



## **Saving Motives and Intention towards Saving of Bulgarian Pomaks**

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### **ABSTRACT**

This research intends to shed light on the relation between individuals' saving motives and their intention towards saving, by examining the effect of background characteristics on a sample of 400 Bulgarian Pomaks. Findings revealed that future uncertainties consist the saving motive, which positively relates to the intention towards saving, with university graduates scoring higher on the saving intention scale than other educational groups. The implications of the findings are particularly important for the financial planners and educators since they are the ones who support Bulgarian Pomaks to maintain their standard of living and be prepared for financial uncertainty through saving.

**Keywords:** Saving Motives, Intention Towards Saving, Bulgarian Pomak

**JEL Classifications:** D10, D14

### **1. INTRODUCTION**

Household saving motives vary from country to country, a fact which implies that culture and economic environment may influence household saving motives. It is important to analyse household motives for saving since it provides a better understanding of the saving behaviour of households, differences among household saving rates, factors influencing the level of household saving, trends in the household saving rate, and a variety of other issues related to saving (Fisher and Montalto, 2010). Katona (1975) stated that saving is “*not merely a consequence of not spending, but rather the result of substantial pressures directed toward achieving highly valued goals of life.*” Thus, saving is an active action, and individuals are motivated to save for particular goals. The importance of savings as a means to provide household financial security has been widely recognized by researchers and practitioners (Canova et al., 2005; Fisher and Montalto, 2010; Rha et al., 2006). Compared to people without a saving motive, those with a saving motive would be more likely

to conduct the related saving behaviour. Empirical studies provide evidence for this statement (Bi and Montalto, 2004; Cavanagh and Sharpe, 2002; Chen and DeVaney, 2001; Huston and Chang, 1997; Shum and Faig, 2006; Xiao and Anderson, 1997; Wang et al., 2016). Also, socioeconomic characteristics, such as age, marital status, educational level, children's presence and monthly income (Satsios and Bassim, 2018), have been found to affect household savings. This research investigates the impact of saving motives and background characteristics of households on the intention towards saving. The paper proceeds as follows: Section 2 briefly reviews the related literature for saving motives and intention towards saving, Section 3 describes the research methodology and the statistical analysis used, Section 4 presents the results and the main data analysis and section 5 includes the discussion.

### **2. LITERATURE REVIEW**

A household's saving behaviour depends on individuals' intentions to save (saving motives), perceived control of saving, as well as

past saving, indicating that saving motives affect saving behaviours (Warneryd, 1999). Saving goals can be viewed as reasons or purposes that lead households to save, and reflect the importance of the motive for saving (Browning and Lusardi, 1996; DeVaney et al., 2007; Xiao and Noring, 1994). Keynes (1936) suggested eight saving goals, which are comparably stable so that they influence the propensity to consume over a long period of time: (1) For a precautionary purpose against uncertainty, (2) for an anticipated relationship between income and needs, (3) for interest, (4) for an improvement in the standard of living, (5) for socioeconomic independence, (6) for investment purposes, (7) for bequests to heirs, and (8) for pure miserliness. Previous studies (Canova et al., 2005; DeVaney et al., 2007; Lindqvist, 1981; Xiao and Fan, 2002) found that saving motives followed Maslow's (1954) hierarchical structure. Lindqvist (1981) suggested four levels of saving reasons, and categorized savers into each level. Short-term financial goals are at the bottom, precautionary purposes are second, buying expensive goods is third, and managing the accumulated wealth is at the top. Xiao and Olson (1993) attempted to incorporate Maslow's hierarchy theory into the saving goals approach. Warneryd (1995) distinguished four motives for saving hierarchically, and emphasized that households can save for one or more motives at the same time: saving as a continuous habit that is not related to any specific goal, precautionary motives, bequest motives, and profit motives, respectively. According to Xiao and Anderson (1997) checking or savings accounts are associated with a lower level of needs, whereas bonds and stocks are related to a higher level of needs. As family financial resources increase, households are more likely to pursue a higher level of financial needs. Empirical studies confirmed the multiplicity of saving motives (Xiao and Fan, 2002; Xiao and Noring, 1994).

In particular, compared to people without saving motives, the motivated ones would be more likely to conduct the related saving behaviour. For instance, Huston and Chang (1997) found that households with an emergency saving motive were more likely to hold adequate emergency funds. Ariely and Wertenbroch (2002) indicated that goal clarification, as a commitment device, is important to inter-temporal decisions so as to control the time inconsistent preference, thus, achieving the desired outcomes from a long-term perspective. DeVaney et al. (2007) also incorporated the theory of the hierarchy of human needs into saving goals. They examined the likelihood of movement from one level to another, and identified which factors affect the likelihood of movement using six levels of goals from physiological, safety, security, love/societal, esteem/luxuries, to self-actualization. Fisher and Montalto (2010) suggested the importance of detailed saving goals on saving behaviour by finding that having certain saving motives, such as education of children or grandchildren, was significantly related to the likelihood of saving over the past year. There are a number of studies, which have empirically investigated the influence of saving goals on saving behaviour and the related factors, such as that of Fisher and Hsu (2012), who found no specific saving motives was related to saving, or the one of Soman and Zhao (2011), who established the effect of the number of saving goals on saving. A single saving goal leads to greater saving intention and actual saving then multiplies the saving goals. Also, according to DeVaney et al. (2007), the probability of movement from lower

to higher level of saving motives was affected by demographic variables. Rha et al. (2006) claim that the likelihood of saving is higher for those who have retirement, precautionary or purchase motives in mind, but lower for those who save on the grounds of future educational motives, such as funding their children's studies. Saving for the purchase of a house and precautionary saving are monotonically decreasingly important with age. Moreover, in accordance with the life-cycle model, retired respondents consider saving to purchase a home less important than younger households (Le Blanc et al., 2016).

### 3. RESEARCH METHODOLOGY

#### 3.1. Sample and Procedure

The current research used a survey on a sample of 400 Pomak households in Bulgaria, in the cities of Smolyan, Velingrad, Madan, Rudozem and Zlatograd. Households in the survey were selected by means of the snowball sampling procedure. The participation was voluntary and anonymous and informed consent was obtained from all subjects before participation. The questionnaire included background factors, such as gender, age, marital status, place of residence, educational level and housing situation. A scale measuring intention towards saving, consisting of 4 items adapted from Warneryd (1996a), and the scale of saving motives by DeVaney et al. (2007) were also used.

#### 3.2. Saving Motives Hierarchy

According to Lee and Hanna (2012) and Xiao and Noring (1994) the influence of saving objectives on savings can be examined through eight statements, with 5 grades Likert scale: (1) Purchase durable goods/durables (buying a house), (2) paying debts, (3) retirement, (4) education/love/family, (5) future uncertainties/emergency/safety, (6) holidays/esteem/luxury, (7) invest in financial products, (8) make my own business. In addition, DeVaney et al. (2007) proposed a hierarchy of saving motives, examining the likelihood of moving up the hierarchy as lower-level motives are satisfied and exploring which factors influence the movement on the highest levels of this hierarchy. The motives included are, from low to high, physiological (basic), safety, security, love/societal, esteem/luxuries, and self-actualization.

#### 3.3. Intention Saving Scale

The items intended to measure intention towards saving in this research were adopted from previously validated instrument (Table 1).

Then, the sum of the four items was computed to represent the intention towards saving for each individual. Cronbach's alpha was computed to be 0.815, thus the derived scale emerged as a reliable research instrument.

#### 3.4. Statistical Analysis

Standard descriptive measures (mean value, standard deviation) were computed in order to describe the sample score and the responses of the individuals on the significance of each motive. In order to evaluate the effect of the background factors and the saving motives on the intention towards saving, an analysis of variance was conducted. Additionally, in order to find homogeneous

groups, t-test for independent samples was applied. Reliability of the intention towards saving scale was assessed using Cronbach's coefficient. Data analysis was conducted using SPSS version 24.

## 4. RESULTS

In current results, it has been found that education/love/family, paying debts and future uncertainties/emergency/safety were the most important motives. On the contrary, making my own business, investing in financial products and holidays/esteem/luxury were the least important motives (Table 2). Detailed responses for each motive are shown in Figure 1.

The motives of future uncertainties ( $F(4, 351) = 3.844, P = 0.005$ , eta sq. = 0.042) and the educational level ( $F(3, 351) = 2.851, P = 0.037$ , eta sq. = 0.024) were found to have a significant effect on intention towards saving (Table 3). On the other hand, gender ( $P = 0.564$ ), marital status ( $P = 0.488$ ), housing situation ( $P = 0.708$ ), place of

**Table 1: List of items and their sources**

Construct	Items
Intention towards saving (adapted from Warneryd, 1996a; 1996b; intention saving scale)	I always try to pick saving schemes that yield high profits It is important always to save as much money as possible It is important to have some money left at the end of the month Saving should be encouraged in today's society

**Table 2: Mean and SD importance of saving motives**

Variable	Mean	SD
Education/love/family	3.9	1.1
Paying debts	3.7	1.3
Future uncertainties/emergency/safety	3.7	1.2
Retirement	3.6	1.4
Purchase durable goods/durables (buying a house)	3.3	1.3
Holidays/esteem/luxury	2.9	1.2
Invest in financial products	2.5	1.3
Make my own business	2.5	1.4

SD: Standard deviation

residence ( $P = 0.397$ ) and age ( $P = 0.943$ ) did not emerge as significant factors. The statistical insignificant effect of age on intention was also demonstrated by Pearson's correlation coefficient ( $r[400] = 0.006$ ).

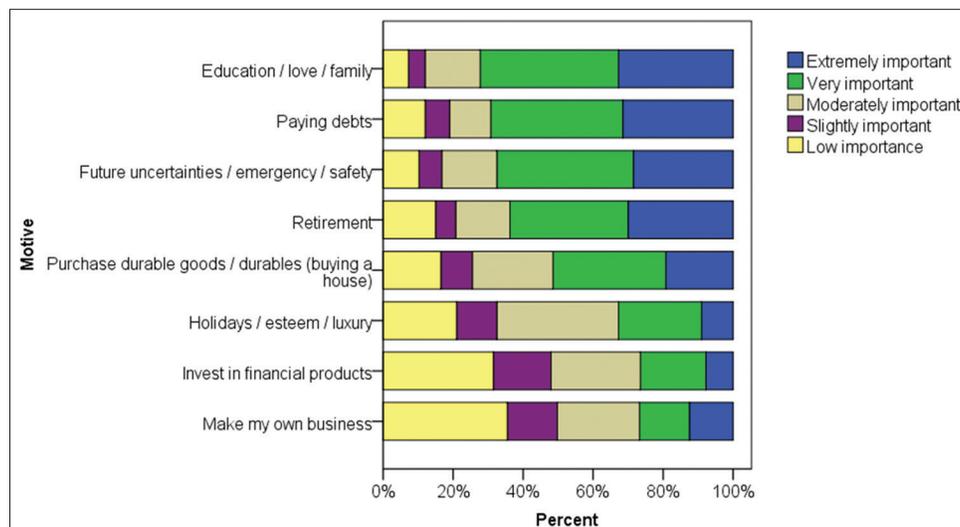
Concerning the effect of future uncertainties on intention towards saving, higher values of intention corresponded to higher perceived importance of future uncertainties (Figure 2). This fact is further demonstrated by the Spearman's correlation coefficient between the two variables ( $r[400] = 0.347$ ).

An analogous positive relation was observed between educational level and intention towards saving. In particular, better educated individuals had larger scores in the intention saving scale (Figure 3). Subsequent independent samples t-test showed that university graduates had a significantly larger intention score than individuals with a high school educational level ( $t[213] = 3.579, P < 0.001$ ) whereas no significant difference was found between secondary and high school graduates ( $P = 0.360$ ) and between primary and secondary school graduates ( $P = 0.386$ ). Thus, the university degree holders emerged as the group of Pomaks with the highest score among the educational level groups.

## 5. DISCUSSION

Saving motives can influence saving behaviour, a fact that proves how analysing the former contributes to understanding the latter. Studies that focused on the importance of saving motives at households from different countries showed substantial heterogeneity among saving motives (Fisher and Montalto, 2010; Le Blanc et al., 2016). Concerning the Bulgarian Pomaks, it was found that the precautionary saving motives (future uncertainties/emergency/safety and education/love/family) are considered the most important ones, while the calculation of improvement motives (investments in financial products and making my own business) are considered the least important of all. This finding is consistent with previous findings (e.g. Katona, 1975) and is similar to the findings of a recent research, concerning the part of the Pomak community living in Greece (Satsios and Bassim, 2018; Satsios and Hadjidakis, 2018).

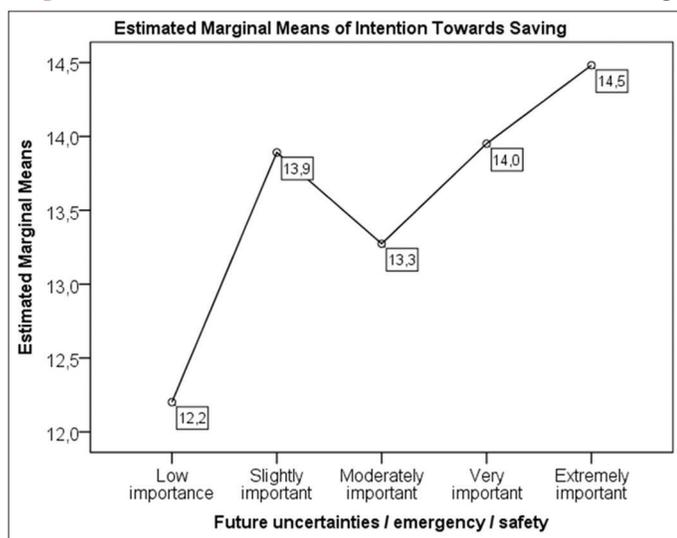
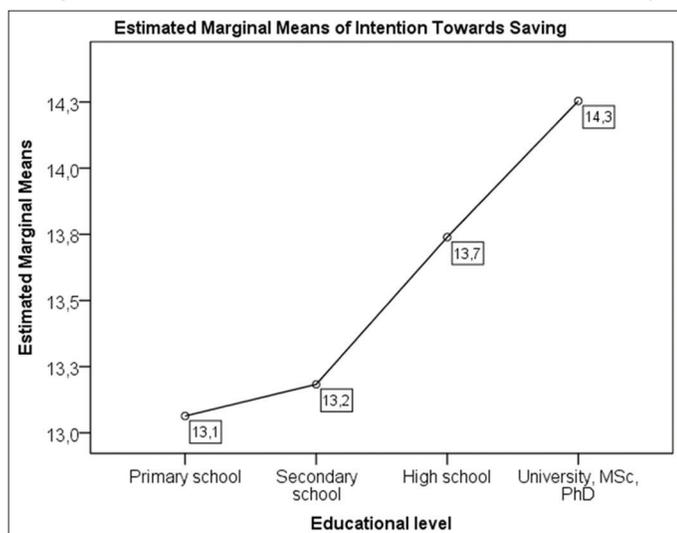
**Figure 1: Responses about importance of each motive**



**Table 3: Tests of between-subjects effects**

Source	Type III sum of squares	df	Mean square	F	P	Partial eta squared
Corrected model	1546.297 <sup>a</sup>	48	32.215	4.465	0.000	0.379
Intercept	2821.467	1	2821.467	391.035	0.000	0.527
Purchase durable goods/durables (buying a house)	40.339	4	10.085	1.398	0.234	0.016
Paying debts	50.725	4	12.681	1.758	0.137	0.020
Retirement	64.408	4	16.102	2.232	0.065	0.025
Education/love/family	18.141	4	4.535	0.629	0.642	0.007
Future uncertainties/emergency/safety	110.939	4	27.735	3.844	0.005	0.042
Holidays/esteem/luxury	57.513	4	14.378	1.993	0.095	0.022
Invest in financial products	53.913	4	13.478	1.868	0.116	0.021
Make my own business	33.283	4	8.321	1.153	0.331	0.013
Gender	2.407	1	2.407	0.334	0.564	0.001
Marital status	24.821	4	6.205	0.860	0.488	0.010
Housing situation/house possession	10.017	3	3.339	0.463	0.708	0.004
Place of residence	29.416	4	7.354	1.019	0.397	0.011
Age	0.036	1	0.036	0.005	0.943	0.000
Educational level	61.703	3	20.568	2.851	0.037	0.024
Error	2532.601	351	7.215			
Total	88789.000	400				
Corrected Total	4078.898	399				

R squared=0.379 (adjusted R squared=0.294). Dependent variable: Intention towards saving

**Figure 2: Effect of uncertainties motive on intention towards saving****Figure 3: Effect of educational level on intention towards saving**

Concerning the factors affecting saving behaviour, education has emerged as the most important background characteristic, influencing the saving intention. In particular, higher financial literacy was found to result in higher saving (Browning and Lusardi, 1996). Individuals with higher financial knowledge behave with more liability and take conscious financial decisions. Therefore, financial literacy has a positive effect on the saving behaviour of households (Sabri and Macdonald, 2010). Bernheim et al. (2001) found that students, who learn about budgeting and savings at school, grow up to save more. Guiso et al. (2005) show that cultural differences, regarding the extent to which children are educated and how they are taught to be thrifty, can explain cross-national variations in savings. For all income groups, the educational level of the head of the household has turned out to be inversely affecting their savings (Rehman et al., 2010). The present research confirms the effect of education on the intention towards saving in the sample of Bulgarian Pomaks. In particular, the saving intention was more profound in university graduates as compared to other educational groups. It is worth noting that analogous findings have recently been established in similar research of the Greek Pomaks population (Satsios and Bassim, 2018), a fact that suggests that the impact of education is analogous in the Balkan region. The positive relationship between educational level and intention towards saving, in conjunction with the absence of the age factor, further highlights the significance of education on the general saving behaviour.

The above findings suggest that it is strongly encouraging for educators to teach the importance of saving by focusing on personal desires and pleasures, thus encouraging students to set individual objectives. In this way, they will enable them to learn healthy financial decision-making processes, as well as habitual ways of saving. For practitioners in financial counselling and planning, the findings can be used to better understand clients' goals and to design better saving strategies for them. These results may also be useful in designing public policies to encourage increases in household saving rates by emphasizing saving for

precautionary or retirement saving purposes. In light of these findings, banks could increase their understanding of their client's needs, preferences and behaviour in order to stay competitive. Thus, financial planners could improve their financial policy and have a better understanding with their Pomak clients when trying to conduct financial transactions, ensuring that the bank will be more competitive in the market and more successful. Furthermore, they should point out to them that, if they wish to maintain their standard of living, it is important they be prepared for financial uncertainty.

## 6. CONCLUSION

In conclusion, it is essential that governments help households take appropriate decisions to save, based on their expected lifetime income. The gravity of the education factor on the ability to make right choices is even more significant for those who have low income or belong to minority groups (Forry, 2009). Thus, the government's assistance by the use of appropriate financial educational programs may improve the economic well-being of households.

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