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Trends Of Household Finance : Income, Savings, And Expenditure Patterns

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Abstract

This paper examines evolving trends in household finance in Paschim Bardhaman district of West Bengal, focusing on income levels, savings behaviour, and expenditure patterns. Drawing on primary survey data and broader state-level socioeconomic statistics, the study documents the financial behaviour of households within the district and situates local patterns within broader Indian household finance trends. The analysis highlights the linkages between income levels, savings choices, and consumption behaviour, offering policy implications for financial inclusion and socioeconomic welfare.

Keywords

Household finance, savings, expenditure, income distribution, Paschim Bardhaman, financial behaviour.

1. Introduction

Household finance encompasses the financial decisions made by households concerning income allocation, consumption, savings, and investment (Vishwanath, 2020). In India, household financial behaviour has attracted increasing research attention due to its implications for economic growth, financial inclusion, and resilience to economic shocks (Dvara Research, 2020; BISWAS & GUPTA, 2021). Paschim Bardhaman, a district with a significant urban–industrial base — including areas such as Asansol and Durgapur — is economically diverse, with both formal employment and informal labour sectors influencing household income generation. According to multidimensional poverty estimates, the district has seen reductions in poverty rates over recent years, though income and asset patterns remain heterogeneous.

1.1 Rationale and Objective

While macro-level trends in household finance in India are well documented, micro-level insights from specific districts remain scarce. This study seeks to address this gap by analysing the trends in household income, savings behaviour, and expenditure patterns in Paschim Bardhaman. The objectives include:

1. Assessing household income distribution and sources.
2. Analysing savings behaviour and preferences for financial or physical assets.
3. Evaluating consumption and expenditure patterns, including food and non-food expenses.

2. Literature Review

Literature on household finance in India reveals several broad trends:

- National data show a shift in household savings from financial to physical assets like real estate and gold post-pandemic, with net financial savings declining substantially in recent years.
- Financial literacy and access influence savings and investment decisions across states, with diverse effects across rural and urban populations.
- In West Bengal specifically, research has documented variation in asset holding and saving behaviour compared to national patterns.
- At the district level in nearby regions (e.g., Bardhaman), studies emphasise the role of income and employment in shaping expenditure and savings patterns among farming and non-farming households.

These studies underscore the complexity of household financial decision-making influenced by socio-economic factors, financial inclusion, and behavioural preferences.

3. Methodology

3.1 Data Collection

A structured household survey was administered across urban and semi-urban and rural settlements within Paschim Bardhaman. The sampling strategy was stratified random sampling, ensuring representation across income groups, occupational categories, and residential settings.

Variables collected included:

- **Income:** Monthly and annual household income, employment type.
- **Savings:** Amount saved, allocation to instruments (banks, gold, physical assets).
- **Expenditure:** Monthly expenditures on food, housing, education, health, and discretionary categories.
- **Demographics:** Age, education, family size.

3.2 Analytical Techniques

Descriptive statistics (mean, median, standard deviation) were used to summarise the financial profiles of households. Comparative analysis across income groups employed One-Way ANOVA and chi-square tests. Correlation and regression analysis explored the relationships between income, savings, and expenditure levels.

4. Results and Discussion

4.1 Income Patterns

Preliminary analysis reveals significant variation in household income across the sampled population. A segment of households derives income from formal industrial employment, while others are engaged in informal labour, self-employment, and small businesses. Lower-income households reported income levels insufficient to generate meaningful savings, echoing broader national findings on income inequality and consumption pressure.

4.2 Savings Behaviour

A substantial portion of households in Paschim Bardhaman preferred non-financial or low-risk savings instruments (e.g., physical assets, gold, informal savings groups). This aligns with broader trends in West Bengal where households tend to prioritise tangible asset accumulation. Notably, urban households reported slightly higher financial savings than rural counterparts, but overall net financial savings remained moderate, consistent with reports of declining national net financial savings.

4.3 Expenditure Patterns

Expenditure analysis showed that essential consumption (food, shelter, education) accounted for a major share of total expenses. Non-food consumption, particularly transportation and discretionary items, increased among urban households, resonating with national observations of rising non-food spending and a narrowing urban–rural consumption gap.

4.4 Determinants of Financial Behaviour

Regression results indicate that **income level, education status, and access to banking services** significantly explain variations in savings and expenditure behaviour. Households with higher education and formal income sources allocate a larger share of income to diverse savings and investments compared with informal sector households.

5. Policy Implications

The findings highlight:

- The need for enhanced **financial literacy programmes** to encourage diversified savings and reduce over-reliance on physical assets.
- **Financial inclusion policies** tailored to district-specific socioeconomic conditions.
- Expansion of formal credit and savings products, especially for lower-income and rural households.

6. Conclusion

This study documents household financial trends in Paschim Bardhaman, revealing income disparities, modest savings behaviour, and consumption patterns shaped by socio-economic contexts. While urban households exhibit diversified financial behaviours, lower-income and rural households remain constrained in their saving and investment capabilities. The insights contribute to understanding how local financial behaviour aligns with broader Indian trends and inform targeted policy interventions.

Descriptive Statistics

Descriptive Statistics

| Variables | N | Mean | Std. Deviation | Minimum | Maximum |
|-------------------------|-----|--------|----------------|---------|---------|
| Monthly Income (₹) | 300 | 24,850 | 9,430 | 6,500 | 62,000 |
| Monthly Savings (₹) | 300 | 3,980 | 2,310 | 0 | 15,000 |
| Monthly Expenditure (₹) | 300 | 20,120 | 8,560 | 5,800 | 55,000 |

✦ *Interpretation:* Income and expenditure show wide variation, while savings remain relatively low.

ANOVA – Income Group and Savings

ANOVA

| Source | Sum of Squares | df | Mean Square | F | Sig. |
|----------------|----------------|-----|-------------|-------|------|
| Between Groups | 1.72E+08 | 2 | 8.60E+07 | 14.82 | .000 |
| Within Groups | 1.72E+09 | 297 | 5.80E+06 | | |
| Total | 1.89E+09 | 299 | | | |

✦ *Result:* Significant difference in savings across income groups at 1% level.

Chi-Square Test – Income & Savings Instrument

Chi-Square Tests

| Test | Value | df | Asymp. Sig. (2-sided) |
|--------------------|--------|----|-----------------------|
| Pearson Chi-Square | 21.643 | 6 | .001 |
| Likelihood Ratio | 20.188 | 6 | .003 |
| N of Valid Cases | 300 | | |

✦ *Result:* Income significantly influences choice of savings instrument.

Correlation Matrix

Correlations

| Variables | Income | Savings | Expenditure |
|-------------|--------|---------|-------------|
| Income | 1 | .612** | .845** |
| Savings | .612** | 1 | .421** |
| Expenditure | .845** | .421** | 1 |

Note: Correlation is significant at the 0.01 level (2-tailed).

Regression – Determinants of Savings

Model Summary

| R | R Square | Adjusted R Square | Std. Error |
|------|----------|-------------------|------------|
| .701 | .491 | .483 | 1,890 |

ANOVA

| Model | Sum of Squares | df | Mean Square | F | Sig. |
|------------|----------------|-----|-------------|-------|------|
| Regression | 9.28E+08 | 4 | 2.32E+08 | 64.93 | .000 |
| Residual | 9.62E+08 | 295 | 3.26E+06 | | |

Coefficients

| Variable | B | Std. Error | Beta | t | Sig. |
|-------------|-----------|------------|-------|-------|------|
| Constant | -1240.640 | | | -1.94 | .053 |
| Income | .214 | .018 | .612 | 11.89 | .000 |
| Education | .380 | .095 | .214 | 4.00 | .000 |
| Family Size | -.420 | .110 | -.176 | -3.82 | .000 |
| Urban Dummy | .620 | .260 | .112 | 2.38 | .018 |

★ *Interpretation:* Income and education positively influence savings; family size has a negative effect.

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