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A Study on Financial Savings Management by Households in India

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Abstract: Household savings in India play a pivotal role in funding domestic capital formation, contributing approximately 59% of gross domestic savings. This study examines the evolving patterns of financial savings management among Indian households, focusing on trends from 2019-2025, influenced by the Covid-19 pandemic, inflation, and changing interest-rates dynamics. Using data from the Reserve Bank of India's Handbook of Statistics on the Indian Economy, National Accounts Statistics, and other govt or semi govt official database. The research employs descriptive statistics and trend analysis to document changes in aggregate savings rates, portfolio allocation (bank deposits, insurance, pension, mutual funds, equities), and saving instruments. The share of traditional bank deposits in financial savings has shown downward trend as households shifting to higher yielding instruments like physical savings, equities, mutual funds, and insurance products. Key findings reveal a complex transition: while there has been a growth in participation in formal, market-linked instruments- particularly mutual funds and systematic investment plans, household savings as proportion of GDP have faced a downward pressure in recent years, accompanied by an increase in household liabilities. This discrepancy indicates that improved access to financial markets has not consistently resulted in increased overall precautionary or long-term savings. Overall, this paper contributes to understand how structural, institutional, and behavioral elements together affect household savings management in the fast-evolving financial environment in India. The paper concludes with policy recommendations to strengthen household financial management and increase formal savings and investment.

Keywords: Household savings, financial savings patterns, physical and financial assets, market linked instruments, RBI data, Post-Covid Trends.

I. INTRODUCTION

Savings represents the part of income that is not spent and is allocated for future use. People may do saving of money for various life goals like retirement, to fund child educational expenses, to buy house, to buy car, as emergency fund or any other anticipated event.

Household savings indicates the money that remain unspent by households which is the subtraction of consumption expenditures from their disposable income. Disposable income consists of income derived from employment, interest, dividends, and social benefits, after accounting for taxes, interest, and social contributions.

Net financial savings (assets) is deduction of borrowings from Gross financial savings. A decrease in net financial savings can occur due to many reasons like, increased consumption expenditure that are funded through borrowing or from diminished savings, increased investment in physical assets that financed by loans, and increased interest payments on existing loans that lead to less savings.

If saving remains as cash, it becomes idle and value depreciating asset. Generally, savings are kept in accounts/instruments that are considered very secure, but they often come with low rates of return. Therefore, management of savings is very important for households to appreciate its value and generate wealth through proper management.

- Types of household savings in India

1. Financial Savings

Savings kept in financial instruments, such as:

- Bank deposits (fixed, recurring, savings account)
- Life insurance & pension funds
- Mutual Funds (SIP), equities, bonds
- Small savings schemes (PPF, NSC, Sukanya Samriddhi)
- Provident funds
- Claims on government

2. Physical Savings

Savings invested in not-financial assets, such as:

- Gold & Jewelry (very important in India)
- Real estate/land/housing
- Durable goods (limited part)

Household savings serve as a crucial element in driving domestic capital formation and ensuring financial stability. In India, structural changes- such as the rise in consumption demand, the advancement of financial markets, expanding retail financial products (SIPs, mutual funds, digital instruments), and changes in interest-rate cycles-have influenced how households save and manage their finances. Recent data indicates a significant decline in household savings as a proportion of GDP, along with increasing household liabilities, making it essential to reconsider household saving behaviors and financial management strategies.

II. LITERATURE REVIEW

Study by (Bhol, I, & Sahoo, 2025) on household saving and investment behavior in India's East Zone, illustrates the essential impact of socioeconomic, cultural, and institutional factors, particularly in regions like India's east zone. Study indicated that income and education are significant determinants of households' ability to save and access to formal financial services and influence financial decision-making. Study also highlighted that cultural norms, individual preferences, and income volatility frequently limit engagement in investment activities, particularly in economically underdeveloped regions. Researchers have emphasized the necessity of financial inclusion, pointing out that better access to banking services and focused financial literacy programs can improve household financial independence. Overall, study emphasize the need for region-specific and policy-driven interventions to address structural barriers and promote a more inclusive and resilient financial ecosystem.

Isha Bishnoi and Dr. Ashutosh Kumar (Bishnoi & Kumar, 2025) studied on trends in household savings in India. Study highlighted role of household sector saving in Indian economy with 78% contribution of household sector in gross domestic savings. According to the study, although the household sector is still the leading contributor to Gross Domestic Savings, a decreasing trend in household savings has been observed since it reached its peak around 2008-09. Study noted that this decline has occurred even with a steady rise in per capita income over the past two decades, indicating a shift towards increased consumption expenditure and negative effects of ongoing inflation. Researchers have remarked necessity of policy measures to enhance savings as household saving play a crucial role by providing financial security at the micro level and facilitate capital formation and economic growth at the macro level. Study noted that bank deposits have historically constituted the largest segment but their proportion has steadily decreased due to declining deposit interest rates and diminished real returns in an inflationary context. Researchers have point out that younger investors preferred market linked instruments like stocks and mutual funds over conventional investment instruments.

Kale Santosh Subhash et al. (Subhash, B.N.Devkate, Uddhav, & Kiran, 2025) in their study on household savings and liabilities following pandemic, highlights considerable shifts in saving, borrowing, and investment behaviors. Study focusing on the period from 2020-21 onward indicated that during the pandemic, households engaged in precautionary saving, showing preference for cash and bank deposits amidst increased uncertainty. Findings show that from 2022-23 onwards, household borrowings increased sharply due to easier access to credit for consumption and housing. Study highlighted shifting of investment from traditional savings to mutual funds post pandemic and noted that households actively managing debt and investments.

Shenbaga Arasi et al. (Arasi.S, K.Vembu, & B.Kayathiri, 2025) examined household saving and investment behavior in India. Study shows that Indian households continue to prefer physical assets over financial assets, primarily due to their perceptions of liquidity, safety, and tangible value. Study noted that households' participation in modern and complex instruments such as derivatives, commodity and currency markets, cryptocurrencies and art-based investments are still limited. Researchers have underscored the importance of government intervention revitalizing household savings and broader reforms like, improving ease of doing business, skill development, job creation, and infrastructure development. Researchers have highlighted necessity of fostering a savings-oriented culture through innovative financial products and incentives.

Soumy Ghosh and Hiranya K. Nath (Ghosh & Nath, 2023) explored the factors influencing private and household saving behaviors in India, utilizing data from 1960 to 2016. Researchers have found out that per capita real income and access to banking services were crucial factors that have positively impacted both private and household saving rates in both the short and long term. Scholars further suggested that the rise in inflation has shown to deter savings by creating uncertainty regarding real returns and necessitating that households maintain their consumption level. Demographic factors also play a role, as a higher dependency ratio tends to lower saving in the short term, although private saving may rise in long run. The literature further indicated that higher real interest rates temporarily elevate household saving but ultimately reduce private and household savings over time, while increased corporate saving tends to displace household saving. Additionally, private and household saving rates experienced a significant decline after the global financial crisis, although deviations from long-run equilibrium tend to adjust relatively quickly. Overall, researchers have emphasized the importance of income growth, inflation control, and banking access as crucial policy tools for enhancing savings in India.

III. OBJECTIVES OF THE STUDY

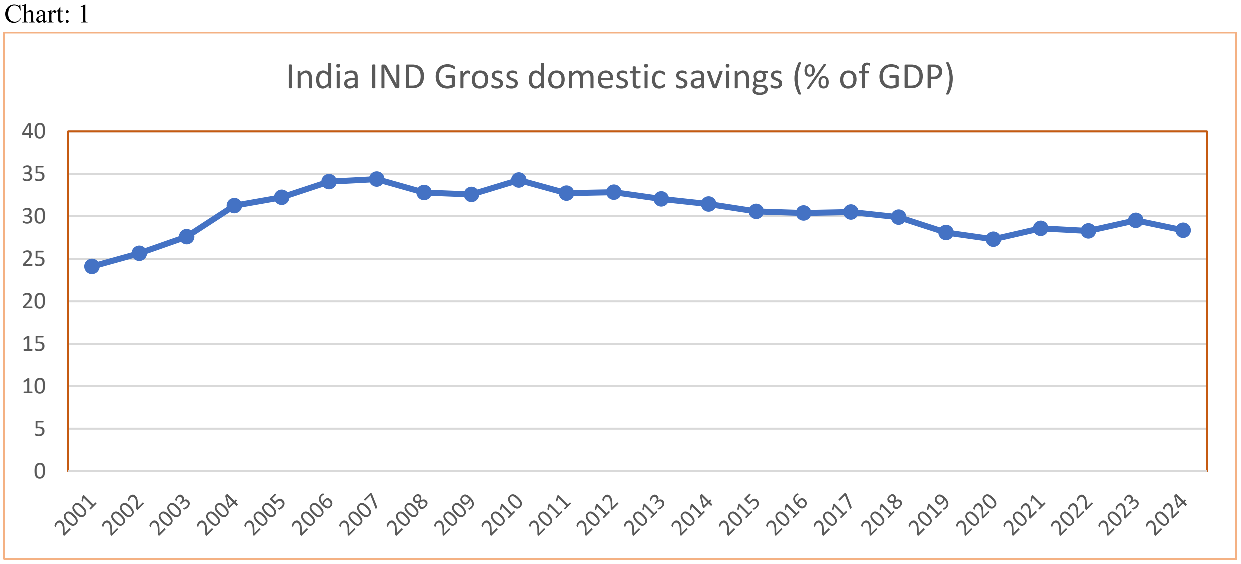
1. To analyze trends in the quantum and composition of households' savings in India from FY 2019-20 to FY 2024-25.
2. To evaluate changing savings behavior and capital formation.
3. To suggest policy measures for reviving and sustaining healthy household savings.

IV. DATA AND METHODOLOGY

This descriptive and analytical study relies on secondary data from RBI's Handbook of Statistics, National Statistical Office, World Development Indicators complied by World Bank, and peer reviewed literature. The study focuses on patterns of households' savings, households' preferences and saving behavior, analyzed using percentages, growth rates, and visualizations.

V. DATA ANALYSIS AND DISCUSSION

Chart: 1



Source: (World Bank Open Data, 2025)

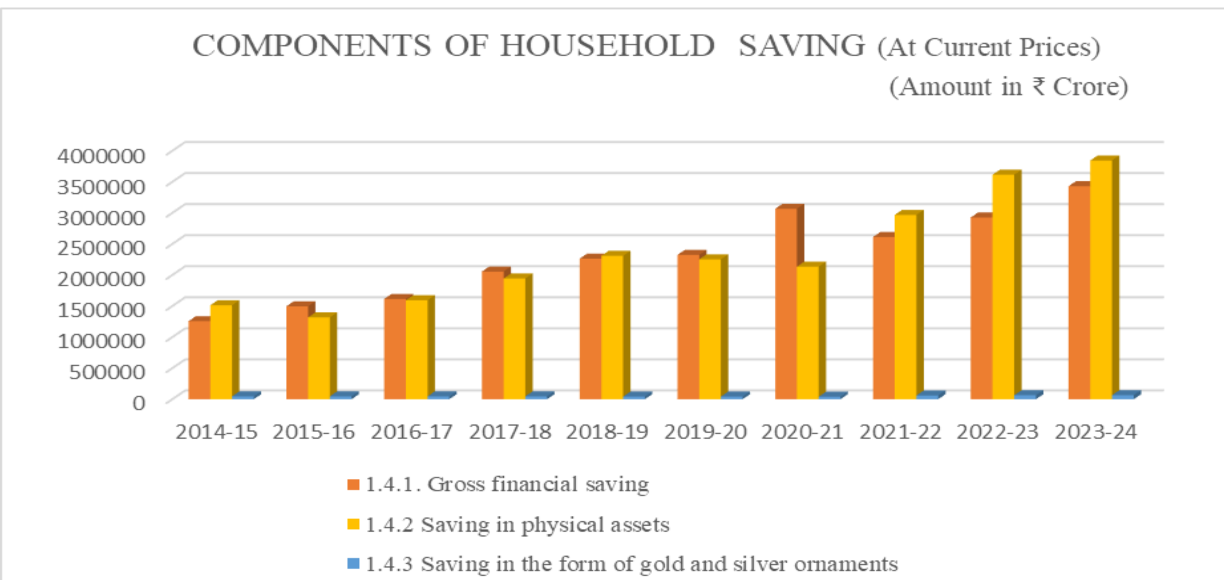
Gross Domestic Savings in India as percentage of GDP has shown upward trend till 2010 and in 2010 it has been highest ever 34.27% of GDP. Thereafter it has shown slightly downward trend as percentage of India's GDP, and was sharply fall during pandemic years.

Table: 1.1

SECTOR-WISE DOMESTIC SAVING IN INDIA (At Current Prices)								
(Amount in ₹ Crore)								
Item	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24
1	2	3	4	5	6	7	8	9
1 Gross Savings	4825113	5480741	6000390	5941135	5786929	7363103	8244048	9259186
1.1 Non-financial corporations	1811019	2005374	2061217	2131439	2088896	2733126	2976375	3328947
1.2 Financial corporations	348409	387028	353719	524694	513845	591002	769821	754913
1.3 General Government	-121449	-208257	-259127	-560171	-1321438	-703359	-512622	-285934
1.4 Household sector	2787134	3296596	3844582	3845173	4505626	4742333	5010475	5461259
1.4.1.1 Gross financial saving	1614677	2056405	2263690	2324563	3067021	2611974	2927604	3430640
1.4.1.2 Less financial liabilities	468648	750700	771245	774693	737350	899270	1596485	1878999
1.4.2 Saving in physical assets	1594573	1944226	2309463	2252167	2135450	2968302	3614851	3844515
1.4.3 Saving in the form of gold and silver ornaments	46532	46665	42673	43136	40505	61327	64504	65104
Proportion of household sector in gross savings	57.76%	60.15%	64.07%	64.72	77.86	64.41	60.78	58.98
Note: Gross financial saving & liabilities for household sector includes gross financial savings & liabilities for quasi corporate sector.								
Source: (Handbook of Statistics on Indian Economy, 2025)								

As we can see in table (1.1) that gross savings in India which include non-financial corporation savings, financial corporation savings, general government savings and household sector savings, are overall increasing over the time except 2019-20 and 2020-21 due to covid-19 impact on government savings which went more negative due to high expenditure and less income from government side. Although, household sector's savings was sharply increased during covid-19 pandemic years as expenditure opportunities were limited due to mobility restrictions. Following the pandemic, household saving's proportion into domestic savings has continuously decreased over the time as financial liabilities of households has continuously grown following the pandemic. It can be observed that gross financial savings of household has grown 1.12 times from 2020-21 to 2023-24, whereas financial liabilities has grown 2.55 times in the same period.

Chart: 2



Source: (Handbook of Statistics on Indian Economy, 2025)

In total gross house hold savings, gross financial saving is preferred by households before the covid -19 pandemic and 2020-21 witnessed highest saving investment in financial saving but post pandemic, physical assets gained confidence of households and proportion of savings in physical assets increased over financial savings.

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Table: 1.2

Flow of Financial Assets and Liabilities of Households - Instrument-wise						
						(Amount in ₹ Crore)
Item	2019-20	2020-21	2021-22	2022-23	2023-24	20224-25
Net Financial Assets (I-II)	1632558.5	2280608.2	17,13,322	1330635.4	1594580.4	1994202.4
Per cent of GDP	8.1	11.5	7.3	4.9	5.3	6.0
I. Financial Assets	2407250.2	3062325.6	26,12,664	2927253.7	3473718.2	3560845.4
Per cent of GDP	12.0	15.4	11.1	10.9	11.5	10.8
of which:						
1. Total Deposits (a+b)	884578.5	1240429.7	8,35,091	1108876.2	1378266.4	1254663.6
(a) Bank Deposits	827830.0	1200571.8	7,83,094	1026971.5	1422924.9	1186081.4
i. Commercial Banks	768855.0	1147292.5	7,68,094	992606.2	1409651.9	1184107.2
ii. Co-operative Banks	58975.0	53279.3	15,000	34365.3	13273.0	1974.2
(b) Non-Bank Deposits	56748.5	39857.9	51,997	81904.7	-44658.5	68582.2
2. Life Insurance Funds	374170.2	567601.8	4,86,889	548944.9	647061.4	534814.6
3. Provident and Pension Funds (including PPF)	500202.5	502698.2	5,51,993	617793.1	719360.2	792528.6
4. Currency	282662.1	381976.1	2,69,667	237609.7	118025.7	209674.1
5. Investments	97656.9	124576.7	2,27,785	213961.9	301253.8	536251.4
of which:						
(a) Mutual Funds	61685.7	64083.8	1,60,600	179087.8	238962.1	465930.0
(b) Equity	26737.8	38531.2	48,613	23038.1	29080.1	73566.5
6. Small Savings (excluding PPF)	263723.4	240821.1	2,41,238	200068.0	309750.7	232913.0
II. Financial Liabilities	774691.7	781717.4	8,99,343	1596618.3	1879137.8	1566642.9
Per cent of GDP	3.9	3.9	3.8	5.9	6.2	4.7
Loans/Borrowings						
1. Financial Corporations (a+b)	774557.6	782184.7	8,98,928	1595665.3	1878665.8	1565928.0
(a) Banking Sector	509822.8	640473.6	7,02,284	1252311.4	1877457.7	1233860.3
of which:						
i. Commercial Banks	482480.6	605037.9	7,69,529	1191144.8	1856136.4	1212192.4
(b) Other Financial Institutions	264734.8	141711.1	1,96,644	343353.9	1208.0	332067.7
i. Non-Banking Financial Companies	250652.0	86979.0	93,623	217539.1	327000.7	246900.8
ii. Housing Finance Companies	6322.6	51776.2	98,467	117017.0	-333423.7	75677.0
iii. Insurance Corporations	7760.2	2955.9	4,554	8797.8	7631.0	9489.9
2. Non-Financial Corporations (Private Corporate Business)	135.1	134.4	135	135.0	138.0	139.0
3. General Government	-1.0	-601.7	279	818.0	334.0	576.0
Notes:						
1. Net Financial Savings of households refer to the net financial assets, which are measured as difference of financial asset and liabilities flows.						
2. The preliminary estimates for 2024-25 will undergo revision with the release of first revised estimates of national income, consumption expenditure, savings, and capital formation, 2024-25 by the NSO.						
3. Non-bank deposits apart from other financial institutions, comprises state power utilities, co-operative non credit societies etc.						
4. Figures in the columns may not add up to the total due to rounding off.						

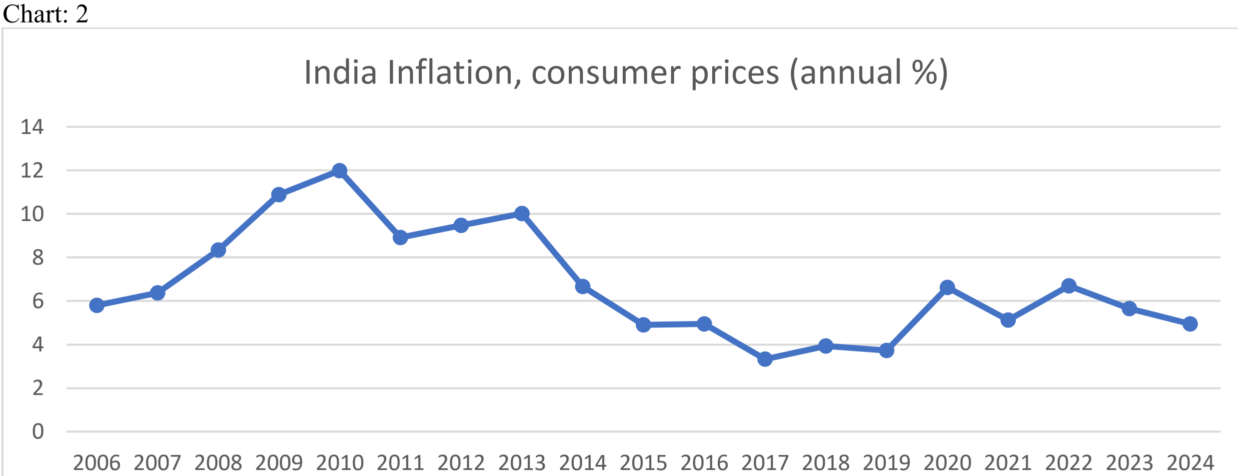
(Source: RBI Data on (Household Financial Savings, 2025))

As table (1.2) illustrates that flow financial assets (savings) was highest in 2020-2021 and subsequently decreased after pandemic years. Flow of deposits in banks by households has shown fluctuation year on year but has not shown notable improvements by the time as banks gave lowering interest rates while inflation rates were higher, which erodes real returns. To beat the inflation and earn more returns on their savings, households went to riskier market linked instruments (mutual funds, equity). Digital revolution and improved easy access to market linked instruments through mobile and bank accounts, have surged huge flow of savings in these instruments. Investments in mutual funds and equity has increased almost 5.5 times in 2024-25 compared to 2019-20 as younger and financially literate individuals preferring this instrument over the conventional saving instruments. However, these still represent a relatively smaller share compared to traditional vehicles. Deposits remain a dominant component of household financial savings due to perceived safety, liquidity, and ease of access, however its portion in total household saving has been slightly decreasing over the years. Flow of savings in Life insurance funds, PPF and currency has also shown increase with time. Small savings schemes also attracted households' savings as it provides higher returns than bank rates with government guarantee and advantage of tax benefits. Financial liabilities of households have also increased over year on year, however 2024-25 witnessed slightly decline. Surge in liabilities can be observed as households are borrowing money to buy real estate and vehicle due to easy access to loans.

Table: 1.3

STRUCTURE OF INTEREST RATES					
					(Per cent per annum)
Year (as at end March)	Five Major Banks				
	Deposit Rates*				Lending Rates*
	Savings#	Term Deposits			
		1-3 years	3-5 years	Above 5 years	
1	3	4	5	6	7
2006-07	3.50-3.50	6.75-8.50	7.75-9.50	7.75-8.50	12.25-14.75
2007-08	3.50-3.50	8.00-8.75	8.00-8.75	8.50-9.00	12.25-15.75
2008-09	3.50-3.50	8.00-8.75	8.00-8.50	7.75-8.50	11.50-16.75
2009-10	3.50-3.50	6.00-7.00	6.50-7.50	7.00-7.75	11.00-15.75
2010-11	3.50-3.50	8.25-9.00	8.25-8.75	8.50-8.75	8.25-9.50
2011-12	4.00-4.00	9.00-9.25	9.00-9.25	8.50-9.25	10.00-10.75
2012-13	4.00-4.00	8.75-9.00	8.75-9.00	8.50-9.00	9.70-10.25
2013-14	4.00-4.00	8.75-9.25	8.75-9.10	8.50-9.10	10.00-10.25
2014-15	4.00-4.00	8.50-8.75	8.50-8.75	8.25-8.50	10.00-10.25
2015-16	4.00-4.00	7.25-7.50	7.00-7.50	7.00-7.30	9.30-9.70
2016-17	4.00-4.00	6.75-7.00	6.50-6.90	6.50-6.75	7.75-8.20
2017-18	3.50-4.00	6.40-6.75	6.25-6.70	6.25-6.75	7.80-7.95
2018-19	3.50-4.00	6.25-7.25	6.25-7.25	6.25-7.25	8.05-8.55
2019-20	3.00-3.50	5.00-6.20	5.70-6.40	5.70-6.40	7.45-7.90
2020-21	2.70-3.00	4.90-5.30	5.25-5.35	5.25-5.50	6.55-7.05
2021-22	2.70-3.00	5.00-5.20	5.05-5.45	5.05-5.60	6.45-7.00
2022-23	2.70-3.00	5.30-5.60	5.35-6.10	5.35-5.90	6.80-7.65
2023-24	2.70-3.00	6.50-7.25	6.50-7.00	6.00-6.90	8.00-8.60
2024-25 @	2.70-3.00	6.70-7.30	6.50-7.00	6.00-7.00	8.15-8.60
Notes: *: Data on deposit and lending rates relate to five major Public Sector Banks up to 2003-04. While for the subsequent years, they relate to five major banks.					
#: Savings deposit rate from 2011-12 onwards relates to balance up to 1 lakh. Savings deposit rate was deregulated with effect from October 25, 2011.					
1. Data on lending rates in column (7) relate to Benchmark Prime Lending Rate (BPLR) for the period 2004-05 to 2009-10; Base Rate for 2010-11 to 2015-16 and Marginal Cost of Funds Based Lending Rate (MCLR) (overnight) for 2016-17 onwards. BPLR system was replaced by the Base Rate System from July 1, 2010, which, in turn, was replaced by the MCLR System effective April 1, 2016.					
Sources: (Handbook of Statistics on Indian Economy, 2025)					

Chart: 2



Source: World Bank Group Data on (Inflation, Consumer Prices - India, 2025)

As above table (1.3) illustrates that bank deposits rates shows decline trend and upward trend in inflation as shown in above chart, hampered real returns of households in banking deposits, which may restrict flow of saving in bank deposits and push households to find more attractive return-oriented instruments to invest their savings. As chart shows, until 2019, inflation shows downward trend, but after pandemic as restrictions of mobility removed and economy opened, inflation rate sharply jumped, which eroded real returns and curbed household's savings. Lowering down of lending rates may also influenced the growth of household's liabilities.

Policy Implications and Recommendations:

To enhance household saving management and patterns in India, the following strategies and policy interventions are recommended:

1. Strengthening Financial Literacy:

National and local institutions should expand financial education campaigns that focus on:

- Savings planning and budgeting
- Understanding financial instruments and risks
- Retirement and long-term investment planning

Collaborative efforts among schools, workplace, and financial entities can enhance outreach.

2. Promoting Diversified Financial Products:

Regulators and financial institutions should design savings products that integrate safety, liquidity, and attractive returns. Transparent communication about risks and benefits is necessary to build trust.

3. Digital Financial Services Expansion:

Enhancing digital platforms can provide better accessibility to saving products, particularly for young and tech-oriented households. User-friendly designs and secure communication channels can encourage greater participation of households.

4. Retirement Planning Incentives:

Encouraging long-term retirement savings, through tax incentives, matching contributions, and pension literacy programs will assist households to gather sufficient retirement resources.

5. Tax & Real Return Rate Incentives:

Government should increase tax deductions and exemption for long-term savings. By curbing the inflation rate, households' savings can be improved and high bank saving interest rate can divert money in banks.

VI. CONCLUSION

Household financial savings management is vital for individual well-being and the stability of macroeconomy. In India, households demonstrate a variety of saving patterns that are influenced by income levels, perception of risk, financial literacy, and access to financial services. While conventional savings methods still dominate, there is a gradual movement towards more diversified, market-linked investment options.

Challenges including insufficient financial literacy, behavioral biases, and inflationary challenges highlight the necessity of specific policies and educational initiatives. Improving financial education, increasing access to diverse financial instruments, and utilizing digital technologies can enable households to manage their savings more effectively and fulfil their financial goals.

In summary, promoting a household base that is financially literate and empowered is essential not just for personal financial security but also for ensuring India's sustained economic growth and resilience against changing global financial dynamics.

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