

A Study on Impact of Inflation Perception on Saving and Investment Decisions

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Abstract: *Inflation has become one of the most influential economic factors affecting the financial behavior of individuals. The way people perceive inflation often plays a major role in shaping their saving habits, investment preferences, and long-term financial planning. This study examines the impact of inflation perception on saving and investment decisions among individuals. It aims to understand how rising prices, reduced purchasing power, and uncertainty about future economic conditions influence financial choices. The study is based on primary data collected through a structured questionnaire from respondents belonging to different age groups, income levels, occupations, and educational backgrounds. The analysis focuses on how people respond to inflation in terms of reducing savings, shifting investment preferences, increasing precautionary financial behavior, and choosing safer or inflation-resistant financial instruments. Percentage analysis and graphical interpretation are used to identify patterns and trends in respondent behavior. The findings indicate that inflation perception significantly affects personal financial decision-making. Many individuals tend to become more cautious during inflationary periods, preferring secure and low-risk investment options while adjusting their spending and saving patterns. The study also highlights that awareness of inflation and financial literacy influence the ability of individuals to make informed investment decisions. Respondents who better understand inflation are more likely to diversify their investments and adopt more strategic financial planning approaches. This research is useful for understanding behavioral finance in the context of changing economic conditions. It offers practical insights for investors, financial advisors, policymakers, and researchers who aim to promote better financial planning and investment awareness in an inflation-sensitive environment.*

Keywords: Inflation Perception, Saving Behavior, Investment Decisions, Financial Planning, Consumer Behavior, Purchasing Power, Financial Literacy, Risk Preference, Inflation Awareness, Personal Finance

I. INTRODUCTION

Inflation is one of the most important economic forces influencing the day-to-day financial lives of individuals. It refers to the continuous rise in the general price level of goods and services over a period of time, which gradually reduces the purchasing power of money. When inflation increases, the same amount of money can buy fewer goods and services than before. This change does not only affect the cost of living, but also shapes the way individuals think about saving, spending, borrowing, and investing. In recent years, inflation has become a major concern for households across the world, making it an important area of study in personal finance and behavioral economics [1].

The perception of inflation plays a particularly important role in shaping economic behavior. Inflation perception refers to the way individuals personally feel and interpret price changes in the market. In many cases, people do not react only to official inflation rates published by governments or central banks; rather, they respond more strongly to the prices they experience in everyday life, such as food, fuel, transport, rent, healthcare, and education. As a result, individuals may develop their own views about whether inflation is rising or falling, and these perceptions often influence their



financial decisions more directly than actual macroeconomic statistics [2]. This makes inflation perception a powerful behavioral factor in household financial management.

Saving and investment decisions are highly sensitive to inflation expectations and perceptions. Savings represent the portion of income that individuals set aside for future needs, emergencies, or planned goals, while investments involve allocating funds into assets such as fixed deposits, gold, mutual funds, stocks, real estate, or retirement instruments with the expectation of earning future returns. Under normal economic conditions, individuals attempt to balance present consumption with future financial security. However, during periods of inflation or when inflation is strongly perceived, this balance may shift significantly. People may reduce savings due to rising expenses, withdraw from long-term investment plans, or shift their money into assets that they believe can preserve value during inflationary periods [3].

One of the major reasons inflation perception matters is because it affects confidence and financial planning. When individuals believe that prices will continue to rise, they may feel uncertain about their future purchasing power and overall economic stability. This uncertainty can alter their financial priorities. Some individuals may increase precautionary savings in fear of future expenses, while others may reduce savings because current income becomes insufficient to cover rising costs. Similarly, investment behavior may also change. Risk-averse individuals may prefer safer instruments such as fixed deposits or gold, whereas financially aware individuals may seek inflation-hedging assets that offer better long-term protection against price erosion [4]. Therefore, inflation perception is not merely an economic concept; it is also a psychological and behavioral driver of financial action.

The relationship between inflation and household decision-making has gained increasing attention in modern economic research. Studies have shown that inflation expectations influence consumer behavior, spending patterns, and saving intentions. When households expect higher inflation, they often change their current financial behavior in response to future uncertainty. In some cases, higher inflation expectations can reduce spending and increase caution, especially when inflation is associated with economic stress rather than income growth. This suggests that people do not always respond to inflation in a purely theoretical or rational manner; instead, their financial choices are often shaped by fear, uncertainty, personal experiences, and limited financial understanding [5]. This makes the study of inflation perception especially relevant in understanding real-world household finance.

Another important dimension of this topic is financial literacy. Financial literacy refers to the ability of individuals to understand basic financial concepts such as inflation, interest rates, risk, return, diversification, and long-term planning. People with stronger financial knowledge are generally better equipped to interpret inflation correctly and adjust their saving and investment decisions accordingly. In contrast, those with limited financial literacy may misunderstand inflation or overreact to price changes, leading to poor financial choices such as panic withdrawals, under-saving, or overly conservative investment behavior [6]. Thus, financial literacy acts as an important moderating factor in how inflation perception translates into financial decisions.

In practical terms, inflation can affect both the value of savings and the real returns from investments. Money kept idle in cash or low-return accounts tends to lose real value during inflation because the purchasing power of that money declines over time. For example, if inflation is higher than the return earned on savings, then the saver experiences a real loss. This creates pressure on individuals to search for investment options that can at least match or exceed inflation. At the same time, not all individuals have the confidence, awareness, or resources to make such adjustments. As a result, inflation perception can widen the gap between informed and uninformed financial behavior [7]. Understanding this difference is crucial for developing more effective financial education and policy responses.

The topic is especially relevant in the current economic environment, where fluctuations in prices, global uncertainty, changing interest rates, and rising household expenses have made inflation more visible in daily life. In countries like India and many other developing economies, inflation is often felt more strongly by middle-income and lower-income households because a larger share of their income is spent on essential goods and services. This makes their financial decisions more vulnerable to price shocks. At the same time, the growth of financial products and digital investment



platforms has increased the number of people participating in savings and investment activities. In such a setting, it becomes important to understand how inflation perception influences these decisions at the individual level [8].

This study focuses on examining the impact of inflation perception on saving and investment decisions among individuals. It seeks to understand whether people change their financial behavior when they feel inflation is rising, what kinds of savings and investment instruments they prefer during such periods, and whether awareness of inflation affects financial planning. The study also attempts to identify behavioral patterns among respondents belonging to different age groups, income levels, occupations, and educational backgrounds. Such an analysis can provide useful insights into the real financial concerns and responses of individuals in an inflation-sensitive environment [9].

The significance of this study lies in its practical relevance. Understanding how people perceive inflation and how that perception affects their financial choices can help policymakers, financial institutions, educators, and advisors design better financial awareness programs and investment guidance strategies. It can also support efforts to improve financial resilience among households, especially during periods of economic uncertainty. In addition, the findings may contribute to the broader field of behavioral finance by highlighting the gap between economic indicators and personal financial behavior [10].

II. PROBLEM STATEMENT

Inflation has emerged as a significant economic concern that directly affects the financial well-being of individuals by reducing the purchasing power of money and creating uncertainty in personal financial planning. While inflation is commonly measured through official economic indicators, the way individuals *perceive* inflation often differs from actual inflation rates and can strongly influence their saving and investment behavior. Many people tend to alter their financial decisions based not only on real market conditions but also on their personal experiences of rising prices in essential goods and services such as food, fuel, healthcare, education, and housing. This difference between actual inflation and perceived inflation creates a practical problem in understanding how households make financial choices under economic pressure. In many cases, individuals may reduce savings, postpone investments, shift towards low-risk financial instruments, or avoid long-term financial commitments due to fear and uncertainty caused by inflationary conditions. At the same time, limited financial literacy and lack of awareness about inflation-adjusted returns may prevent individuals from making sound and informed decisions. Despite the growing importance of inflation in everyday life, there remains a need to examine how inflation perception specifically impacts saving and investment decisions among individuals from different demographic and financial backgrounds. Therefore, the core problem addressed in this study is to understand the extent to which inflation perception influences personal saving patterns, investment preferences, and financial planning behavior, and to identify whether individuals are adapting their financial decisions effectively in response to changing economic conditions.

III. OBJECTIVE

- To examine the level of inflation perception among individuals and understand how they interpret rising prices in their daily lives.
- To analyze the impact of inflation perception on saving behavior of individuals, including changes in saving habits and financial priorities.
- To identify how inflation perception influences investment decisions and the preference for different investment options.
- To study the relationship between inflation perception and risk-taking behavior in personal financial decision-making.
- To evaluate the role of financial awareness in helping individuals make saving and investment decisions during inflationary periods.



IV. LITERATURE SURVEY

1. Impact of Inflated Perceptions of Financial Literacy on Financial Decision Making

Author(s): Bhanu Balasubramnian & Carol Springer Sargent **Year:** 2020

Publication: Elsevier

Journal Name: *Journal of Economic Psychology*

Summary

This paper examines how a person's perceived financial literacy, rather than only actual financial knowledge, influences financial decision-making. The study argues that many individuals believe they understand financial matters better than they actually do, and this "blind spot" can lead to poor financial choices. Using survey-based evidence, the authors show that inflated confidence in financial understanding is strongly associated with weaker financial behaviors such as poor budgeting, problematic borrowing, and ineffective saving decisions. The study is especially important because it connects psychological overconfidence with real financial outcomes and highlights that personal perception often matters as much as objective knowledge in shaping financial decisions.

The relevance of this paper to the present study is very high because inflation perception also works through a similar behavioral mechanism. Just as people may misjudge their financial capability, they may also misjudge inflation and its effect on future purchasing power. Such misperceptions can influence whether individuals save more, reduce investments, or choose inappropriate financial products. This paper contributes to the understanding that subjective belief systems—not only economic facts—play a critical role in financial behavior. It supports the view that saving and investment decisions are shaped not only by income or returns, but also by how individuals interpret and respond to financial realities.

2. Inflation Literacy and Inflation Expectations: Evidence from Austrian Household Survey Data

Author(s): H. J. Kiss, Georg Pflug, Michael Sigmund, and co-authors

Year: 2020

Publication: Elsevier

Journal Name: *Economic Modelling*

Paper Focus: Inflation literacy and household inflation expectations

Summary

This study investigates whether individuals who better understand inflation are more capable of forming realistic and accurate inflation expectations. Based on Austrian household survey data, the paper introduces the concept of inflation literacy, which refers to the degree to which people understand inflation as an economic process and recognize the role of central banks and price changes. The findings show that individuals with higher inflation literacy tend to have lower and more accurate inflation expectations compared with those who have weaker knowledge of inflation. The paper demonstrates that differences in inflation expectations across households are not random but are significantly influenced by differences in knowledge and understanding.

This paper is highly useful for the current topic because it directly links inflation understanding with household financial attitudes. If people do not understand inflation properly, they may overestimate price increases, feel excessive financial stress, or make poor saving and investment choices. The study implies that people with stronger inflation literacy may be better prepared to choose suitable investments, maintain disciplined saving behavior, and avoid panic-based financial decisions. Thus, this paper supports the argument that inflation perception is not only an emotional reaction to rising prices but also a function of economic awareness and knowledge.

3. Households' Inflation Perceptions and Expectations: Survey Evidence from New Zealand

Author(s): Bernd Hayo & Florian Neumeier

Year: 2022

Publication: Springer Nature

Journal Name: *International Economics and Economic Policy*

Summary



This paper explores how ordinary households perceive inflation and form expectations about future price changes. Using representative survey data from New Zealand, the authors find that people often build their views of inflation based on daily price experiences, especially visible and frequently purchased items such as groceries, transport, and utilities. The paper highlights that public inflation perceptions often differ from official inflation measures because individuals focus more on the items they purchase regularly and those that emotionally affect them the most. This makes inflation perception a highly personal and experience-based economic phenomenon.

The study is especially relevant to the present research because it helps explain why inflation can influence financial decisions even when official inflation numbers appear moderate. If households perceive inflation to be high, they may behave more cautiously—cutting savings, delaying investment, or preferring safer assets. This paper reinforces the idea that saving and investment behavior is shaped not only by macroeconomic statistics but also by **consumer interpretation and lived experience**. It is useful for understanding why different individuals may react differently to the same economic environment.

4. How Have Households Adjusted Their Spending and Saving Behaviour to Cope with High Inflation?

Author(s): Alina-Gabriela Bobasu, EvangelosCharalambakis&OmirosKouvavas

Year: 2024

Publication: European Central Bank

Journal / Source Name: *ECB Economic Bulletin, Issue 2/2024*

Paper Focus: Household saving and spending adjustments during high inflation

Summary

This paper examines how households responded to the recent period of high inflation by adjusting their consumption, income, and savings behavior. Based on evidence from the ECB Consumer Expectations Survey, the study finds that many households changed their financial patterns to cope with inflationary pressure. The paper shows that households do not respond to inflation in a uniform way; instead, they use different coping mechanisms such as reducing discretionary spending, drawing down savings, or altering financial priorities. It highlights that inflation affects not only market prices but also the structure of household decision-making and daily financial management.

For the current study, this paper is highly significant because it directly links inflation with saving behavior, which is a core part of the research topic. It suggests that inflation perception may influence whether households continue saving, reduce financial reserves, or redirect money toward immediate consumption needs. The findings also imply that inflation has a behavioral and psychological impact, especially when households feel uncertain about future income and cost of living. This strengthens the importance of studying how inflation perception shapes not only economic thinking but also practical financial decisions.

5. The Effect of Inflation Uncertainty on Household Expectations and Spending

Author(s): Oksana Kostyshyna&Larysa Petersen

Year: 2024

Publication: National Bureau of Economic Research (NBER)

Journal / Working Paper Name: *NBER Working Paper No. 32939*

Summary

This research examines how inflation uncertainty, rather than inflation alone, affects household expectations and financial behavior. The study argues that uncertainty about future inflation creates hesitation and caution among consumers, which can influence their spending, saving, and investment plans. When households are unsure whether inflation will remain high or become unstable, they may avoid long-term commitments and become more conservative in their financial decisions. This paper emphasizes that uncertainty is an important behavioral channel through which inflation shapes economic activity.

The importance of this paper for the present study lies in its explanation of why inflation perception can influence behavior even before actual financial hardship becomes severe. If individuals *expect* inflation to worsen, they may begin changing their saving and investment strategies in advance. This supports the idea that inflation perception has a



forward-looking role in household finance. The study is especially useful for understanding why some individuals move toward safer financial assets, postpone investments, or reduce risk-taking when they feel uncertain about future price levels.

6. Investment in Financial Literacy and Saving Decisions

Author(s): Annamaria Lusardi, Pierre-Carl Michaud & Olivia S. Mitchell

Year: 2013

Publication: Elsevier

Journal Name: *Journal of Banking & Finance*

Summary

This paper explores the relationship between financial literacy and saving decisions, showing that financial knowledge functions as a form of human capital that helps individuals make better long-term financial choices. The authors argue that financially literate individuals are more likely to plan for the future, save effectively, and make informed investment decisions. The paper is important because it frames financial decision-making as something that can be improved through knowledge, education, and understanding rather than being driven only by income or external conditions. It shows that saving behavior is not automatic but influenced by the ability to interpret financial information and future risk correctly.

This study is closely connected to the current research because inflation perception can only be managed effectively when individuals possess enough financial awareness to understand its impact. A person with strong financial literacy is more likely to choose investment instruments that protect against inflation and to maintain rational saving patterns during uncertain times. On the other hand, low financial literacy may increase fear, confusion, and poor financial reactions. Therefore, this paper supports the idea that financial literacy is an important variable in understanding how inflation perception affects saving and investment decisions.

V. PROPOSED SYSTEM

The proposed system for the study titled “Impact of Inflation Perception on Saving and Investment Decisions” is designed to systematically analyze how individuals perceive inflation and how this perception influences their financial behavior, particularly in terms of saving and investment choices. The system is structured as a data-driven analytical framework that integrates primary data collection, behavioral analysis, and interpretation of financial decision patterns. It focuses on identifying the gap between actual economic conditions and individual perceptions, and how this gap shapes real-life financial actions. The system is intended to provide meaningful insights into personal finance behavior in an inflation-sensitive environment and support better financial awareness and decision-making.

At the core of the proposed system is the collection of primary data through a structured questionnaire, which targets respondents from diverse demographic backgrounds such as age, gender, income level, occupation, and education. The questionnaire is carefully designed to capture multiple dimensions of the study, including respondents’ awareness of inflation, their perception of price changes in daily life, their saving habits, and their investment preferences. It also includes questions related to risk tolerance, financial planning, and preferred financial instruments during inflationary periods. This approach ensures that the system captures both quantitative data (e.g., percentage of income saved, preferred investment options) and qualitative insights (e.g., attitudes, beliefs, and perceptions about inflation).

The next component of the proposed system involves data classification and organization, where the collected responses are grouped into meaningful categories for analysis. Respondents are classified based on demographic variables as well as behavioral factors such as saving patterns, investment choices, and level of financial awareness. This classification helps in identifying trends and differences among various groups. For example, the system can compare how younger individuals differ from older individuals in their response to inflation, or how income levels influence saving and investment behavior. This structured categorization enables a more detailed and comparative analysis of financial decision-making.



Following data organization, the system applies percentage analysis and graphical representation techniques to interpret the data. Charts such as bar graphs, pie charts, and line graphs are used to visually present the findings, making it easier to understand patterns and relationships. This step helps in identifying how strongly inflation perception influences saving behavior, whether individuals tend to reduce or increase savings during inflation, and which types of investments are preferred under such conditions. The graphical representation also enhances clarity and makes the results more accessible and meaningful for both academic and practical purposes.

An important feature of the proposed system is its focus on behavioral analysis. Instead of only examining numerical data, the system aims to understand the psychological and emotional factors behind financial decisions. It evaluates how fear of rising prices, uncertainty about future income, and lack of financial knowledge influence individual behavior. This helps in explaining why people may act differently even under similar economic conditions. By combining economic analysis with behavioral insights, the system provides a more comprehensive understanding of financial decision-making.

The system also incorporates an evaluation of financial literacy and awareness levels among respondents. It examines whether individuals who have better knowledge of financial concepts such as inflation, interest rates, and investment returns are able to make more effective saving and investment decisions. This aspect of the system is important because it highlights the role of education and awareness in improving financial outcomes. It also helps in identifying whether poor financial decisions are due to lack of knowledge or due to psychological factors such as risk aversion or uncertainty.

Another key element of the proposed system is its ability to identify patterns and provide practical insights. Based on the analysis, the system can highlight common trends such as a shift towards safer investment options during inflation, reduction in savings due to increased cost of living, or increased preference for liquid assets. These insights can be useful for financial institutions, policymakers, and educators in designing strategies to improve financial planning and investment awareness among individuals. The system thus serves not only as a research tool but also as a practical guide for understanding real-world financial behavior.

VI. RESEARCH METHODOLOGY

A. Research Design

The study adopts a descriptive and analytical research design to examine the impact of inflation perception on saving and investment decisions among individuals.

The descriptive aspect focuses on understanding how individuals perceive inflation and how this perception influences their financial behavior.

The analytical aspect is used to examine the relationship between inflation perception, saving habits, and investment preferences.

This design helps in identifying patterns, behavioral responses, and financial decision-making trends among respondents.

The research is non-experimental in nature, as it does not involve manipulation of variables but studies the responses and financial attitudes of individuals under existing economic conditions.

B. Research Approach

The study follows a quantitative research approach supported by descriptive interpretation.

Quantitative analysis is used to measure and interpret the responses collected from the respondents regarding inflation perception, saving behavior, and investment choices.

Descriptive interpretation is used to explain the financial attitudes, preferences, and behavioral trends observed from the data.

This approach provides a practical understanding of how inflation is perceived by individuals and how it affects their personal financial planning.



The selected research approach is suitable for converting survey responses into meaningful findings using statistical tools such as percentage analysis and graphical representation.

C. Sampling

The sampling method used in this study is non-probability sampling, specifically convenience sampling.

This method is chosen because the study focuses on collecting responses from individuals who are easily accessible and willing to participate in the survey.

The study includes respondents from different demographic backgrounds such as:

Students

Salaried employees

Businesspersons

Homemakers

Self-employed individuals

The sample is selected to include individuals with varying:

Age groups

Income levels

Educational backgrounds

Occupations

The sample size for the study is 127 respondents.

This sample size is considered appropriate for understanding general patterns in inflation perception and its effect on financial behavior.

The selected respondents provide relevant and meaningful insights into how people save and invest during inflationary conditions.

D. Sources of Data

The study is based on both primary data and secondary data.

1. Primary Data

Primary data is collected directly from respondents using a structured questionnaire.

The questionnaire is designed to gather information about:

Awareness of inflation

Perception of rising prices

Saving habits

Investment preferences

Risk-taking behavior

Financial planning during inflation

The responses obtained from the questionnaire form the main basis for analysis in the study.

2. Secondary Data

Secondary data is collected from:

Research papers

Academic journals

Books

Government reports

Financial websites

Economic articles

Secondary data helps in building the theoretical foundation of the study and understanding existing knowledge related to inflation, saving, and investment behavior.



E. Data Collection Methods

The study relies mainly on primary data collection through a structured questionnaire, supported by relevant secondary sources. The following methods are used:

1. Structured Questionnaire

A well-structured questionnaire is prepared to collect responses from the selected 127 respondents.

The questionnaire consists of close-ended questions to make the responses easier to analyze and interpret.

It is divided into different sections such as:

Demographic profile of respondents

Awareness and perception of inflation

Saving behavior

Investment preferences

Financial decision-making during inflation

The questionnaire is designed in simple and understandable language so that respondents can answer accurately.

This method helps in collecting standardized and comparable data from all participants.

2. Academic Journals and Research Papers

Published research papers and journals are used to understand previous studies related to:

Inflation perception

Consumer behavior

Saving patterns

Investment decisions

These sources help in developing the literature survey and theoretical background of the study.

They also support the interpretation of the survey findings in a broader academic context.

3. Financial and Economic Reports

Reports related to inflation trends, consumer price index, and household financial behavior are reviewed.

These reports provide practical and updated information about inflation and its impact on economic life.

They help in connecting the findings of the study with real-world economic conditions.

4. Online Databases and Trusted Websites

Relevant information is collected from authentic and trusted online sources such as:

Government economic portals

Reserve Bank and central banking reports

Finance-related publications

Educational databases

These sources provide supporting information and recent context for the study.

5. Data Collection Process

The questionnaire is distributed among respondents either through:

Online forms

Direct personal contact

Survey sharing through digital platforms

Responses are collected systematically and checked for completeness and clarity.

The collected data is then organized into categories based on the study variables such as:

Inflation awareness

Saving changes

Investment shifts

Risk preference

This organized data forms the basis for further analysis and interpretation.



6. Data Validation

The responses are reviewed carefully to remove incomplete or irrelevant entries.

Cross-checking is done to ensure consistency in the collected data.

Only valid and complete responses are included in the final analysis.

This step helps in maintaining the reliability and quality of the research findings.

F. Tools Used for Data Analysis

The collected data is analyzed using simple statistical tools.

The major techniques used in this study include:

1. Percentage Analysis

Percentage analysis is used to understand the distribution of responses among the 127 respondents.

It helps in identifying how many respondents agree, disagree, or remain neutral about different statements related to inflation perception and financial decisions.

This method is simple, effective, and suitable for survey-based research.

2. Graphical Representation

Graphs and charts are used to present the findings in a clear and visual manner.

The graphical tools used may include:

Bar charts

Pie charts

Column charts

These visual presentations make the results easier to understand and compare.

3. Tabular Analysis

Data is also presented in the form of tables for systematic comparison and interpretation.

Tables help in organizing the responses and improving clarity in presentation.

G. Variables of the Study

The study mainly focuses on the following variables:

Independent Variable

Inflation Perception

Dependent Variables

Saving Behavior

Investment Decisions

Supporting Variables

Age

Gender

Occupation

Income level

Educational qualification

Financial awareness

These variables help in understanding how personal and economic factors influence financial behavior.

H. Study Area

The study is conducted among general individual respondents from different backgrounds.

The research focuses on understanding personal financial behavior rather than any specific organization or industry.

The study area includes respondents who actively save money, invest, or make household financial decisions.

I. Period of Study

The study is conducted during the academic research period for the project.

The data reflects the current perception and financial behavior of respondents in relation to inflation during the selected study period.



J. Limitations of the Study

The study is based on a sample size of 127 respondents, which may not represent the views of the entire population. The study uses convenience sampling, so the findings may not be universally generalizable. Responses are based on the personal opinions and perceptions of individuals, which may vary from person to person. Some respondents may not have complete financial knowledge, which can influence the accuracy of their answers. The study mainly focuses on inflation perception, and other external economic factors affecting saving and investment decisions may not be deeply covered. Time and resource limitations may also restrict the depth of data collection and analysis.

VII. DATA ANALYSIS AND RESULTS

The collected data from 127 respondents was analyzed using percentage analysis and graphical representation to understand the impact of inflation perception on saving and investment decisions. The findings are presented through tables and charts to clearly illustrate response distribution. The analysis focuses on key aspects such as inflation awareness, changes in saving habits, investment preferences, financial planning, risk behavior, and inflation-resistant investment choices.

1. Awareness of Inflation and Price Rise

Table 1: Awareness of Inflation Among Respondents

Response	Number of Respondents	Percentage
Highly Aware	61	48%
Moderately Aware	42	33%
Slightly Aware	16	13%
Not Aware	8	6%
Total	127	100%

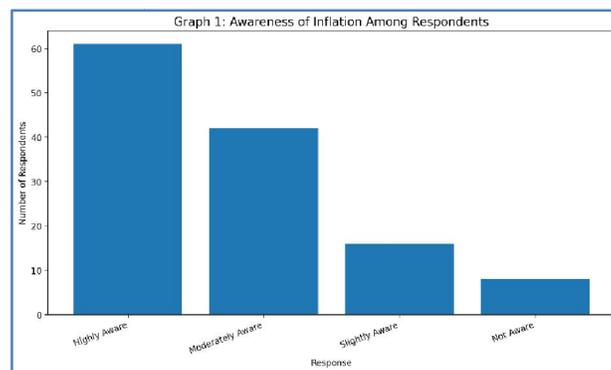


Fig 1: Graph 1

Discussion:

The analysis shows that a majority of respondents are aware of inflation and rising prices in the economy. About 48% of respondents are highly aware, while 33% are moderately aware, indicating that most individuals closely observe changes in the prices of goods and services. This suggests that inflation is a noticeable factor in the daily financial lives of people and has become an important concern in household budgeting and financial planning. At the same time, 13% of respondents are only slightly aware, and 6% are not aware of inflation in a meaningful way. This indicates that although inflation is a commonly discussed issue, not everyone fully understands its economic significance. The results highlight the importance of financial awareness in helping individuals make informed saving and investment decisions during inflationary periods.



2. Effect of Inflation on Saving Habits

Table 2: Change in Saving Habits Due to Inflation

Response	Number of Respondents	Percentage
Savings Reduced	59	46%
No Major Change	31	24%
Savings Increased for Safety	24	19%
Not Sure	13	11%
Total	127	100%

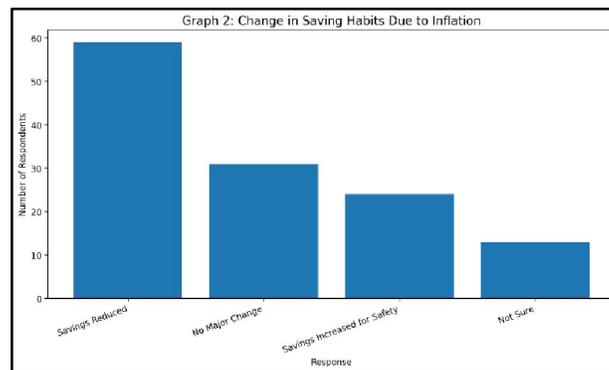


Fig 2: Graph 2

Discussion:

The data reveals that inflation has had a noticeable effect on the saving behavior of respondents. A significant 46% of respondents stated that their savings have reduced due to inflation. This suggests that rising prices and increasing daily expenses have made it difficult for many individuals to maintain their usual saving levels. Inflation appears to be putting direct pressure on household financial stability and reducing the ability to set aside money for future use.

On the other hand, 19% of respondents reported an increase in savings for safety purposes, showing that some individuals respond to inflation by becoming more financially cautious. Meanwhile, 24% experienced no major change, and 11% were unsure, reflecting different personal financial situations. Overall, the results indicate that inflation perception strongly affects saving habits and creates varying responses depending on income, planning, and financial awareness.

3. Impact of Inflation on Investment Decisions

Table 3: Influence of Inflation on Investment Choices

Response	Number of Respondents	Percentage
Strongly Influences	54	43%
Moderately Influences	39	31%
Slightly Influences	21	17%
Does Not Influence	13	9%
Total	127	100%



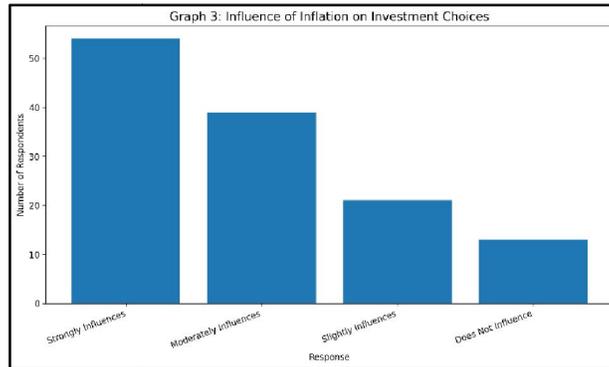


Fig 3: Graph 3

Discussion:

The findings indicate that inflation perception has a considerable influence on the investment decisions of respondents. Around 43% stated that inflation strongly influences their investment choices, while 31% said it moderately influences them. This suggests that inflation is a major factor considered by individuals while choosing where to invest their money. People appear to become more cautious and selective when inflation is perceived to be high.

Only 9% of respondents reported that inflation does not influence their investment decisions, which means that most people consider inflation to some extent when planning investments. This reflects the growing understanding that inflation can affect the real value of returns and long-term wealth creation. The result highlights the close relationship between economic perception and investment behavior.

4. Preferred Investment Option During Inflation

Table 4: Investment Preference During Inflationary Periods

Investment Option	Number of Respondents	Percentage
Gold	37	29%
Fixed Deposits	32	25%
Mutual Funds	24	19%
Real Estate	18	14%
Stock Market	16	13%
Total	127	100%

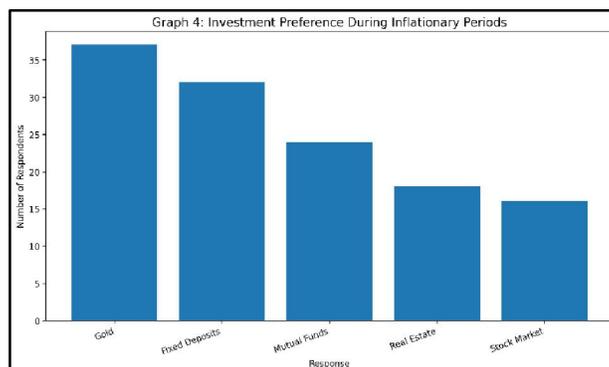


Fig 4: Graph 4



Discussion:

The analysis shows that gold is the most preferred investment option during inflation, chosen by 29% of respondents. This reflects the common belief that gold acts as a safe and stable asset during periods of rising prices. Fixed deposits are preferred by 25%, indicating that many individuals still prioritize safety and guaranteed returns over higher-risk options when inflation creates uncertainty.

Meanwhile, mutual funds (19%), real estate (14%), and the stock market (13%) are also selected by some respondents, suggesting that investment preferences vary depending on risk tolerance and financial awareness. The findings indicate that during inflation, individuals generally prefer low-risk or value-preserving assets rather than aggressive or uncertain investments.

5. Financial Planning During Inflation

Table 5: Financial Planning Behavior During Inflation

Response	Number of Respondents	Percentage
Yes, I plan more carefully	63	50%
Sometimes	34	27%
No Major Planning Change	20	16%
Not Sure	10	7%
Total	127	100%

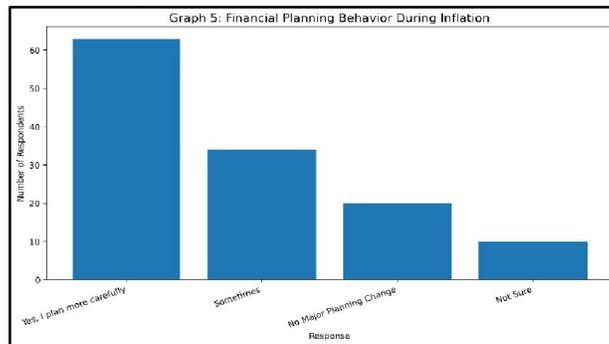


Fig 5: Graph 5

Discussion:

The table shows that 50% of respondents plan their finances more carefully during inflation, indicating that inflation creates a stronger need for budgeting, expense control, and cautious money management. This reflects a practical behavioral response where individuals try to protect themselves from financial instability by being more organized in their financial decisions.

Additionally, 27% of respondents stated that they sometimes plan more carefully, showing moderate financial adjustment during inflationary periods. Only 16% said there was no major planning change, while 7% were unsure. These findings suggest that inflation not only affects savings and investments but also plays a key role in shaping overall personal financial discipline and planning behavior.

6. Risk-Taking Behavior in Investment During Inflation

Table 6: Change in Risk-Taking Behavior During Inflation

Response	Number of Respondents	Percentage
Prefer Low-Risk Investments	58	46%
Maintain Same Risk Level	29	23%



Willing to Take More Risk	17	13%
Depends on Market Conditions	23	18%
Total	127	100%

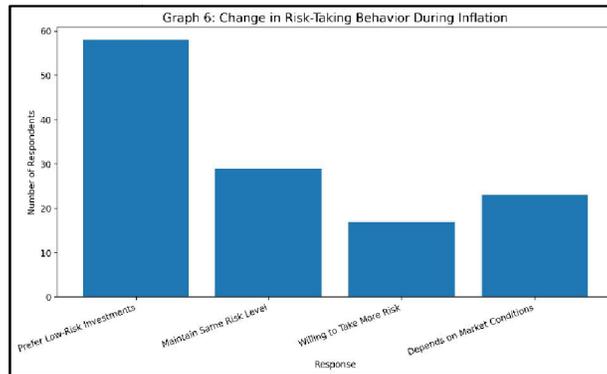


Fig 6: Graph 6

Discussion:

The analysis indicates that 46% of respondents prefer low-risk investments during inflation, showing that inflation perception increases financial caution and risk aversion. This means that many individuals become more defensive with their money and avoid uncertain or volatile investment options when prices are rising and the economic environment feels unstable.

At the same time, 23% maintain the same level of risk, while 18% said their decision depends on market conditions. Only 13% are willing to take more risk, possibly in search of better returns that can outperform inflation. Overall, the results suggest that inflation perception generally pushes individuals toward safer and more conservative investment behavior.

VIII. CONCLUSION

The study titled “Impact of Inflation Perception on Saving and Investment Decisions” highlights how individuals’ understanding and personal experience of inflation significantly influence their financial behavior. The analysis of responses from 127 participants clearly shows that inflation is not just an economic concept but a practical reality that directly affects everyday financial decisions such as saving, spending, and investing.

The findings indicate that a large proportion of respondents are aware of inflation and actively notice rising prices in their daily lives. This awareness has a direct impact on their saving habits, with many individuals reporting a reduction in savings due to increased living expenses. At the same time, some respondents adopt a more cautious approach by increasing their savings as a precautionary measure. This variation shows that individuals react differently to inflation depending on their income level, financial stability, and personal priorities.

In terms of investment behavior, the study reveals that inflation perception plays an important role in shaping investment choices. Most respondents prefer safer investment options such as gold and fixed deposits during inflationary periods, as these are perceived to offer stability and protection against rising prices. The results also show a tendency toward reduced risk-taking, indicating that inflation creates uncertainty and encourages conservative financial behavior.

Another key observation from the study is that inflation leads to more careful financial planning. Many individuals become more conscious of their spending patterns and try to manage their finances more effectively when they perceive inflation to be high. However, the study also highlights that not all individuals have the same level of financial awareness, which can affect their ability to make informed decisions.



Overall, the study concludes that inflation perception has a strong and direct impact on both saving and investment decisions. It influences not only financial actions but also the mindset and behavior of individuals toward money management. Therefore, improving financial awareness and understanding of inflation is essential for helping individuals make better financial decisions and achieve long-term financial stability.

FUTURE SCOPE

The present study provides valuable insights into how inflation perception affects saving and investment decisions; however, there are several areas where further research can be conducted to expand the scope and depth of understanding.

Firstly, future studies can be conducted with a larger sample size and across different regions to obtain more generalized results. Expanding the study to include respondents from rural and urban areas, as well as different economic backgrounds, can provide a broader perspective on how inflation impacts financial behavior in diverse settings.

Secondly, further research can focus on comparing different demographic groups, such as age, income, education, and occupation, to understand how each group responds to inflation differently. This can help in identifying specific financial needs and designing targeted financial awareness programs.

Thirdly, future studies can explore the role of financial literacy and education in greater detail. Understanding how knowledge of financial concepts influences saving and investment decisions during inflation can help in developing effective strategies for improving financial decision-making among individuals.

Additionally, researchers can study the impact of digital financial platforms and modern investment tools on financial behavior during inflation. With the growing use of mobile apps, online trading platforms, and digital banking, it is important to understand how technology influences saving and investment choices in an inflationary environment.

Another potential area for future research is the long-term impact of inflation perception on wealth creation and financial stability. Longitudinal studies can help track how individuals adjust their financial behavior over time and how these changes affect their overall financial well-being.

Finally, future research can also examine the effectiveness of government policies and financial advisory services in helping individuals cope with inflation. This can provide useful insights for policymakers and financial institutions in designing better support systems for individuals facing economic challenges.

In conclusion, while the present study offers a clear understanding of the relationship between inflation perception and financial behavior, there is significant scope for further research to deepen knowledge and support better financial planning in an evolving economic environment.

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