

Differences in Household Savings across Socio-Economic and Demographic Characteristics of Sri Lankan Households: Evidence from Household Survey Data 2016

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Introduction

The outbreak of the coronavirus (COVID-19) pandemic has significantly interrupted the daily activities of households, while companies have commenced downsizing, thus hampering the income sources of many individuals as well as households (International Monetary Fund, 2020). Setting aside ‘three to six months’, living expenses is encouraged as a precaution. However, though the emphasis on saving is high, many households struggle to fulfil their basic needs and wants. Savings can be defined as “a flow variable that refers to the accumulation of assets and debts over a specific period” (Nyhus, 2018, p. 208).

As a developing country, Sri Lanka has recorded a gross saving of USD 24.14bn in 2019, which is significantly lower than other developing countries such as Thailand and South Korea. These countries boast of a gross saving of USD 171.08bn and USD 561.51bn respectively (The World Bank, 2019). Further, Gross Domestic Savings in Sri Lanka as a percentage of Gross Domestic Product (GDP) from 2010 to 2019 has been fluctuating in the range of 15.2% to 27.2%. Lastly, the household savings rate has marginally decreased from 21.3% in 2019 to 20% (forecast) in 2020 (Trading Economics, 2020).

Unlike prior studies that are limited to a local geographical context, this study is extensive as it covers the population of the entire country. Therefore, the findings of the study will contribute to bridging the empirical research

gap by discussing the differences in the level of savings across different socio-economic and demographic characteristics of households in Sri Lanka.

Objectives

The main aim of this study is to investigate and identify differences in the level of savings, by analysing the mean per capita and mean total savings, based on socio-economic and demographic characteristics amongst households in Sri Lanka.

Methodology

The study is based on the latest available data of the Household Income and Expenditure Survey (HIES) which was carried out in 2016, by the Department of Census and Statistics (DCS) of Sri Lanka, with a sample population of 21,756 households. The results were generated using STATA 12 software and analysed using the data analysis tool one-way Analysis of Variance (One-Way ANOVA), which is used to compare more than three independent groups, in order to identify if there is a statistically significant difference between the identified independent groups.

Results and Discussion

Table 1 depicts the descriptive statistics associated with the population. When considering the level of education, the highest per capita mean value was recorded from people/households who had completed education upto tertiary level and the lowest from people/households who had completed their education upto primary level. In contrast, an existing study revealed that households with no schooling background exhibited the highest rate of saving compared to those with primary and secondary education (Poon and Hon, 2015).

In terms of marital status, the results revealed that the mean total expenditure of divorced households (SLRs.49,903.88) is lower than that of the married households (SLRs.59,641.82). Therefore, the highest mean value for per capita saving as well as total saving was recorded from the households who are divorced, while the lowest was from the households who are never married.

Table 1: Mean Per Capita Saving and Mean Total Saving

Variable*	Mean Per Capita Saving	Mean Total Saving
<u>Level of Education</u>		
No Schooling	1369.86	6363.02
Primary	543.06	3019.78
Secondary	1131.99	5131.48
Tertiary	8441.36	33963.83
Special Education	4150.66	17736.63
<u>Marital Status</u>		
Never Married	875.82	4239.64
Married	1346.80	6212.22
Widowed	1267.64	4950.39
Divorced	4528.02	12598.64
Separated	1977.59	6446.51
<u>Age Level</u>		
15-24	684.10	3652.80
25-39	1596.84	7243.80
40-65	1514.75	6535.18
66+	1778.40	7157.69
<u>Employment Status</u>		
Unemployed	434.61	2620.90
Government	4640.68	18435.89
Semi Government	3236.47	11939.89
Private	2449.23	10226.51
Employer**	5515.29	18588.71
Own Account Worker***	1355.62	6001.51
Unpaid Family worker	1051.41	5203.94
<u>Gender</u>		
Male	1354.51	5910.17
Female	980.22	4757.80

Note: *** denotes self-employed, ** denotes employs other people, * denotes household head.

According to Poon and Hon (2015), it is stated that due to the increase of parental responsibility, the rate of saving in married households is considered to be higher; therefore the never married households with no parental responsibilities tend to spend more rather than focusing on saving.

The results on employment status show that the households which are employers accounted for the highest per capita mean value while the

unemployed households accounted for the lowest. The highest per capita saving has been recorded by those who are in the above 66 age group and the lowest in the age group 15-24. Furthermore, males have recorded the highest savings whereas females tend to save less than the males.

Table 2 shows the generated ANOVA results of mean per capita saving and mean total saving of households.

Table 2: Results of One Way ANOVA

Rs.*	Mean	Std Dev	F	Prob>F
<u>Level of Education</u>				
Per capita saving	1155.48	15287.75	134.98	0.0001
Total saving	5297.38	62143.71	125.63	0.0001
<u>Marital Status</u>				
Per capita saving	1155.48	15287.75	8.76	0.0001
Total saving	5297.38	62143.71	5.88	0.0001
<u>Age Level</u>				
Per capita saving	1155.48	15287.75	25.68	0.0001
Total saving	5297.38	62143.71	21.16	0.0001
<u>Employment Status</u>				
Per capita saving	1155.48	15287.75	79.87	0.0001
Total saving	5297.38	62143.71	65.25	0.0001
<u>Gender</u>				
Per capita saving	1155.48	15287.75	12.38	0.0044
Total saving	5297.38	62143.71	7.10	0.0077

Note: * denotes household head.

Table 2 shows that households in each education level have a different mean per capita saving. Therefore, the level of education has a statistically significant impact on the level of saving amongst the population. Accordingly, there are differences in savings across socio-economic and demographic characteristics such as level of education, marital status, age level, gender and employment status which have a statistically significant impact towards the level of saving as well.

Conclusion

In conclusion, it can be stated that households who have completed their studies up to a tertiary level, are divorced, employers, males and aged above 66 years tend to save more than other households. Socio-economic and demographic variables such as the level of education, marital status, age level, employment status and gender have a statistically proven significant impact towards the level of saving. As an action plan, it is recommended that the government and non-government institutions take necessary steps to encourage households to educate themselves, provide concessions for female households, households in the labour force, and introduce policies for empowering the self-employed and employees of other sectors to manage their finances, which would enable them to cope with any precautionary and unanticipated situation that would arise in the future.

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