

Saving Behavior of Bangladesh

Humyra Jabeen Bristy*

It is often argued that savings behavior of a country is suffered from aggregation bias. This paper shows that results obtained from previous studies can be improved by decomposing the aggregate saving trend in urban and rural sector. It considers time series data to shed light on the saving behavior of Bangladesh in long run horizon and short run dynamic adjustment by employing cointegration test and vector error correction model. Findings of the study suggest that, there is a great deal of diversity between urban and rural sector. Deposit rate is not the only factor that stimulates depositors to save, although it has received noticeable attention. Rather, high volatility regarding income, banking facilities and inflation influence savers to increase interestbearing deposit. This study recommends that diversity between urban and rural sector should be taken into consideration before forming policies. In addition, to motivate poor people to deposit their savings in the financial institution this research proposes adequacy of institutional structure and flexible savings instruments.

JEL codes: E44, G2, R0