

## A study on the socio economic factors affecting resources of savings

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### Abstract

When examining the results of this study, it is clearly evident that there is a direct impact from individual income, age, educational level, gender and nature of occupation on savings accumulation resources. This study further proves that there is a clear distinction between the savings behaviors of the individuals among the urban and the rural sector households of Sri Lanka. Further explaining, the study revealed that the rural sector households focus more on savings while the urban sector households focus more on investments. Within the urban sector gender is not a decisional factor for savings while it is opposite in the rural sector where gender has a clear influence on savings. Even though there isn't much of a difference in resources of savings in both urban and rural sector, the study reveals that in both the sectors there is a high tendency among the female population to be attracted towards improper resources of savings than the male population. Further explaining it is clear that this tendency is relatively high among the population which doesn't earn a fixed income during a certain period of time than the individuals who do earn a fixed amount of income. The education level of an individual is a very important factor that influences the source of savings and saving behaviour of an individual. Relatively, individuals with lower educational levels tend to save in improper resources of saving at a lower rate than the individuals with higher level of education. Thus financial institutions should be supported to introduce more attractive procedures that include simple terms and conditions and less amount of documentation to motivate individuals with lower educational levels towards proper resources of savings. Generating techniques that will attract low income earners towards savings, introducing saving methods on low and fixed annuities and encouraging them to continue will enhance the household savings and will benefit the domestic resources to increase the level of investments.

**Keywords:** savings, resources, accumulation, rural sector

### Introduction

The growth theories explain that an increase in the Real GDP is a prerequisite towards achieving economic development while growth in investments is an essential condition towards achieving economic growth. Even though there is an ability to promote economic growth through domestic and foreign resources, domestic resources play a very important role in achieving a long term and a sustainable Economic Growth. Increase in savings is a prerequisite in increasing domestic investments (Fernando 1986) <sup>[1]</sup>. Household savings play a vital role in increasing domestic savings. When talking about the domestic savings in Sri Lanka, the contribution from the public sector towards the domestic savings has declined after 1987. Therefore the attention on improving household savings have been given much attention towards increasing domestic savings. As household savings play a very important role in the process of economic growth the investigators too have given a very high focus to study this matter in depth. This study focuses mainly on the effectiveness and the productivity of the decisions of household savings and the social, economic and scientific community factors affecting savings accumulation.

### Study of Literature

Studies have proven that personal income, gender, area of residence, education level, financial literacy are the factors that make direct and indirect impacts on savings accumulation. Browning and Lusardi (1994) <sup>[2]</sup> revealed

that rural savings in Indonesia are very low due to the low income and low educational levels experienced in the rural areas of Indonesia. According to Collins (1991) <sup>[3]</sup> states the most important factor contributing towards savings accumulation is education. Here education is referred as financial education. Age, gender, level of education, stream of study, educational levels of the parents and area of residence are factors that affect financial education. A study conducted by Gersovitz (1988) <sup>[4]</sup> in Sweden, revealed that there is a great gap between savings of female and male population in the country. This is mainly due to the lack of participation of females in making economic decisions within the households.

### Objective

Identifying the effects of Social, Economic and Scientific community factors on savings accumulation resources and identifying the variations of the urban and rural sectors while investigating its effects on choice of savings resources.

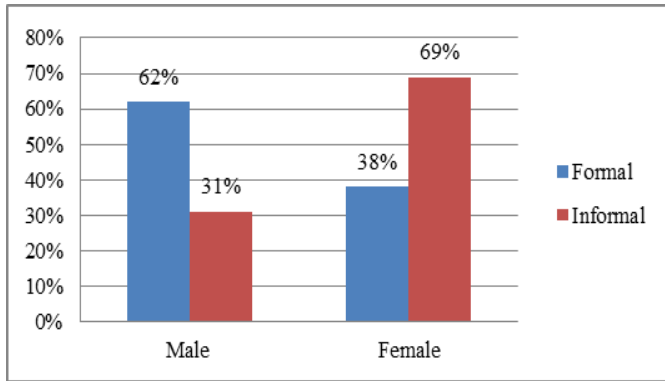
### Method of Data Collection

The study was conducted based on the primary data gathered using a structured questionnaire which was distributed among the selected rural area. 100 households were selected from the Monaragala district which is identified as the district with the highest rate of poverty among the all other districts of Sri Lanka.

**Finding and Analysis**

**Question 1- Savings accumulation Resources based on Gender**

Gender is an influencing factor towards different personal behaviors within the society. This characteristic is clearly identified among the rural sector in the country. Fig. 01 indicates the differences of choosing a savings accumulation source based on gender

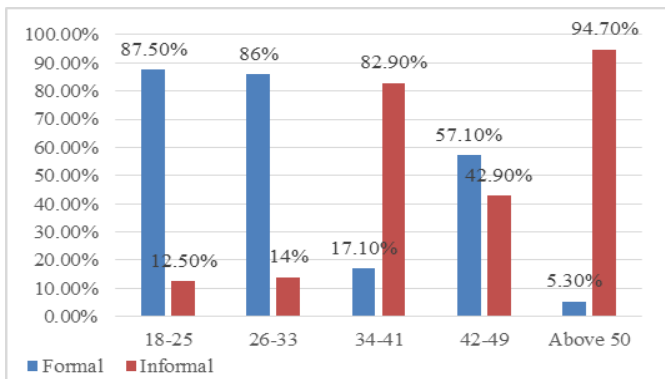


**Fig 1**

According to Fig. 01 62% of the male population maintain their savings in proper savings accumulation resources while 69% of the female population maintain their savings in improper resources. According to the above statistics it is clearly evident that, with regard to the female population the male population maintains their saving in proper resources of saving.

**Question 2- Saving Accumulation resources based on Age**

Attitudes, knowledge, level of experience, level of income, duties and social relationships are directly influenced by age. According to the information presented even in decisions related to savings, age has become an important aspect. According to this study Fig. 02 will indicate the relationship between the rural sector savings accumulation resources of individuals and age.



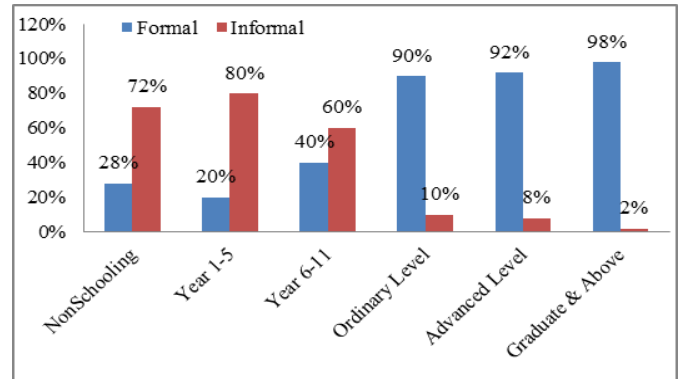
**Fig 2**

According to the above Fig. it is clear that 87% of the population within the ages of 18-25 and 26-33 are encouraged to save in proper savings accumulation resources. There is a tendency shown that the population above 33 years will revise their savings towards improper savings resources while 95% of the population of, above

50 years maintain their savings in improper savings accumulation resources.

**Question 3- Saving Accumulation resources based on level of education**

Education is also another factor that has a great influence over savings. Fig. 03 will indicate the relationship between the education level of the rural sector individuals and their choice of savings.

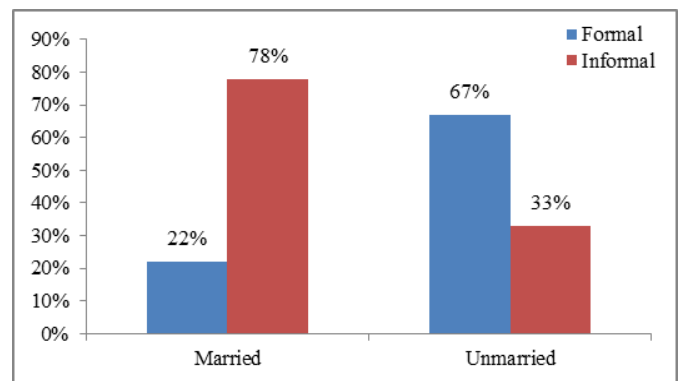


**Fig 3**

According to the above Fig. 75% of the population of the individuals with no education and with education up to grade 5 have been maintaining their savings in improper savings resources. While 93% of the population who passed ordinary level, Advance level and even obtained a degree have been maintaining their savings in proper savings resources.

**Question 4- Saving Accumulation resources based on marital status**

The marital status is a decisional factor towards the social change of duties and responsibilities of one's life. There can be differences upon selecting a saving accumulation source based on an individual's marital status.



**Fig 4**

According to Fig. 04, 67% of the unmarried population have saved under proper resources while 78% of the married population have saved under improper resources.

**Question 5- Saving Accumulation resources based on employment**

There are differences in savings accumulation resources based on nature of employment, education level, family

background, and vocational training. Especially there is a large population who are engaged in agriculture and construction in this area. Nature of employment has an influence over selecting a saving source.

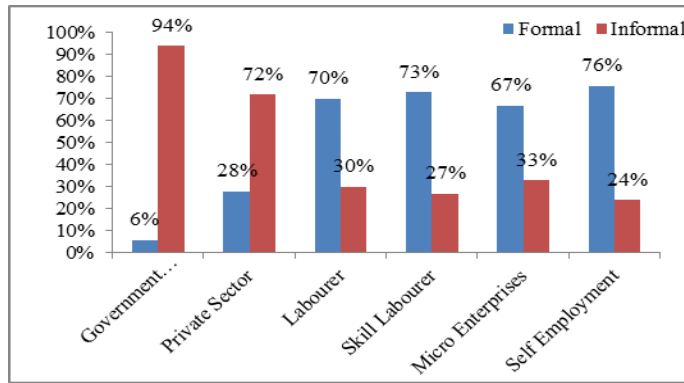


Fig 5

Fig. 05 indicates the relationship between nature of employment and savings accumulation resources. According to the data presented it is clear that 83% of the population who are employed in the government and private sector are encouraged to save in proper savings resources while individuals who are employed in other modes of employment tend to save in improper savings methods.

**Question 6- Saving Accumulation resources based on house hold income**

House hold income is decided upon employment and short term and long term income methods obtained by the house holds. The income level of each member within the household is important in determining the total income of the household, living standards and savings.

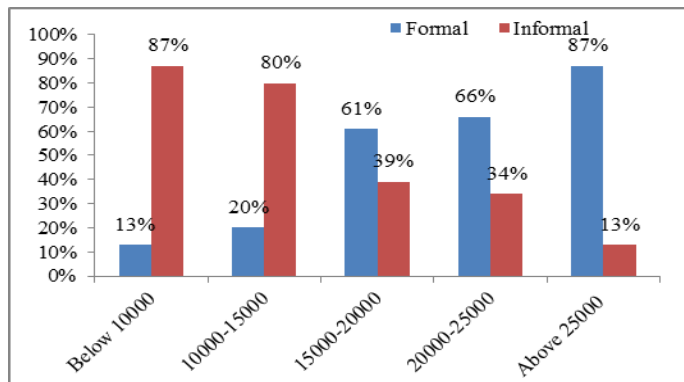


Fig 6

According to Fig. 06 it is clearly seen that as the level of household income changes there is a shift in resources of savings. 83% of the population who earn less than Rs.15000 are driven to save in improper savings resources. And as the income rises there is a tendency among the households to shift the source of saving from improper savings to proper savings resources. The shift is clearly visualized by the above Fig. as the income rises from Rs.15000 and upwards. The study revealed that the amount of savings on improper saving resources by the

households with higher income levels show a higher rate than the households with lower income levels.

**Conclusion and Recommendations**

This study was conducted to distinguish the impact of socio economic factors on savings resources in Matara district and the fact has been proven from the results of 100 households in Matara district.

Therefore author would like to propose some recommendations for further improvements. Thereby, according to the gender females could influence to maintain their savings in proper manner like fixed deposits, Investments in various sectors etc. And also, according to the results of age range the citizens above the year 50 could inspire to manage savings in proper way. Likewise, education should be in a high rage to understand the needfulness of savings. As such, marital status should influence the people to manage savings in proper resources. While, government sector should have motivate their employee to manage savings in formal way. Finally, government sector should motivate households to plan savings resources properly.

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