

A Quest for Savings in the Clownish Area (Jamalgonj Upazila) and Compared to Municipal Area (Trishal Upazila)

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Abstract:- Savings is a crucial issue that plays a vital role in the economic development of our country. This variable determines economic growth for both individual and national well-being. Higher rates of savings lead to faster economic growth. Savings in rural areas is very low and little as known empirically about its patterns and factors affecting. This study tries to provide a concrete idea of savings behavior for the specific area including Jamalgonj and Trishal Upazila by using survey data gathered from 140 sample sizes (70 households data in every Upazila). The Multiple Linear Regression Model (MLR) is used for this study. The variables selected for the study are Savings, Income, Dummy variable (1 for Trishal and 0 for Jamalgonj), and Age (Household Head).

Keywords:- Economic growth, Savings, Investment, Household income.

I. INTRODUCTION

Investment is one of the main determinants of economic growth. If society invests more in the capital, it must consume less and save more of its current income. An adequate national saving is essential to achieving higher investment and consequently higher economic growth. Savings can be sub-divided into private savings, public savings and national savings. In developing countries, typically the household sector accounts for a large proportion of the total savings and it contributes to economic growth significantly. According to the economic theory, saving in the current period more-over is defined as equal to current income minus current consumption. Personal saving is delineated as personal consumption expenditure subtracted from personal disposable or discretionary income. This study considers the income level, household head age that affects the amount of saving. Normally economic perspective state that rise in income increase the savings and when the age of the household head increases his income also increases. In our country, rural areas' savings are below 10% whereas urban people save more money because of their outside facilities. This paper examines the savings amount of Jamalgonj and Trishal Upazila. In Jamalgonj (Near the Surma River), people suffer from government negligence. Therefore, high levels of disguised unemployment, low level of income, the engagement of a large proportion of the population in the informal sector and poor performance as a whole. Climate risk led to an important income variations and saving

allocation problems as well as difficulties to develop productive investments. By using multiple regression, here state how much savings difference between these areas. The standardized questionnaire are used to collect data by interviewing the household heads.

II. OBJECTIVES OF THIS STUDY

The key objectives of this study are:

- To explain the economic condition of these two upazila (all of the factors are constant without savings, income, household head age).
- To check out the impact of income on savings.
- To analyse the effect of household head age on savings.

III. RESEARCH QUESTIONS

- What is the total income and savings per year of a family?
- Which profession does hold by household head, job or another?
- How years old of household head?

IV. LITERATURE REVIEW

There are different factors that affect rural household saving attitudes; Such as land size of household, income level of household, marital status of household, education level of household, occupation of household, habit of drinking alcohol and some other were found to have significant influence on the amount of household saving (Abebe A., 2017).

(Goyal, 2007; Family Economics & Financial Education, 2010; Fisher, 2010; Mbutia, 2011) The subject of savings as an engine of economic growth and development has received immense consideration from different authors and schools of thought. It is usually considered together with consumption in most economic theories on savings for the fact that the decision to consume is seen as the opposite to the decision to save. Thus, savings is considered as that part of income not consumed.

Jin et al. (2011) show that when income increases by 1%, consumption (net of education expenditures) rises by 0.75%, which suggests that the average propensity to save tends to rise by 1.25%

In a theoretical analysis of Pham (2005), assuming that people care about both consumption and social status, it is predicted that households with low-status have stronger incentives for saving, since it is important to obtain more satisfaction from a marginal increase in wealth accumulation so as to improve social status, as compared to consumption. This, in turn, may urge those belong to the high-status groups to hold enough savings in order to maintain their social status.

Like most economists, Smith (1776) for instance regarded capital accumulation through savings as a necessary condition for economic development (Rehman et al., 2011). The neoclassical economists made savings a determinant of investment as opposed to the Keynesians who made savings a function of income and income a function of investment (Mikesell & Zinser, 1973).

Keynes (1936) identified absolute income as the main determinant of savings and stressed that savings would increase with absolute income (disposable income) other factors being constant, thus the term absolute income hypothesis. The Absolute Income Hypothesis postulates that the current level of income determines savings.

Savings has long been recognised by economists as a major factor in the process of economic development, directly by its diversion of resources into the formation of capital and indirectly through changes in technology which are implemented when new capital is put to use (Snyder, 1974).

Rural households including are vulnerable to a large number of uncertainties and risks related to diseases, conflicts and climatic changes especially erratic rainfall pattern which in most cases affect agricultural production – the main stay of the rural economy (Hoogeveen et al., n.d.).

Muradoglu and Taskin (1996), Wakabayashi and MacKellar (1999) and Ahmad and Asghar (2004), They all have reported income had a positive association with household's savings. Age is also found as significant determinant that affect savings of the household in our findings. The positive coefficients means that as the age of the respondents' increase, their tendency to save also increases.

Abid and Afridi (2010), and Chhoedup (2013), who reported no significant relationship of saving with education of the household head.

Savings are used as buffer-stock and whenever the time is bad it is used for smoothening consumption (Abid and Afridi, 2010).

Chhoedup (2013), who reported that there is no significant relationship of occupation/ employment with household savings.

Dr. Anuradha P S (2015) stated that Savings and investments by individuals are important both for personal financial well-being and for economic growth.

Jain and Jain (2012), In spite of low income the teachers have been saving for future needs. The main avenues of investment are Bank deposits and the main purpose of investment is for children education, marriage, and security after retirement.

Age is also found as significant determinant that affect savings of the household. The positive coefficient means that as the age of the respondents' increase, their tendency to save also increases. Chhoedup (2013), and Obayelu (2012), who reported that with an increase in age, the household savings also increased. However, my findings are in disagreement with the findings of Ahmad and Asghar (2004). Their findings revealed negative association of savings with age. In addition to this, ur Rehman et al. (2011) also found no significant relationship of age with household savings.

V. MATERIALS AND METHODS

A. Research design:

The study has used survey design for data collection and the data were collected through a standardized questionnaire. Moreover, this research is explanatory in nature that explores the casual relationship of household saving with selected socio-economic determinants.

B. Study Area:

The geographical coverage of this study is confined to the Jamalgonj Upazila (village: Inatnogor, Laxmipur, Fenarbak, Mallikpur, Choyhara, Teranagor, Nazimnagor) and Trishal (village: Namapara, Salimpur, Pachpara, Soteropara, Dorirampur, Chiknamnuhar, Durduria).

C. Sampling:

I have collected 70 household data in every upazila that means total sampling size is 140. The standardized questionnaire was used to collect data by interviewing the household heads.

D. Study Variables:

- a) Dependent Variable
Savings (Y)

Household savings are calculated by subtracting total monthly expenditures from total yearly income of household. It is measured in Bangladeshi taka(Tk).Household savings are used as dependent variables in my study.

- b) Independent Variables

Total Income of household (IH)

Total Income of household is the sum of all monetary income. It is calculated through Income approach that includes wages, rent from land and profit. It also includes income from farming, live stocks, remittances, bonuses, pensions, and social security payments as well.

Age of household head (AH)

Household head is a person who is considered by all other members in house. I have considered age of household head in my study that is expected to be positively/negatively related with household savings.

Dummy Variables(D)

I will mention areas as a dummy variable such and 1 for trishal and 0 for other upazila.

E. Econometric Model

Multiple regression is employed to explore the relationship of dependent variable with independent variables.

F. Research Methodology:

I have estimated Multiple Regression by using statistical software STATA for analysis of savings of the specific area including Jamalgonj and Trishal Upazila.

Multiple Regression line for both Upazila,

$$Y = \beta_1 + \beta_2 D + \beta_3 I + \beta_4 A + \mu$$

Here,

Y=Average Savings per year.

B1 = Benchmark Category (assume for Trishal)

β2= Coefficient of Dummy Variable(assume for Jamalgonj)

β3= Coefficient of Average Income of the Household per year

β4= Coefficient of Average Age of the Household Head

D= Dummy Variable

1 for peoples are in trishal

0 for Jamalgonj Residence

I=Average Income of the Household per year

A=Average Age of the Household Head &

μ= Stochastic Error Term.

This econometric equation is considered as ANCOVA model (Analysis of Covariance) where qualitative and quantitative variables are equally prioritized. To regress the model, I have used statistical program STATA.

VI. EMPIRICAL RESULTS

Based on primary data(2022),by using an statistical program STATA the empirical result of estimated Multiple Regression line is presented in the following table:

Model -1	Coef.	Std. Err.	t	p> t	[95% Conf. Interval]	
Benchmark category(for Trishal)	17962.52	22904.49	0.78	0.451	-33071.87	68996.92
D(for Jamalgonj)	-10972.91	11585.9	-0.95	0.366	-36787.89	14842.08
Income	.2669433	0.0518187	5.15	0.000	.1514839	.3824026
Age	-483.1509	617.8548	-0.78	0.452	-1859.817	893.5154

Table 1: Regression Results

Predictors: Dummy, Income, Household head age

Dependent Variable:Average Savings per year

Source:Author’s Estimations

From the table-1,it can be said that the estimated coefficient of trishal upazila is 17962.52 and -10972.91 for jamalgonj upazila, which refers the average savings is 6989.61 tk. Income has a positive coefficient .2669433 and found significant at p-value 0.000. If income increases 1tk then average income increases 27 poisa as well as age

increases 1year,savings decreases 483.1509 tk on average. Standard Errors are 0.0518187 and 617.8548 for income and age which express that the average distance of the data points from the fitted line is about 0.0518187% and 617.8548%.

Model-1	Number of Observations	F(3,10)	Prob> F	R-squared	Adjusted R-squared	Root MSE
	14	23.12	0.0001	0.8740	0.8362	11413

Table 2: Model Summary

Predictors: Dummy, Income, Household head age

Dependent Variable: Savings

Source: Author’s Estimations

From the table-2, F-value 23.12 indicates that R^2 is statistically significant. it can be said that the value of R-square is 0.8740,which indicate very well fit to data.That is almost 87% of the variation in the Savings rate is explained

by income and age of the household head. Here Adjusted R-squared value is 84% and Root Mean Square Error(RMSE) is 11413(standard deviation of the residuals).

Model-1	Sum of Squares	df	Mean square
Model	9.0321e+09	3	3.0107e+09
Residual	1.3025e+09	10	130245860
Total	1.0335e+10	13	794963721

Table 3: ANCOVA

Predictors: Dummy, Income, Household head age

Dependent Variable: Savings

Source: Author's Estimations

The residual degrees of freedom is $(13-3)=10$.

VII. CONCLUSION AND RECOMMENDATION

The findings of the study revealed that there are a significant differences in savings of both upazila. The Keynesian theory of savings is proved by the findings of this study that income is the main determinant of savings. The findings suggest that the government should emphasize undeveloped upazila so that the people have employment opportunities and can enhance income which may further increase household's savings. It is also suggested particularly for NGOs that they should have organize informal job related program at community level regarding the importance of savings to encourage the people for saving by spending income according to their actual needs.

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PRIMARY DATA SET FOR BOTH UPAZILA

SL. No.	Villages	Average Savings, Y (TK.)	D(1 for trishal and 0 for jamalgonj)	Average Income of Household Head,I(TK.)	Average Age of Household Head,A
1.	Inatnogor	14030	0	60540	34
2.	Salimpur	58368	1	198000	40
3.	Laxmipur	15500	0	62404	36.8
4.	Namapara	110000	1	415658	38.6
5.	Soteropara	20000	1	110100	33
6.	Dorirampur	61500	1	279542	45.8
7.	Fenarbak	23722	0	81300	42
8.	Mollikpur	18064	0	64020	37
9.	Pachpara	38000	1	290000	49
10.	Choyhara	18328	0	67000	32.4
11.	Teranagor	16002	0	59630	39.5
12.	Chiknamnohor	60756	1	265000	52
13.	Nazimnogor	10143	0	43308	41
14.	Durduria	45000	1	266000	36.1