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Influencing Components of Human Savings Behavior in Sylhet City

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Abstract- Saving can be defined as difference between individual's disposable income and its consumption. Saving is the normal human nature. This study aims at identifying some important components which influence human saving behavior. A highly structured questionnaire was prepared to collect primary data from 350 depositors from the different banks of Sylhet City in Bangladesh. Several tools (Descriptive Statistics, Factors Analysis and Multiple Regression Analysis) have been used to find out core cause of human savings. The researcher has found at least 15 components that influence human saving behavior. So there have been 1 dependent variable i.e., saving fascination and 15 different independent variables i.e., to be rich man, to buy durable goods, Children education, to travel in future, etc. The findings of the study reveal five core components which influence human saving behavior mostly i.e., to have enough social security, to earn profit, for some dependent persons, to be rich man and to travel in future.

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Influencing Components of Human Savings Behavior in Sylhet City

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Abstract- Saving can be defined as difference between individual's disposable income and its consumption. Saving is the normal human nature. This study aims at identifying some important components which influence human saving behavior. 350 depositors from the different banks of Sylhet City in Bangladesh. Several tools (Descriptive Statistics, Factors Analysis and Multiple Regression Analysis) have been used to find out core cause of human savings. The researcher has found at least 15 components that influence human saving behavior. So there have been 1 dependent variable i.e., saving fascination and 15 different independent variables i.e., to be rich man, to buy durable goods, Children education, to travel in future, etc. The findings of the study reveal five core components which influence human saving behavior mostly i.e., to have enough social security, to earn profit, for some dependent persons, to be rich man and to travel in future. This propensity of individual saving behavior to financial institutions leads to the development of a country's economic strengths because as many people save as much as financial institutions provide loans to the development projects.

Keywords: save, components, saving behavior.

I. INTRODUCTION

Saving is normally considered in economics as disposable income minus personal consumption expenditure. In other words, it is regarded as income that is not consumed by immediately buying goods and services. For the purpose of this study, it must be emphasized that "saving" refers to deposits in saving accounts. Thus, the studies focus on financial saving of households held by banks and microfinance institutions (Issahaku, 2011).

Generally, savings outlets where rural households deposit their savings are of two main types: formal and informal financial institutions (Ahmad *et al*, 2006). Formal savings outlets include commercial banks, mobile banking or daily savings enterprise, microfinance and micro credit banks and the informal savings outlets include mutual savings, Susu and self-saving which basically involves keeping the money at home or with a trusted member of the community. Susu is a form of saving undertaken by a group of people with a common interest. The group could consist of co-workers, traders in the same area or even neighbors who agree to make contributions periodically (daily, weekly or monthly) and the total sum is given to one of

the members at a time at the end of a defined period (usually a month) until the cycle goes round every member (Obi-Egbediet *at*, 2014). Classical regards capital accumulation as the key to economic progress. They, therefore, lay emphasis on larger savings. They are of opinion that only capitalists and landlords are capable of saving. The working class is incapable of saving because it gets wages equal to the subsistence level (Rehmanet *al*, 2011).

The study is structured as follows. Following the introduction, 'section 1' shows objectives, hypothesis and methodology, 'section 2' says the limitations of this paper, 'section 3' has the literature review, 'section 4' consists of analysis and findings, recommendations and conclusions are in 'section 5' and 'section 6' offers references.

a) Objectives

The main objective of this paper is to discover the influencing components of human saving behavior. The subsequent objective is to measure the relationship between the influencing components and saving fascination.

b) Hypothesis

H_0 : There is no significant relationship between the influencing components of human saving behavior and saving fascination.

H_1 : There is significant relationship between the influencing components of human saving behavior and saving fascination.

c) Data Sources and Methodological Issues

The present study is basically based on primary data. These primary data have been collected from the Sylhet City during June 2015 to November 2015. The depositors from different banks and non-banking financial institutions have been addressed in this study. The sampling population of this study includes 350 depositors from Sonali Bank Ltd (50), Trust Bank Ltd(50), Modhumoti Bank(50), City Bank(50), United Commercial Bank Ltd(50), AB bank Ltd(50), National Bank Ltd(25), IDLC Finance Limited(25) in the Sylhet City. This study followed the random sampling method representative population. The primary data have been collected by using a highly structured questionnaire which contain two parts: Part 1 demographic information and part 2 influencing components of human saving behavior. To find out the influencing components of

human saving behavior, fifteen components have been considered as independent components and only one component is considered as dependent component that is saving fascination. These fifteen components are rated by Five Points Likert Scale. These are: 1=Strongly Dissatisfied, 2=Dissatisfied, 3=Average, 4=Satisfied, 5=Strongly Satisfied. To verify the collected data relating to influencing components several statistical analyses i.e., Descriptive Analysis, Factors Analysis and Multiple Regression Analysis have been conducted. All the econometric problems like auto correlation and Multicollinearity are checked. The researcher has used SPSS 20 software to analyze these analyses. The researcher has refereed to various books, journals and periodicals as the vital source of secondary data.

II. LIMITATIONS

The major limitations are:

1. Different people have different opinions, different adoptions and different saving behaviors.
2. These data have been collected from Sylhet region. So, actually it cannot be representing the actual saving behavior of human.
3. Some people are unwilling to provide information because they are worried about tax related issues.
4. It is presumed that the people, who has an account, has a habit of saving.

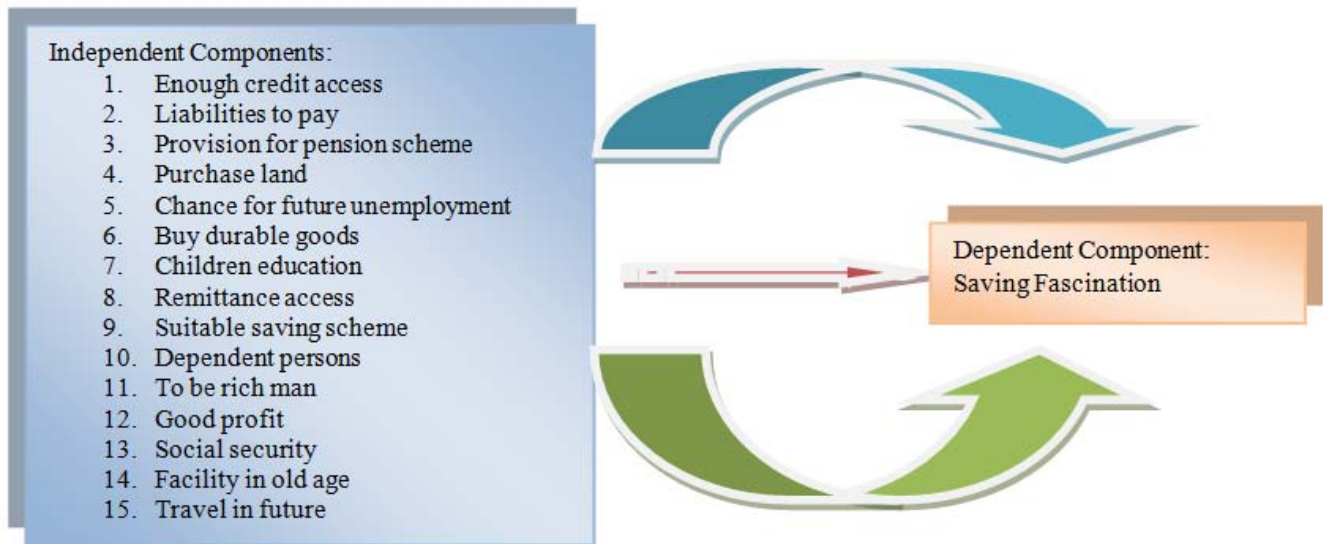
III. LITERATURE REVIEW

Saving is the normal nature of human because everyone is conscious about his future. To be safe in future they can make savings. They can spend these savings in the rainy day. There are some variables which influence to saving. Saving is one of the important variables for economic growth of any country. Saving is about income that is not consumed by immediately buying goods and services (Manyama, 2007). Abid and Afridi, (2010) showed in their paper that saving is an important variable in the theory of economic growth. Several studies have been conducted to assess saving behavior. These studies include Qureshi (1981), Giovanni (1983), Khan (1988), Burney and Khan (1992), Siddique and Siddique (1993), Khan and Nasir (1998), and Ayub (2001). Most of these studies have analyzed saving behavior in overall Pakistan and then broken it down to the rural/urban level. In all these studies the effects of different variables like income, real and nominal rate of interest, rate of inflation, rate of growth of income, output rate, lagged output per capita, lagged population growth rate, foreign and domestic saving ratio, degeneracy ratio, age, education, employment status, earning status, occupation, purchase of jewelry, assets, imports, exports, foreign aid, bank credit, prime interest rate, workers' remittances, private capital outflows, expected inflation rate, development of financial institutions, residence location, secondary earner, sex, consumption pattern etc. have been studied over saving pattern.

There are a number of determinants of saving. The level of savings depends on various factors such as income, interest rates, fiscal factors, demographics factors as well as psychological, cultural and social factors. Among the economic factors the interest rate is also considered as an important factor affecting the level of savings. The demographic variables like percentages of children and old people are very important determinants of savings (Fraczek, 2011). Middle-aged people tend to have higher incomes with lower propensities to consume and higher propensities to save. He argued also that there is a positive relation between income and saving for poor countries (Deaton, 2005). According to (Shem, 2002), personal attributes include: individual level of monthly income; individual level of education; individual's age; gender; size of household and; major source of income. Institutional characteristics are: interest rate on loans; distance from financial institutions; collateral for loan; time required to process a loan; minimum balance requirement; loan repayment method; restrictions on loan use; loan repayment period, and; loan amount. Choice of a financial institution directly implies a choice of saving, credit and transaction services thereof. The main factors influencing the choice of savings institutions include: security for savings, membership to the savings institutions and being able to qualify for group assistance. Individual's age is expected to be negatively correlated with saving, such that, older people save less and the younger save more (Lawrence *et al.*, 2009). Horioka and Terada-Hagiwara (2012) argued that the main determinants of savings in Asia are: the old dependency ratio, income levels and the level of financial sector development.

Burney and Khan (1992) explained that various socio economic and demographic factors as determinants of savings. Impact of Income, earning status, occupation, and age square of household head on saving were appeared to be positive but inverse of household income, dependency ratio, education, employment status, secondary earner and age were inversely related to savings of urban and rural households. Rogg, (2000) said that according to economic theory, credit access is expected to have several influences on savings: impatient consumers will be tempted to borrow and consume more in the present, hence save less; some current savers will reduce their saving since future needs can be financed more easily through credit; no change in saving will occur for the very patient and highly risk-averse savers.

a) Conceptual Framework



Source: Author's Compilation, 2015

The researcher has shown how independent variables hypothetically affect the dependent variables.

IV. ANALYSIS AND FINDINGS

a) Demographic Information

Table No. 1 : Personal Profile of the Respondents

S. No.	Demographic Profile	Number	Percentage
1	Gender		
	Male	260	74.3
	Female	90	25.7
	Total	350	100
2	Age Groups		
	20 to 30	89	25.4
	31 to 40	176	50.3
	41 to 50	67	19.1
	51 and above	18	5.1
	Total	350	100
3	Employment Status		
	Employed	218	62.3
	Unemployed	132	37.7
	Total	350	100
4	Profession		
	Employee	151	43.1
	Businessman	83	23.7
	Student	67	19.1
	Others	49	14.0
	Total	350	100
5	Level of Education		
	Undergraduate	90	25.7

	Graduate	138	39.4
	Postgraduate	106	30.3
	Others	16	4.6
	Total	350	100
6	Marital Status		
	Married	249	71.1
	Unmarried	101	28.9
	Total	350	100

Source: Author's analysis of research data, 2015

From the above table the researcher has found that males (74.3%) are more than females in number. Most of them are in the age group of 31 to 40 (50.3%),

b) *Influencing Components of Human Savings Behavior*

Table No. 2 : Descriptive Statistics

Descriptive Statistics

	N	Mean	Std. Deviation	Variance
social security	350	3.8114	.88857	.790
good profit	350	3.7343	.81583	.666
dependent persons	350	3.6943	1.05750	1.118
to be rich man	350	3.6800	.86670	.751
travel in future	350	3.6486	1.02375	1.048
facility in old age	350	3.6400	1.08208	1.171
children education	350	3.6343	1.18635	1.407
buy durable goods	350	3.5400	1.12148	1.258
purchase land	350	3.5371	1.22418	1.499
liabilities to pay	350	3.2314	1.11547	1.244
provision for pension scheme	350	3.1686	1.10877	1.229
remittance access	350	3.0829	1.23997	1.538
suitable saving scheme	350	3.0057	1.04070	1.083
enough credit access	350	2.9629	1.08720	1.182
chance for future unemployment	350	2.8371	1.28438	1.650
Valid N (listwise)	350			

Source: Author's analysis of research data, 2015

More mean and less standard deviation is the important component of influencing the human saving behavior. Here, it is clear that 'Social Security' is the main and most important component that influences human to have the saving behavior. Then important components are 'Wish to get good profit', 'For dependent persons', and 'To be rich man'. Less important components are 'There have a chance of future unemployment' and 'To have enough credit access'.

c) *Reliability and Validity Test*

For having high quality research results, it is needed to have valid and reliable data collection. The correct data will show the true results. So, it is necessary to test the validity and reliability to determine whether the tools used in the study are valid and reliable. Reliability of questionnaire was validating with the computation of Cronbach alpha. The value of Cronbach alpha indicates

that $\alpha \geq 0.90$ = Excellent (Very High Reliability); $0.70 \leq \alpha < 0.90$ = Good (High Reliability); $0.60 \leq \alpha < 0.70$ = Acceptable; $0.50 \leq \alpha < 0.60$ = Poor and $\alpha < 0.50$ = Unacceptable (Cronbach LJ (1951); Cortina, J.M. (1993).

Table No. 3 : Reliability Test

Case Processing Summary			Reliability Statistics	
	N	%	Cronbach's Alpha	N of Items
Valid Cases	350	100.0	.790	16
Excluded ^a	0	.0		
Total	350	100.0		

a. Listwise deletion based on all variables in the procedure.

Source: Author's analysis of research data, 2015

Here, for 16 items (including dependent component), Cronbach alpha is 0.790 which is greater than 0.70 and less than 0.90. That means the researcher has used highly reliable data for analysis.

d) Sample Adequacy and Sphericity Test

The researcher will do the factor analysis. For this reason, it is needed to know the suitability of dataset for factor analysis (Principle Component Analysis). The following table 4 (Table 4) gives information about sample sufficiency index KMO by Kaiser-Meyer-Olkin, which compares the sizes of the observed correlation coefficients to the sizes of the partial correlation coefficients for the sum of analysis variables is (0.706)

70.6%, and it is reliable because it overcomes (0.70) 70% by far (cut-off above 0.50) (Yong, 2013). In addition, supposition test of sphericity by the Bartlett test (H_0 : There is no significant relationship between the influencing components of human saving behavior and saving fascination.) is rejected on a level of statistical significance $p < 0.0005$ for Approx. ChiSquare = 1370.085. Consequently, the coefficients are not all zero, so the second acceptance of factor analysis is satisfactory (Anastasiadou, 2011). As a result, both acceptances for the conduct of factor analysis are satisfactory and it can proceed with it.

Table No. 4 : Sample Adequacy and Sphericity Test

KMO and Bartlett's Test	
Kaiser-Meyer-Olkin Measure of Sampling Adequacy.	.706
Approx. Chi-Square	1370.085
Bartlett's Test of Sphericity df	105
Sig.	.000

Source: Author's analysis of research data, 2015

e) The Scree Plot Graph

The Scree plot shows the graphical representation of eigenvalues and guides to determine the essential factorial axis. The criterion of eigenvalue or characteristic root (Eigenvalue) ≥ 1 was used for defining the number of the factors (Kaiser, 1960).

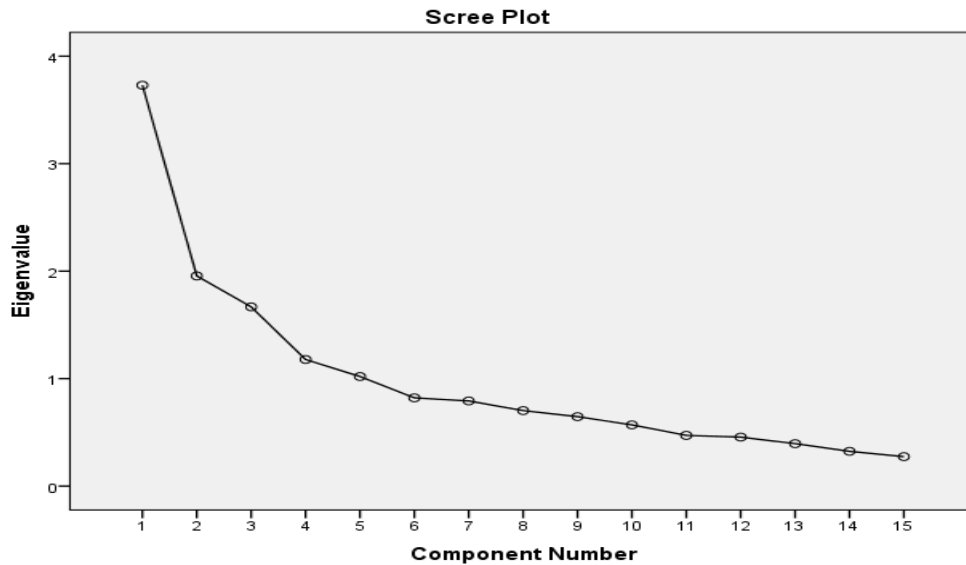


Figure 1 : Scree Plot Graph

Source: Author's analysis of research data, 2015

The above figure shows that the distinguished break up to the fifth factors, whereas after the fifth factor an almost linear part of the eigenvalue curve follows. Here only five factors have eigenvalue over 1.00 i.e.,

3.729, 1.955, 1.667, 1.178, and 1.020 for the 1st, 2nd, 3rd, 4th and 5th factor respectively. (Table No. 5) and decide whether they interpret data in a satisfactory way.

Table No. 5 : Eigen values and Variance

Total Variance Explained

Component	Initial Eigenvalues			Extraction Sums of Squared Loadings			Rotation Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	3.729	24.863	24.863	3.729	24.863	24.863	2.249	14.990	14.990
2	1.955	13.036	37.899	1.955	13.036	37.899	2.035	13.569	28.559
3	1.667	11.114	49.013	1.667	11.114	49.013	1.898	12.652	41.211
4	1.178	7.853	56.866	1.178	7.853	56.866	1.700	11.330	52.541
5	1.020	6.797	63.662	1.020	6.797	63.662	1.668	11.121	63.662
6	.821	5.472	69.134						
7	.792	5.281	74.415						
8	.703	4.684	79.099						
9	.646	4.307	83.405						
10	.569	3.796	87.201						
11	.472	3.146	90.347						
12	.456	3.038	93.385						
13	.395	2.632	96.017						
14	.323	2.156	98.173						
15	.274	1.827	100.000						

Extraction Method: Principal Component Analysis.

Source: Author's analysis of research data, 2015

The table No. 5 displays the Eigen value in terms of percentage of variance explained. So, factor 1 explains 24.836% of total variance. It is clear that the first few factors explain relatively large amounts of variance (63.662%) whereas subsequent factors explain only

small amounts of variance. SPSS 20 extracts all factors with eigenvalues greater than 1, which leaves with five factors. These five factors explain 63.662% of total variance.

Table No. 6 : Communalities
Communalities

	Initial	Extraction
enough credit access	1.000	.657
liabilities to pay	1.000	.748
provision for pension scheme	1.000	.531
purchase land	1.000	.701
chance for future unemployment	1.000	.690
buy durable goods	1.000	.680
children education	1.000	.700
remittance access	1.000	.486
suitable saving scheme	1.000	.766
dependent persons	1.000	.666
to be rich man	1.000	.516
good profit	1.000	.611
social security	1.000	.690
facility in old age	1.000	.583
travel in future	1.000	.523

Extraction Method: Principal Component Analysis.

Source: Author's analysis of research data, 2015

The communalities in the Extraction column reflect the common variance in the data structure or the proportion of variance explained by the underlying factors. i.e., 65.70% of variance associated with question 1 (Component 1 i.e., Enough credit access) is

common, or shared, variance. The common communality table shows that each question has the Extraction value more than 0.50 which represent the satisfactory quality of the measurements from the model of 5 factors (Anastasiadou, 2011).

Table No. 7 : Rotated Component Matrix
Rotated Component Matrix^a

	Component				
	1	2	3	4	5
social security	.756				
good profit	.732				
to be rich man	.640				
travel in future	.551				
dependent persons	.476			-.446	.462
children education		.808			
buy durable goods		.806			
purchase land		.588	.405	.434	
liabilities to pay			.841		
enough credit access			.778		
provision for pension scheme			.527		
chance for future unemployment				.791	

facility in old age				.639	
suitable saving scheme					.837
remittance access					.598
remittance access					.598

Extraction Method: Principal Component Analysis.

Rotation Method: Varimax with Kaiser Normalization.

a. Rotation converged in 7 iterations.

Source: Author's analysis of research data, 2015

By the use of SPSS Principle Component Factor Analysis, it is clear that total 15 components can be divided 5 groups of new components. i.e., Factor 1 named 'Social security with rich' contains components of 'Social security, wish to earn good profit, to be rich man, travel in future and for dependent persons'. Factor 2 named 'Children education with purchase durable goods and land' contains components of 'children education, want to purchase durable goods and want to purchase land'. Factor 3 named 'Credit and pension scheme' contains components of 'Liabilities to pay, to have enough credit access and provision for pension scheme'. Factor 4 named 'Chance of future unemployment with old age facilities' contains components of 'Chance of future unemployment and facilities in old age', and factor 5 named 'Remittance

with saving scheme' contains components of 'Suitable saving scheme and remittance access'.

In summary, Social security with rich, Children education with purchase durable goods and land, Credit and pension scheme, Chance of future unemployment with old age facilities and Remittance with saving scheme, these five factors can explain 63.662% of total variance.

f) Research Model

The researcher has found 5 important components that influencing human saving behavior. Now researcher has tried to know the significant impact of these components on saving fascination. So the researcher has decided to conduct multiple regression analysis. The regression model is:

$$Y = \alpha + \beta_1 F_1 + \beta_2 F_2 + \beta_3 F_3 + \beta_4 F_4 + \beta_5 F_5 + \epsilon t$$

Where,

Y= Saving fascination

This Saving fascination can be affected by the following influencing components of save:

F₁= Social security with rich

F₂= Children education with purchase durable goods and land

F₃= Credit and pension scheme

F₄= Chance of future unemployment with old age facilities

F₅= Remittance with saving scheme

εt= Error Term

And α is constant and β₁, β₂, β₃, β₄, and β₅, are coefficient of estimate.

Table No. 8 : Regression Model Summary

Model Summary^b

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.594 ^a	.353	.343	.76093	1.663

a. Predictors: (Constant), A-R factor score 5 for analysis 1, A-R factor score 4 for analysis 1, A-R factor score 3 for analysis 1, A-R factor score 2 for analysis 1, A-R factor score 1 for analysis 1

b. Dependent Variable: saving fascination

Source: Author's analysis of research data, 2015

From table no. 8 it is seen that there is a significant correlation between independent variables and dependent variables. At the level of 5% significant, the correlation is 59.4% which shows the moderate relation because the value of R is between 0.40 to 0.60. The value of R² indicates that 35.3% dependent variable can be explained by independent variables. Remaining

64.7% of variance can be explained by the other variables. The Durbin-Watson d=1.663, which is between the two critical value 1.5<d<2.5 and therefore it can assume there is no first order liner auto-correlation in these multiple liner regression model (Statistics Solution, 2015).

Table No. 9 : Analysis of Variance

ANOVA^a

	Model	Sum of Squares	df	Mean Square	F	Sig.
1	Regression	108.481	5	21.696	37.471	.000 ^b
	Residual	199.179	344	.579		
	Total	307.660	349			

a. Dependent Variable: saving fascination

b. Predictors: (Constant), A-R factor score 5 for analysis 1, A-R factor score 4 for analysis 1, A-R factor score 3 for analysis 1, A-R factor score 2 for analysis 1, A-R factor score 1 for analysis 1

Source: Author's analysis of research data, 2015

ANOVA output indicates that regression equation is explaining a statistically significant portion of the variability in the dependent variable from the variability of independent variables. This table also tells that the regression model is statistically highly significant (F test is highly significant, $p=0.000$ which is $p<0.05$). Thus it can be said that " H_0 : There is no significant relationship between the influencing components of

human saving behavior and saving fascination" is rejected and accept " H_1 : There is significant relationship between the influencing components of human saving behavior and saving fascination." Hence, ANOVA output supports the research hypothesis that there is a statistically significant relation between the set of independent variables and dependent variables.

g) Parameter Estimates and Multicollinearity

Table No. 10 : Parameter estimates

Coefficients^a

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
	B	Std. Error	Beta			Tolerance	VIF
(Constant)	3.820	.041		93.919	.000		
1 A-R factor score 1 for analysis 1	.024	.041	.025	.579	.563	1.000	1.000
A-R factor score 2 for analysis 1	.184	.041	.196	4.515	.000	1.000	1.000
A-R factor score 3 for analysis 1	.483	.041	.514	11.855	.000	1.000	1.000
A-R factor score 4 for analysis 1	.199	.041	.212	4.898	.000	1.000	1.000
A-R factor score 5 for analysis 1	.059	.041	.063	1.451	.148	1.000	1.000

a. Dependent Variable: saving fascination

Source: Author's analysis of research data, 2015

This table shows the value of predictor variables and intercept i.e., the value of α , β_1 , β_2 , β_3 , β_4 , and β_5 . Here constant (α) is 3.820.

Factor 1- The coefficient for Factor 1 is .025. So for every unit increase in Factor 1, a 0.025-unit increase in saving is predicted, holding all other variables constant.

Factor 2- The coefficient for Factor 2 is .196. So for every unit increase in Factor 2, a 0.196-unit increase in saving is predicted, holding all other variables constant.

Factor 3- The coefficient for Factor 3 is .514. So for every unit increase in Factor 3, a 0.514-unit increase in saving is predicted, holding all other variables constant.

Factor 4- The coefficient for Factor 4 is .212. So for every unit increase in Factor 4, a 0.212-unit increase in saving is predicted, holding all other variables constant.

Factor 5- The coefficient for Factor 5 is .063. So for every unit increase in Factor 5, a 0.063-unit increase in saving is predicted, holding all other variables constant.

Third column shows the values for the standard errors associated with these coefficients and factor 2, 3, 4 are statistically significant.

Finally, the research equation should be as follows:

$$Y = 3.820 + 0.025F_1 + 0.196F_2 + 0.514F_3 + 0.212F_4 + 0.063F_5 + \epsilon$$

The researcher has also tried to know, whether there is any multicollinearity problem in the regression model. So, it can be conducted through Collinearity Statistics. A VIF around 1 is very good. (The minitab blog, 2015) A rule of thumb is that if $VIF > 10$ then multicollinearity is high (Kutner et al, 2004). So there have no any multi-collinearity problem in this model and the model is good in shape.

V. RECOMMENDATION AND CONCLUSION

Capital is the result of saving, and savings come from less present consumption for the sake of future goods. For having the economic development, it needs to formulate capital. These capital formation is possible though increased saving behavior from the people. According to (Gedela, 2012) from the classical times, saving has been considered as one of the determinants of growth. To lead the underdeveloped countries to the path of development, rate of savings must be enhanced. For the individuals and households, savings provide a cushion of security against future contingencies, whereas for the nation, savings provide the funds needed in the developmental efforts. To achieve higher rate of growth with relative price stability, the marginal propensity to save should be raised by appropriate incentives and policies. Also, in an era of international financial integration, for macroeconomic stability, higher domestic savings are essential.

So, it is clear that saving is one the most important factors for the developing country to be more developed. In this paper, the researcher has tried to find out cause of human saving behavior. Researcher has found a lot of variables that influence human savings behavior. But all variables are not applicable for everyone. For this reason, the researcher has taken only 15 variables. But these 15 variables are not enough because these variables explained only 35.3% variations. So there is a research gap. There should have been more variables to explain the cause of human saving. Here the researcher has found the main cause of human saving is that the having future security. So, financial institutions and government should take some initiatives regarding these variables of savings. Financial institutions can open new policy (scheme) for security purpose and enhance interest rate. As a result, the people will save more than previous time. If the people save more, there will be more development (Ahsan, 2015).

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