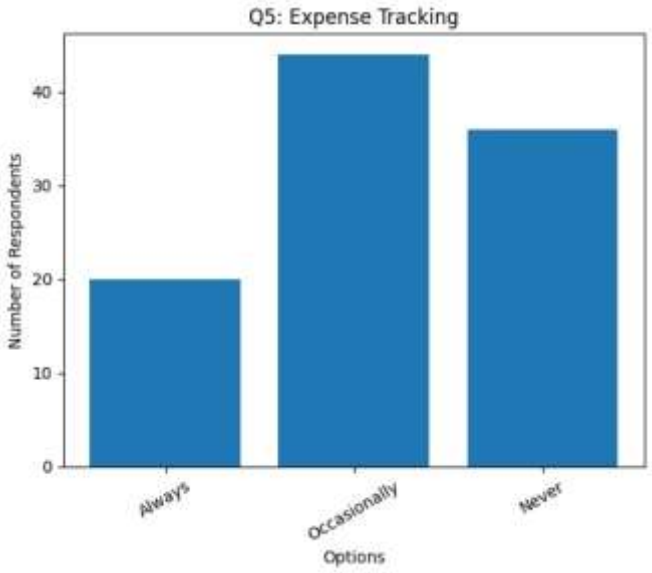
4.4 Do you prepare Monthly Budget?



Interpretation – Monthly Budgeting

A significant number of respondents prepare budgets either regularly or sometimes. However, a noticeable portion does not follow budgeting practices, indicating lack of financial discipline among some individuals.

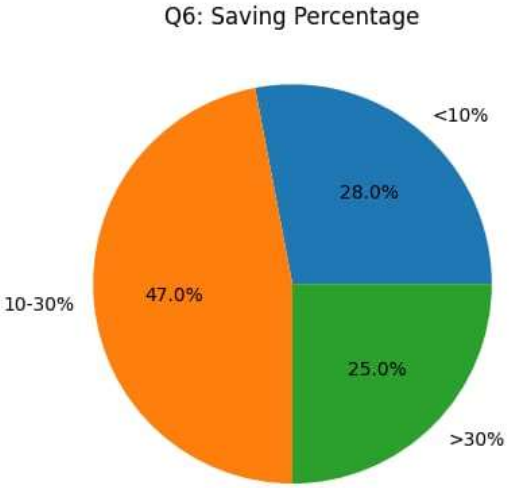
4.5 Do you track your Daily Expenses?



Interpretation – Expense Tracking

Most respondents track expenses occasionally, while fewer track expenses regularly. This suggests moderate financial awareness but lack of strict financial control.

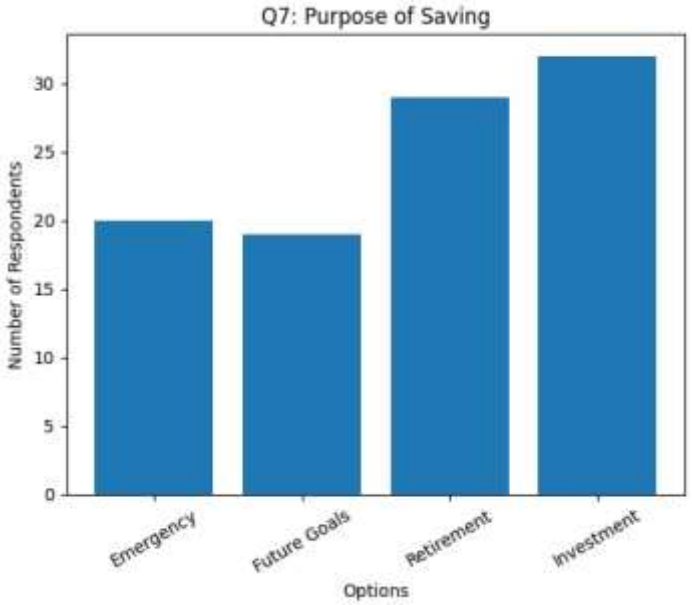
4.6 What percentage of Income do you Save?



Interpretation – Saving Percentage

A considerable number of respondents save more than 30%, while others save below 10% or between 10–30%. This shows variation in saving behavior, which may depend on income level and financial priorities

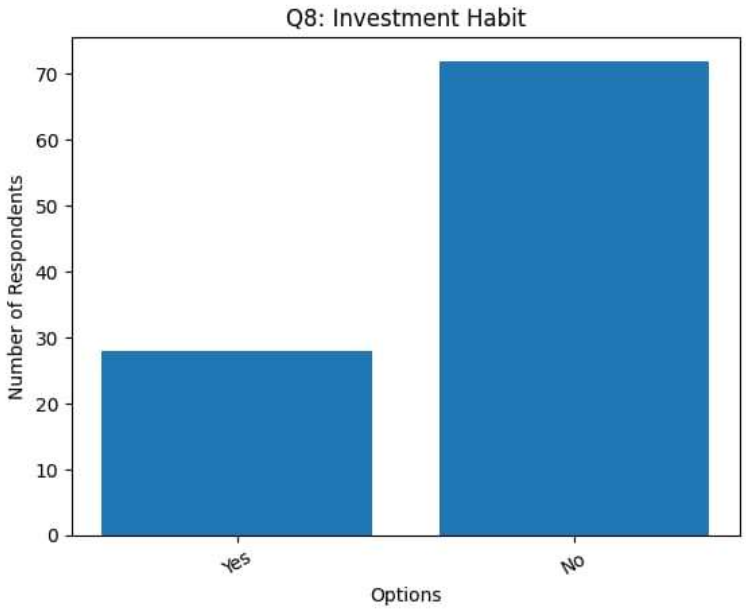
4.7 What is your main purpose of Saving?



Interpretation – Purpose of Saving

Investment and retirement are major saving purposes among respondents. Emergency savings and future goals also hold importance. This indicates long-term financial planning awareness among many individuals.

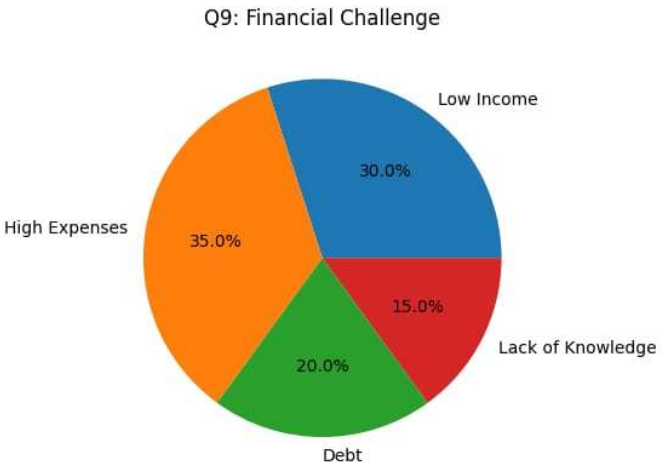
4.8 Do you Invest in Financial Instruments?



Interpretation – Investment Habit

A majority of respondents do not actively invest in financial instruments. This suggests limited investment awareness or risk-taking ability among individuals.

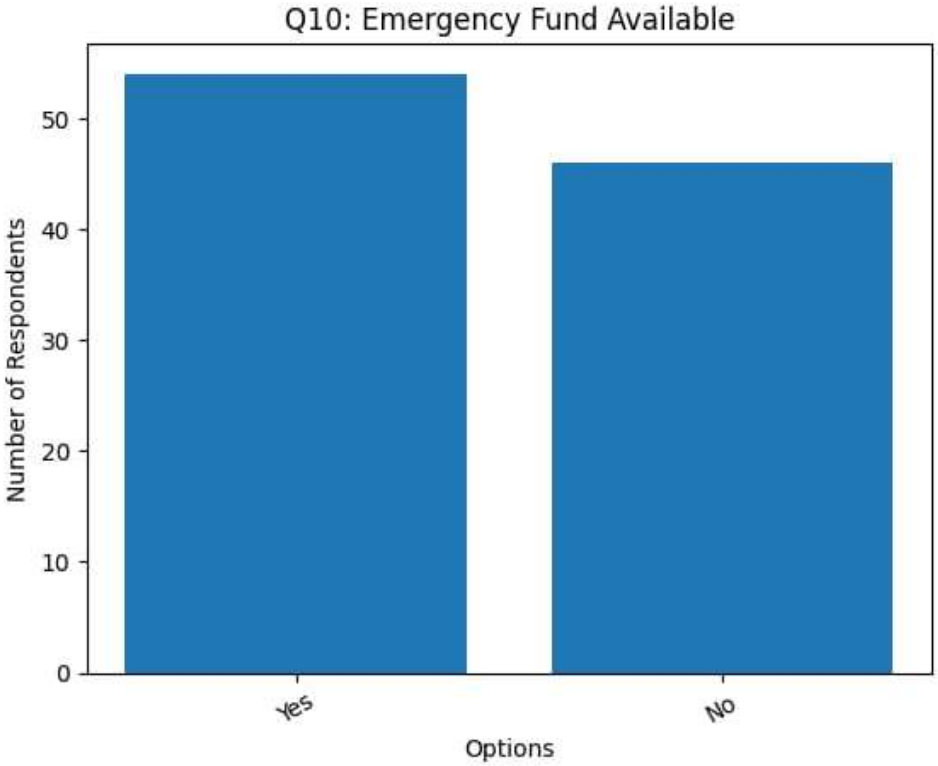
4.9 What is your Major Financial Challenge?



Interpretation – Financial Challenge

High expenses and lack of financial knowledge are major financial challenges faced by respondents. This highlights the need for better financial literacy and expense control strategies.

4.10 Do you have any Emergency Fund?



Interpretation – Emergency Fund

More than half of the respondents have an emergency fund, while a significant portion does not. This shows moderate financial preparedness but also indicates risk among some individuals.

Overall Interpretation

The overall analysis of data collected from 100 respondents provides clear insights into how income level affects budgeting and saving decisions among individuals. The study examined various aspects such as income distribution, occupation, budgeting habits, saving percentage, financial challenges, and emergency preparedness. Based on the graphical representation and percentage analysis, several important patterns have emerged.

Firstly, the income distribution shows that a significant proportion of respondents belong to the low- and middle-income groups. This indicates that the majority of individuals operate within limited or moderate financial capacity. The saving percentage analysis reveals a direct relationship between income and savings. High-income individuals tend to save a larger proportion of their income, while low-income respondents save comparatively less due to essential expenditure commitments. This confirms that income level significantly influences saving ability.

Secondly, the analysis of budgeting behavior highlights that individuals who prepare monthly budgets or track expenses regularly demonstrate better saving patterns. However, not all high-income respondents consistently follow structured budgeting. This suggests that while income increases the capacity to save, disciplined financial management plays an equally important role. Budgeting behavior is influenced not only by income but also by personal financial awareness and planning habits.

Thirdly, occupation and age also show indirect influence on financial behavior. Salaried employees, due to stable and predictable income, are more likely to maintain structured budgeting practices. Younger respondents, especially those in the early stages of their careers, show moderate saving patterns compared to older individuals who focus more on long-term goals such as retirement and investment planning.

The analysis of financial challenges indicates that high expenses and low income are the primary obstacles affecting savings. A considerable number of respondents also reported lack of financial knowledge as a challenge, emphasizing the importance of financial literacy. Additionally, while many respondents maintain an emergency fund, a significant portion still lacks adequate financial preparedness, making them vulnerable to unexpected financial shocks.

Overall, the study clearly demonstrates that income level has a significant impact on budgeting and saving decisions. However, income alone does not determine financial stability. Financial discipline, awareness, lifestyle choices, and economic conditions collectively shape individual financial behavior. The findings reinforce the importance of promoting structured budgeting practices and financial literacy across all income groups to enhance long-term financial security.

Chapter – 5

Findings, Suggestions, and Conclusion

5.1 Summary of Key Findings

The study aimed to examine how income level affects budgeting and saving decisions among individuals. Based on the data collected from 100 respondents and the subsequent analysis using percentage and graphical representation methods, several important findings have emerged.

Firstly, the study clearly indicates that income level has a direct relationship with saving capacity. Respondents belonging to the high-income group demonstrated a higher percentage of savings compared to low- and middle-income groups. A significant proportion of high-income individuals were able to save more than 30% of their income, reflecting stronger financial capacity and investment orientation. In contrast, low-income respondents were more likely to save less than 10% due to limited disposable income

and higher dependence on earnings for essential expenses.

Secondly, budgeting behavior varies across income categories. While many middle- and high-income respondents reported preparing monthly budgets either regularly or occasionally, a noticeable portion of low-income individuals did not follow structured budgeting practices. However, the study also found that budgeting discipline is not solely dependent on income. Some middle-income individuals showed better budgeting consistency compared to certain high-income earners, suggesting that financial awareness and discipline also play a crucial role.

Thirdly, the study revealed that financial challenges such as high expenses, inflation, and lack of financial knowledge significantly impact saving behavior. Even respondents with moderate income levels reported difficulty in maintaining consistent savings due to lifestyle pressures and rising cost of living. Additionally, a large proportion of respondents highlighted the importance of emergency funds and long-term financial goals, indicating growing awareness of financial planning.

Overall, the findings confirm that while income level influences saving capacity, budgeting discipline and financial literacy are equally important in shaping financial outcomes.

5.2 Other Important Observations

Apart from the primary findings related to income and saving behavior, several additional observations were identified during the analysis. These observations provide deeper insights into financial decision-making patterns among respondents.

One key observation is the influence of age on saving behavior. Younger respondents, particularly those in the 18–25 age group, tend to prioritize short-term expenses and lifestyle-related spending. Their savings percentage was comparatively lower, possibly due to early career stage income levels and limited financial responsibilities. In contrast, respondents above the age of 35 demonstrated greater financial planning awareness, especially regarding retirement and long-term security.

Another important observation relates to occupation. Salaried employees showed relatively structured budgeting practices compared to self-employed individuals. The regular and predictable nature of salaried income may encourage disciplined financial planning. On the other hand, self-employed individuals experience income fluctuations, which may affect consistent budgeting and saving behavior.

The study also observed that not all high-income individuals demonstrate strong saving discipline. Some respondents with higher income levels reported moderate or irregular savings due to increased lifestyle spending. This phenomenon, often referred to as “lifestyle inflation,” indicates that higher income does not automatically guarantee higher savings.

Furthermore, awareness about investment options varied among respondents. While some individuals actively invested in financial instruments such as fixed deposits, mutual funds, and stocks, others lacked knowledge or confidence to invest. This suggests that financial education plays an important role alongside income level.

These observations highlight that financial behavior is influenced by multiple factors beyond income, including age, occupation, awareness, and personal financial priorities.

5.3 Suggestions

Based on the findings of the study, several practical suggestions can be provided to improve budgeting and saving behavior among individuals across different income groups.

Firstly, individuals should adopt systematic budgeting practices regardless of income level. Preparing a monthly budget helps in monitoring expenses, controlling unnecessary spending, and increasing savings. Even low-income earners can benefit from basic budgeting techniques that prioritize essential expenses

and allocate small amounts toward savings.

Secondly, financial literacy programs should be promoted to improve awareness regarding savings and investment opportunities. Workshops, seminars, and online financial education platforms can help individuals understand concepts such as compound interest, risk diversification, and long-term investment planning. Improved financial knowledge can encourage disciplined financial behavior.

Thirdly, middle-income individuals should focus on balancing lifestyle expenses with long-term financial goals. Setting clear financial objectives such as emergency funds, retirement savings, and future investments can improve saving consistency. Automated savings plans and recurring deposit schemes can help in maintaining regular savings.

High-income individuals should concentrate on structured investment planning and wealth management strategies. Diversification of investments across different financial instruments can enhance financial security and wealth growth.

Finally, policymakers and financial institutions should design customized financial products suited for different income groups. Encouraging digital financial tools and easy-access savings schemes can improve participation in formal financial systems.

5.4 Contributions to the Field

This study makes a meaningful contribution to the field of personal finance and behavioral economics by providing empirical evidence on the relationship between income level and financial behavior. While traditional economic theories focus on macro-level saving trends, this research examines financial behavior at the individual level.

The study integrates theoretical concepts such as the Absolute Income Hypothesis and Life Cycle Hypothesis with primary data analysis. By doing so, it bridges the gap between theoretical assumptions and real-life financial decision-making patterns. The findings highlight that income influences saving capacity but does not solely determine budgeting discipline.

Additionally, the research contributes to understanding financial behavior in a developing economy context. Income inequality and economic uncertainty present unique challenges that affect saving behavior differently compared to developed economies. By focusing on individual respondents across different income categories, the study provides localized insights relevant to policymakers and financial institutions.

The research also emphasizes the role of financial literacy and behavioral factors in shaping financial outcomes. This contributes to the growing literature in behavioral finance, which recognizes that financial decisions are influenced by psychological and social factors along with income.

5.5 Recommendations for Future Research

Based on the findings and analysis, several recommendations are proposed. Policymakers should implement targeted financial literacy initiatives aimed at low- and middle-income groups. Educational institutions can introduce personal finance subjects to improve early financial awareness.

Financial institutions should design simple and affordable savings schemes for low-income individuals. Micro-savings products, low-minimum investment plans, and flexible deposit schemes can encourage savings among financially constrained groups.

Employers can organize financial planning workshops to help employees manage income effectively. Encouraging employees to participate in retirement and investment schemes can strengthen long-term financial stability.

It is also recommended that individuals adopt a goal-based saving approach. Setting clear financial targets

such as emergency funds, home purchase, or retirement planning can motivate consistent savings behavior.

Future research can expand the study by increasing sample size, including rural and urban comparisons, and analyzing additional variables such as debt management and investment diversification.

Conclusion

In conclusion, the study confirms that income level significantly influences budgeting and saving decisions among individuals. Higher income increases the capacity to save; however, disciplined budgeting and financial awareness are equally important. The findings show that while high-income individuals tend to save more, financial discipline varies across all income groups.

The research demonstrates that income, financial literacy, lifestyle choices, and economic conditions collectively shape financial behavior. Merely increasing income does not guarantee financial stability unless accompanied by structured financial planning.

The study highlights the importance of promoting budgeting discipline and saving culture across all income categories. By improving financial awareness and adopting systematic financial practices, individuals can enhance their financial security and long-term economic well-being.

Overall, the research provides valuable insights into income-based financial behavior and contributes to better understanding of personal finance management.

VI. Supplementary Pages

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