

Factors Affecting the Attitude of Working-Women towards Saving-Investment in Developing Countries

Javed Iqbal Bhabha
PhD Scholar in Management Studies
Professor Dr. Ghulam Muhammad Kundi
Qamar Afaq Qureshi
Professor Dr. Shadiullah Khan
Professor Dr. Allah Nawaz

Department of Public Administration, Gomal University Dera Ismail Khan, Khyber Pakhtunkhwa, Pakistan
Email: kundi@gu.edu.pk

Abstract

Study of determinants of saving-investment behavior of women has been widely investigated subject of interest for the researchers of economics in the past. Researches have concluded several factors affecting saving behavior in different regions of the world. Services sector of Pakistan's economy accounts for about 53 percent of the GDP and more than 60 percent of the population of the Pakistan is engaged in services sector. The working women investment has a significant role in the economic development of nations. Savings attitude and investment behavior are influenced by past and future performance of different kinds of investment options. Women typically have lower earnings than men, which create lower total wealth. This study explore the factors which are dominating the attitude of working-women towards saving-investment behavior in developing countries like, Pakistan, and explained the key critical factors like, income, financial security and returns on investment.

Keywords: Saving-Investment Attitude, Working-Women, Income, Financial Security, Return on Investment, Developing Countries

1. Introduction

Saving is an important factor of economy and it attracts the researchers to investigate its role in the economic development of any country no matter developed or developing ones, which is widely studied to understand the economic growth and development of the country. Saving is an important macroeconomic variable to be studied under the purview of the economic arena on an individual as well as household basis. According to classical economists like, Adam Smith, David Ricardo and J.S. Mill, saving is an important determinant of economic growth and its major components can be based on an individual basis which proves to be the well being.

The issue of saving and investment decisions has short run as well as long run importance for macroeconomics analysis in connection with developing countries like, Pakistan. On the whole, collective and cumulative savings determine the overall size of capital stock and are one of the sources for standard of living. From an economic standpoint, savings can play an important role in raising the employment level, growth of nations and creating economic stability (Agarwal, 2000). Moreover, saving can increase the total demand by increasing the domestic consumption and growth rate of an economy. Efficient consumption and enlistment of domestic resources are the main concerns today in order to reach the self-reliance and stage of sustained growth. Because of these reasons, it is imperative to analyze the saving behavior of women in developing countries and the data about main determinants of saving which is significant for policy makers.

In order to raise economic growth and welfare of the developing countries, savings are believed to be one of the indispensable instruments. Furthermore, the credit markets are unproductive in poor countries like, Pakistan, where it is believed by the economists that savings are the essential source of raising the household wealth and assets through organized financial markets and to stabilize the unforeseen differences in income of working women (Kazmi, 1993). Thus, in addition, savings are the only source of raising wealth and assets of the society. Therefore, theoretically savings enhance growth through investment and further creating employment opportunities.

The investment and saving rates in Pakistan have not achieved the significant growth in the last two to three decades which resulted in slow economic growth. Pakistan needs to finance the required investment via improved domestic savings without undue reliance on the foreign resources. Savings attitude and investment behavior are influenced by the structure, complexity, transparency and perceived past and future performance of different kinds of investment options. Different research studies have shown that private sector has a strong positive impact on growth than public investment as private investment is comparatively more cost-effective than public sector investment.

2. Literature Review

This section reviews the existing sources of research on the phenomenon under study.

2.1 Saving Trends of Pakistan

According to Economic Survey of Pakistan 2013-2014, real GDP of the country is estimated to grow at 2.4 percent based on the performance of services sector which is lower than its target of 4.5 percent. Such slow growth is the result of the slower growth in the manufacturing and agricultural sector. There is positive connection between savings and investment; if the savings rates are high then investment is bound to be high or vice versa. Both savings and investment jointly determine the growth rate of economy. Therefore, the present study provides an assessment of the major determinants of the saving-investment behavior of working women in Pakistan.

According to the saving trends of Pakistan own in 2000, the growth rate was 2.0 percent, however after that growth rate increased very rapidly to 7.5 and then to 9.0 in the financial years 2003 and 2004 respectively. Yet growth rates were very low and even declined up to 2.4 in 2010, however, generally the trend in investment in case of Pakistan shows a good performance of the country, although the foreign saving was negative in 2010 but national and domestic savings growth rate was positive and high (Government of Pakistan, 2010-2011). After 2003, foreign saving has started increasing but domestic savings as well as national savings has declined up to 9.5 percent of GDP and Pakistan has achieved growth rate of just 2.4 percent. This was relatively low due to less domestic savings as well as national savings. The history of Pakistan shows that domestic or household savings has played an important role to enhance capital accumulation and in attaining the high growth rate, however, decrease in domestic savings also decreases the capital accumulation and thus the growth rate is very slow.

It could be observed from the data in Pakistan Economic Survey 2013-2014 that saving rate in Pakistan was 50 percent lower than other developing countries of the world. The proportion of working members of the population and income growth are absolutely related with saving behavior. Hasnain et al. (2006) estimated the determinants like, growth rate per capita income, per capita income and interest rate that influence the public saving in the long run as well as in the short run. Likewise, Fasoranti (2007) examined the impact of saving on economic development of households. The results of Fasoranti in his study showed that income, investments are significantly related to total savings. On other hand, Faridi et al. (2010) estimated the determinants of households saving in Multan District of Pakistan, according to his findings; the total income of household has positive relationship with household saving.

2.2 Attitude

Attitude is 'an orientation toward certain objects, persons, or situations that is emotionally charged and relatively persistent. Attitude is learned, and regarded as a more specific expression of a value or belief or it results from the application of a general value to concrete objects or situations (Shahbaz et al., 2008). It involves a positive or negative evaluation and a readiness to respond to related objects or situations in a characteristic and predictable manner. An organizational expert says that attitude is used in describing people and explaining their behavior or it is a persistent tendency of a person to feel and behave in a particular way toward some object (Juster et al., 2006).

There are three main categories of attitudes viz

1. **Emotional:** It involves the person's feelings or affect (positive, neutral & negative) about an object.
2. **Informational:** It consists of the beliefs and information the individual has about the object, and
3. **Behavioral:** A person's tendencies to behave in a particular way toward an object.

Furthermore, attitudes have three attributes i.e. they tend to continue unless something is done to change them, they can fall anywhere along a continuum from very favorable to very unfavorable and attitudes are directed toward some object about which a person has feelings (called 'affect') and beliefs (Le & Atallah, 2002).

Attitudes can help predict work behavior and understanding of attitudes help people adjust to their environment. Attitudes can be changed through some measures and one of these is the provision of new information, which may change a person's beliefs and, in the process, also his or her attitudes.

2.3 Working-Women Attitude

Pakistan savings market has been expanding over the period and there is a steady increase in the household savings. Moreover, general profile of women investors is changing in tune with time (Wahid et al., 2008). But they wait for and delay in various spheres of investment such as awareness and preference of investment (Dupas & Jonathan, 2013). So, in this study an attempt has been made by the researchers to identify the factors influencing women investment behavior to evaluate the level of awareness among women investors and to analyze the preference of women investor towards various investment outlets.

Employed women have a greater propensity to save and invest because of their independent earning power. They are also motivated by the investment behavior of their colleagues in their work place. They are supposed to be risk adverse, safety oriented and guided by certainty of returns. With increasing level of knowledge and awareness, women are gradually but slowly participating in the investment activities and they are becoming

more analytic in their investment behavior.

2.4 Factors Affecting the Attitude towards Saving-Investment

The researchers in the field of economics and finance have identified several factors that might have some sort of influence in determining the attitude towards saving-investment pattern, which are discussed below:

2.4.1 Income

Income has been considered as the most important factor in determining the saving behavior of an individual. More income means, normally, more saving and vice versa. Different forms of the functional relationship between saving and income have been identified and tested (Asghar & Ahmed, 2004). Some studies found a statistically significant effect of income on saving, and other studies found its insignificant effects, whereas, few studies have analyzed the saving functions by including different socio-economic factors, while some others estimated kinds of savings such as savings in the form of assets, etc. (Ahmed, 1996). Yet, income has been regarded as one of the chief determinants of the saving function. The saving function represents the difference between income and consumption expenditure.

2.4.2 Financial Security

The establishment of an effective financial security mechanism must be a key component of a strategy for rapid economic growth to build the confidence of the citizens on the financial systems of the country (Herwartz & Xu, 2006). The objective and transparent financial safety nets have to be created that have a positive impact on saving and investment in society (Faridi et al., 2010). The presence of an effective financial security system allows the government to avoid suboptimal economic policies that interfere with the functioning of the markets; this is especially important in the financial and services sectors (Dupas & Jonathan, 2013). All these factors influence both short-term and long-term economic growth.

2.4.3 Return on Investment

Several empirical studies suggest that increase in real interest rate provides an incentive to private household to save more, induce corporate sector to generate its own savings due to high cost of borrowing, thus overall saving would increase (Faridi et al., 2010). But the effect of interest rates on consumption is ambiguous theoretically, being subject to potentially offsetting negative substitution and positive income effect, thus the net result depend on their relative strength which becomes an empirical question. There are number of studies which have suggested for significantly positive to significantly negative coefficients for this variable (Khan, 1993). However, consumers may not plan their life-time consumption but instead respond primarily to current income and may save more.

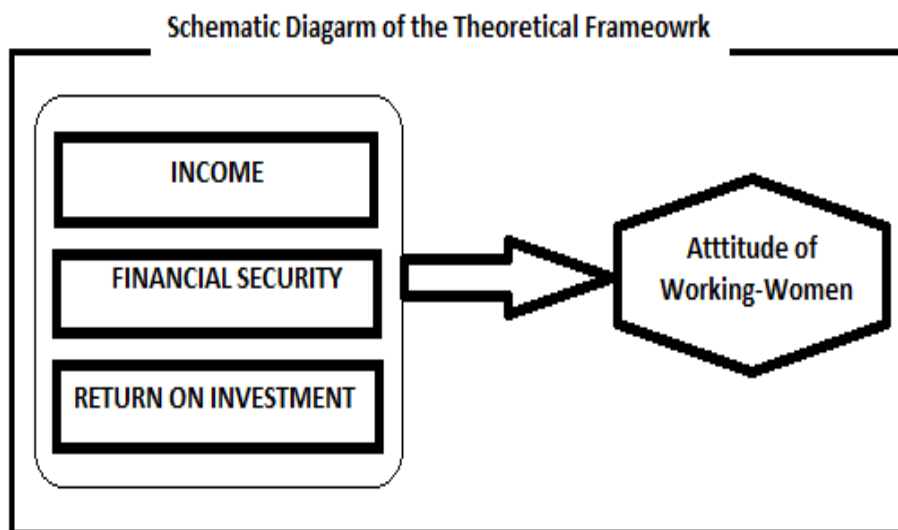
3. Methods and Tools

The survey of the existing literature was done to exhaust the different aspects of the research variables under study. In qualitative research, researchers mostly preferred to use the examination, categorization, tabulation and recombination as methods of data analyses, yet, in the current study in hand, the researchers have used hermeneutics (James, 1992), discourse (Max, 1990) and heuristic (Moustakas, 1990) analyses to find the fact about the research questions. Likewise, a computer based software ATLAS.ti was used for data analysis. Main variables and sentences were entered into ATLAS.ti, furthermore, coding, extraction of quotes and memos were generated for the purpose of analysis.

4. Theoretical Framework of the Issue

The schematic diagram of the theoretical framework of this study is based on the survey of the existing research. The theoretical framework elaborates the relationship between the dependent variable and independent variables. Following figure 1 gives a picturesque of all the issues and arguments as they are connected and operate together in determining the attitude of working-women towards saving-investment in developing countries in general and Pakistan in particular. There may be several other related factors but the discussed factors have been placed on the top by the current researchers.

Figure 1 Schematic Diagram: Factors affecting the Attitude of Working-Women towards Saving- Investment in DCs



5. Discussion and Analysis

Women constitute above half of the world's population. Their contribution is about 55% including their unpaid economic activities. Hence there is every reason that women should play an equal role in economic decision making. According to a world survey on the role of women in development, the ratio of women to men in economically active population has almost doubled in the last 20 years. With the increase in role of women in the economic activities and by nature, women are being identified as a better saver than men, thus the decision making by women for investment purpose gains its importance (Faridi et al., 2010). The attitude towards savings and investment predicts psychological well-being, whereas the developed nations' well-being levels remain largely constant (Burney & Khan, (1992). The individuals with positive financial attitudes tend to be more satisfied with their lives and have more effective money management. In other words, money attitude contributes to predict healthy behavioral practices of working women in developing countries like, Pakistan.

Literature about the trends for saving-investment in low income countries highlight that many people show financial stress due to high debt loads, but that stress is temporary and the situation becomes well under control while post-education employment opportunities are realized especially for women (Joshi, 2007; Asghar & Ahmed, 2004).

Saving and investment are two main factors that are helpful in understanding and determining the price stability and elevation of employment in developing countries like, Pakistan (Ayub, 2001). The purpose of our study was to answer the question that how job holders especially the woman-segment of the population in Pakistan perceive the saving-investment and what are the factors that might positively or negatively affect their behavior towards-saving investment (Nasir & Khalid, 2004). Different studies show that children's educational expenditures, family size and liabilities to be paid by working women play vital role in developing and enhancing the saving-investment behavior of the female workforce (Gujarati, 1995; James, 1992). There have been a number of issues related to Pakistani saving-investment trends but demographic attributes like gender though a minor one, but plays significant role in explaining the change in savings attitude.

Any investment of minimum size usually requires a high volume of savings. This is not easy to achieve in low-income countries of the world because of low incomes (Husain, 1995). A country is poor because it is poor. Being poor, a country has little ability or incentive to save. The low saving leads to low level of investment and to deficiency of capital. The low investment leads to low level of productivity. When the productivity per worker is low, the real income will obviously bind to be low and thus their poverty and vicious circle is complete (Khan & Arshad, 2001). In a country like Pakistan, the income standard is almost uncertain and leads to more consumption rather than saving (Chaudhry et al., 2010).

A study in Pakistan showed that women have access to financial services in name only, as they mostly pass on their loans to their male relatives. In terms of usage of financial services, data (in terms of number of transactions) indicate that across regions, working women in developing countries in comparison with men draw less from their accounts on monthly basis and likewise, they deposit less frequently in their accounts than men (Khan & Rahim, 1993). Furthermore, it is not enough for women to have access to an account, but they also need to own their accounts and savings. Several studies like, Dupas & Robinson (2013) show that providing access to own savings instruments increases consumption and productive investment, especially for

women and women's empowerment.

Financial institutions' practices of requiring male guarantors or the signature of a male family member can exclude women from accessing financial services. For example, the World Bank's Pakistan study found that lending institutions require the signature of two male guarantors who should not be the family members, and that no lending institution accepts a woman guarantor. In addition, financial institutions often design marketing strategies around a male client profile. Financial products may not fit women's needs (in terms of loan terms, size, or savings features) and often carry high costs catering to higher income segments of the population. Service delivery may also not be adequate to women's needs, for example, bank branches may be intimidating for low income women. For this reason, according to Cutura (2009), the Standard Chartered Bank operates female-only bank branches in Pakistan and India.

6. Conclusion and Suggestions

The investment and saving rates in Pakistan was not significant in the past two to three decades, thus it resulted in slow economic growth. Moreover, comparison with the other developing economies of the region clearly reveals that still Pakistan has long way to go. To be at par with the same level of growth with these fast growing economies, Pakistan needs to finance the desired investment through increased domestic saving without undue reliance on the foreign resources as these introduce an element of un-sustainability. So, it is essential to get the saving rate up to 20-25 percent (Rehman et al., 2010), this demands customized policies consistent with both indigenous condition and the strategies of developed countries.

Furthermore, there is need to boost the saving and investment in the country through effective policies giving due considerations to the effectiveness of the potential determinants. Job-holder women are now becoming aware of making investment in shares mutual funds, insurance and fixed deposits, however, the aged women prefer investment in the real estate. So the government, bankers and financial institutions must introduce some schemes of investment based on segmentation of the age and marital status to acquire more funds. High income leads to high saving, therefore, it is suggested that if there is a random big push in GDP growth for some period, it would lead to higher savings, which would positively affect investments, and increase in investments, would increase GDP, which would again increase the savings (Chaudhry et al., 2009). Thus initiation such kind of push in developing countries, can start a development cycle.

Return on investment is an important determinant of saving-investment behavior of working-women in the developing states and its role in investment decisions carries weight (Hasnain et al., 2006). Expectations from healthy rate and ratio of return on investment play a major role in investment decisions by working class of women in case Pakistani context. Any type of uncertainty reflected through increased prices e.g. raw material, energy costs etc. would lead to a fall in investments. Thus along with attractive figures for the return on investment, working-women must be given assurance of minimum uncertainties. Since domestic savings are major source of the investment, on the other hand foreign saving is not effective for investment in Pakistan. Therefore, government should formulate policies supportive to the increase in domestic saving rather than foreign reliance.

References

1. Agarwal, P. (2000). *Saving, investment and growth in South Asia*, Indra Gandhi Institute of Development Research, 1-47.
2. Ahmed, E. (1996). Capital inflows and national debt, *The Pakistan Development Review*. 35(4): 943-960.
3. Ahmed, M., & Ahmed, Q. (2002). Foreign capital inflows and domestic saving in Pakistan: Co-integration technique and error correction modeling. *The Pakistan Development Review* 41(4): 825-836.
4. Asghar, T., & Ahmed, M. (2004). Estimation of saving behavior, *The Lahore Journal of Economics*, 9(2): 45-59.
5. Ayub, F. (2001). *Determinates of household saving in Pakistan*, Unpublished MA (Economics) Thesis, Department of Economics, Fatima Jinnah Women University Rawalpindi Pakistan.
6. Burney, N., & Khan, A.H. (1992). Socio economic characteristics and household saving: An analysis of household saving behavior in Pakistan, *The Pakistan Development Review*, 31(1): 31-48.
7. Chaudhry, I. S., Faridi, M. Z., Abbas, M. & Bashir, F. (2010). Short run and long run saving behavior in Pakistan: An empirical investigation, *Journal of Money Investment and Banking*, 16: 57-66.
8. Chaudhry, I. S., Malik, S., & Ramzan, M. (2009). Impact of foreign debt on savings and investment in Pakistan, *Journal of Quality and Technology Management*, 5(2): 101-115.
9. Cutura, J. (2009). *Promoting women's economic empowerment: The learning journey of Standard Chartered Bank*, *Private Sector Leaders Forum*, The World Bank.
10. Dupas, P., & Jonathan, R. (2013). Savings constraints and microenterprise development: Evidence from a field experiment in Kenya, *American Economic Journal Applied Economics*, 5(1):163-92, January.

11. Faridi, M.Z., Rehman, H. & Bashir, F. (2010). Household saving behavior in Pakistan: A case of Multan District, *Pakistan Journal of Social Science (PJSS)*, 30(1): 17-29.
12. Government of Pakistan (2010-2011). *Hand book of statistics*, State Bank of Pakistan.
13. Government of Pakistan (2010-2011). *Pakistan economic survey*, Ministry of Finance, Islamabad.
14. Gujarati, D. N. (1995). *Basic Econometrics*, New York: McGraw-Hill Inc, 3rd Edition.
15. Hasnain, M., Atiq, Z., Alam, S., & Butt. M. S. (2006). The impact of demography, growth and public policy on household savings: A case study of Pakistan, *Asia Pacific Development Journal*, 13(2): 57-71.
16. Herwartz, H., & Xu, F. (2006). *What determines the relation between domestic saving and investment: A new look at the FH puzzle*, Institute for statistics and economics, Christian Albrecht's university of Kiel, pp 40-60.
17. Husain, A. M. (1995). Long-run determinants of private saving behavior in Pakistan, *The Pakistan Development Review*, 34(4): 1057-1066.
18. James, P. Gee (1992). *Discourse analysis*, In: LeCompte, M. et al. (2001). *The handbook of qualitative research in education* ((Eds). Chapter 6), San Diego, Academic Press, USA.
19. Joshi, H. (2007). The role of domestic saving and foreign capital flows in capital formation in India, *Occasional paper 28(3)*, Reserve Bank of India.
20. Juster, F. T., Lupton, J. P., Smith, J. P. & Stafford, F. (2006). The decline in household saving and the wealth effect, *Review of Economics and Statistics*, 88(1): 20-27.
21. Kazmi, A. A. (1993). National savings rates of India and Pakistan: A macro-econometric analysis, *The Pakistan Development Review*, 32 (4): 1313-1324.
22. Khan, M.S. (1993). Domestic resource mobilization: A structural approach, *The Pakistan Development Review*, 32(4): 1067-1078.
23. Khan, S., & Arshad, M. (2001). *What determines private investment: A case of Pakistan?* Working papers No 36, The Pakistan Institute of Development Economics.
24. Khan, Z. N., & Rahim, E. (1993). Foreign aid, domestic savings and economic growth (Pakistan: 1960 to 1988), *The Pakistan Development Review*, 32 (4): 1157-1167.
25. Le, M., & Ataulloh, A. (2002). Foreign capital and economic performance of Pakistan, *The Lahore Journal of Economics*, 2(2): 23-38.
26. Max, V. Manen (1990). *Hermeneutical Analysis: Researching lived experience*, New York, State University of New York Press, USA.
27. Moustakas, C. (1990). *Heuristic research*, Academic Press, Newbury Park, USA.
28. Nasir, S., & Khalid, M. (2004). Saving investment behavior in Pakistan, An empirical investigation, *The Pakistan Development Reviews* 43 (4): 665-682.
29. Rehman, H., Faridi, M. Z., & Bashir, F. (2010). Households saving behavior in Pakistan: A case of Multan District, *Pakistan Journal of Social Sciences*, 30(1):17-29.
30. Shahbaz, M., Awan, R., & Ali, L. (2008). Bi-directional causality between FDI and saving: A case of Pakistan, *International Research Journal of Finance and Economics*, Issue 17.
31. Wahid, A., Salahuddin, M., & Noman, A. (2008). Saving investment correlation in south Asia: A panel approach, *European Journal of Economics and Administrative Sciences*, Issue 11.

The IISTE is a pioneer in the Open-Access hosting service and academic event management. The aim of the firm is Accelerating Global Knowledge Sharing.

More information about the firm can be found on the homepage:
<http://www.iiste.org>

CALL FOR JOURNAL PAPERS

There are more than 30 peer-reviewed academic journals hosted under the hosting platform.

Prospective authors of journals can find the submission instruction on the following page: <http://www.iiste.org/journals/> All the journals articles are available online to the readers all over the world without financial, legal, or technical barriers other than those inseparable from gaining access to the internet itself. Paper version of the journals is also available upon request of readers and authors.

MORE RESOURCES

Book publication information: <http://www.iiste.org/book/>

IISTE Knowledge Sharing Partners

EBSCO, Index Copernicus, Ulrich's Periodicals Directory, JournalTOCS, PKP Open Archives Harvester, Bielefeld Academic Search Engine, Elektronische Zeitschriftenbibliothek EZB, Open J-Gate, OCLC WorldCat, Universe Digital Library, NewJour, Google Scholar

