



Research Article

Volume-03|Issue-04|2022

Demographic Factors and Saving of State Sector Employees in Jaffna District - Sri Lanka

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Article History

Received: 02.04.2022

Accepted: 14.04.2022

Published: 30.04.2022

Citation

Athiyaman, T. (2022). Demographic Factors and Saving of State Sector Employees in Jaffna District - Sri Lanka. *Indiana Journal of Humanities and Social Sciences*, 3(4), 43-47..

Abstract: Saving and investment are the vital elements for the economic development of nations as well as for the personal financial security of individual households. Saving provides the foundation for investments. Due to the above reasons, more attention need to be provided to improve the saving level of individual households. This study aims to examine the association between demographic factors and the saving of the state sector employees in the Jaffna District of Sri Lanka.

The sample respondents were selected under the stratified random sampling technique and the necessary data were collected from 307 sample respondents. According to the results of the Chi Square Test, age, income level and gender have significant association with level of saving. However, There is no significant association between civil status and level of education; and saving. The findings of the study will support to design the necessary actions and strategies to promote saving

Keywords: Saving, Demographic Factors, Investment, Income.

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INTRODUCTION

Economic development of a country depends on the volume of investment in the country. On the other hand the level of investment in a country highly depends on the level of domestic saving of the country (Ahmad *et al.*, 2006). Household saving, corporate saving and public saving are the major components of domestic saving of a country and economists and researchers focus more on household savings because it is a major component of the domestic savings of a country.

The basic principle of the economic theory of the household's saving is the variation between household's income and expenditure. Saving is considered as an important tool for a country's development and economic growth and also plays a vital role in capital formation and investment (Friedman, 1957). A part of the current income of individual households can be spent for consuming goods and services to satisfy their present needs of them. The unexpended part of their current income can be saved to satisfy their upcoming needs. Therefore, savings can be defined as the practice of setting aside a part of present income for future consumption. McConnell & Brue (1999) defined personal saving as the portion of income that is not utilized to buy goods and services for consumption, or to pay taxes, but which is used to invest in investment avenues. The ability to save money is one of the many skills individual households must realize in order to grow to be financially well-off.

There are various motives that motivate individual households to save and the precautionary motive, the life-cycle motive and the bequest motive are considered as the major motives. precautionary motive indicates the saving for protection against unexpected events such as a loss of job and illness. However, the life-cycle motive indicated the saving to meet long term goals such as retirement and purchasing of a house.

According to the life-cycle hypothesis there is a direct association between aging and saving behavior (Modigliani & Brumberg, 1954). The Life Cycle hypothesis explains the saving and spending behaviour of individual households over the course of a lifetime and this theory illustrates that how saving could be used to shift purchasing power from one stage of life to another. According to this theory, early working life, mid working life and retirement are the three stages of life cycles of an individual person.

In the early working life stage, the income of the individual is lower and usually the earnings of the individual is lower than the amount of money spent by an individual. Normally, a certain amount of dissaving could be observed in this stage.

In the mid working life, the individuals have adequate income and repay the loans obtained in the early working life stage. Usually individuals prepare for the next stage of the life cycle. Individuals tend to save rather than over spend. Retirement is the final stage of the life cycle and in this phase the savings assembled in

the previous cycle sustain and cater for all expenses incurred during retirement. In this stage also there will be dissaving situation. Thus according to the life-cycle model, individual households work and save when they are young and utilize their savings during retirement and there is an association between age and saving.

Similarly, the Absolute Income Hypothesis (Keynes, 1936) illustrates association between income and savings. In addition, according to Permanent Income Hypothesis both permanent and transitory income as well as current level of wealth determine the level of saving of individuals.

Research Problem

Saving plays an important role in the life of the individual households as well as in the economic development of nations. Thus it is very essential to examine the determinants of saving of the individual households. Various theories indicate the association between the demographic factors of individual households and the level of saving of the individual households. The life-cycle hypothesis indicates a direct relationship between age and saving of individual households (Modigliani & Brumberg, 1954).

According to previous studies Region & Tesfamariam (2012) found an association between age of households and saving whereas, Odoemenem *et al.* (2013) failed to find any relationship between age and saving. Therefore, this study attempts to identify the association between demographic factors and the saving of the state sector employees in the Jaffna District of Sri Lanka.

Objectives of the Study

The objective of the study is to identify the association between demographic factors and the saving of the state sector employees in the Jaffna District of Sri Lanka.

Significance of the Study

In the present world financial security is very importance aspect for the individual households and the saving is the source of providing such financial security. In addition, higher level of investment is essential for the economic growth and development of regions and nations and investments arise from saving. Thus it is important to maintain a proper level of saving and to achieve this there should be a clear understanding on the determinants of savings of individual households. This study attempts to identify the association between demographic factors and the saving of the state sector employees in the Jaffna District of Sri Lanka and the findings of the study will assist to promote the level of saving.

REVIEW OF LITERATURE

Athukorala & Tsai (2003) examined the determinants of household saving in Taiwan and found

that household saving rate rises with the level of household disposable income. Larbi (2013) conducted a study to identify the determinants of private savings in Ghana and found that per capita income has a positive association with private savings. Bautista & Lamberte (1990); & Schmidt-Hebbel *et al.* (1992) also found that there is a positive relationship between income and household saving.

Erskine *et al.* (2006) studied determinants of the saving behavior of 1806 young people in Toronto, Canada and observed that education and employment positively associated with level of savings.

Region & Tesfamariam (2012) studies saving behavior of household saving in Ethiopia and found that household savings is determined by household income, and also it is negatively associated with age, family size and higher level of education. In addition they observed that male households tend to save more than female households.

According to Odoemenem *et al.* (2013), sex has significant influence on saving, but the number of dependents, age composition, and education level did not have significant influence on saving. Similarly, Li *et al.* (1996) concluded that married persons exhibit more interest on their wealth and savings than unmarried.

Rehman *et al.* (2010) found that income of household is positively associated savings, however, marital status and level of education of households are negatively related with saving of them.

Burey & Khan (1992) indicated that household savings increase with age but tend to decrease beyond an age and the level of education has negative impact on household savings.

According to Zhang *et al.* (2003) higher level of education of households support to improve the level of saving of households. The findings of the Jamal *et al.* (2014) also confirmed the above findings. However, Newman, Tarp, Broeck *et al.* (2008) mentioned that the level of education has no impact on saving.

Newman *et al.* (2008) conducted a survey among 2324 households in Vietnam and found that wealthier households tend to save more and age of household head has negative impact on saving. furthermore, education has no effect.

Hypothesis of the Study

H1: There is an association between demographic factors and the savings of state sector employees in the Jaffna District

RESEARCH METHODOLOGY

This study considered saving of the state sector employees as dependent variable and it was measured by using monthly saving amount of the sample

respondents. Age, income, civil status, gender and level of education were considered as independent variables.

The Jaffna district is one of the districts in Sri Lanka which is located in the north part of the Island.

This study is based on the primary and secondary data sources. Statistical hand books, various records, journal and magazines and books are utilized as secondary sources. The necessary data for the determinants of the saving of state sector employees in

the Jaffna District were collected by issuing questionnaires to sample respondents.

The population of the study is the state sector employees in Jaffna District. The study used stratified random sampling technique to select the 375 sample respondents from the population and 353 questionnaires were issued and 314 questionnaires were returned. The usable questionnaires are 307. The study used percentage analysis and Chi-square test to analyze the data.

Profile of Respondents

Table 1. Profile of Respondents

Demographic Factors		Number of Respondents	Percentage
Age	20-30 Years	67	21.8
	31-40 Years	83	27.0
	41-50 Years	99	32.2
	51-60 Years	46	15.0
	More than 60 Years	12	4.0
Monthly Income (LKR)	Less than 20000	32	10.5
	20,000-30,000	55	17.9
	30,001-40,000	98	31.9
	40,001-50,000	94	30.6
	More than 50,000	28	9.1
Gender	Male	179	58.3
	Female	128	41.7
Civil Status	Single	76	24.8
	Married	231	75.2
Educational Qualification	G.C.E.O/L	32	10.4
	G.C.E. A/L	70	22.8
	Graduate	112	36.5
	Post Graduate	93	30.3

According to the table 1, 32.2% of the respondents are in the age category between 41 to 50 years. Similarly 31.95% of the respondents are in the income category of 30,001-40,000. 58.3% of the respondents are male and 75.2% are married.

DATA ANALYSIS

Analysis of Amount of Saving

Table 2 shows the distribution of respondents based on monthly saving.

Table 2. Distribution of Respondents based on monthly Saving Amount

Monthly Saving Amount (LKR)	Number of Respondents	Percentage
Less than 5,000	67	21.8
5,000 to 10,000	122	39.7
10,001 to 20,000	80	26.1
More than 20,000	38	12.4
Total	307	100.0

Table 2 reveals that monthly saving of the 39.7% of the respondents are in the range between LKR 5,000 to LKR 10,000. Only 12.4% of the respondents have a monthly saving of more than LKR 20,000.

Association between Demographic Factors and Level of Saving

In order to examine the association between demographic factors and level of saving the Chi-Square test was applied and the results of the test are as follows.

Table 3. Results of Chi Square Test

Demographic factors	Pearson Chi-Square Value	df	Asymp. Sig. (2-sided)	Sig or Not sig
Age	34.552	12	0.028	Significant
Income	46.313	12	0.001	Significant
Gender	11.022	3	0.032	Significant
Civil Status	7.383	3	0.854	Not Significant
Educational Qualification	13.546	9	0.088	Not Significant

The results of the Chi square test reveals that there is a significant relationship between age of respondents and the level of saving of them. This result is in agreement with the findings of the Region & Tesfamariam (2012) and the life cycle hypothesis. According to the life cycle hypothesis, individual households exhibit different saving behaviours in different ages. In addition, there is a significant relationship between level of income of the respondents and the level of saving of them. Income is the source for the saving and increased income will help household to save more. A significant association was observed between gender and the level of savings. It is consistent with the findings of Region & Tesfamariam (2012).

However, the results reveal insignificant relationships between civil status and educational qualification and level of saving of respondents. Newman *et al.* (2008) also indicated that there is no association between educational qualification and level of saving.

CONCLUSION

This study was conducted to identify the association between demographic factors and the savings of state sector employees in the Jaffna District in Sri Lanka. A considerable percentage of population are employed in the state sector institutions. Thus examining the saving behaviour of state sector employees provides better knowledge and insight to promote the level of saving of the individuals, region and country. By improving the level of saving all the above parties can obtain various benefits.

According to the results of the study age, income level and gender have significant relationship with level of saving. Based on the above findings necessary actions and strategies can be formulated to improve savings.

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