

# INFLATION AND ITS INFLUENCE ON LONG TERM SAVINGS AND INVESTMENT BEHAVIOUR AMONG BLUE - COLLAR WORKERS IN MANUFACTURING SECTOR WITH REFERENCE TO CHENNAI

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## **Abstract**

*This study focuses on understanding how inflation influences the long-term savings and investment behaviour among blue-collar workers in manufacturing sector. Blue-collar employees are often limited access to financial resources and literacy due to their fixed income and are particularly vulnerable to the eroding effects of inflation on their purchasing power. The research aims to bridge the knowledge gap by examining how these workers perceive inflation and how it impacts their financial decisions regarding saving and investing for the future. To investigate this problem, a descriptive research design was employed. Primary data was collected through structured questionnaires distributed among 80 blue-collar employees selected using convenience sampling method. Secondary data includes academic literature, books and company websites. Data analysis was conducted using statistical tools such as percentage analysis, correlation analysis, and one-way ANOVA to identify trends, relationships, and significant differences across demographic groups and it concludes this study emphasizes the pressing need for tailored financial education and employer-supported planning tools to help blue-collar workers make informed decisions among inflationary pressures. Enhancing financial literacy, encouraging diversified investment strategies, and providing accessible financial planning resources can collectively improve the long-term financial security of employees.*

## **Keywords:**

*Inflation, Savings Behaviour, Investment Strategies, Financial Literacy, Blue - Collar Employees*

## **1. INTRODUCTION**

Inflation is one of the most pervasive and influential economic factors that directly impacts financial decision-making, particularly in the field of long-term investments. It refers to the sustained increase in the general price level of goods and services, which erodes the purchasing power of money over time. As inflation rises, individuals face higher costs for everyday goods, which can significantly alter their financial priorities and investment behavior.

In the modern economic landscape, long-term investments such as retirement funds, stocks, bonds, real estate, and mutual funds are key strategies for individuals to secure their financial future. However, inflation has a critical role in shaping the returns from these investments, as it erodes the value of money over time, affecting the real purchasing power of future gains. In response, investors may adjust their investment strategies, either by seeking higher-risk, higher-return assets or by shifting towards more stable, inflation-resistant options. The findings of this study could contribute to the development of more inclusive and informed financial strategies within the organization, fostering a more financially secure workforce and empowering employees to better

navigate the complexities of inflation and long-term financial planning.

## **1.1 OBJECTIVE OF THE STUDY**

- To identify specific patterns in the long-term savings and investment behaviour across varying demographic factors.
- To assess the role of financial literacy in shaping employee's responses to inflation in their investment strategies.
- To understand employee's risk tolerance and preference for investment avenues (e.g., stocks, fixed deposits, real estate) under inflationary pressures.

## **2. REVIEW OF LITERATURE**

Brian Kaul, and Ben Leiser [8], explored the impact of inflation on the purchasing power of retirement savings. The study underscores the importance for retirees to factor in inflation when planning their portfolios. It highlights that inflation can significantly erode the real value of retirement funds over time. To mitigate this, the researchers recommend incorporating assets that typically serve as hedges against inflation. The study emphasizes the need for retirees to adapt their investment strategies to preserve long-term purchasing power. This research contributes to improving retirement planning in an inflationary environment. Philip Schnorpfel et al. [9], studied investor behavior during a period of high inflation, using survey experiments and trading data. The research found that investors had diverse and often optimistic beliefs about the relationship between stock returns and inflation. Despite being knowledgeable about inflation and asset returns, many investors were unaware of effective strategies to hedge against inflation. The study highlights a gap in understanding, where even experienced investors failed to adopt appropriate inflation-hedging tactics. The findings suggest that improving investor education on inflation-hedging strategies is crucial. This study contributes to the understanding of investor behavior in high-inflation environments. Sumit Agarwal et al. [1], explored how inflation expectations impact household portfolio decisions in India, particularly following the adoption of inflation targeting in 2015. The study used data from the Reserve Bank of India's Inflation Expectations Survey alongside administrative bank records. The results show that changes in inflation expectations significantly influence household portfolio choices. The study highlights the role of inflation expectations in shaping investment decisions. It also underscores the importance of inflation targeting policies in affecting household financial behavior. The research provides valuable insights for policymakers and financial planners in managing inflation risks.

Jean-Pierre & Laura D. Quinby [5], examined how older households adapted to recent inflation by analyzing new surveys from households and financial advisors. The household survey, covering the period from 2021 to 2023, captured data on labor supply, savings, and investment allocation. Meanwhile, the advisor survey reflected the recommendations financial advisors made to their clients during this time. The study reveals how retirees adjusted their financial behaviors in response to inflationary pressures, such as altering investment strategies or increasing savings. The findings underscore the importance of timely advice and financial flexibility for older households. Okparaka et al. [6], studied the impact of inflation on the value of pension funds in Nigeria. The research emphasizes how inflation erodes the real value of pension savings over time, posing significant challenges for retirees who rely on these funds for income. The study highlights that, without adequate protection against inflation, pension funds may not maintain their purchasing power. It underscores the importance of adopting investment strategies that can safeguard retirement income from inflationary pressures. The authors suggest the need for inflation-protected investment vehicles to preserve the value of retirement savings. It offers valuable insights for policymakers and financial planners working to protect retirement income in an inflationary context. Vaishali Rakesh et al. [7] analysed the saving and investment patterns of individuals in India, considering factors such as gender, domicile, and profession. The study compiles findings from multiple research papers, emphasizing that demographic factors play a significant role in shaping investment behaviour. It highlights how gender, for example, influences risk tolerance and investment preferences, with women tending to be more risk-averse. Domicile also impacts investment choices, with urban investors often favoring more diverse portfolios compared to rural investors. The study notes a strong preference for traditional investment avenues, such as gold, real estate, and fixed deposits, among Indian investors. The findings underline the need for tailored financial education programs to address these diverse patterns. Christopher D. Carroll [3] explored how inflation-induced uncertainty affects individual saving behaviours. Analyzing data from the mid-1950s onward, the study found that periods of heightened inflation uncertainty are associated with increased personal saving rates. The research suggests that individuals often save more during times of economic unpredictability as a precautionary measure against potential financial instability. The results also suggest that inflationary uncertainty may lead to a shift towards more conservative financial strategies.

Olivier Armantier et al. [2] studied the impact of the COVID-19 pandemic on consumers' inflation expectations and their savings and investment behaviour. The research found that increased inflation uncertainty during economic crises leads households to adopt more cautious consumption, investment, and borrowing behaviors. This cautious approach is driven by concerns over future economic instability. It emphasizes the importance of inflation expectations in influencing consumer behaviour. The findings suggest that economic crises can lead to a shift towards more conservative financial strategies. Olivier Coibion et al. [4] investigated how information about inflation affects individual consumption and savings decisions. Using a randomized control trial, the study found that providing individuals with information about inflation led them to adjust

their spending and saving behaviour. Specifically, individuals often increased their savings in response to anticipated inflation. This suggests that inflation expectations play a significant role in shaping financial decisions. The research emphasizes that understanding inflation can prompt individuals to adopt more cautious financial strategies. It highlights the importance of inflation expectations in personal financial planning.

### 3. RESEARCH METHODOLOGY

Descriptive Research Design was employed to describe the current financial behaviors - specifically savings and investments - of blue-collar employees in Manufacturing sector. The sample size for this research comprised 80 employees affiliated with this industry. Convenience Sampling was adopted to collect data from respondents, selected based on the convenience of the researcher. The data collection encompassed both primary and secondary methods for this research purpose. Primary data was Collected through structured questionnaires to gather information on employees' income, savings habits, investment types, and the impact of inflation. Secondary data was sourced from company websites, books and references existing literature reviews pertinent to the research topic.

The collected data were analyzed through various statistical methods like percentage analysis, correlation analysis and ANOVA. to identify trends, relationships, and significant differences across demographic groups.

### 4. DATA ANALYSIS AND INTERPRETATION

#### 4.1 PERCENTAGE ANALYSIS

Table.1. Demographic Profile of the Respondents

Particulars		Frequency	Percent
Age	18-25 Years	22	27.5
	26-35 Years	28	35
	36-45 Years	24	30
	Above 45	6	7.5
Gender	Male	71	88.8
	Female	9	11.3
Educational Qualification	Schooling	20	25
	Diploma	20	25
	ITI	14	17.5
	Bachelor's degree	19	23.8
	other	7	8.8
Marital Status	Married	64	80
	Unmarried	16	20
Type of Family	Joint Family	44	55
	Nuclear Family	36	45
Income range	Below 20000	17	21.3
	20000 - 30000	36	45
	30001 - 40000	18	22.5
	Above 40000	9	11.3

Year of Experience	Less than 1 year	17	21.3
	1 - 5 year	37	46.3
	6 - 10 year	17	21.3
	More than 10 year	9	11.3

From the above Table.1, it shows that 35% of the respondents were in the 26 - 35 age group, 88.8% of the respondents were male, 25% of the respondents had completed schooling, and another 25% had completed diploma education. In addition to that, 80% of the respondents were Married, 55% of the respondents belonged to joint families, 45% of the respondents reported monthly earnings between ₹20,000 - ₹30,000 and 46.3% of the respondents had 1 - 5 years of work experience.

## 4.2 CORRELATION

Table.2. Correlation between comfort in taking risk and prioritizing capital safety over high return of the respondents

		Comfort in taking risk	Capital safety over high return
Comfort in taking risk	Pearson Correlation	1	.962**
	Sig. (2-tailed)		.000
	N	80	80
Capital safety over high return	Pearson Correlation	.962**	1
	Sig. (2-tailed)	.000	
	N	80	80
**. Correlation is significant at the 0.01 level (2-tailed).			

From the above table No.4.1.2 it is inferred that the correlation value is 0.962 and there is a very strong positive relationship between comfort in taking risk and prioritizing capital safety over high return. This suggests that the importance of capital safety over high return increases, and their comfort in taking risk also increases accordingly.

## 4.3 ANOVA

**Null Hypothesis (H<sub>0</sub>):** There is no significant difference in understanding of inflation's effect on purchasing power and savings among different education levels.

Table.3. ANOVA (Inflation effect on purchasing power and savings among different educational level of the respondents)

	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	86.871	4	21.718	152.533	.000
Within Groups	10.679	75	.142		
Total	97.550	79			

From the Table.3, It shows the calculated ANOVA value is 152.533 and the p value is 0.000 which is less than 0.05. Hence, H<sub>0</sub> is rejected at 5% level of significance, and it is concluded that there is a significant difference in the understanding of inflation's

effect on purchasing power and savings among different education levels.

## 5. SUGGESTIONS

- This Study suggested that Manufacturing companies can develop practical, easy-to-understand financial education initiatives based on varying education levels and age groups, especially for those with schooling or diploma-level education and Encourage employers to offer training, advisory tools, and wellness programs to improve employee's financial literacy and decision-making among Blue collar employees.
- Companies can initiate more awareness of budgeting and investment diversification through campaigns and interactive sessions to build financial stability finally Employers can also promote inflation-hedged savings tools like provident funds, NPS, real estate and gold to help protect real value of employee savings.

## 6. CONCLUSION

The study highlights that while employees in the manufacturing sector are not completely aware of inflation, its long-term impact on savings is not fully reflected in their financial decision-making. Investment hesitancy often stems not only from limited financial resources but also from uncertainty and a lack of financial planning skills. This gap between knowledge and action calls for targeted interventions to foster more proactive and inflation-aware financial behavior. By providing employees with financial education, accessible investment tools, and professional guidance, companies can enhance financial resilience across the workforce. Financially secure employees are more likely to demonstrate increased job satisfaction, productivity, and loyalty. Therefore, supporting employees' financial well-being through a comprehensive approach of education, empowerment, and engagement benefits both individuals and organizations within the manufacturing sector.

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