

CONSUMPTION, SAVINGS AND INVESTMENT

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Abstract: *This article gives information about consumption, savings and, of course, investments, which are one of the economic phenomena that are gaining great importance today. Information about what consumption, savings and investments are and their role in the theory of economy is covered.*

Key words: *Consumption, Savings, Investment, Types of consumption, Savings.*

Introduction: It is known that newly created value in the national economy, that is, national income, is used for consumption and accumulation purposes. In a broad sense, consumption refers to the use of goods and services produced in the process of meeting the economic needs of society. At this point, consumption itself is divided into productive and personal consumption. Productive consumption refers directly to the process of production and service, and it is the process of using means of production and labor for the purpose of production. Personal consumption takes place outside the sphere of production, and it is the use of consumer goods and services by people to directly satisfy their personal needs. According to Keynes, consumption is the current income of households. while it is understood as a decreasing function, according to classical economists, consumption is a decreasing function of the real interest rate.

TYPES OF CONSUMPTION

- Material consumption;
- Consumption of intangible goods and services;
- Individual consumption;
- Group consumption;

Material consumption is understood as the use of material benefits in the satisfaction of needs.

Consumption of intangible benefits and services is the use of the relevant utilitarian properties of intangible benefits and services to satisfy needs.

Individual consumption is the consumption of benefits that are available to an individual.

Collective consumption includes the joint use of benefits by different groups of society members.

The part of the national income that is used to satisfy the material and spiritual needs of the members of the society is called the Consumption Fund. The part of the population's current income used for livelihood benefits and services is understood as consumption expenditure.

Savings is the accumulation of current income of the population, enterprise (firm) and the state for the purpose of meeting future needs and obtaining income. The relationship between the volume of consumption and savings and the factors affecting it is called the function of consumption and savings. Saving is the spending of part of the national income to increase the fixed and circulating capitals, as well as reserves. There are two types of savings, they consist of production savings and non-production savings.

Factors affecting consumption and savings:

- Level of property accumulated by all households;
- Price level;
- Real interest rates;
- Debt level of consumers;
- Level of taxation of consumers.

The share of the population's income spent on consumption is called the average propensity to consume and is written as follows:

$$\frac{\textit{The volume of consumer spending}}{\textit{Net income volume}}$$

The share of the population's income that goes to savings is called the average propensity to save, that is:

$$\frac{\textit{Fund size}}{\textit{Net income volume}}$$

In this case, the sum of both is equal to one.

The degree of change in consumption expenditure as a result of a change in income is called the additional propensity to consume:

$$\frac{\textit{Change in consumption}}{\textit{Change in net income}}$$

The degree of change in the amount of savings as a result of a change in the amount of income is called the added propensity to save:

$$\frac{\textit{Change in savings}}{\textit{Change in net income}}$$

In this case, the sum of both is equal to one.

Investment is the monetary form of expenditure on restoration and increase of the main working capital, expansion of production capacity. It is implemented in the form of cash, bank loans, shares and other securities. Investment in the form of money is called nominal investment, and investment resources that can be bought with the same money are called real investment. Profit is the driving force behind investment spending.

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