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RECURRING DEPOSIT AS AN INSTRUMENT OF SAVINGS: A STUDY

Abhishek Shetti[1], Dr.J.Krithika,
[1]*II MBA student, RV Institute of Management, Bengaluru*
[2]*RV Institute of Management, Bengaluru*

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ABSTRACT
The Recurring Deposit (RD) is a type of term deposit, where a customer invests a fixed amount of money at a regular interval for a predetermined period. This encourages a saving habit and the mobilization supports the economy of our nation too. According to the study, predicting and moderating factors significantly improve saving behaviours. In this context, confirmatory factor analysis (CFA) been employed to employ two-phase structural equation modelling (SEM) to validate the proposed measurement model. In order to draw logical conclusions, the structural model validates the proposed relationship between exogenous and endogenous variables in the following stage. Furthermore, it is seen that interaction factors and predictors have a positive effect. The study concluded with an important suggestion for the investment manager and other intermediaries: integrate the financial engineering process while suitably giving investors' requirements first priority.

KEYWORDS: *Recurring Deposit, financial consultant, Confirmatory Factor Analysis [CFA], Structural Equation Modelling [SEM] and Exogenous and Endogenous variables*

INTRODUCTION
Recurring Deposit (RD) schemes promote disciplined and consistent savings, particularly among lower and middle-income groups. They provide a secure way to save small amounts periodically, ensuring both capital safety and guaranteed returns (Vasudevan, A. 2009). Popular in rural and financially constrained urban areas, RDs mobilize household savings into a significant capital reservoir, supporting economic growth through formal financial institutions (World Bank, 2020).

RDs ensure financial security at the micro-level by aiding household investments in human capital and contributing to macroeconomic stability (Karlan et al., 2014). Structural reforms and technological advancements, driven by recommendations from committees like Rangarajan (1991), have enhanced their appeal and accessibility (Rajagopalan, Shruti, 2021). Investors prioritize safety, ease of payment, and reliability, attributes well-aligned with RD schemes (Chawla, D. & Joshi, H. 2021).

Behavioural factors, including financial literacy, income, and guidance from intermediaries, play a critical role in Recurring Deposit adoption. Personal Factors, through its convincing strategies, significantly shape savings behaviour and trust in RD schemes (Sorropago, C. 2014). This study explores the role of personal factor as moderators between financial literacy, Recurring Deposit schemes, and savings habits, aiming to provide deeper insights into savings behaviour.

LITERATURE SURVEY AND THEORETICAL FRAMEWORK
Recurring Deposit as an Instrument of Savings Habit
Recurring deposits (RD) play a crucial role in fostering saving habits due to their structured and low-risk nature, appealing especially to risk-averse individuals. Studies like Bilton, S. (2016) highlight the high satisfaction levels among depositors, noting their reliability and safety, which are primary drivers for their popularity. Shweta Jagdale et al., (2024) further underscores the preference for RDs in planning future financial needs, such as children's education, suggesting enhanced advertising strategies to boost awareness. Jha, A. (2020) observed that fixed instruments like RDs are favoured over riskier options like mutual funds, particularly in rural and semi-urban areas, due to their perceived safety and fixed returns. Capponi, A., et al., (2023) discussed RDs as effective tools for risk management and achieving financial goals, particularly for individuals seeking predictable and tax-efficient returns. The theoretical framework underpinning these findings connects behavioural finance, emphasizing psychological comfort with secure savings, with financial inclusion and literacy, showcasing how awareness influences participation. Collectively, these studies establish RDs as vital instruments in promoting disciplined saving habits and financial stability among diverse demographics (R. Sreelakshmi & M. Mahesh Kumar, 2020).

Financial Literacy, Behaviour, and Savings Habit
Financial literacy has a critical function in shaping individuals' saving behaviours and financial decision-making. Research such as that conducted by Lusardi and Mitchell (2011) highlights that people who are financially literate are more likely to practice disciplined saving and effective financial

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strategy. Mahdzan and Tabiani (2013) further explored this relationship in Malaysia, finding that higher financial literacy significantly boosts saving behaviours, which can also be influenced by cultural contexts. Applying the theory of planned behaviour, Satsios, A., & Hadjidakis, P. (2018) emphasized how saving intentions and results are influenced by attitudes, subjective standards, and perceived behavioural control. Similarly, Murendo,C., & Mutsonziwa, K. (2017) demonstrated that financial literacy enhances saving habits among financially excluded populations in Zimbabwe. Yusof et al. (2018) extended this understanding by analysing behavioural intentions to save in voluntary funds, showing the interplay of financial attitudes and societal norms. These studies collectively underline the significance of frameworks like the theory of planned behaviour and the Behavioural Life-Cycle Hypothesis in explaining how financial literacy and behavioural tendencies influence the adoption of structured saving instruments like recurring deposits.

Personal Factor

Personal factors such as income, education, marital status, age and family size significantly influence individuals' perceptions of savings instruments like recurring deposits (RD). Research shows that wealthy residents are more inclined to invest in secure, fixed-return instruments like RDs, viewing them as safe, reliable savings options compared to riskier investments such as stocks I. Narsis,(2022). Additionally, education plays a pivotal role in financial decision-making, with educated individuals showing a preference for informed and secure savings habits, which include recurring deposits Ms. Neena Therasa P J & Dr. S Bhuvaneswari, (2022). Personal perceptions of financial security and the importance of saving also influence RD preferences, with many individuals considering regular saving habits crucial for future financial stability I. Narsis, (2022). Furthermore, demographic variables such as family size and income levels have been found to shape individuals' preferred savings timelines, with larger families often opting for longer-term investment vehicles like RDs Ms. Neena Therasa P J & Dr. S Bhuvaneswari, (2022). Together, these personal factors provide a comprehensive view of how individuals approach recurring deposits as an instrument for cultivating long-term savings habits.

RESEARCH OBJECTIVE

The sole goal of the study is to investigate how personal factors influence the interaction among people's savings habits, financial behavior and literacy, and the recurring deposit plan instrument.

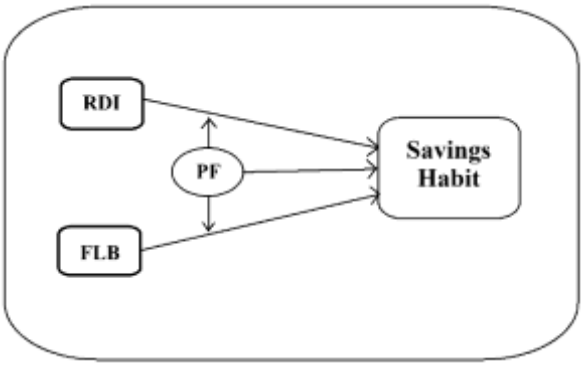


Chart 1. Savings Habit.

Abbreviations: RDI: Recurring Deposit plan Instrument, **FLB**: Financial Literacy and Behaviour, **PF**: Personal Factor.

RESEARCH METHODS

Research Design

A quantitative research design is used in this study to examine the moderating influence of personal factors on the relationship between recurring deposit plans, financial literacy and behaviour, and savings habits. The design incorporates a cross-sectional method, in which information is gathered all at once to examine the connections between the parameters included in the conceptual model. The model uses **financial literacy and behaviour (FLB)** and **recurring deposit instruments (RDI)** as independent variables, with **savings habits** as the dependent variable and **personal factors (PF)** as a moderator.

Sample Frame and Data

Convenience sampling was used in the study to get a high response rate while saving time and resources Bell, E., Bryman, A., & Harley, B. (2022) A carefully thought-out survey instrument with structured questions cantered on RDI, FLB, PF, and Savings Habits was used to gather data. Participants from semi-urban and rural areas provided 143 replies in total, which were employed in the analysis Cochran, W. G. (1977). Pilot research of 30 participants assessed the survey instrument's validity and reliability, and the results were satisfactory. The internal consistency of the instrument was confirmed using **Cronbach's alpha**, and observed values were higher than 0.7 Nunnally, J.C. (1978). Furthermore, **confirmatory factor analysis (CFA)** was utilized to verify the instrument's authenticity and dependability. The questions in the survey measured savings behaviours and related aspects using a **5-point Likert scale**. **SPSS 24.0** and **AMOS 24.0** were employed to examine the responses in order to test the conceptual framework and investigate correlations.

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ANALYSIS

Scale Reliability Assessment

Cronbach's alpha was employed to assess the dependability of the scale Churchill, Gilbert A., Jr. (1979), and all construct values were found to meet the cut-off value of 0.7 Nunnally, J.C. (1978). For the four factors—RDI, PF, FLB, and SH—the corresponding Cronbach's alpha values were 0.767, 0.778, 0.882, and 0.880. A two-stage SEM was used to validate the suggested model Hair et al., (2013). After confirmatory factor analysis was finished to validate the hypothesized measurement model (MM), the structural model (SM) was constructed in order to validate the link between the variables based on the proposed model.

Exploratory Factor Analysis

The sample's appropriateness for factor analysis was evaluated using the Bartlett's sphericity test and the Kaiser-Meyer-Oklin (KMO) test. The KMO statistics value was 0.806, which is higher than 0.50, according to the results Hair et al., (2013). In SPSS 24.0, factor analysis was conducted using the principal component extraction with the varimax rotation approach, which produced an approximate chi-square value of 1188.243 with 78 degrees of freedom and observed significance at a 5% level of significance. The ceiling points of factor loadings and cross-loadings were set at (>0.5) (Karatepe et al., 2005) and (>0.40), respectively, Hair et al., (2010) with an eigenvalue greater than 1 serving as the base.

Table 1. Theoretical References for Scale Items

Factor and Items	Theoretical References
Construct: Savings Habit (SH)	
S1: Social comfort and stability have an impact on saving behaviour.	Chawla, D., & Joshi, H. (2019); Yuniningsih, Y., et al. (2021); García-Santillan et al. (2021); Dash, A., & Mohanta, G. (2024).
S2: Saving behaviour is motivated by the pursuit of financial advantages.	
S3: Other need-fulfilment behaviours reinforce saving behaviours.	
Construct: Financial literacy and behaviour (FLB)	
L1: Financial literacy and family financial practices' effects on saving habits.	Mohammed Esmail Alekam, et al. (2018); Jamal, A. A. A., et al. (2015); Mohanta, G. (2024); Middlewood et al. (2018).
L2: Savings habits are influenced by peer group behaviour and financial literacy.	
L3: Savings habits are influenced by both individual behaviour in financial institutions and financial socialization within the family.	
Construct: Personal Factor (PF)	
A1: Banker influence savings behaviour.	Htun, S. M. (2019)
A2: Preference of Systematic Saving influence savings habits.	Dadzie, C. A., et al. (2021); Jumena, Bayu Bastian et al. (2022)
A3: Previous benefits information of the scheme influence saving behaviour.	Yoon, H. J. (2017).
Construct: Recurring Deposit plan Instrument (RDI)	
O1: Guaranteed and compounded interest traits of RDI drive me to save.	Bodie, Z., & Clowes, M. J. (2003).
O2: Risk free and Low minimum deposit plan attract me to save.	Sherraden, M. S. (2010).
O3: The Tax benefits and Disciplined saving of the RDI influences my buying intention.	Bernheim, B. D., & Scholz, J. K. (1993).
O4: The flexible tenure of the plan is what motivated me to make the deposit.	Lusardi, A., et al. (2009).

Table 2. Factor Loadings

Factor Loadings				
Items Loaded	1	2	3	4
S1	0.871			
S2	0.862			
S3	0.859			
L1		0.836		
L2		0.854		
L3		0.754		
A1			0.695	
A2			0.878	
A3			0.859	
O1				0.745
O2				0.835
O3				0.802
O4				0.749

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Table 3. Fit Indices for Measurement Models.

Index Name	Index Value of MM*	Acceptable Values for Good Model Fit**
X^2/df	2.100	< 5.00
GIF	0.921	> 0.90
NFI	0.911	> 0.90
CFI	0.944	> 0.90
TLI	0.925	> 0.90
AGFI	0.900	> 0.90
RMSEA	0.073	< 0.08
Model-fit	Good	

Notes: (a) *Measurement model, (b) **Hair et al. (2010).

Abbreviations and detailed explanation

- **X^2/df (Degrees of freedom with chi-square)**: This is the relative chi-square, a commonly used measure for model fit. It is the chi-square value divided by the degrees of freedom. Lower values indicate better fit, with values less than 5 being acceptable.
- **GIF (Goodness of Fit Index)**: The model's fit to the observed data is gauged by this index. A criterion of > 0.90 is deemed acceptable, with values nearer 1 denoting a stronger fit.
- **NFI (Normed Fit Index)**: This compares the model fit to a baseline model. It ranges from 0 to 1, where values above 0.90 indicate a good fit.
- **CFI (Comparative Fit Index)**: This updated version of the NFI takes sample size into consideration. The threshold for a good model fit is > 0.90, while values nearer 1 indicate a better match.
- **TLI (Tucker-Lewis Index)**: This index, which accounts for model complexity, is often referred to as the Non-Normed Fit Index (NNFI). Similar to the CFI, a good match is indicated by values greater than 0.90.
- **AGFI (Adjusted Goodness of Fit Index)**: By doing this, the model's degrees of freedom are taken into account when calculating the Goodness of Fit Index (GIF). A good match is indicated by a value > 0.90.
- **RMSEA (Root Mean Square Error of Approximation)**: This calculates the model's discrepancy per degree of freedom. A better match is indicated by lower values; values less than 0.08 are deemed acceptable.

The table Following exploratory factor analysis (EFA), all items were taken for confirmatory factor analysis, and Table 2 presents the complete factor loadings. Table 3 displays the four factors that were recovered from EFA and that account for 71.469 percent of the total variance. Harmon's single-factor technique was used to validate the common method bias (CMB) in factor analysis utilizing the main component extraction method without rotation. The extracted single component accounts for 37.112% of the overall variation, which is below the allowed 50% threshold.

Measurement Model

The goodness-of-fit indices for the entire set of four latent components are calculated using confirmatory factor analysis in order to assess the goodness of fit of a single model Schreiber, J. B., et al. (2006).

The values of the model fit indices, which are displayed in Table 3, are within the permissible ranges: RMSEA = 0.073, TLI = 0.925, AGFI = 0.900, NFI = 0.911, CFI = 0.944, GIF = 0.921, and CMIN/DF = 2.100. Furthermore, the measuring model is shown in Chart 2.

Measurement model (MM) construct soundness is evaluated using convergent and discriminant validity. Convergent validity is assessed using the composite reliability and the average variance extracted (AVE) value from the confirmatory factor analysis (CFA) result. Fornell, C., & Larcker, D. F. (1981) state that when AVE > 0.5 and CR > 0.7, the MM model shows convergent validities. The results of convergent validity and discriminant validity are displayed in Tables 4 and 5, respectively. When the diagonal discriminant values are found to be higher than the correlation values by the side of the relevant row and column values, the discriminant validity of the constructs is validated (Fornell, C., & Larcker, D. F., 1981).

Structural Model

This section focused on the claims made by the proposed model and evaluated and justified it using the maximum likelihood estimate technique. The suggested model has been validated using a variety of model fit indices and other criteria.

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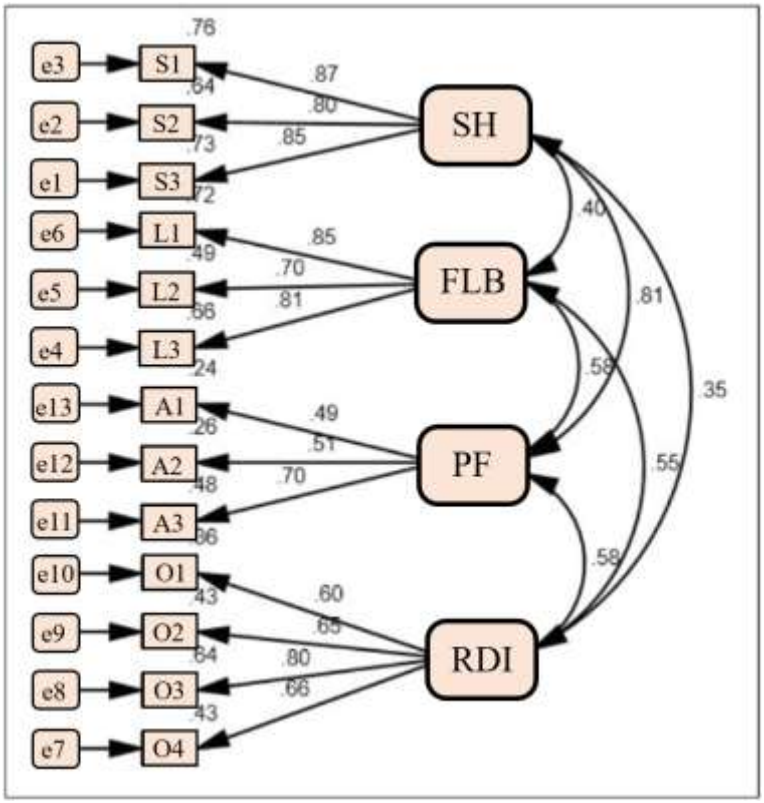


Chart 2. Measuring Model

Table 4. Test of Convergent Validity of Measurement Model.

Factor and Items	Standardized Factor Loadings*	Cronbach's α	AVE	CR
Construct: Savings Habit (SH)				
S1: Social comfort and stability have an impact on saving behaviour.	0.46			
S2: Saving behaviour is motivated by the pursuit of financial advantages.	0.881			
S3: Other need-fulfilment behaviours reinforce saving behaviours.	0.799	0.88	0.71	0.842
Construct: Financial literacy and behaviour (FLB)				
L1: Financial literacy and family financial practices' effects on saving habits.	0.808	0.822	0.778	0.913
L2: Savings habits are influenced by peer group behaviour and financial literacy.	0.85			
L3: Savings habits are influenced by both individual behaviour in financial institutions and financial socialization within the family.	0.98			
Construct: Personal Factor (PF)				
A1: Banker influence savings behaviour.	0.854			
A2: Preference of Systematic Saving influence savings habits.	0.764			
A3: Previous benefits information of the scheme influence saving behaviour.	0.933			
Construct: Recurring Deposit plan Instrument (RDI)				
O1: Guaranteed and compounded interest traits of RDI drive me to save.	0.855	0.767	0.7	0.903
O2: Risk free and Low minimum deposit plan attract me to save.		0.778	0.728	
O3: The Tax benefits and Disciplined saving of the RDI influences my buying intention.	0.805	0.886		
O4: The flexible tenure of the plan is what motivated me to make the deposit.	0.798			0.889

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Table 5. Discriminant Validity Test of Measurement Model

Construct	SH	FLB	PF	RDI
SH	0.842			
FLB	0.399	0.913		
PF	0.693	0.718	0.889	
RDI	0.355	0.711	0.664	0.903

Analysis reveals a better result for the model, and we obtained better and superior values in our model when compared to the suggested standards for the model fit indices, which would fall between 0.5 and 0.8 to be regarded as a magnificent model in social science research. (Hair et al., 2010).

The fact that all of the numbers are above 0.9 indicates that the proposed model does a good job of fitting the data. The data fits the model well, as indicated by the RMSEA of 0.069 (<0.08) and X2/df of 1.972 (<5.0). In this model, the exogenous variables explain 74% of the variation, as indicated by the R2 value of 0.74. The structural model is depicted in Chart 3, while the model fit indices are displayed in Table 6. This implies that the Savings Habits (SH) and exogenous factors such the RDI, FLB, and PF have a strong relationship.

Table 7 displays the latent constructs, together with their path details and effect sizes, that were discovered following appropriate validation and turned out to be significant and favourable to the proposed model. Exogenous variables like the RDI, FLB, and PF are positively correlated with endogenous variables like savings habits (SH).

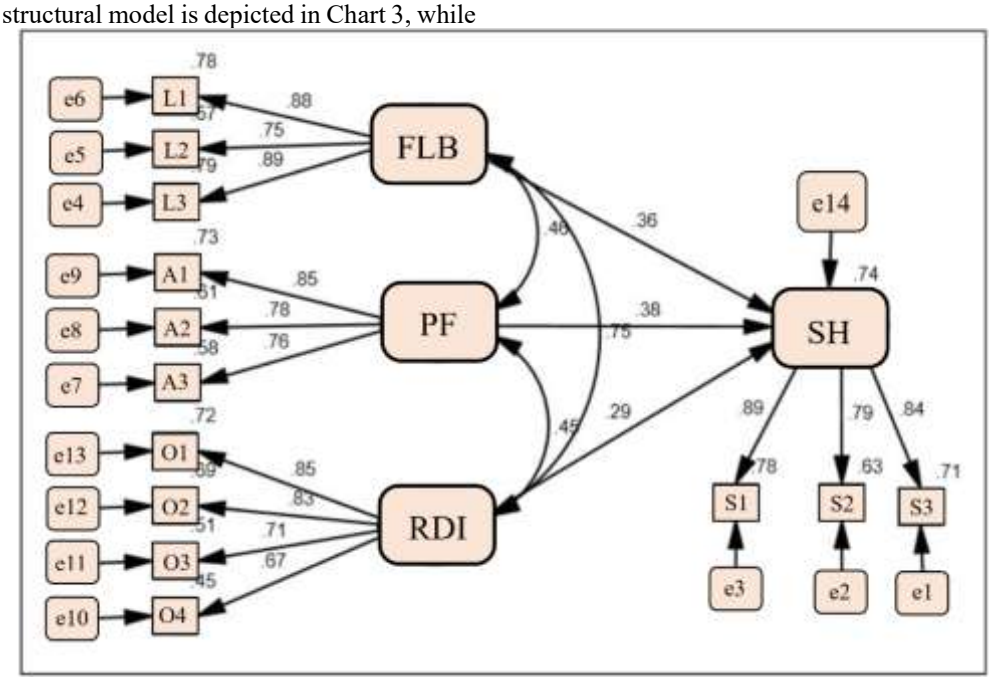


Chart 3. Structural Model

Table 6. Structural Model Fit Indices

Index Name	Index Value	Acceptable Values for Good Model Fit*
X^2/df	1.972	< 5.00
GFI	0.921	> 0.90
NFI	0.924	> 0.90
CFI	0.961	> 0.90
TLI	0.948	> 0.90
AGFI	0.910	> 0.90
RMSEA	0.069	< 0.08
Model-fit	Good	

Note: (a) *Hair et al. (2010).

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Abbreviations: X²/df: degrees of freedom with chi-square TLI stands for Tucker-Lewis Index, AGFI for Adjusted Goodness of Fit Index, RMSEA for Root Mean Square Error of Approximation, GIF for Goodness of Fit Index, and NFI for Normed Fit Index.

Table 7. Path Details of Structural Model

Relationship	Estimate	S.E.	p-Value	Observation/Effect	Effect Size	Remarks
SH ← RDI	0.478	0.096	0.001*	Effect exists	Small (0.0461)**	H1 and H2 are supported
SH ← PF	0.971	0.06	0.001*	Effect exists	Large (0.3538)**	
SH ← FLB	0.552	0.085	0.001*	Effect exists	Small (0.0263)**	
SH ← RDI_PF	0.835	0.064	0.001*	Moderation effect exists	Medium (0.3140)**	H3 is supported
SH ← FLB_PF	0.871	0.066	0.001*	Moderation effect exists	Medium (0.2876)**	

Hypothesis Insights

The study examines how personal characteristics influence the relationship between savings habits (SH), financial literacy and behaviour (FLB), and recurring deposit plans (RDI). The following is a summary of the hypotheses, both stated openly and implicitly:

Hypothesis 1 (H1): Recurring Deposit plan instruments (RDI) maintain a strong and constructive relationship with savings habits (SH). This is based on the established literature showing that RDs promote disciplined saving, offer safety and guaranteed returns, and are particularly appealing to risk-averse individuals and lower/middle-income groups. The study expects that features like guaranteed interest, low minimum deposits, tax benefits, and flexible tenure will positively influence savings behavior.

Hypothesis 2 (H2): Financial Literacy and Behaviour (FLB) maintain a strong and constructive relationship with savings habits (SH). This theory is supported by a wealth of data showing a direct correlation between sound saving practices and financial literacy, or the knowledge and abilities associated with managing finances. According to the study, people who have better financial habits and are more financially literate would also have better saving habits. This theory is supported by a wealth of data showing a direct correlation between sound saving practices and financial literacy, or the knowledge and abilities associated with managing finances. According to the study, people who have better financial habits and are more financially literate would also have better saving habits.

Hypothesis 3 (H3): Personal Factors (PF) moderate the relationship between both RDI and FLB, and SH. This is the core hypothesis of the study. The research posits that personal characteristics (age, income, education, marital status, family size, etc.) influence how individuals perceive and utilize RDs and how their financial literacy translates into actual savings. The study expects that the impact of RDI and FLB on SH will vary depending on the individual's personal factors. For example, higher-income individuals might be more likely to utilize RDs effectively, while individuals with higher financial literacy might show stronger savings habits regardless of their income level, but the effect of literacy might be stronger for some demographic groups than others.

Implicit Hypotheses: The literature review establishes a foundation for expecting positive relationships between:

- **Recurring Deposit Instruments (RDI) and Savings Habits (SH):** The literature consistently highlights RDs' role in fostering disciplined saving, appealing to risk-averse individuals, and mobilizing savings. This implicitly suggests a positive correlation, forming the basis for H1.
- **Financial Literacy and Behavior (FLB) and Savings Habits (SH):** Numerous studies link financial literacy to improved saving behaviors and financial planning. This forms the implicit basis for H2.

Explicit Hypothesis (H3): It is clear from the research objective that the goal is to investigate how Personal Factors (PF) moderate the associations between RDI/FLB and SH. This corresponds to H3: Individual characteristics influence the associations between FLB and SH and RDI and SH.

HYPOTHESES METHODOLOGY

1. Identified Variables:

- **Independent:** Recurring Deposit Instrument (RDI), Financial Literacy and Behavior (FLB).
- **Dependent:** Savings Habit (SH).
- **Moderator:** Personal Factors (PF).

2. Reviewed Literature: Existing studies had linked RDIs and FLB to SH and highlighted PF as an influential moderator.

3. Developed Relationships

- Direct Impact: RDI and FLB influenced SH positively.
- Moderation: PF strengthened the relationship between RDI, FLB, and SH.

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4. Framed Hypotheses

- **H1:** RDI positively impacted SH.
- **H2:** FLB positively impacted SH.
- **H3:** PF moderated the RDI–SH and FLB–SH relationships.

5. Validated: CFA and SEM were used to confirm these relationships empirically.

This systematic approach ensured that the hypotheses were theory-driven and testable.

DISCUSSION OR FINDINGS

The study's findings have confirmed the validity of the proposed model. Additionally, it was found that the three predictors—personal factor (PF), Financial Literacy and Behaviour (FLB), and the recurring deposit plan instrument (RDI)—significantly improved savings habits (SH). With an R2 of 0.74, the model is deemed adequate as exogenous variables account for 74% of the variation of the endogenous, or dependent, variable (Cohen, 1988 ; Falk & Miller, 1992).

The results demonstrated that Personal Factor (PF) is the major and effective predictor in impacting the savings habit, with a factor loading of 0.38 and an f-squared value of 0.3538, indicating a high impact size. Next to it, the Financial Literacy and Behaviour (FLB) and Recurring Deposit Plan Instrument (RDI) had tiny effect sizes of 0.0461 and 0.0263, respectively. Additionally, it is discovered that the interaction variables of Personal Factor and Financial Literacy and Behaviour (PF_FLB) and Personal Factor and Recurring Deposit plan Instrument (PF_RDI) have a medium impact on saving habits.

Consequently, the significant influence of the moderating variable—personal factor—cannot be denied. Thus, as a moderating element, it may be claimed that the Personal Factor and the Savings Habit work in concert. As a result, the business that gathers consumer information to advertise its financial goods should view the activity as advantageous rather than disadvantageous.

CONCLUSION

The study investigates the moderating role of individual characteristics in the association among savings habits, financial behavior and literacy, and recurring deposit plans. The results of the study support the validity of the suggested model, showing that recurring deposit plan tools, financial behavior and literacy, and individual factors all greatly enhance saving practices (Cohen, 1988 ; Falk & Miller, 1992). According to the findings, personal characteristics have a considerable impact size (f-squared value of 0.3538) and are the most significant predictor of saving behaviours (Hair et al., 2010).

The results of the study are in line with earlier research that indicates people's opinions of savings options like recurring deposits are greatly influenced by personal characteristics including age, income, education, and marital status (Narsis, I. 2022 ; Therasa, N. P. J., & Bhuvaneswari, S. 2022). Furthermore, it has been discovered that people's saving habits and financial decision-making are significantly influenced by their financial behaviour and literacy (Lusardi & Mitchell, 2011 ; Mahdzan & Tabiani, 2013).

The findings of the study further emphasize the value of recurring deposit programs as a means of saving money, especially for those in lower and moderate income brackets (Vasudevan, 2009; World Bank, 2020). The findings suggest that recurring deposit plans can promote disciplined and consistent savings, ensuring both capital safety and guaranteed returns (Karlan et al., 2014).

It is also in line with earlier studies that personal factors have a moderating effect on the association between financial literacy and behaviour, including saving habits. For example, a study by Satsios and Hadjidakis (2018) discovered that saving intentions and results are driven by attitudes, subjective standards, and perceived behavioural control.

The study's implications are significant, as they suggest that financial institutions and other intermediaries should prioritize personal factors when promoting financial products and services (Rajagopalan, Shruti, 2021). By understanding the personal factors that influence individuals' saving behaviours, financial institutions can provide more effective and targeted services, ultimately promoting financial inclusion and stability (Chawla, D. and Joshi, H. 2019).

In order to encourage saving behaviours, the study emphasizes the significance of individual traits, financial behaviour, and recurrent deposit programs. It suggests that financial institutions should prioritize personal factors and provide efficient services to support stability and financial inclusion.

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