B. COM 6 TH SEMESTER

Macroeconomics

Saving Function: Saving is equal to the difference between Income and consumption. That is S= Y- C Here S is saving, Y is National Income, C is Consumption. Saving is a function of National Income that can be denoted by S= f (Y). It means that when National Income will increase then Saving will also increase. Saving is an upward rising function of income. If consumption is a straight line then saving function is also a straight line.

Average Propensity to Save (APS): APS is the ratio of Saving and Income. APS= S/Y . Average propensity to save (APS) increases as Income increases.

Merginal Propensity to Save (MPS) : It is change in saving due to change in one unit of Income. It is the slop of saving function.

MPS= Change in saving (dS)/Change in Income (dY).

Characteristics / Featurers of Saving Function:

(i)Saving is a stable function of the level of Income.
(ii)Average propensity to save (APS) increases as Income increases.

(iii)The marginal propensity to save(MPS) is grater than zero but less than unity.

(iv)The marginal propensity to save(MPS) probably increases or remain constant as income increases . If the consumption function is linear , the saving function is also linear. If the consumption function is non- linear , the saving function is also non- linear.