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Industry, credit service level and rural resident personal savings rate: based on empirical analysis of questionnaire survey of rural residents

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ABSTRACT

How to understand household savings rate and its influencing factors has always been a hot issue discussed in economists. Existing literature mainly used the macro dynamic data to explore the influencing factors of per capita savings rate, but per capita savings rate and personal savings rate are not completely equivalent, the average of per capita savings rate ignored the individual differences of residents. Using a cross-sectional survey data of People's Bank of China, the paper theoretically analyzed and empirically tested the impact of rural residents' industry and rural credit services level expectation on the personal savings rate of rural residents. The paper found that the rural residents engaging in breeding industry have significantly lower personal savings rate compared with the rural residents engaging in the food planting; rural credit services level expectation and the personal savings rate of rural residents were significantly positively correlated, In other words, rural residents believe that the lower the level of rural credit services, the more difficult to obtain loans from formal financial institutions, and then the lower the personal savings rate.

Keywords: Industry; Credit Service Level; Rural Residents; Personal Savings Rate

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INTRODUCTION

China is troubled by the problem of weak domestic consumption and high household savings for a long time, and the problem has seriously restricted the economic development of China. Kraay (2000) found that the average national savings rate in China from 1978 to 1995 is 37%, and the average international savings rate in the same time is only 21% [1]. Modigliani and Cao (2004) calculated the household savings rate in China from 1953-2000 and found that the household savings rate rises steadily along constant promotion of China's reform and opening up after the middle of 1970s, they estimated that the household savings rate in China in 1994 approaches to 34% [2]. Kuijs (2005) estimated the national investment and savings rate in China from 1990 to 2003, and he found that the national savings rate in China maintains around 40% [3]. Su and Liao (2010) found that the household saving deposit surplus in China from 1998 to 2006 is increased by more than 2 times, and the average annual increment is 14.8%[4].Many scholars have explored how to understand household saving behavior and its influence factors, and already obtained many valued conclusions. Horioka and Wan (2007) found that the income growth rate has positive influence on the saving rate remarkably in china and the population age structure has no influence [5]. Wang (2008) analyzed the determination factor of the urban and rural resident savings rate by the panel data of provinces from 1995 to 2005 and checked the adaptation of absolute income theory and permanent income hypothesis to China[6]. Huet al. (2010)researched the determination factors of the rural residents per capita saving rate variation in our country by panel data of provinces from 1997 to 2006 and checked the adaptation of permanent-income hypothesis to rural residents in China[7]. Shenand Xie(2011) found that the uncertainty is remarkably related to the urban household saving rate, and the urban saving rate is reduced by attending endowment insurance and medical insurance [8].

The research contribution of the paper is to explore the factors affecting the rural resident personnel saving rate difference in the same period by using the rural resident questionnaire survey data in the same period, and theoretically analyze and empirically test the influence of industries of rural residents and rural credit service level on the rural resident personnel saving rate. The paper expands the research on the influence factor on the resident saving, enriches the existing saving theory, helps the people better understand the resident saving behavior and consumption behavior well and provides references to economic development decision.

2.Theoretical analysis and research hypothesis

2.1 Engaged industries of rural residents and personnel saving rate of rural residents

The engaged industries of rural residents shall affect the income level, consumption habit and investment behavior. The main engaged industries of rural residents in our country at present comprise planting industry, forestry, breeding industry, fishery, agriculture & farming service industry, out-migration for work, running business and the like. In many rural places, many rural residents live by planting food and this kind of residents are popular in rural places, but due to the large population, the plowing field distributed to each person is limited, and food planting is done mostly by the persons rather than mechanized operation like western developed countries, so that the food planting productivity is low and the resident income is low. Under the circumstances, many rural residents begin to change their engaged industries in order to obtain more income, they begin engaging in planting industrial crop or forestry, stock raising, out-migration for work and the like from the traditional food planting. The changed industry shall bring higher income, According to the Keynesianism, from the transactions motive and precautionary motive, when the income is increased, the saving shall be increased, and the marginal propensity to save shall be continuously increased along the continuous increasing of the income. Sowe think that the higher income of other rural residents brings a higher saving rate compared with the rural residents engaging in the food planting. But, on the other hand, we know that other rural residents are likely to own higher consumer spending or investment spending. For example, the investment spending of the breeding industry is usually higher than that of the food planting, this is because that if the breeding industry wants to obtain high profits, it must have a certain investment scale, the farmers increase the investment continuously under the drive of the profit, thus the investment spending is higher than the food planting spending of the plow. Compared with the rural residents engaging in food planting, higher consumption or investment spending of other rural residents shall reduce the saving rate. We can find from the above analysis that the industries apart from the food planting engaged by the rural residents generate two kinds of contrary force to the saving rate. Obviously, the increasing or decreasing of the saving rate depend on the comparison of the two kinds of forces.

Hypothesis 1-0: compared with the rural residents engaging in the food planting, the rural residents engaging in other industries have lower personal saving rate.

Hypothesis 1-1: compared with the rural residents engaging in the food planting, the rural residents engaging in other industries have higher personal saving rate.

2.2Rural credit service level expectation and rural resident personnel saving rate

The rural credit service refers to the credit service provided to the rural residents by rural formal financial institutions branches, the rural credit service level expectation is the analysis and judgment made by the rural residents to the rural credit service level. At present, the rural credit service level is low in vast rural areas,so that the rural residents are hard to apply the loan. When rural residents need to loan, more residents turn to relative, friend or other private rather than formal financing institution. Guang'an center branch of People's Bank of China has found when the rural residents is in shortage of funds, the loan ratio of the formal financial institution is 14.9%, and the loan ratio of private financing is 85.1% [9]. The reasons resulting in lower rural credit service level comprise: firstly, the credit fund scale is limited, the management limited by the asset-liability ratio cannot meet the loan demand of rural residents [10]; secondly, the financing institution branches and their business scope are gradually shrunk; thirdly, the credit structure is unreasonable, more credit is invested in manufacturing industry, real estate industry and the like rather than agricultural credit [9]. The formal financial institution cannot meet the loan demand, so that the residents turn to the private loan gradually, and the private loan market is gradually enlarged. The questionnaire survey of Hainan Zhou center bank research group (2011) of People's Bank of China found that the private loan scale of farmers in Hainan Zhou in 2008 is increased by 166% than 2007, and in 2009 increased by 52% than 2008[11]. At the same time, we found that the loan interest rate level of private loan market is much higher than the loan of formal financial institution although the private loan market has flexible and convenient procedure. Hainan center branch of People's Bank of China monitors the framers in Hainan Zhou in each season and has found that the private load interest rate level is higher than the national base rate, even exceeding four times [11]. The relative shrinkage of the rural formal financial institution loan has resulted in sharpened contradiction between supply and demand of funds in rural areas, thus the private loan interest rate is further promoted. Along the continuous promotion of new rural construction, the rural residents have stronger and stronger demand for funds [12], the

contradiction between supply and demand of funds in rural areas is hard to be greatly eased in a short time. We can expect that the high interest rate state of the private loan shall be continuous in a long time. Extra-high private loan interest rate attracts more private idle money to be invested in the private loan market rather than the bank. We can conclude if the rural residents think the rural credit service level is low, and the rural residents are hard to apply loan from the formal financial institution, so they are likely to invest more idle money into the private loan market rather than the bank to increase the personnel bank savings. Under the condition that the rural residents are hard to apply the loan from the formal financial institution, the contradiction between supply and demand of funds in rural areas is hard to be eased but sharpened, and thus the private loan is likely to obtain high interest rate.

Hypothesis 2: the rural residents think that the lower the rural credit service level, the harder the loan applied from the formal financial institution, and then the lower the personnel saving rate.

3. Research design

The data of the paper is from the questionnaire survey data of rural residents in the fourth seasons in ten counties by People's Bank of China. The questionnaire survey comprises six parts involving 32 problems, and there are 500 effective questionnaires.

To test the hypothesis presented in the paper, set the following test model:

$$CXLV = \beta_0 + \beta_1 YZHI + \beta_2 NFWU + \beta_3 WDG + \beta_4 QITA + \beta_5 XDFW + \sum \gamma Control\ Variable + \varepsilon \quad (1)$$

In Formula (1), CXLV is the rural resident personnel saving rate, which is defined as the proportion of rural resident bank saving accounting for the net income [13]. The main saving form of the rural residents is bank saving at present, so the paper takes the bank saving as the proxy variable of resident savings, the rural resident personnel saving rate is defined as the proportion of the rural resident bank savings accounting for the net income.In view of the demand of form design of the questionnaire survey, the rural resident personnel saving rate is divided into four grades. The detail definition sees table (1).

YZHI, NFWU, WDG and QITA are the dummy variables of the engaged industries of rural residents. In view of the specific conditions of the engaged industries of the rural residents, the industries are divided into five categories: food planting industry, breeding industry, food processing and rural transportation, out-migration for work and other businesses. The people engaging in the food planting industry in the sample accounts for 46%, the food planting industry is used as the base industry, and the other four industries are provided with dummy variables, YZHI, NFWU, WDG and QITA. The detail definition sees table (1).

XDFW is the dummy variable of rural credit service level expectation. There is no object standard to evaluate the rural credit service level at present, and relevant literature has not been found to quantify the rural credit service level. We think the important standard to embody the rural credit service level as follows: the rural residents can apply for and obtain the loan from formal financial institution (such as credit union, bank and the like) or not when they are in shortage of funds, if so, we think that the local rural credit service level is high, and if not, we think the credit service level is low. The detail definition sees table (1).

According to research on the current literature[1, 7-8,13-14], we control the influence of the following variables. The detail definition sees table (1).

Table.1Detail Definition of All Variables of Regression Model

Variables	symbol	Variable definition	Remarks
Rural resident personnel saving rate	CXLV	In recent three months, the ratio of the family income used in the bank deposit is 0, does not exceed 10%, 20% and above 20%, the value is 0, 1, 2 and 3.	
Engaged industries of rural residents	YZHI	If the rural residents engage in the breeding industry, YZHI is 1, and if not, YZHI is 0.	Based on the rural residents engaging in food planting
	NFWU	If the rural residents engage in food processing or rural transportation, NFWU is 1, and if not, NFWU is 0.	
	WDG	If the rural residents engage in out-migration for work, WDG is 1, and if not, WDG is 0.	
	QITA	If the rural residents engage in other business, QITA is 1, and if not, QITA is 0.	
Rural credit service level expectation	XDFW	If the rural residents apply for loan from formal financial institution, it is expected that the rural residentsare usually able to get the loan, XDFW is 1, and if not, XDFW is 0.	
Current income level	SR	According to the family income below 2,000 Yuan, 2,000-5,000 Yuan, 5,000-10,000 Yuan, 10,000-20,000 Yuan, and above 20,000 Yuan, the value is 1, 2, 3, 4 and 5.	
Income expectation in	WSR1	If the income of the rural residents is greatly increased in next three months, WSR1 is 1, and if not, WSR1 is 0.	Based on the rural residents with

future	WSR2	If the income of the rural residents is increased in next three months, WSR2 is 1, and if not, WSR2 is 0.	unchangeable income in next three months
	WSR3	If the income of the rural residents is decreased in next three months, WSR3 is 1, and if not, WSR3 is 0.	
Income growth rate	SRZ1	If the family income is greatly increased in recent three month than the same period of the last year, SRZ1 is 1, and if not, SRZ1 is 0.	Based on the family with unchangeable income in recent three month
	SRZ2	If the family income is increased in recent three month than the same period of the last year, SRZ1 is 2, and if not, SRZ2 is 0.	
	SRZ3	If the family income is decreased in recent three month than the same period of the last year, SRZ3 is 1, and if not, SRZ3 is 0.	
Deposit interest rate	CKLV	If the rural residents think the current deposit interest rate is high, CKLV is 1, and if not, CKLV is 0.	
Loan interest rate	DKLV1	If the rural residents think that the formal financial institution has very high loan interest rate, DKLV1 is 1, and if not, DKLV1 is 0.	Based on the rural residents thinking that the formal financial institution has suitable loan interest rate.
	DKLV2	If the rural residents think that the formal financial institution has Relatively high loan interest rate, DKLV2 is 1, and if not, DKLV2 is 0.	
Agricultural product price	LJIA	If the rural residents think that the current food has high price, LJLA is 1, and if not, LJLA is 0.	
Agricultural means of production price	WZJ	If the rural residents think that the current pesticide, chemical fertilizer, seed and the like have high price, WZJ is 1, and if not, WZJ is 0.	
Consumption price expectation in future	HXJ	If the rural residents think that the consumption price will rise in next three months, HXJ is 1, and if not, HXJ is 0.	
Family population	JTS1	If there are four family populations, JTS1 is 1, and if not, JTS1 is 0.	Based on the family with three members at most
	JTS2	If there are five family populations at least, JTS2 is 1, and if not, JTS2 is 0.	
Cash owned	XJ	According to below 100 Yuan, 100-500 Yuan, 500-1,000 Yuan, and above 1,000 Yuanin cash, the value is 1, 2, 3 and 4.	
Stock owned	GP	If the family has stock, GP is 1, and if not, GP is 0.	
Life insurance	BX1	If the life insurance of the family is less than 2,000 Yuan, BX is 1, and if not, BX1 is 0.	Based on the family without life insurance
	BX2	If the life insurance of the family is more than 2,000 Yuan, BX2 is 1, and if not, BX2 is 0.	
Consumption spending expectation in future	XF	If the rural residents will buy large durable consumer goods, house, large-middle farm machine, XF is 1, and if not, XF is 0.	
Loan	JK1	If the family loan is below 2,000 Yuan, JK1 is 1, and if not, JK1 is 0.	Based on the family without loan
	JK2	If the family loan is 2,000-5,000 Yuan, JK2 is 1, and if not, JK2 is 0.	
	JK3	If the family loan is 5,000-10,000 Yuan, JK3 is 1, and if not, JK3 is 0.	
	JK4	If the family loan is above 10,000 Yuan, JK4 is 1, and if not, JK4 is 0.	
Savings	CX1	If the family savings is 2000-5000 Yuan, CX1 is 1, and if not, CX1 is 0.	Based on the family of which the savings sum is less than 2,000 Yuan
	CX2	If the family savings is 5000-10000 Yuan, CX2 is 1, and if not, CX2 is 0.	
	CX3	If the family savings is 10000-20000 Yuan, CX3 is 1, and if not, CX3 is 0.	
	CX4	If the family savings is above 20,000 Yuan, CX4 is 1, and if not, CX4 is 0.	

4. Empirical result and analysis

The paper selects the model by probit ranking so as to carry out regression analysis; and the research results are as shown in column (1) and (2) of table 2. The column (1) is unsteady regression result; and the column (2) is steady regression result. It can be seen from column (1) and (2) of the table 2 that the rural residents engaging in breeding industry (YZHI) has lower personnel saving rate than the rural residents engaging in the food planting whether to adopt unsteady regression or steady regression; and the YZHI regression coefficient -1.651 has passed the test on 1% of remarkable level. This shows that even though the rural residents engaging in breeding industry has higher income than the rural residents engaging in the food planting, and the personnel saving rate is improved, but the effect cannot counteract the daily production and operation spending of the rural residents engaging in breeding industry and the personnel saving rate decreasing brought by enlarging the investment scale, and eventually the personnel saving rate of the rural residents engaging in breeding industry is remarkably reduced. It tests the correction of the hypothesis 1-0, i.e., compared with the rural residents engaging in food planting, the rural residents engaging in other industries have lower personnel saving rate. From the unsteady regression and steady regression, the personnel saving rate of the rural residents engaging in food processing or rural transportation (NFWU) and out-migration for work (WDG) has not passed through the significance test; and the personnel saving rate of the rural residents engaging in other businesses (QITA) has passed through 10% of remarkable level test in unsteady regression and not passed the test in the steady regression. This shows that the personnel saving rate growth effect of the increased income of the rural residents engaging in food processing or rural transportation, out-migration for work, and other business counteracts the personnel saving rate decreasing generated by the daily spending or investment increasing, and it shall not affect the personnel saving rate. We can conclude that the other industries engaged by the rural residents can reduce the personnel saving rate compared with the food planting industry, but the

conclusion is founding relatively to partial industries, we can not believe that the other industries engaged by the rural residents can significantly reduce the personnel saving rate.

It can be seen from column (1) and (2) of the table 2 that the regression coefficient 0.766 of rural credit service level expectation (XDFW) has passed 5% of remarkable level in unsteady regression or steady regression, and this shows that the rural credit service level expectation affects the personnel saving rate of rural residents greatly and tests the correction of hypothesis 2. After the rural credit service level expectation is improved (i.e., when the rural residents apply loan from the formal financial institution, they can usually obtain the loan), the rural residents think that the improvement of the rural credit service level can greatly alleviate the tense contradiction between supply and demand of rural funds, and thereby it can reduce the dependency of rural residents on the private loan, and the interest rate level of the private loan capital can be reduced, and then the rural residents can reduce the expectation of private loan capital, they are willing to putting the money into the bank so as to increase the savings and reduce the capital in the private loan. After the rural credit service level expectation is reduced (i.e., when the rural residents apply loan from the formal financial institution, they cannot usually obtain the loan), the rural residents think that the reduced rural credit service level can aggravate the contradiction between supply and demand of rural funds, and thereby the rural residents will rely more on the private capital, and the interest rate level of the private loan can be improved, and then the rural resident can improve the expectation of the private loan capital, they are willing to put more money in the private loan market rather than the bank so as to reduce the savings in bank.

Table.2 the Regression Results of Formula (1)

Variable	Probit model				Logit model	
	(1)	(2)	(3)	(4)	(5)	(6)
YZHI	-1.651***	-1.651***	-1.497***	-1.497***	-2.706***	-2.706**
	(-3.082)	(-3.217)	(-2.896)	(-3.314)	(-2.785)	(-2.369)
NFWU	-0.362	-0.362	-0.38	-0.38	-0.392	-0.392
	(-0.573)	(-0.56)	(-0.625)	(-0.622)	(-0.349)	(-0.295)
WDG	0.046	0.046	-0.027	-0.027	0.265	0.265
	(0.097)	(0.105)	(-0.058)	(-0.062)	(0.323)	(0.314)
QITA	-1.006*	-1.006	-0.765	-0.765	-1.942*	-1.942
	(-1.696)	(-1.483)	(-1.385)	(-1.17)	(-1.658)	(-0.993)
XDFW	0.766**	0.766**	0.843**	0.843***	1.172**	1.172**
	(2.23)	(2.324)	(2.497)	(2.584)	(2.184)	(2.091)
SR	0.237	0.237*			0.444	0.444*
	(1.382)	(1.724)			(1.519)	(1.663)
WSR1	1.866***	1.866**	1.915***	1.915**	3.433**	3.433*
	(2.598)	(2.196)	(2.812)	(2.2)	(2.485)	(1.719)
WSR2	1.075***	1.075***	1.05***	1.05***	1.802***	1.802**
	(2.996)	(2.908)	(3.145)	(3.146)	(2.722)	(2.17)
WSR3	0.521	0.521	0.826	0.826	0.329	0.329
	(0.87)	(0.83)	(1.431)	(1.452)	(0.29)	(0.208)
SRZ1	-2.212***	-2.212***	-2.138***	-2.138***	-3.766***	-3.766***
	(-3.323)	(-3.548)	(-3.279)	(-3.387)	(-3.195)	(-3.186)
SRZ2	-1.247***	-1.247***	-1.061***	-1.061***	-2.129***	-2.129**
	(-3.353)	(-3.138)	(-3.039)	(-3.063)	(-3.075)	(-2.456)
SRZ3	-0.796	-0.796	-1.057	-1.057	-1.647	-1.647
	(-1.078)	(-0.988)	(-1.468)	(-1.323)	(-1.084)	(-0.658)
CKLV	-0.341	-0.341	-0.191	-0.191	-0.753	-0.753
	(-0.944)	(-0.883)	(-0.581)	(-0.568)	(-1.112)	(-0.776)
DKLV1	-0.887*	-0.887*			-1.927**	-1.927
	(-1.771)	(-1.669)			(-2.04)	(-1.385)
DKLV2	-0.202	-0.202			-0.6	-0.6
	(-0.43)	(-0.459)			(-0.741)	(-0.687)
LJIA	-0.123	-0.123			-0.274	-0.274
	(-0.352)	(-0.371)			(-0.444)	(-0.406)
WZJ	-0.017	-0.017	-0.052	-0.052	0.023	0.023
	(-0.046)	(-0.047)	(-0.162)	(-0.17)	(0.037)	(0.033)
HXJ	0.08	0.08			0.269	0.269
	(0.185)	(0.174)			(0.339)	(0.26)
JTS1	-0.759	-0.759*	-0.503	-0.503	-0.873	-0.873
	(-1.611)	(-1.76)	(-1.23)	(-1.32)	(-1.046)	(-0.986)
JTS2	-0.735*	-0.735**	-0.634	-0.634*	-1.002	-1.002
	(-1.806)	(-2.127)	(-1.615)	(-1.895)	(-1.396)	(-1.357)
XJ	0.468**	0.468**	0.574***	0.574***	0.637*	0.637
	(2.373)	(2.352)	(3.142)	(3.117)	(1.773)	(1.498)
GP	0.694	0.694	1.199**	1.199**	1.181	1.181
	(1.058)	(1.103)	(2.016)	(1.977)	(1.04)	(0.989)
BX1	0.312	0.312	0.406	0.406	0.671	0.671
	(0.784)	(0.975)	(1.062)	(1.223)	(0.992)	(1.097)
BX2	2.147***	2.147***	2.392***	2.392***	3.748***	3.748***
	(3.259)	(3.51)	(3.774)	(4.023)	(3.162)	(2.993)

XF	0.356 (0.94)	0.356 (0.937)	0.359 (0.989)	0.359 (1.017)	0.535 (0.782)	0.535 (0.609)
JK1	1.044 (1.325)	1.044* (1.883)	0.981 (1.318)	0.981* (1.686)	1.536 (1.189)	1.536 (1.577)
JK2	0.499 (0.925)	0.499 (0.856)	0.507 (1.026)	0.507 (0.941)	0.703 (0.693)	0.703 (0.487)
JK3	0.033 (0.046)	0.033 (0.062)	0.001 (0.002)	0.001 (0.003)	0.077 (0.063)	0.077 (0.068)
JK4	0.644 (1.171)	0.644 (1.053)	0.724 (1.382)	0.724 (1.297)	1.032 (0.968)	1.032 (0.591)
CX1	1.283*** (2.673)	1.283*** (2.648)	1.22*** (2.669)	1.22*** (2.606)	2.14** (2.415)	2.14* (1.889)
CX2	1.952*** (3.726)	1.952*** (4.365)	1.983*** (4.042)	1.983*** (4.57)	3.341*** (3.661)	3.341*** (4.061)
CX3	1.852*** (3.424)	1.852*** (3.446)	2.015*** (3.968)	2.015*** (4.11)	3.261*** (3.346)	3.261*** (3.044)
CX4	1.213** (2.367)	1.213** (2.281)	1.226** (2.523)	1.226** (2.183)	2.279** (2.477)	2.279** (2.04)
N	500	500	500	500	500	500
Pseudo R^2	0.3647	0.3647	0.3422	0.3422	0.3669	0.3669

*Note: ***, **, * indicate 1%, 5%, and 10% significance level, figures in brackets below the regression coefficients is Z statistic.*

5. Robustness test

Some variables have stronger relevance with mutual replacing in a certain degree. In order to test whether the problem affects the robustness of the regression result or not, we delete some variable. The regression result deleting the variables are as shown in column (3) and (4) of table 2, the column (3) is unsteady regression and column (4) is steady regression. For the ranking selection model, the common estimation methods are probit model estimation or logit model estimation. Column (5) and (6) of table 2 are the results obtained according to logit model, the column (5) is unsteady regression and column (6) is steady regression. It can be seen the conclusions of robustness test are the same as the above conclusions, and the regression result are steady.

CONCLUSION

The paper analyzes the influence of the engaged industries of the rural residents and the rural credit service level expectation on the personnel saving rate of the rural residents firstly, and then the cross section questionnaire survey of one quarter of ten counties is selected, the probit module tests the influence of the engaged industries of the rural residents and the rural credit service level expectation on the personnel saving rate of the rural residents, and finally, the regression result is subjected to robustness test. The paper has found that: (1) compared with the rural residents engaging in food planting, the rural residents engaging in breeding industries can reduce the personnel saving rate, but there was no evidence found that the rural residents engaged in other industries have a significant impact on their personal savings rate; (2) the rural credit service level expectation positively affects the personnel saving rate of the rural residents, i.e., the lower the rural credit service level, the harder the loan of the rural residents applied from the formal financial institution, and then the lower the personnel saving rate of the rural residents. Conversely, the rural residents think that the higher the rural credit service level, the easier the loan of the rural residents applied from the formal financial institution, and then the higher the personnel saving rate of the rural residents.

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