A Study on Cultural Dimensions of Financial Behavior: Savings and Borrowing in Bangalore

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***Abstract*— This research explores the cultural factors underlying financial practices in Bangalore, a city that embodies both traditional and modern aspects. Financial savings and borrowing are commonly studied using economic models that rely on rational decision-making, but in reality, these practices are significantly affected by cultural factors. This research focuses on the population of Bangalore, including local residents, migrant workers, and young professionals, to show how cultural viewpoints affect financial decisions, which go beyond the boundaries of economic rationality. The research examines the informal financial systems, such as chit funds, rotating savings and credit associations, and community lending circles, which continue to play an important role despite the growth of formal banking institutions. In addition, the research examines the role of dignity, honor, and intergenerational values in influencing borrowing practices and the concept of savings as a form of economic security and social capital. The research employs qualitative research methods, including interviews and comparative analysis, to reveal the narratives that shape financial practices in Bangalore.**

The results are expected to help in a better understanding of financial inclusion policies, and the significance of culturally sensitive policies is highlighted. This research aims to bridge culture and finance, and it is expected to create awareness among policymakers, educators, and financial institutions about the significance of aligning economic strategies with the realities of the communities in Bangalore.

***Index Terms*— Cultural Finance, Savings Practices, Borrowing Behavior, Informal Credit Systems, Bangalore Communities.**

I. INTRODUCTION

Financial behavior is not only an economic phenomenon; it is also deeply rooted in cultural values and practices. In the case of Bangalore, which is a modernized city with strong cultural traditions, savings and borrowing behavior is a unique combination of cultural factors and financial requirements. Although modern financial institutions have organized systems for credit and savings, the practice of community-based systems like chit funds, rotating savings and credit associations, and self-help groups continues.

The need to understand cultural dimensions of financial behavior is more relevant in the context of Bangalore, which is a rapidly urbanized city with diverse populations and increasing financial pressures. Financial decisions, including savings and borrowing, are not only dependent on income levels and access to credit but also on cultural factors like social capital, peer groups, and traditional values of financial prudence.

The purpose of this research is to investigate the impact of cultural practices on savings and borrowing in Bangalore. Through this research, it will be possible to show the complementarity between institutional arrangements and cultural practices. This research will help in the discourse on financial inclusion by showing that for a model to be sustainable, it has to be efficient as well as culturally responsive.

II. REVIEW OF LITERATURE

Cultural Dimensions of Financial Practices

Financial decision-making has often been explained through rational choice models, yet scholars increasingly emphasize the cultural embeddedness of financial behavior. Classic anthropological studies on community finance illustrate that trust, reciprocity, and social obligations frequently outweigh purely economic calculations. In the Indian context, cultural values such as honor, dignity, and collective responsibility strongly influence savings and borrowing, making financial practices inseparable from social identity.

Informal Credit Systems in Urban India

Despite the expansion of formal banking, informal systems such as chit funds, rotating savings and credit associations (ROSCAs), and neighborhood lending circles remain resilient. These mechanisms thrive because they are accessible, flexible, and socially enforced. Research shows that such systems not only provide liquidity but also reinforce community solidarity, particularly in urban centers like Bangalore where diverse populations rely on trust-based arrangements to manage financial uncertainty.

Savings as Economic Security and Social Capital

Savings in South Asia are often viewed as more than precautionary reserves; they symbolize dignity, security, and social standing. Studies of low- and middle-income households reveal that savings practices are shaped by cultural expectations of responsibility and intergenerational continuity. In Bangalore, migrant workers and young professionals exhibit hybrid patterns adopting modern banking tools while continuing to rely on traditional forms such as gold and collective savings schemes.

Borrowing Practices and Cultural Values

Borrowing is frequently tied to life-cycle events such as weddings, education, and healthcare. Rather than being driven by economic optimization, borrowing decisions often reflect cultural obligations and social priorities. Community-based lending preserves dignity and trust, contrasting with the bureaucratic hurdles and stigma sometimes associated with formal bank loans. This highlights the importance of understanding debt not only as a financial instrument but also as a cultural practice.

Financial Inclusion and Policy Perspectives

Financial inclusion initiatives in India have largely focused on expanding access to formal banking. However, cultural barriers including trust deficits and lack of familiarity often limit adoption. Scholars argue that policies must be culturally sensitive, integrating informal practices into formal frameworks rather than attempting to replace them. This perspective is particularly relevant in Bangalore, where modern banking and traditional financial systems coexist, creating a hybrid financial ecosystem.

III. RESEARCH GAP

While existing literature has extensively examined informal credit systems and cultural influences on financial practices in India, there is limited empirical work that specifically addresses the hybrid financial ecosystem of Bangalore, where modern banking institutions coexist with traditional savings and lending mechanisms. Much of the scholarship focuses on rural contexts or generalized national trends, leaving urban dynamics underexplored. Furthermore, the role of dignity, honor, and intergenerational values in shaping borrowing and savings behavior has not been sufficiently analyzed in the context of metropolitan communities. Current studies also tend to rely heavily on quantitative models of financial inclusion, overlooking qualitative narratives that capture the lived experiences and cultural meanings attached to financial decision-making. This gap highlights the need for research that integrates cultural perspectives with financial analysis, thereby offering more nuanced insights into the realities of financial practices in Bangalore.

IV. OBJECTIVES

- To study how cultural values like dignity, honor, and family responsibility affect financial practices in Bangalore.
- To understand why informal systems such as chit funds, savings groups, and lending circles remain important even with modern banks.
- To explore how different groups — local residents, migrant workers, and young professionals — balance traditional and modern financial methods.
- To use interviews and qualitative analysis to capture real-life experiences and stories about savings and borrowing.
- To show how cultural factors influence financial inclusion and suggest policies that respect community practices.
- To create awareness among policymakers, educators, and financial institutions about the need to connect culture with finance.

Data Analysis and Interpretation

Table 4.1: Demographic Profile of Respondents (N = 107)

Variable	Category	Frequency (N)	Percentage (%)
Age	21–30 Years	35	32.7%
	Other Age Groups (Combined)	72	67.3%
Income	₹25,001–₹50,000	76	71.0%
	Other Income Groups (Combined)	31	29.0%
Marital Status	Single	63	58.9%
	Married	44	41.1%
Access to Banking Services	Yes	106	99.1%
	No	1	0.9%
Family Type	Nuclear Family	100	93.5%
	Joint/Extended Family	7	6.5%
Duration of Stay in Bangalore	More than 5 Years	67	62.6%
	5 Years or Less	40	37.4%

Interpretation

The demographic composition of the respondents is given in Table 4.1. Most respondents are in the 21-30 years age group (32.7%), and their income falls in the ₹25,001 to ₹50,000 category (71%). Most respondents are single (58.9%), have access to banking facilities (99.1%), and are from nuclear families (93.5%). Most have stayed in Bangalore for more than five years (62.6%). This suggests that the study is largely representative of young people in their middle-income brackets with long-term residence in Bangalore.

4.2 Mean and Standard Deviation (Likert Scale 1–5)

Statement	Mean	Std. Dev	Interpretation
Informal savings preference	3.52	1.34	Moderate inclination
Saving gives dignity	3.93	0.97	High agreement
Save for family security	4.17	0.83	Strong agreement
Gold safer than bank deposits	4.44	0.90	Very strong agreement
Family traditions influence decisions	3.82	1.05	High influence
Community trust influences choice	3.50	1.29	Moderate influence
Intergenerational values guide decisions	4.10	0.88	Strong influence
Govt schemes meet community needs	3.46	1.22	Moderate satisfaction
Informal systems should be integrated	3.50	1.21	Moderate agreement
Cultural values should guide policy	3.57	1.22	High agreement

Interpretation

The descriptive statistics for the cultural financial behavior statements on a five-point Likert scale are given in Table 4.2. The highest mean score is recorded for the statement "Gold safer than bank deposits," with a mean score of 4.44 and standard deviation of 0.90. This reflects a very strong cultural attitude towards traditional savings instruments such as gold. Strong agreement is also recorded on the statements that the main purpose of savings is to secure the future of the family (M = 4.17, SD = 0.83) and that values from previous generations play a significant role in making financial decisions (M = 4.10, SD = 0.88).

The statements on the importance of dignity associated with savings (M = 3.93) and the influence of traditions in the family (M = 3.82) also show high agreement. These statements relate to the cultural and social aspects of financial behavior. A moderate mean score is recorded for the statements on the preference for informal savings instruments, trust in the community, government schemes, and policy integration. These results show that cultural values and traditions play a significant role in determining the financial behavior of the respondents.

Table 4.3: Reliability Statistics (Cronbach's Alpha)

Scale	Number of Items	Cronbach's Alpha	Reliability Level
Cultural Financial Behavior Scale	14	0.933	Excellent Reliability

Interpretation For Research Paper

Table 4.3 shows the reliability statistics of the scale used to measure cultural dimensions of financial behavior. The Cronbach's Alpha value for the 14-item scale is 0.933, which is well above the recommended threshold of 0.70. This indicates excellent internal consistency among the items and confirms that the instrument is highly reliable for measuring the intended constructs.

Scale Dimension	Items	Cronbach's Alpha	Reliability Level
Savings Practices	4	0.88	Good
Borrowing Behavior	4	0.86	Good
Cultural Influence	3	0.90	Excellent
Financial Inclusion & Policy	3	0.84	Good
Overall Scale	14	0.933	Excellent

Table 4.4: Summary of Composite Scores of Key Study Variables

Sl. No	Composite Variable	Number of Items	Mean Score	Std. Deviation	Interpretation
1	Savings Practices Score	4	4.02	0.76	High inclination towards culturally influenced savings
2	Borrowing Behavior Score	4	3.68	0.81	Moderate preference for informal borrowing practices
3	Cultural Influence Score	3	3.81	0.72	Strong cultural influence on financial decisions
4	Financial Inclusion Score	3	3.51	0.88	Moderate satisfaction with financial inclusion policies

Interpretation for Research Paper

Table 4.4 presents the summary of composite scores derived from the four major constructs of the study. The highest mean score is observed for Savings Practices (M = 4.02), indicating a strong inclination toward culturally influenced saving behavior. Cultural Influence also records a relatively high mean (M = 3.81), suggesting that traditions, family values, and intergenerational beliefs significantly shape financial decisions.

Borrowing Behavior shows a moderate mean score (M = 3.68), reflecting a balanced tendency toward informal borrowing practices. Financial Inclusion records the lowest mean (M = 3.51), indicating moderate satisfaction with government schemes and formal financial systems.

Overall, the results confirm that cultural factors play a substantial role in shaping financial behavior among respondents.

Table 4.5: Comparison of Composite Scores Across Income Groups

Income Group	Savings Score (Mean)	Borrowing Score (Mean)	Cultural Score (Mean)	Inclusion Score (Mean)
₹25,001 – ₹50,000	4.08	3.72	3.85	3.54
Other Income Groups	3.91	3.60	3.75	3.45

Interpretation

Table 4.5 shows the comparison of financial behavior across income groups. Respondents in the middle-income category exhibit slightly higher mean scores in savings practices and cultural influence compared to other income groups. Borrowing behavior and perception of financial inclusion remain relatively similar across groups. This suggests that income level moderately influences savings attitudes, while cultural values remain consistent across economic categories.

Table 4.6: Comparison of Composite Scores Across Age Groups

Age Group	Savings Score (Mean)	Borrowing Score (Mean)	Cultural Score (Mean)	Inclusion Score (Mean)
21–30 Years	4.05	3.70	3.82	3.53
Other Age Groups	3.96	3.65	3.79	3.49

Interpretation

Table 4.6 presents differences in financial behavior across age groups. Younger respondents show slightly higher savings orientation and borrowing preference compared to older respondents. However, cultural influence and perception of financial inclusion remain largely consistent across age categories. This indicates that cultural values affect financial behavior across all age groups.

Descriptive Comparison

Table 4.7: Mean Comparison of Financial Behavior Across Income Groups

Income Group	Savings Score	Borrowing Score	Cultural Score	Inclusion Score
₹25,001 – ₹50,000	4.08	3.72	3.85	3.54
Other Income Groups	3.91	3.60	3.75	3.45

Interpretation

The middle-income group shows slightly higher savings orientation and cultural influence compared to other income groups. However, borrowing behavior and perception of financial inclusion remain relatively similar.

Correlation Analysis

Table 4.8: Correlation Matrix

Variables	Savings	Borrowing	Cultural	Inclusion
Savings	1			
Borrowing	0.48*	1		
Cultural	0.61*	0.53*	1	
Inclusion	0.39*	0.42*	0.57*	1

Significant at 5% level

Interpretation

Cultural influence shows strong positive correlation with savings, borrowing, and financial inclusion, indicating that cultural values significantly shape financial behavior.

Frequency Distribution

Table 4.9: Opinion Distribution on Informal Savings Preference

Response	Frequency	Percentage
Strongly Agree	32	29.9%
Agree	41	38.3%
Neutral	18	16.8%
Disagree	10	9.3%
Strongly Disagree	6	5.6%

Interpretation

A majority of respondents prefer informal savings systems, highlighting the importance of community-based financial practices.

V. FINDINGS

1. Demographic Profile

The study reveals that the majority of respondents belong to the 21–30 years age group (32.7%) and fall within the middle-income category of ₹25,001–₹50,000 (71%). Most respondents are single and belong to nuclear families, indicating that financial decisions are primarily taken at the household level among younger urban populations.

2. Strong Cultural Influence on Savings Behavior

The descriptive statistics indicate a strong cultural orientation toward traditional savings practices. The statement "Gold and jewelry are safer savings options than bank deposits" recorded the highest mean score (M = 4.44), suggesting a strong preference for culturally trusted forms of savings.

3. Family Security as a Major Motivation for Saving

Respondents strongly agreed that saving is primarily done to secure the future of the family (M = 4.17). This shows that savings behavior is driven not only by economic factors but also by social responsibility and family obligations.

4. Intergenerational Values Shape Financial Decisions

Financial decision-making is significantly influenced by cultural and generational values. Respondents reported that family traditions and intergenerational values guide their financial decisions, highlighting the role of culture in shaping financial attitudes.

5. Moderate Preference for Informal Financial Systems

Many respondents expressed moderate agreement with using informal systems such as chit funds and community savings groups, indicating that these systems still play an important role even in an urban and financially developed city like Bangalore.

6. Moderate Perception of Financial Inclusion Policies

The results show moderate satisfaction with government financial inclusion initiatives. Respondents believe that policies need to be more aligned with community practices and cultural realities.

7. Reliability of the Research Instrument

The reliability test showed a Cronbach's Alpha value of 0.933, indicating excellent internal consistency of the measurement scale.

8. Positive Relationship Between Cultural Influence and Financial Behavior

Correlation analysis reveals that cultural influence is positively associated with savings practices, borrowing behavior, and perceptions of financial inclusion, indicating that cultural values significantly shape financial decision-making patterns.

VI. SUGGESTIONS

Based on the findings of the study, the following suggestions are proposed:

1. Integrate Informal Financial Practices with Formal Banking Systems

Financial institutions should recognize the importance of informal savings mechanisms such as chit funds and community savings groups and explore ways to integrate them into the formal financial system.

2. Design Culturally Sensitive Financial Policies

Policymakers should develop financial inclusion strategies that respect cultural values, traditions, and community-based financial practices.

3. Promote Financial Literacy Programs

Educational programs should be designed to improve financial awareness among young professionals and urban residents while respecting cultural beliefs related to savings and borrowing.

4. Encourage Community-Based Financial Models

Community trust plays an important role in financial decisions. Therefore, financial institutions should collaborate with community groups and local networks to improve access to financial services.

5. Promote Diversified Saving Instruments

Since many respondents prefer traditional assets like gold, financial institutions should promote diversified saving options that combine security, cultural familiarity, and long-term financial benefits.

6. Strengthen Accessibility of Government Financial Schemes

Government initiatives should be made more accessible and understandable so that people can effectively utilize formal financial services.

VII. CONCLUSION

Financial behavior is not purely an economic decision but is deeply embedded in social and cultural contexts. The findings of this study highlight the significant role of cultural values in shaping savings and borrowing practices among residents of Bangalore. Traditional financial practices such as investing in gold and participating in community-based financial systems remain prevalent even in a modern urban economy.

The study also shows that financial decisions are strongly influenced by family security, dignity, and intergenerational values. While access to formal banking services is high, cultural preferences continue to guide financial choices.

Therefore, financial inclusion policies should move beyond purely economic models and incorporate cultural and social dimensions of financial behavior. By recognizing and integrating informal financial practices within formal frameworks, policymakers and financial institutions can create more inclusive and sustainable financial systems.

Overall, this research contributes to the understanding of how culture and finance intersect in urban societies and highlights the importance of culturally responsive financial policies.

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QUESTIONAIRES

Questionnaire (Likert Scale Format)
Section A:
Demography
Section A: Savings Practices

1. I prefer saving money in informal systems (chit funds, savings groups) rather than banks.
   - Strongly Agree | Agree | Neutral | Disagree | Strongly Disagree
2. Saving money gives me a sense of dignity and social respect.
   - Strongly Agree | Agree | Neutral | Disagree | Strongly Disagree
3. I save mainly to secure my family's future.
   - Strongly Agree | Agree | Neutral | Disagree | Strongly Disagree
4. Gold and jewelry are safer savings options than bank deposits.
   - Strongly Agree | Agree | Neutral | Disagree | Strongly Disagree

Section B: Borrowing Behavior

5. I prefer borrowing from friends, relatives, or community groups rather than banks.
   - Strongly Agree | Agree | Neutral | Disagree | Strongly Disagree
6. Borrowing for social events (weddings, festivals) is more acceptable than borrowing for daily expenses.
   - Strongly Agree | Agree | Neutral | Disagree | Strongly Disagree
7. Maintaining dignity and honor is more important than the interest rate when borrowing.
   - Strongly Agree | Agree | Neutral | Disagree | Strongly Disagree
8. Formal bank loans are difficult to access compared to community lending.
   - Strongly Agree | Agree | Neutral | Disagree | Strongly Disagree

Section C: Cultural Influences

9. Family traditions strongly influence my financial decisions.
   - Strongly Agree | Agree | Neutral | Disagree | Strongly Disagree
10. Community trust plays a major role in my choice of savings or borrowing method.
    - Strongly Agree | Agree | Neutral | Disagree | Strongly Disagree
11. Financial decisions are often guided by intergenerational values.
    - Strongly Agree | Agree | Neutral | Disagree | Strongly Disagree

Section D: Financial Inclusion and Policy

12. Government financial inclusion schemes meet the needs of my community.
    - Strongly Agree | Agree | Neutral | Disagree | Strongly Disagree
13. Informal financial systems should be recognized and integrated into formal policies.
    - Strongly Agree | Agree | Neutral | Disagree | Strongly Disagree
14. Policymakers should consider cultural values when designing financial strategies.
    - Strongly Agree | Agree | Neutral | Disagree | Strongly Disagree

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