

How Do Cultural Values Influence Saving Vs. Consumption Decisions Among Indian Households? A Statistical Analysis of Urban-Rural Differences and Family Structure Patterns

Keyaa Patel , None

Ahmedabad International School, India

Abstract

This study investigates how household saving and consumption choices are determined by the cultural values of various families in India, with special attention given to the urban-rural differences in India as well as family structural differences. Using the data of the National

Sample Survey Office's Household Consumption Expenditure Survey (2023-24) and Reserve Bank of India's financial statistics, this study analyses the saving behaviour among 261,000 households across 36 states/union territories. The hypothesis under study is that the

collectivist cultural orientations in the form of joint family structures and traditional practices are related to higher saving rates than in the case of individualistic urban nuclear families.

Statistical analysis reveals that rural households have different consumption-saving behaviour from urban households with rural monthly per capita consumption expenditure (MPCE) amounting to Rs. 4,122 vis-a-vis urban MPCE of Rs. 6,996 that has a statistically significant

difference ($t = 257.34$, $p < 0.001$, Cohen's $d = 0.97$). However, household net financial savings have decreased to 5.1% of GDP in 2023-24, pointing to changing cultural and economic

dynamics. The study uses a variety of analytical methods such as descriptive statistics, correlation analysis, multiple regression modelling (R^2 equal to 0.713) and comparative testing to analyse the links between cultural proxies such as family size, location, spending on

festivals, and saving behaviour.

Key findings show a positive strong correlation between family size and savings rate ($r = 0.996$, $p = 0.004$) with savings rates of 21.4% in bigger joint families than that of 12.3% in nuclear families.

Festival expenditure, especially at Diwali displays large seasonal influences with November expenditure 27% higher than average over the year. Regional analysis by

using the one-way analysis of variance shows significant difference between the geographic zone ($F = 5.81$, $p = 0.011$, $\eta^2 = 0.59$). The Gini coefficients show a declining consumption inequality in rural (0.250) and urban (0.276) areas over the years.

Findings suggest that although traditional cultural values were conducive to higher savings in the past, modern economic pressures and changing aspirations are changing the household financial landscape in India with significant implications for economic policy and financial planning. The research adds to the literature by adding empirical evidence on culture and economics nexus in developing economies and in offering policy recommendations on how to harness the cultural capital in financial inclusion initiatives.

Keywords: Household Savings, Cultural Values, Consumption Expenditure, India, Urban-Rural Divide, Joint Family, Festival Spending, Financial Behaviour, NSSO Survey