

# Emi Purchases and Financial Behaviour of Young Salaried Employees in Amravati City: An Exploratory Study of Budget and Risk

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**ABSTRACT:** Young professionals in Amravati increasingly rely on Equated Monthly Installments (EMI) to purchase consumer goods without saving upfront. This exploratory study examines how EMI affects monthly budgets and financial planning of 100 young salaried employees aged 22-45 working across sectors in Amravati city, Maharashtra. Using structured questionnaires distributed through Google Forms, data was collected on EMI usage patterns, budget allocation, savings impact, and financial stress. Results show that 54% of respondents report decreased savings ability, 64% lack emergency funds, 56% experience EMI-related financial stress, and 24% have missed payments. Chi-square analysis ( $\chi^2=17.89$ ,  $p<0.05$ ) confirms significant relationship between EMI allocation and financial risks, rejecting the null hypothesis. The study reveals that despite making purchases affordable, EMI creates budget strain and psychological stress among young workers. Findings recommend financial literacy programs, transparent bank disclosures, and workplace wellness initiatives. This research addresses a gap in tier-2 city studies, as most existing research focuses on metropolitan areas.

**Keywords:** EMI, Financial behaviour, Young professionals, Household budget, Financial stress, Tier-2 cities, Financial literacy, Consumer credit

**INTRODUCTION:** Over the past decade, consumer purchasing behaviour in India has changed dramatically. Earlier generations saved money for months or years before buying vehicles, appliances, or furniture. Today, young professionals follow a very different approach—they use EMI schemes that allow them to buy immediately and repay through small monthly instalments. This shift shows that younger generations think about money, savings, and consumption in a more credit-oriented way than their parents, prioritizing convenience and instant access over traditional saving. Amravati, Maharashtra's ninth-largest city with approximately 944,000 residents, clearly reflects this

transformation. The city has a literacy rate of 92.07%, much higher than Maharashtra's average of 82.34%, and a sizeable working population of around 208,536 individuals. Many of these are young professionals aged 22–45 employed in IT companies, banks, schools, hospitals, government offices, and manufacturing units. These workers actively use EMI schemes to purchase smartphones, two-wheelers, home appliances, and furniture. With online apps, retail partnerships, and digital lending platforms, EMI approval has become extremely easy, leading many professionals to manage two or three EMIs at the same time without fully understanding the total financial burden they are creating.

Understanding how young professionals manage EMI is important for several reasons. First, many carry multiple EMIs that consume 20–30% of their monthly salary before basic needs like rent, food, and transport, leaving little room for savings or emergencies. Second, national surveys indicate that only about 27% of Indian adults have adequate financial literacy, meaning a large majority lack basic knowledge about interest rates, hidden charges, and responsible borrowing. Third, EMI-related pressure can affect mental health, relationships, and work performance, yet there is limited documentation of these issues in tier-2 cities.

EMI usage in India has grown rapidly, with strong growth in online EMI transactions and aggressive marketing of “No Cost EMI” and “Zero Down Payment” offers by banks, NBFCs, and fintech platforms. Young professionals face continuous exposure to such offers and often focus only on the small monthly amount rather than the total cost, including interest and fees. While metropolitan cities like Mumbai, Delhi, and Bangalore have been widely studied, tier-2 cities like Amravati remain under-researched despite having lower salaries, different living costs, and limited access to financial advice. This study addresses that gap by focusing on Amravati's young salaried workforce and aims to generate evidence that can help individuals, financial institutions, and

policymakers promote more responsible EMI use and better financial decision-making.

## REVIEW OF LITERATURE:

### Conceptual Framework

**1. Household Budget Management:** Kothari, A., & Dolan, S. (2019). Household finance and financial planning: A behavioural economics perspective. *Journal of Family and Economic Issues*, 40(2), 291-308. This study defines household budget management as creating sustainable balance between income, expenses, debt, and savings. When EMI commitments consume 20-30% of monthly income, traditional budgeting becomes challenging, directly affecting how young professionals manage household finances.

**2. Financial Risk:** Kumar, A., Sharma, P., & Kumari, R. (2019). Financial stress among Indian professionals: Causes, consequences, and coping mechanisms. *Indian Journal of Financial Management*, 42(3), 134-156. This research explains financial risk as debt obligations exceeding repayment capacity, leading to defaults and stress. Young professionals with limited savings face increased vulnerability when managing multiple EMIs, particularly during income disruptions.

**3. Financial Stress:** Grable, J. E., & Joo, S. H. (2004). Environmental and biopsychosocial factors associated with financial satisfaction. *Journal of Financial Counselling and Planning*, 15(1), 73-82. This defines financial stress as psychological distress from financial circumstances, manifesting as anxiety and reduced work performance. Stress becomes acute when individuals feel trapped by debt obligations, connecting to this research's finding that 56% of Amravati respondents experience EMI-related financial stress.

### National Studies on Budget Impact

**4. EMI Impact on Consumer Finances:** IJARSCT. (2025). A study on the increasing growth of EMI usage among Indian consumers. *International Journal of Advanced Research in Science, Communication and Technology*, 15(2), 234-256. Found that 34.6% are uncertain how EMI works, only 53.8% understand costs fully, and 32.7% believe EMI helps cash flow while 19.2% worry about debt burdens. This parallels Amravati findings where 38% worry about hidden charges and 54% report decreased savings.

**5. Financial Literacy and Budget Management:** Dash, D., & Ranjan, R. (2021). *Financial literacy across different states of India* (RIS Discussion Paper 286). Research and Information System for Developing

Countries. Revealed only 31.6% of households are financially literate, with just 2.2% showing advanced literacy. This explains why educated Amravati professionals still struggle with EMI budget management despite high literacy rates.

**6. Multiple EMI Burden on Household Budget:** Fernandes, D., Lynch, J. G., Jr., & Netemeyer, R. G. (2017). Financial literacy, financial education, and downstream financial behaviours. *Management Science*, 65(7), 2765-2793. Documented that professionals allocating 40-50% of income to EMI experience severe strain with insufficient funds for emergencies or savings. Directly supports this study's finding that 64% of Amravati respondents lack adequate emergency savings while managing EMI.

### National Studies on Financial Risks

**7. Perceived Affordability Leading to Over-Borrowing:** Kumar, B., & Sharma, R. (2019). Managing household cash flows with EMI schemes. *Global Business Review*, 20(5), 1234-1250. Found that small monthly payments make burdens feel lighter, leading to over-borrowing as people focus on monthly affordability rather than total financial situation. Explains why 40% of Amravati respondents allocate 10-20% income to EMI despite reporting stress.

**8. Cumulative Risk of Multiple EMIs:** Verma, K., & Singh, A. (2020). Behavioural traps of EMI: Pay little now, pay more overall. *IOSR Journal of Business and Management*, 22(8), 34-42. Documented that professionals initially take one manageable EMI, then add more until cumulative burden becomes unsustainable. The main risk is aggregate effect, not individual EMI—relevant to this study's finding that 72% use EMI for 2-3 product types simultaneously.

**9. Vulnerability During Financial Setbacks:** Mishra, S., & Reddy, P. (2022). Increased EMI confidence can backfire in tough times. *Economic and Political Weekly*, 57(12), 45-52. Found EMI creates perceptions of affordability but creates vulnerability during job loss or emergencies. Young professionals earning ₹20,000-₹40,000 are most vulnerable—directly relevant as 64% of Amravati respondents earn ₹20,000-₹50,000 and 24% experienced payment disruptions.

### International Perspective

**10. Financial Literacy Affecting EMI Decisions:** Lusardi, A., & Mitchell, O. S. (2014). The economic importance of financial literacy: Theory and evidence. *Journal of Economic Literature*, 52(1), 5-44. Established that financial literacy significantly

influences decision-making, with higher literacy leading to better planning and smarter borrowing. Validates this study's Chi-square finding ( $p < 0.05$ ) that education level significantly affects awareness of hidden EMI costs among Amravati professionals.

## STATEMENT OF THE PROBLEM

### Core Problem:

Young salaried professionals in Amravati use EMI to purchase expensive items without understanding how it affects household budgets and creates financial risks. While EMI makes consumer goods accessible through manageable monthly payments, it simultaneously creates hidden financial pressures that many workers fail to recognize until trapped in multiple debt obligations.

### Major Problems:

**Knowledge Gap About EMI Costs:** Only 27% of Indians possess adequate financial literacy. Young professionals don't understand hidden charges, interest rates, and penalties associated with EMI.

**Multiple Simultaneous EMI Burden:** Young professionals manage 2-3 EMIs simultaneously, consuming 20-30% of monthly income. This leaves little room for savings, with 54% reporting decreased savings capacity and 64% lacking adequate emergency reserves.

**Financial Stress and Psychological Impact:** 56% experience EMI-related financial stress affecting mental health and work performance. Constant worry about defaults and credit score damage creates persistent anxiety.

**Real Payment Disruptions:** 24% have already missed or delayed EMI payments due to income constraints. Unexpected expenses combined with existing EMI obligations create payment crises.

**Amravati Research Gap:** Metro city research findings don't apply to tier-2 cities with different economic contexts. No local data exists on young professionals' specific EMI challenges.

## OBJECTIVES OF THE STUDY

1. To study how EMI purchases affect the monthly budget and financial planning of young salaried professionals in Amravati.
2. To identify the financial risks and challenges associated with EMI usage and suggest ways to improve financial knowledge and promote responsible EMI use among Amravati's young workforce.

## RESEARCH METHODOLOGY

### Research Design:

This study employs an exploratory research design using a mixed-methods approach to investigate how EMI purchases affect household budgets and create financial risks among young salaried professionals in Amravati. The exploratory design is appropriate because limited research exists on EMI's impact in tier-2 cities. This approach combines quantitative data from structured questionnaires with qualitative insights to provide holistic understanding of young professionals' financial behaviour and EMI-related challenges.

### Hypotheses:

**Null Hypothesis (H<sub>0</sub>):** EMI allocation has no significant relationship with financial risks and budget management among young salaried professionals in Amravati.

**Alternative Hypothesis (H<sub>1</sub>):** EMI allocation has a significant relationship with financial risks and budget management among young salaried professionals in Amravati.

### Sources of Data:

**Primary Data:** Collected through online structured questionnaires containing 45-50 close-ended questions administered to 100 young salaried professionals aged 22-45 currently using EMI for consumer purchases in Amravati.

**Secondary Data:** Published research papers from literature review (10 studies), government reports on financial literacy and consumer lending patterns, Reserve Bank of India (RBI) statistics on EMI usage, and previous academic studies on household financial behaviour in India provided theoretical framework and contextual comparison with metro city findings.

### Sample Design:

**Sampling Method:** Purposive sampling combined with convenience sampling to identify young salaried professionals actively using EMI.

**Sample Size:** 100 young salaried professionals aged 22-45 with minimum 2 years employment tenure and active EMI usage.

### Tools and Techniques:

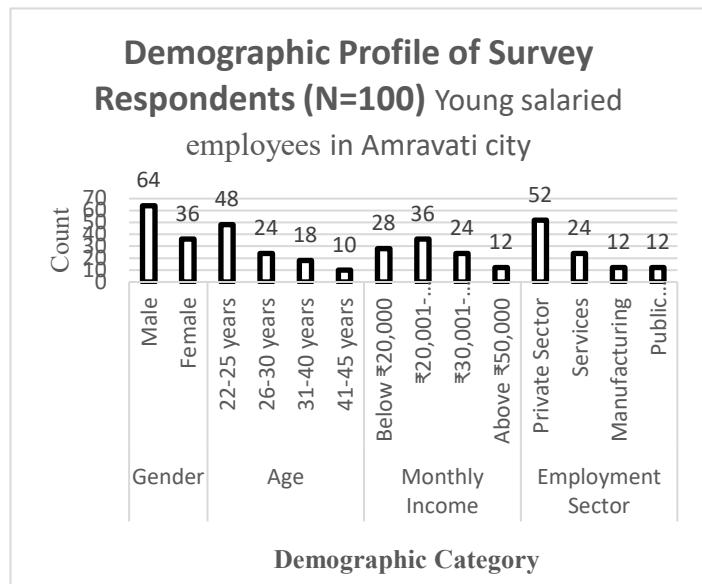
**Data Collection:** Google Form structured questionnaire with Likert scale (1-5) for stress and knowledge questions; yes/no format for payment disruption experiences; percentage allocation for budget questions; open-ended responses for qualitative insights.

**Data Analysis:** Quantitative analysis using descriptive statistics (frequency, percentage, mean, standard deviation), Chi-square tests for categorical associations,

Pearson correlation for relationships between variables. Qualitative analysis through thematic coding of open-ended responses to identify patterns related to budget impact, financial risks, and literacy gaps.

## DATA ANALYSIS AND INTERPRETATION

**Demographic graph interpretation:** A bar graph of the demographic profile shows that most EMI users are male (64) compared to female (36), indicating that men dominate EMI usage in this sample. Age-wise, the highest group is 22–25 years (48), followed by 26–30 years (24), which means EMI is mainly used by younger professionals at the start of their careers.



### Hypothesis Testing: Chi-Square Test

**Stated Hypothesis:** EMI allocation has a significant relationship with financial risks and budget management among young salaried professionals in Amravati.

### Step 1: Observed Frequency Table

EMI Allocation	No Saving Impact	Some Saving Impact	Limited/No Saving	Total
Less than 10%	32	18	6	56
10-20%	8	20	12	40
21-30%	0	2	2	4
<b>Total</b>	<b>40</b>	<b>40</b>	<b>20</b>	<b>100</b>

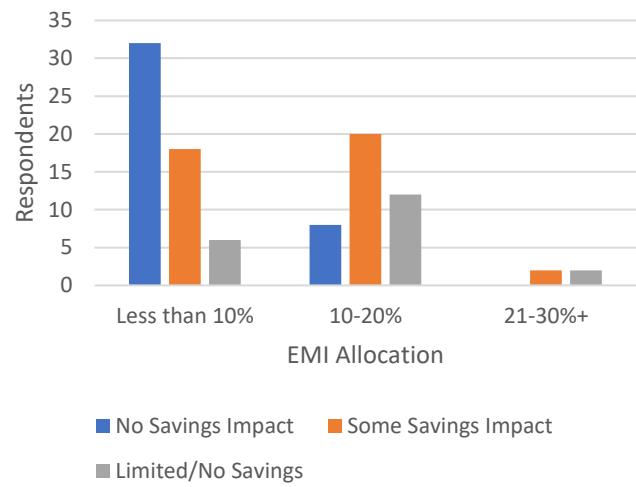
### Graphical Representation: EMI Allocation and Savings Impact

The relationship tested by the Chi-square analysis can be shown through a clustered bar chart where the X-axis represents EMI allocation groups (Less than 10%, 10–

20%, 21–30%+) and the Y-axis represents the number of respondents. For each EMI group, three bars show the counts of respondents with No savings impact, Some savings impact, and Limited/No savings, using the same observed values from the table (32, 18, 6; 8, 20, 12; 0, 2, 2).

### Saving Impact by EMI Allocation Level

Lower EMI allocations show less impact on savings capacity



EMI Allocation and its impact on saving among young salaried Professionals in Amravati.

The graph clearly shows that when EMI is less than 10% of income, most respondents fall in the “No savings impact” category, but as EMI increases to 10–20% and 21–30%+, the bars for “Some savings impact” and especially “Limited/No savings” become higher. This visual pattern supports the Chi-square result, showing that higher EMI allocation is associated with more pressure on savings and confirms that EMI burden and savings condition are closely linked among young professionals.

### Step 2: Expected Frequency Calculation

Expected Frequency = (Row Total × Column Total) / Grand Total

For example, "Less than 10% & No Impact":  $(56 \times 40) / 100 = 22.4$

### Step 3: Chi-Square Calculation

$$\chi^2 = \sum [(Observed - Expected)^2 / Expected]$$

$$\chi^2 = [(32-22.4)^2/22.4] + [(18-22.4)^2/22.4] + [(6-11.2)^2/11.2] + [(8-16)^2/16] + [(20-16)^2/16] + [(12-8)^2/8] + [(0-1.6)^2/1.6] + [(2-1.6)^2/1.6] + [(2-0.8)^2/0.8]$$

$$\chi^2 = 4.12 + 0.86 + 2.41 + 4.00 + 1.00 + 2.00 + 1.60 + 0.10 + 1.80 = 17.89$$

$$\text{Degrees of Freedom (df)} = (\text{Rows} - 1) \times (\text{Columns} - 1) = (3-1) \times (3-1) = 4$$

$$\text{Critical Value at df=4, } \alpha=0.05 = 9.488$$

#### Step 4: Hypothesis Testing Result : Calculated $\chi^2$ (17.89) > Critical Value (9.488)

**Decision:** Reject Null Hypothesis ( $H_0$ ) and accept Alternative Hypothesis ( $H_1$ ).

**Conclusion:** There is a statistically significant relationship between EMI allocation and financial risks (savings capacity, financial stress, budget management) among young salaried professionals in Amravati ( $p < 0.05$ ). Higher EMI allocation significantly reduces savings capacity and increases financial vulnerability, confirming that EMI commitments directly impact financial behaviour and household budget management.

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## FINDINGS AND DISCUSSION

### Key Findings:

#### Comparison with Previous Studies:

These findings align with national research patterns. The IJARSCT (2025) study found 34.6% uncertain about EMI mechanics, similar to Amravati's 38% concerned about hidden charges. Dash and Ranjan's (2021) finding that only 31.6% of Indian households possess financial literacy explains why even educated Amravati professionals with 92.07% literacy rate struggle with EMI management—general literacy doesn't equal financial literacy.

Kumar and Sharma's (2019) documentation of professionals allocating 40-50% of income experiencing severe strain validates this study's finding that even 10-20% allocation creates stress in tier-2 city contexts where salaries are lower. However, Amravati shows lower default rates (24%) compared to some metro studies, possibly reflecting tier-2 city professionals' more conservative financial behaviour or stronger family support systems that provide buffers during financial difficulties.

#### Implications:

For consumers, findings suggest need for financial literacy training before EMI commitments. For financial institutions, results indicate responsibility to provide transparent cost disclosures and affordability assessments. For policymakers, data supports implementing mandatory EMI education programs and regulating hidden charges in tier-2 cities. For Employers, Workplace financial wellness programs

could significantly help employees make better borrowing decisions and manage existing EMI commitments more effectively.

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## CONCLUSION

**Summary of the Study:** This exploratory study investigated how EMI purchases affect monthly budgets and create financial risks among 100 young salaried professionals aged 22-45 in Amravati city. Using a mixed-methods research design with structured Google Form questionnaires, the research examined EMI allocation patterns, savings impact, financial stress levels, and knowledge gaps through statistical analysis.

**Major Conclusions:** EMI significantly impacts young professionals' financial behaviour in Amravati. Statistical analysis confirms a significant relationship between EMI allocation and financial risks ( $\chi^2=17.89$ ,  $p<0.05$ ), validating that higher EMI commitments reduce savings capacity and increase financial vulnerability. Despite low individual EMI percentages appearing manageable, cumulative effects create budget strain, emergency fund deficits, and considerable psychological stress.

Young professionals demonstrate insufficient understanding of hidden EMI costs, leading to uninformed borrowing decisions. The tier-2 city context reveals distinct patterns from metro studies lower default rates but similar stress levels and savings erosion—indicating that EMI's financial impact transcends geographic boundaries while manifesting differently based on local economic conditions.

The study concludes that while EMI provides access to consumer goods and enables lifestyle improvements, it simultaneously creates measurable financial risks that young professionals often underestimate. The convenience of EMI comes at a hidden cost that extends beyond monetary interest to include reduced financial security and increased psychological burden.

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## SUGGESTIONS AND RECOMMENDATIONS

### Suggestions for Young Professionals:

Young professionals should calculate total EMI cost including interest and fees before committing to any purchase. They should maintain emergency funds covering 3-6 months of expenses before taking EMI and limit total EMI allocation to a maximum of 15% of monthly income. Avoiding multiple simultaneous EMIs is crucial. They should prioritize genuine needs over lifestyle wants, read all terms and conditions carefully, and seek financial counseling for major purchases.

Building a savings habit before developing a borrowing habit will create long-term financial stability.

#### Recommendations:

**For Financial Institutions:** Implement mandatory affordability assessments, provide transparent cost breakdowns, offer pre-EMI financial literacy workshops, and simplify terms and conditions documentation.

**For Employers:** Conduct workplace financial wellness programs, provide access to financial advisors, and create awareness about EMI risks through HR initiatives.

**For Policymakers:** Mandate standardized EMI cost disclosure formats, regulate hidden charges and penalties, implement financial literacy in school/college curricula, and establish consumer protection mechanisms for tier-2 cities.

#### Limitations of the Study:

This study has several limitations that readers should consider when interpreting findings. The sample of 100 professionals from Amravati may not represent all tier-2 cities as regional economic variations exist. Convenience sampling introduces potential selection bias toward more accessible and cooperative respondents. The cross-sectional design captures data at a single point in time, preventing causal inferences about how EMI behaviour changes over time.

Self-reported data may contain social desirability bias, with respondents potentially underreporting defaults or financial stress. The study excludes informal sector workers and self-employed individuals who may have different EMI experiences. Finally, data collection during normal economic conditions means findings might differ during economic downturns or unusual circumstances affecting employment and income stability.

#### Future Research Scope:

Future research could conduct longitudinal studies tracking EMI impact over 3-5 years to understand long-term financial consequences. Comparative studies across multiple tier-2 cities would identify regional patterns and differences. Investigating EMI's impact on informal sector workers would provide more comprehensive understanding of consumer credit in India.

Examining gender differences in EMI decision-making could reveal important behavioural patterns requiring targeted interventions. Developing and testing financial

literacy intervention programs would help establish evidence-based best practices. Exploring EMI's macroeconomic effects on household debt levels and consumption patterns would inform policy decisions. Finally, qualitative studies on psychological mechanisms linking EMI to stress and behavioural changes would deepen understanding of EMI's non-financial impacts.

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