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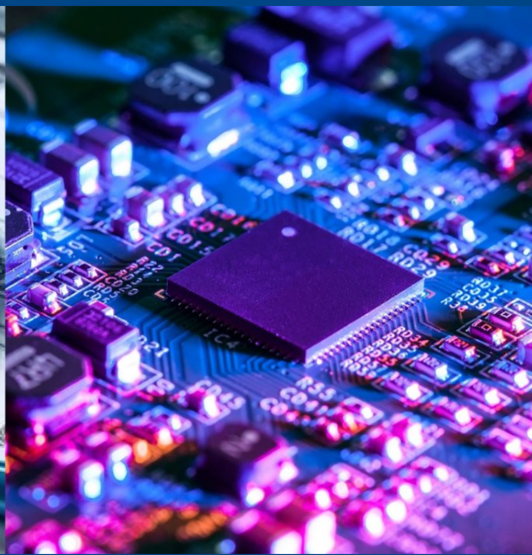

International Journal of Multidisciplinary Research in Science, Engineering and Technology

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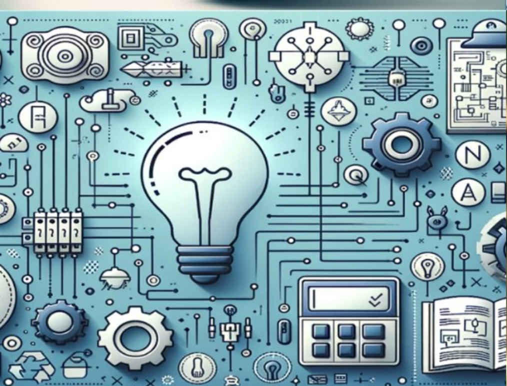

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An Empirical Study on the Impact of Inflation on Savings and Investment Decisions of GEN Z

Likhitha G

MBA Student, CMS Business School, JAIN (Deemed-to-be University), Bengaluru, Karnataka, India

ABSTRACT: This study examines how inflation affects the savings and investment behaviour of Indians aged 24–30. Data from 150 respondents was analysed using percentage analysis, cross-tabulation, and Chi-square tests. The results show that over 60% experienced a decline in savings, and 78% changed their investment strategies due to rising prices. Many shifted from traditional options like fixed deposits to market-linked investments such as mutual funds and equities. Income level also influenced financial resilience, with higher-income individuals better managing inflation. The study emphasizes the need for financial literacy and flexible investment strategies to cope with inflation.

KEYWORDS: Inflation, Savings Behaviour, Investment Decisions, Financial Literacy.

I. INTRODUCTION

Inflation is one of the most important macroeconomic factors influencing individual financial behaviour, as it directly affects purchasing power and the overall cost of living. In a developing economy like India, where price fluctuations are common, inflation plays a key role in shaping savings and investment decisions. Indians aged 24 to 30 represent an important demographic group, as many are entering stable employment, experiencing rising incomes, and taking on greater financial responsibilities. This stage is crucial for financial planning, since decisions regarding saving and investing during these years can significantly influence long-term financial security and wealth creation.In recent years, India has witnessed fluctuating inflation, particularly in essential areas such as housing, food, fuel, and transportation. Rising costs in these sectors have reduced disposable income and affected the ability of young individuals to save and invest. As living expenses increase, individuals often reassess their financial priorities, leading to changes in spending patterns, savings behaviour, and investment choices. Traditional savings options such as fixed deposits and recurring deposits may not always generate returns that keep pace with inflation, encouraging a gradual shift toward market-linked instruments like mutual funds and equities.

Indians aged 24 to 30 are also increasingly exposed to digital financial platforms and investment information, making them more open to exploring diverse investment opportunities. However, their financial decisions are influenced by factors such as income level, risk tolerance, financial literacy, and awareness of economic conditions. Understanding how inflation impacts this age group is important for policymakers, financial institutions, and educators to develop strategies that support informed financial decision-making and long-term stability.This study examines the impact of inflation on the savings and investment behaviour of Indians aged 24 to 30 years. It analyses how rising living costs influence their saving capacity, the extent to which investment patterns have changed, and how income levels affect financial resilience. Using primary data collected through a structured questionnaire and analysed through percentage analysis, cross-tabulation, and Chi-square testing, the study provides insights into the evolving financial behaviour of young individuals in an inflationary environment.

Overall, the research offers a better understanding of how Indians aged 24 to 30 respond to inflationary pressures and highlights the growing importance of financial literacy and adaptive investment strategies to manage long-term financial goals effectively.

II. OBJECTIVES OF THE STUDY

1. To examine the impact of inflation on the savings behaviour of Indians aged 24 to 30 years.
2. To analyse how rising inflation influences the investment decisions and preferences of young individuals.
3. To study the relationship between income level and the ability to save and invest under inflationary conditions.

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III. REVIEW OF LITERATURE

1. **Dash & Kumar (2018)** found that inflation has a significant negative impact on savings in India, indicating that higher inflation directly reduces individuals' ability to save.
2. **Narayanaswamy et al. (2022)** observed that millennials in India are shifting toward diversified investment options, with income and spending patterns strongly influencing their savings and investment behaviour.
3. **Riya Singh (2025)** examined the impact of inflation and interest rate changes on investment portfolios. The study found that inflation reduces real returns on equities and bonds, while assets like commodities and real estate perform better during inflationary periods. It also highlighted that diversified and dynamically managed portfolios help investors manage risk and maintain stable returns under changing economic conditions.
4. **Noorbasha John Saida and Dr. K.V.V. Raju (2025)** examined the impact of inflation on savings and investment behaviour in India. The study found that rising prices reduce savings and lead individuals to change investment choices, with higher-income groups shifting to inflation-resistant assets.
5.

IV. REASEARCH METHODOLOGY

This study adopts a descriptive and analytical research design to examine the impact of inflation on the savings and investment behaviour of Indians aged 24–30 years. The research is based on primary data collected through a structured questionnaire containing multiple-choice and Likert scale questions to understand respondents' financial behaviour and their perception of inflation. A sample of 150 respondents from urban and semi-urban areas was selected using the convenience sampling method, allowing for efficient data collection within the available time. The study considers variables such as income level, savings patterns, investment preferences, and perception of inflation. Inflation is treated as the independent variable, while savings and investment behaviour are considered dependent variables. For analysis, statistical tools including percentage analysis were used to identify overall trends, cross-tabulation to explore relationships between variables, and the Chi-square test to determine the significance of associations between categorical variables. Although the study provides useful insights, it has certain limitations such as a relatively small sample size, restricted geographic coverage, and reliance on self-reported responses, which may limit the generalization of the findings.

V. DATA ANALYSIS

This section presents the analysis of data collected from 150 respondents to examine the impact of inflation on savings and investment behaviour. The analysis was carried out using percentage analysis and Chi-square tests to understand respondent behaviour and test the proposed hypotheses.

The income distribution shows that the majority of respondents belong to the middle-income group, with 36.7% earning between ₹25,001–₹50,000, followed by 26.7% in the ₹50,001–₹75,000 range. Most respondents reported moderate to high awareness of inflation, and a large proportion agreed that inflation has increased in recent times. More than half of the respondents indicated a decline in savings due to rising living costs. Inflation also influenced investment decisions, with mutual funds and stocks emerging as the most preferred investment options. The rising cost of living was identified as the primary financial concern, and most respondents managed inflation by cutting down expenses.

Hypothesis 1: Monthly Income vs Percentage of Income Saved
Null hypothesis: There is no significant association between monthly income level and the percentage of income saved.
Alternate Hypothesis: There is a significant association between monthly income level and the percentage of income saved.
The calculated Chi-square value ($\chi^2 = 6.48$) is less than the critical value (21.026), and the p-value (0.890) is greater than 0.05. Therefore, the null hypothesis is accepted. This indicates that there is no significant association between monthly income and the percentage of income saved. Respondents across different income levels display similar saving behaviour, possibly due to inflation affecting all income groups.

Hypothesis 2: Inflation Awareness vs Investment Influence
Null hypothesis: Awareness of inflation has no significant effect on how inflation influences investment decisions.

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Alternate Hypothesis: Awareness of inflation significantly affects how inflation influences investment decisions.
The calculated Chi-square value (χ^2 = 13.35) is less than the critical value (21.026), and the p-value (0.344) is greater than 0.05. Hence, the null hypothesis is accepted. This suggests that awareness of inflation does not significantly influence how inflation affects investment decisions. Investment choices appear to be influenced by factors beyond awareness alone.

Hypothesis 3: Perception of Inflation Increase vs Change in Savings
Null hypothesis: The perception that inflation has increased recently does not significantly influence changes in personal savings rate.
Alternate Hypothesis: The perception that inflation has increased recently significantly influences changes in personal savings rate.
The calculated Chi-square value (χ^2 = 7.56) is less than the critical value (16.919), and the p-value (0.579) is greater than 0.05. Therefore, the null hypothesis is accepted. This indicates that the perception of rising inflation does not significantly influence changes in personal savings. Respondents tend to maintain similar saving patterns despite perceiving an increase in inflation.
Overall, the analysis shows that inflation affects savings behaviour by reducing saving capacity and influencing financial decisions. However, the Chi-square results indicate that the tested variables do not exhibit statistically significant relationships. This suggests that inflation impacts respondents in a broadly similar manner, regardless of income level, awareness, or perception. The findings highlight that the rising cost of living is the major concern, and most individuals respond by reducing expenses while attempting to maintain their savings.

VI. DISCUSSION

The findings of the study indicate that inflation has a noticeable impact on the savings and investment behaviour of Indians aged 24–30 years. A majority of respondents reported a decline in their savings due to the rising cost of living and reduced purchasing power. Even among those who maintained a consistent savings rate, the real value of their savings decreased, highlighting the negative effect of inflation on financial stability.The study also shows a shift in investment behaviour. Many respondents modified their investment strategies in response to inflationary pressures, reflecting growing financial adaptability. Traditional savings options such as fixed deposits are becoming less attractive due to lower returns, while market-linked instruments like mutual funds and equities are gaining preference. This trend indicates increasing awareness about the need for investments that can generate inflation-beating returns.

Income level was found to influence financial resilience. Higher-income respondents were better able to manage expenses while continuing to save and invest, whereas lower-income individuals faced greater difficulty in maintaining savings, making them more vulnerable to inflation. The findings align with existing literature, which suggests that inflation reduces saving capacity and encourages changes in investment patterns. The results also highlight the importance of financial literacy and awareness in helping individuals make informed financial decisions during periods of economic uncertainty. Overall, the study emphasizes that inflation not only affects purchasing power but also influences financial behaviour. It highlights the need for better financial planning, increased awareness of investment options, and adaptive strategies to manage the impact of inflation effectively.

VII. CONCLUSION

The study concludes that inflation has a significant and multidimensional impact on the savings and investment behaviour of Indian millennials aged 24–30 years. Rising inflation has reduced the purchasing power of individuals, leading to a noticeable decline in savings for a majority of respondents. Even when nominal savings remain constant, their real value is adversely affected, weakening overall financial security.

The findings further indicate a clear behavioural shift in investment patterns, with millennials increasingly moving away from traditional saving instruments toward market-linked options such as mutual funds and equities. This reflects a growing awareness of the need to earn inflation-adjusted returns. Additionally, income level plays a crucial role in determining financial resilience, as higher-income individuals are better equipped to absorb inflationary pressures compared to those with lower incomes.

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Overall, the study highlights that inflation acts as a key driver of financial decision-making and underscores the importance of adaptive strategies and informed choices. Enhancing financial literacy and promoting effective financial planning are essential to help millennials navigate the challenges posed by inflation.

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