

# THE DETERMINANTS OF HOUSEHOLD SAVING BEHAVIOUR IN POLONNARUWA DISTRICT



by

W.K.R.LAKMALI KUMARI

EU/IS/2009/COM/43

COM 1063

A Project Report submitted to the Faculty of Commerce and Management,  
Eastern University, Sri Lanka as a partial fulfillment of the requirement of the  
Degree of Bachelor of Commerce (B.Com) Specialization



Department of Commerce  
Faculty of Commerce and Management  
Eastern University, Sri Lanka

## ABSTRACT

The present study analyzes the determinants of household saving behaviour in Polonnaruwa district. The research has four independent samples. There are demographic variable, financial literacy, self-control. Household saving behaviour depend on above variables. The data for this study collected from 200 questionnaires from the respondents in divisional secretariats at Polonnaruwa District. The data analyzed using the statistical techniques of univariate analysis, cross tabulation techniques, correlation and regression analysis, chi square test and hypothesis test.

The study findings show that the saving behavior is determined by demographic variable, financial literacy, and self-control. According to the regression analysis, it shows that strong positive relationship between financial literacy and self-control on household saving behaviour. Under the demographic variable, found the significant relationship between the demographic factors and household saving behaviour.

However presently most of the households acknowledge about the saving and they prefer to save their money. The study therefore recommended for the government should implement appropriate policies in order to increase the income level of the people and to reduce their expenditures in such a manner household saving can be encouraged. And the private sector should be involved in educating its employees with regard to budgeting and the benefits of saving.

# TABLE OF CONTENTS

Acknowledgement.....	I
Abstract.....	II
Table of Contents.....	III
List of Tables.....	VII
List of Figures.....	IX
Abbreviation.....	X
<b>1. Chapter One : Introduction</b>	
1.1. Background of The Study.....	01
1.2. Problem Statement.....	03
1.3. Research Questions.....	03
1.4. Objectives of The Study.....	04
1.5. Significance of The Study.....	04
1.6. Scope of The Study.....	05
1.7. Outline of The Research.....	05
1.8. Summary.....	06
<b>2. Chapter Two : Literature Review</b>	
2.1. Introduction.....	07
2.2. Saving.....	07
2.3. The Importance of Household Savings For An Economy.....	10
2.4. Saving And Relevance.....	12
2.5. Household Savings.....	13
2.6. Household Saving Ratio.....	14
2.7. Household Saving Ratio In Sri Lanka.....	15
2.8. Saving Behaviour.....	16
2.9. Determinants of Household Saving.....	16
2.9.1. Demographic Variable.....	16
2.9.2. Self-Control.....	19
2.9.3. Financial Literacy, Saving Behaviour and Impact.....	19
2.10. Why Do Households Save?.....	20
2.11. Motives for Saving.....	21
2.12. Theories of Saving Behaviour.....	22
2.12.1. Relative Income Hypothesis.....	22

2.12.2. Modigliani's Life Cycle Hypothesis of Saving Behaviour .....	23
2.12.3. The Permanent Income Hypothesis .....	23
2.13. Summary .....	24
<b>3. Chapter Three : Conceptualization and Operationalization</b>	
3.1. Introduction.....	25
3.2. Conceptualization.....	25
3.2.1. Household Saving Behaviour .....	26
3.2.2. Variables Relevant To the Conceptual Model .....	26
3.2.2.1. Demographic Variables .....	26
3.2.2.2. Financial Literacy .....	26
3.2.2.3. Self-Control .....	27
3.3. Operationalization Of Variables.....	27
3.4. Summary.....	29
<b>4. Chapter Four : Methodology</b>	
4.1. Introduction.....	30
4.2. Study Setting, Design And Method Of Survey.....	30
4.3. Populations.....	31
4.4. Sampling .....	31
4.5. Data Collection.....	32
4.6. Method of Data Presentation .....	32
4.7. Method of Measurement.....	33
4.8. Method of Data Analysis .....	33
4.8.1. Univariate Analysis.....	33
4.8.2. Bivariate Analysis.....	34
4.8.2.1. Correlation Analysis .....	34
4.8.2.2. Simple Regression Analysis .....	35
4.8.3. Cross Tabulation Analysis.....	36
4.8.4. Hypothesis Testing.....	36
4.9. Method of Data Evaluation .....	38
4.9.1. Data Evaluation for Independent Variables .....	38
4.9.1.1. Financial Literacy .....	38
4.9.1.2. Self-Control.....	39
4.9.2. Data Evaluation for Household Saving Behaviour.....	39
4.10. Summary .....	39

## 5. Chapter Five : Data Presentation And Data Analysis

5.1. Introduction .....	40
5.2. Reliability Test .....	40
5.3. Data Presentation .....	41
5.3.1 Data Presentation for Demographic Variable .....	41
5.3.1.1. Gender .....	41
5.3.1.2. Age .....	42
5.3.1.3. Marital Status .....	42
5.3.1.4. Education Level .....	43
5.3.1.5. Occupation .....	43
5.3.1.6. Income Level .....	44
5.3.1.7. Number of Children .....	44
5.3.1.8. Number of Elderly People .....	45
5.3.2. Data Presentation for Financial Literacy .....	45
5.3.3. Data Presentation for Self-Control .....	45
5.4. Univariate Analysis .....	46
5.4.1. Mean Standard Deviation for Household Saving Behaviour .....	46
5.4.1.1. Household Saving Behaviour .....	46
5.4.1.2. Financial Literacy .....	47
5.4.1.3. Self-Control .....	47
5.5. Cross Tabulation Analysis and Hypothesis Test .....	48
5.5.1. Cross Tabulation for Gender .....	48
5.5.2. Cross Tabulation for Age .....	49
5.5.3. Cross Tabulation for Marital Status .....	51
5.5.4. Cross Tabulation for Education Level .....	52
5.5.5. Cross Tabulation for Occupation .....	53
5.5.6. Cross Tabulation for Income Level .....	54
5.5.7. Cross Tabulation for Number of Children .....	56
5.5.8. Cross Tabulation for Number of Elderly People .....	57
5.6. Bivariate Analysis .....	59
5.6.1. Correlation Analysis .....	59
5.6.2. Simple Regression Analysis .....	60
5.7. Summary .....	61

<b>6. Chapter Six : Discussion</b>	
6.1. Introduction.....	62
6.2. Discussion On Demographic Variable .....	62
6.2.1. Household Saving Behaviour by Gender.....	62
6.2.2. Household Saving Behaviour by Age Level .....	63
6.2.3. Household Saving Behaviour by Marital Status.....	63
6.2.4. Household Saving Behaviour by Education Level.....	64
6.2.5. Household Saving Behaviour by Occupation .....	64
6.2.6. Household Saving Behaviour by Income Level.....	64
6.2.7. Number of Children in Household.....	65
6.2.8. Number of Elderly People in Household .....	66
6.3. Discussion on Financial Literacy .....	67
6.4. Discussion on Self-Control.....	67
6.5. Chapter Summary .....	68
<b>7. Chapter Seven : Conclusion and Recommendations</b>	
7.1. Introduction.....	69
7.2. Conclusion and Recommendation.....	69
7.3. Limitations of The Research .....	71
7.4. Proposed Future Research .....	71
7.5. Implications of The Study.....	72
7.6. Summary.....	72
References.....	73
Appendix – 1: The Questionnaires Used For the Study .....	77
Appendix – 2: The Output of the Analyses .....	85