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Research Article

Trends and Changes in the Pattern of Savings and Investments in India and Their impact on the Indian Economy

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ABSTRACT

India is transitioning from traditional saving to financial assets while investment is shifting from private sector led to government sector driven infrastructure. Sustaining high investment rates will be crucial for achieving the target of 5 trillion economy. Savings and investment pattern have evolved significantly due to economic growth, demographic Changes and policy reforms in India.

Keywords: savings, investment, household savings,

Introduction

India's savings and investment patterns are shifting towards formal financial instruments, digital platforms and diversified portfolios. While challenges like inflation and global uncertainties persist, Policy support and financial innovation are expected to drive sustainable growth in savings and investments.
Savings and investments are fundamental to economic growth, capital formation, and employment generation in India. Over the years, shifts in savings behavior and investment patterns have significantly influenced the country's economic trajectory. This analysis explores recent trends and their macroeconomic implications.

Review of literature

Shenbaga Arasi.S, Dr.K.Vembu. and Dr.B.Kayathiri Bai. (2025) said that India offers a wealth of investment avenues, each with its unique features and risk profiles. It's essential for investors to assess their risk tolerance, time horizon, and financial goals before choosing the right investment option.

Vartika Bhatia and Dr Mukesh Mathur (2022) the founded that the negative correlation between investments and GDP. A significant and positive relationship was observed between the amount of borrowings and the GDP of the country for the given period under consideration. The relation between borrowings and the amount of investments is positive. Due

Deepika Dhawan and Sushil Kumar Mehta (2019) identified that the Saving and investment are key macro variables with micro-foundations that can play an essential role in the stability and promotion of employment, inflation, economic growth and development of a country, especially a developing one like India.

Awanti Pathak and Dr. Hemant Kumar Singh (2021) seems that the investment is the most critical factor for developing an economy, savings provide the basis for investment. India's economy has strong saving & investment rates, a large population, and increasing integration with the global economy, all of which bode well for its long-term growth prospects. To invest is to transform cash or money into an asset or a claim on future money with the expectation of a return.

Objective of the study

1. To study the trends and Changes in the Pattern of Savings and Investments in India.
2. To study their impact on the Indian Economy.

Research Methodology

The study based on secondary data and it collects from various websites like RBI, MOSPI, World Bank, SEBI. The data-driven trends and changes in savings and investments in India from 2010 to 2023 and study on their impact on the Indian economic development.

Trends in Savings and Investments in India

India's savings and investment patterns have evolved significantly due to economic growth, demographic Changes and policy reforms. Some important trends are:

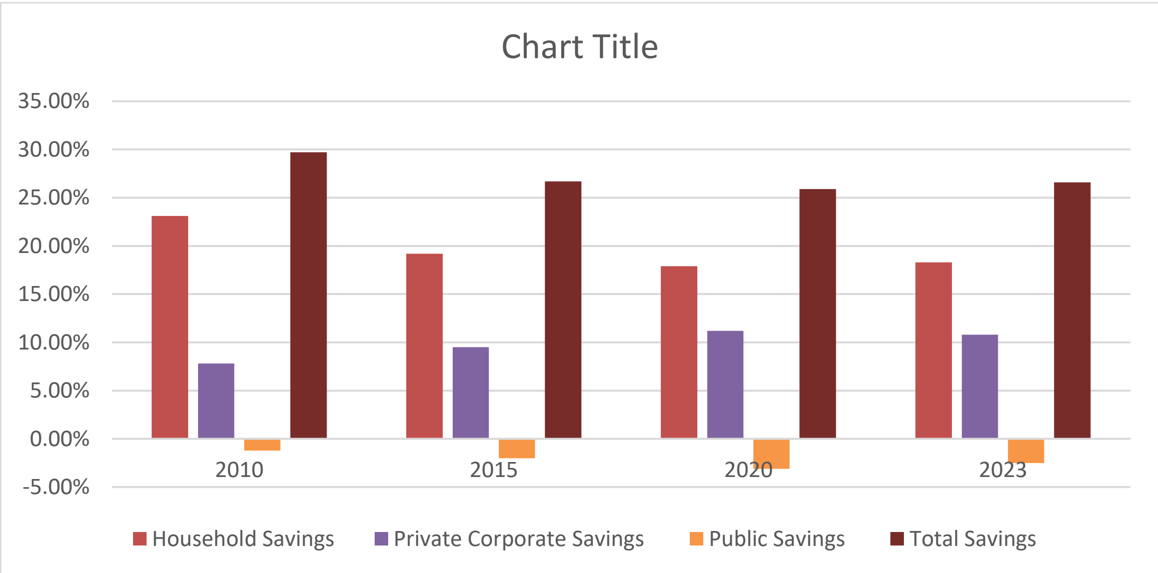
1. Savings Trends in India

A. Household Savings: Household (HH) savings in India consist of two parts, net financial savings (NFS) and physical savings. HH and NFS is arrived at after deducting financial liabilities (known as annual borrowing) from gross financial savings (GFS). The study shows the declining of Household Savings results is Shift from Physical to Financial Assets.
- **Decline in Savings Rate:** Household savings as a % of GDP fell from 23% (2012) to 18% (2023) due to rising consumption, inflation, and higher debt or borrowings.
- **Changing Composition:** it shows that shifting of physical assets to financial savings.
- Physical assets like real estate, gold dominated earlier but are now declining due to regulatory reforms such as RERA, gold monetization schemes of government.
- Financial savings such as bank deposits, mutual funds, equities, insurance are rising due to digitization (UPI, fintech) and financial literacy.

A. Gross Domestic Savings (% of GDP)

Year	Household Savings	Private Corporate Savings	Public Savings	Total Savings
2010	23.1%	7.8%	-1.2%	29.7%
2015	19.2%	9.5%	-2.0%	26.7%
2020	17.9%	11.2%	-3.1%	25.9%
2023	18.3%	10.8%	-2.5%	26.6%

Source: NSO, CEIC, CRISIL



This table shows that Household savings decrease in every year and its negative impact on GDP which result is declining of gross domestic savings. Household savings declined by 5% of GDP from 2010 to 2023 due to rising consumption and debt but decreasing the habits of savings in people's which shows that the gross domestic saving is reducing. The private Corporate savings rose post 2010 tax cuts like corporate tax reduction from 7.8% to 10.8% in 2023 and improved profitability and rise in Retained Earnings. And the Public savings remain negative and its persistent fiscal deficits limit a government savings or low public savings. The table explain that reducing the public savings by 3% of GDP from 2010 to 2023.

B. Composition of Household Savings (2023)

Asset Class	% Share (2023)	Change (vs. 2010)
Bank Deposits	40%	▲ from 35%
Mutual Funds/Equities	15%	▲ from 5%
Insurance/Pension	20%	▲ from 12%
Physical Assets (Gold, Real Estate)	25%	▼ from 48%

Source: NSO, CEIC, CRISIL

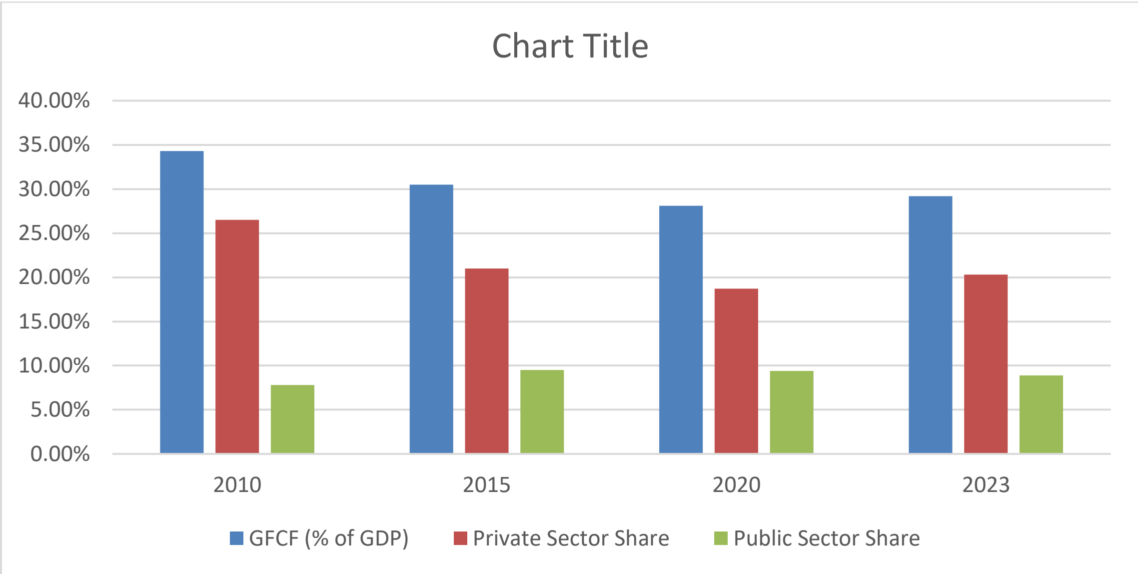
This table represents that the shift from physical to financial assets due to digitization and market returns. It explains that the bank deposits increased by 5%, mutual funds/Equities rising 10%, insurance/Pension rose 8% and Physical Assets declining 13% from 2010 to 2023.

2. Investment Trends in india

A. Gross Fixed Capital Formation (GFCF) (% of GDP)

Year	GFCF (% of GDP)	Private Sector Share	Public Sector Share
2010	34.3%	26.5%	7.8%
2015	30.5%	21.0%	9.5%
2020	28.1%	18.7%	9.4%
2023	29.2%	20.3%	8.9%

Source: NSO,CEIC, CRISIL



The table presents that the gross fixed capital formation is declining by 5 % of GDP from 2010 to 2023. The Private investment slumped post-2010 due to NPA crisis, global uncertainties and demand slowdown led to subdued private capex. However recovering post-2023 PLI schemes are reviving manufacturing investments such as electronic, pharma and it helps in rising FDI inflows in technology, renewables energy and startups. And the Public investment rose on infrastructure like roads, railways, renewables energy but constrained by fiscal deficits.

Sectoral Investment Breakdown (2023)

Sector	% of Total Investment	Growth Driver
Infrastructure	32%	Govt. capex (NIP)
Manufacturing	25%	PLI schemes, FDI
Real Estate	15%	Housing demand
Technology	12%	Startups, digital economy

Source: NSO,CEIC, CRISIL

The table represents that the investment in various sectors such as in infrastructure sector approx 32% make investment in Government capex under National Infrastructure Pipeline (NIP) scheme such as road, railways, green energy etc., 25% make investment in manufacturing area under PLI schemes such as electronic, pharma etc.,

B. Corporate Savings and Investments
a) Rise in Retained Earnings: Corporates are saving more due to tax cuts (2019 corporate tax reduction) and improved profitability.
b) Private Investment Slowdown (2014-2020): Stressed banks (NPAs), global uncertainties, and weak demand led to subdued private capex.
c) Recent Recovery (2021-24):
- PLI schemes boosted manufacturing investments (electronics, pharma, EVs).
- Rising FDI inflows in tech, renewables, and startups.

C. Government Savings and Public Investments
a) Low Public Savings: Persistent fiscal deficits limit government savings.
b) Increased Public Capex: Infrastructure spending (roads, railways, green energy) is rising under National Infrastructure Pipeline (NIP).

D. Changing Investment Avenues

Traditional	Emerging Trends
Bank FDs, Gold, Real Estate	Mutual Funds (SIPs), Stocks, ETFs
Post Office Schemes	Digital Gold, Crypto, P2P Lending
LIC Policies	REITs, AIFs, Bank FDs, Gold, Real Estate ESG Funds

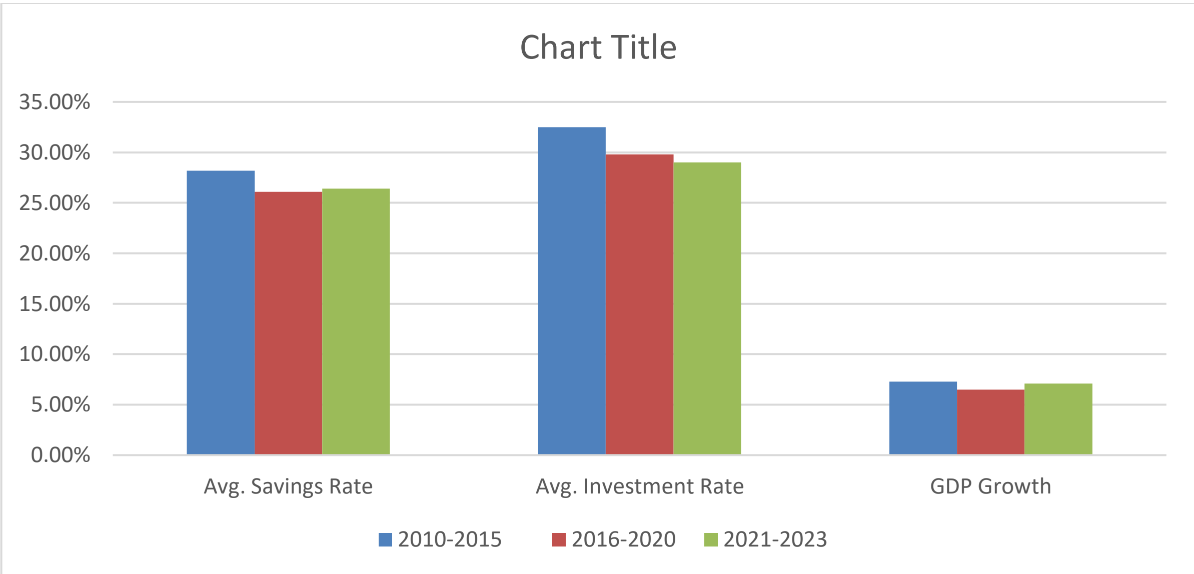
This table represents that the traditional investments avenues considered as banks, FDs, Gold, Real Estate, post office schemes, LIC Policies and the contemporary investment avenues are regarded as mutual funds (lumps up and SIPs), Stocks, ETFs digital gold, Crypto P2P Lending, REITs, Bank FDs etc.

Impact on the Indian Economy
The trends and patterns change of investment and savings has impact on Indian Economy is:

A. GDP Growth vs. Savings-Investment Gap

Period	Avg. Savings Rate	Avg. Investment Rate	GDP Growth
2010-2015	28.2%	32.5%	7.3%
2016-2020	26.1%	29.8%	6.5%
2021-2023	26.4%	29.0%	7.1%

Source: NSO,CEIC, CRISIL



This table shows that there is correlation between savings and investments which has positive impact on economic growth but influenced by various factors such as quality of investment, economic environment and efficiency of resources allocation. In this table it observed that average savings and investments rate is declining year by year and GDP growth rate is fluctuating. It narrowing savings-investment gap of 3% to 4% of GDP is bridged by foreign capital (FDI+FPI). Foreign direct investment and Foreign portfolios investment are both ways to attract a foreign investor can participate in the economy of countries.

B. Foreign Capital Dependency (2024): India has experienced that the both FDI inflows and FPI inflows has positive and fluctuating impact on Indian Economy. FDI Inflows observed $84 billion that is 4% of Goss fixed capital formation (GFCF) and FPI Inflows reached $21 billion (volatile) and External Commercial Borrowings (ECB) showed $45 billion. Both FDI and FPI inflows is important for economic growth and development of the nation. FDI contributing to long-term growth and FPI potentially impact on short-term market trends. But some Global shocks (e.g., Fed rate hikes) can destabilize investment flows.

A. Positive Effects

(1) Higher Capital Formation & Economic Growth
It helps in rising the public and private investment which boost Gross Fixed Capital Formation (GFCF) and supporting GDP growth. It makes Infrastructure developments such as roads, ports, renewables which automatically enhances productivity.

(2) Financial Deepening & Inclusion
It Shift from physical to financial savings improves capital market depth and Mutual funds & SIPs mobilize retail savings into productive investments.

(3) Job Creation & Industrial Growth
The PLI schemes and FDI in manufacturing (semiconductors, EVs) generate employment. The government also promote Startups and digital economy investments create new opportunities for new generations and provide a job.

B. Challenges & Risks

(1) Declining Household Savings
In India the household savings is decreasing results the lower domestic Capital of the country. The reason behind the falling of Household savings is rising of financial liabilities particularly unsecured personal loans. If savings fall further, India may rely more on foreign capital (FPI, FDI), increasing external vulnerability.

(2) Rising Debt & Financial Stress
The Households taking more loans like personal, credit cards could lead to debt traps and corporate debt (especially in infrastructure) remains a concern.

(3) Inflation & Interest Rate Pressures
The High government borrowing keeps interest rates elevated, crowding out private investment and Global shocks (oil prices, Fed rate hikes) affect savings-investment balance.

(4) Uneven Sectoral Growth
Technology & services attract more investments than agriculture & MSMEs, leading to imbalanced growth. The various factors like unequal access of resources, different level of technology advancement, numerous investment patterns which effects the Uneven Sectoral Growth of the nation.

Government Policies Shaping Trends

The various government policies introduced in year by year. Some of the policies which is studied here:

Policy	Impact on Savings/Investments	Impact on Savings/Investment
Demonetization (2016)	Shift from cash to digital savings	▲ Bank deposits by 14% (2016-17)
GST & IBC (2017)	Improved business confidence	▲USD 5 trillion economy by 2024-25,
Corporate Tax Cuts (2019)	Increased retained earnings	▲ Private capex by ₹1.1 lakh cr (2020-23)
PLI Schemes (2020)	Boosted manufacturing investments	▲ Manufacturing FDI by 76% ($21.3bn in 2023)
RBI's Rate Hikes (2022-23)	Higher FD returns but costlier loans	▲ FD rates by 2.5%, ▼ equity inflows

Source: NSO,CEIC, CRISIL

4. Future Outlook
- Household savings may stabilize as financial products (SIPs, ETFs) gain popularity.
- Private investments will rise in renewables, EVs, and semiconductors.
- Public capex will remain strong, but fiscal deficit concerns persist.
- Global uncertainties (geopolitics, US Fed policies) may affect FDI/FPI flows.

Future Projections (2024-30)
- **Savings Rate: S**aving rate is stable at 26 % to 27% of GDP in financialization trend.
- **Investment Rate:** Target 32% of GDP (NIP + private capex revival).

- **Critical Challenge:** It managing fiscal deficit less than 4.5% of GDP to avoid crowding out.

Conclusion

The evolving patterns of savings and investments in India reflect greater financialization, digital adoption, and policy-driven industrial growth. While declining household savings pose risks, rising investments in infrastructure and manufacturing can drive long-term growth. Balancing domestic savings with foreign capital, controlling debt, and ensuring inclusive growth will be critical for sustainable economic development.

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