

## The Social Content of Savings and Saving Behavior: Clarification of Concepts

Inna Viktorovna Vasilenko

Volgograd State University, 100-62 Universitetskiy Pr., 400062 Volgograd, Russia

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**Abstract:** The study shows the economic and sociological approaches to the concepts of “savings” and “saving behavior” defining their structural elements as well as considers methodological avenues to deepen the social content of these concepts and phenomena. Social content of saving behavior is considered in conjunction with the external, contextual and internal, dispositional and value-conscious, components.

**Key words:** Savings, saving behavior, economic approaches, sociological approaches, social content, social context, social practices, real-life experience, dispositions, value-conscious orientations

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### INTRODUCTION

The present-day Russian reality is characterized by the instability of the economic situation which is caused primarily due to a drop in oil prices as well as economic sanctions, imposed on Russia by the European community. Despite the emerging trend of stabilization of the economic environment, maintaining the previous living standard and preservation of economic growth, population is still showing the reduction of interest in long-term investments as well as increased inflation expectations and a growing sense of social insecurity. All this has an impact on the saving behavior of the population and their savings as a result of this behavior.

In developed countries savings represent a major investment resource actively involved in economic turnover while in Russia, according to domestic sociological researches of the saving behavior, savings are mostly unorganized in nature that indicates a low investment potential of personal savings. The lack of sufficient investment potential of the Russian population is closely related to the social aspects of saving behavior of the population, since they cause the unorganized nature of people's savings.

These circumstances indicate the need for sociological analysis of the saving behavior problem, because today the data provided by just economic science is not enough. At the same time, contemporary sociology lacks theoretical literature on savings and saving behavior while practical research is focused on identification of the motivations, strategies and models of saving behavior of households or individuals. However, the social content of saving behavior is studied poorly.

### ECONOMIC APPROACHES TO STUDY OF SAVINGS

Initially, the issues on savings were studied by economists. However, both in classical and contemporary economic theory, still there is no single-valued representation of the idea of what the savings are and what their essence is.

Adam Smith in his work “an inquiry into the nature and causes of the wealth of nations” considered savings as a source of capital growth. He wrote: “capitals are increased by parsimony and diminished by prodigality and misconduct. Whatever a person saves from his revenue he adds to his capital and either employs it himself in maintaining an additional number of productive hands or enables some other person to do so, by lending it to him for an interest that is for a share of the profits. As the capital of an individual can be increased only by what he saves from his annual revenue or his annual gains, so the capital of a society which is the same with that of all the individuals who compose it, can be increased only in the same manner” (Smith, 1979).

Thus, savings perform the functions of accumulation and accumulation of the individual's wealth. All that remains after production costs, an individual can implement through one of the following ways:

- To increase the available labor capacity or expand production
- To lend money at interest
- To leave money untouched, i.e., to set aside (Smith, 1979)

Smith also believed that the national wealth will increase if each member of society will strive to save. At

that according to Smith (1979), reduction of costs by the individual is an instrument of accumulation savings. Parsimony as a touch of nature, contributes to the relative constancy of this process.

Keynes (2007) followed somewhat different from Smith's views with regard to formation of savings. He defined savings as funds remaining "after having received his income and incurred his expenditure...". In other words, the formation of savings depends not on limiting the costs and benefits of consumption, i.e., parsimony but just on what remains after such. Keynes (2007) assumed that an increase of individual's or household's income increases their savings and conversely, reduced income results in reduced savings. Keynes and Smith assigned to savings a high priority in the economic development of the country.

Keynes (2007) in his theory also considered the problem of correlation between savings and investment. According to Keynes, one may speak of investments when "the remainder or difference which we call saving, also shows the increase by a corresponding amount", noting that the investments are made mostly by entrepreneurs. Keynes noted that when the period of economic development is dominated by investments, there is an increase in production volumes and employment. And conversely, when savings, being at personal possession of the population, dominate, there is a decline in production volumes and employment. As a result there has been a decrease in the amount of savings because of the desire of individuals to maintain current standard of living. It is hard to escape a conclusion that the savings should be transformed into investments to maintain the sustainability of economic development of the country.

The issue on transformation of savings into investments was mentioned also by the Russian scientist (Baranovsky, 1997). From his viewpoint, this problem has become most urgent with the emergence of savings among wage workers. Tugan-Baranovsky noted that capitalists seek to preserve and augment part of their profit which is not being used whereas hired workers withdraw money from circulation into disconnected forms. The idea of the Russian economist is similar to some extent to the Keynes's theory about the need for a transfer of personal savings from unorganized forms into organized ones.

Russian economist and financier Lavrushin believed that savings are the means of accumulation. While savings are a manifestation of one of the economic and social functions of money, namely means of accumulation. He considered pecuniary accumulations as aggregate of cash held by individual citizens and also cash held on

bank accounts. Savings as accumulation are not involved in direct financial turnover, they do not bring profit.

"Formation of pecuniary accumulations of individual citizens is due to the following factors: excess of their income over expenditure and the need to create a reserve for forthcoming large and seasonal charges". Thus, he defines savings also as a portion of income destined for consumption in the future.

Lavrushin as the researchers mentioned previously, pointed to the importance of savings in economic development. However, he uses the concept of credit arrangements rather than investment. Lavrushin writes: "entering into credit arrangements, the creditor and the borrower show unity of their aims, the unity of their interests. In the framework of credit arrangements the creditor and the borrower may be reversed: the creditor becomes the borrower while the borrower becomes creditor...relations between the subjects of credit arrangements are characterized by sustainability and constancy, they are defined within the credit system as a whole as the special relationships". From this it follows that the concept of the credit arrangements may include not only the issuance by bank of loans to the population but also allocation by the population of monetary resources in the bank accounts at interest. If after the occurrence of the credit arrangements they will be systematically renewed, this will lead to the development of production, appropriate use of resources and satisfaction of the needs of population. In the current context of economic development, the saving function is very important because the use of loans and the loan-based life of people become prevalent socio-economic practices. In addition, creating money through loans has become the practice of the banks and the banking system at different levels.

The Russian economist Shokhin (1984), one of the first domestic academic economists engaged in theoretical problems of savings in the 80-ies of the last century, defined savings as "the aggregate of cash" gradually established and formed at the expense of the current income "which is reasonably needed by the population to ensure continuity of the consumption process and its elevation in accordance with established consistent patterns, terms and forms of implementation and growth of the necessary product". According to Shokhin (1984), savings are primarily means of accumulation. At that, the main function of savings is the equalization of consumption in case of individual's or household's income fluctuations.

Ivanov and Khomenko (1998) believe that personal savings are an important component of national saving. At that savings are considered as one of the most

important investment source. Savings can exist in the form of cash deposits and securities, purchase of foreign currency and increase in cash. Researchers believe that data on savings are important to analyze various aspects of macroeconomics functioning, its regulation and improvement. As for the study of savings, according to the researchers, important is not so much the chosen concept but the quality and completeness of the source information. In each of the above economic approaches, savings are considered from the perspective of the performed functions. Thus, they represent:

- The source of capital growth
- The excess of income over consumption
- The investments (we consider mainly the problem of savings transformation into investment and the identity between saving and investment)
- The means of accumulation
- The fraction of revenue intended for consumption in the future

#### **STUDY OF SAVINGS AND SAVING BEHAVIOR IN ECONOMIC SOCIOLOGY**

In economic sociology an interest in the problem of money savings and saving behavior of the population, antecedent to these savings, arose only after fundamental changes in the economy and social structure of our country due to the systemic crisis of the 80-90's, development of market economy and the economic crisis of 1998. During this period the economic sociology accumulates the theoretical framework on savings and saving behavior. Yadov (1998) writes on this subject: "for the time being the issue is mainly limited to opportunistic surveys about the income structure and journalistic narratives about the consequences of the financial and speculative activities. However, there are some works on monetary behavior and the motivations for saving behavior. Here, however, we are at most in the beginning". What Russian economic sociologists mean when considering savings and saving behavior?

Radaev (1997, 2007) in his work "on availability of savings among the Russian population", writes: "we understand by the savings non-productive use of personal funds in order to ensure future consumption or extraction of future revenue". At that, he indicates that savings are not equal to accumulation. According to Radaev, individual accumulation differs from saving by the fact that it involves the use of the variety of material resources (including natural ones) and not only monetary resources; thus savings must be understood in the narrower sense. Radaev as economic sociologists, refers to savings the following:

- The available cash in hand
- The funds placed in banks
- Personal investments in stocks and securities
- The purchase of insurance policies
- The purchase of durable goods

Thus, the scientist significantly clarifies the concept of "savings", separating it from accumulation and reinforcing this by arguments having a clear description of monetary resources, belonging in his opinion to savings as well as makes a classification of savings types.

At the same time, the social meaning of savings remains unresolved, since Radaev, continuing the path marked by economists, considers the savings in relation to accumulation. He notes the presence of controversial issues in the analysis of savings in this context: the problem on the relation of accumulation and savings, future consumption of savings, etc. He points to the complexity of the investigated phenomenon and the need for a more profound analysis of the essence of savings.

At the same time, he couldn't take the sideline from the fact that savings are differently perceived and interpreted by the population as well as availability of serious problems affecting the results of researches which ignore and not deal with the meanings given to savings by the respondents. "The economist generally is interested in the scale of personal income, savings and spending; he is indifferent to their motivations. Though exactly these motivations largely determine how and under what conditions the savings will be spent or change their form, how propensity to save depends on the dynamic pattern of interest rates or changes in current income of the population. We are not talking about individual psychological preferences. For example, the individuals understand the intentions "to spend favorably" or "to invest favorably" their money differently depending on their social groups..." (Radaev, 2004).

Russian economic sociologists, Avraamova and Ovcharova (1998) understand under the savings "cash deposits, securities and cash on hands of the population, regardless of the causes of their formation (delayed or unmet demand, the money storage form)".

They note the importance of personal savings as an investment resource of the country's economy. From their viewpoint, savings are a factor of economic growth. Avraamova and Ovcharova see underdevelopment of investment policy and the unexpanded investment capacity of citizen's savings to be main reason of the small proportion of personal savings in the economy.

The organizer and head of the ZIRCON research group Zadorin when considering the savings issue, gives

special attention to the relationship of the latter with the investments. Zadorin quite clearly distinguishes between savings and investments that allow him clearly represent the process of transformation of one into the other as well as the problems arising in this transformation and possible measures for smoothing the process. The main differences between savings and investments according to Zadorin are presented in Table 1.

It should be noted also that there are savings that can be attributed to the investments, though not meeting all their characteristics. For example, deferring money for education, retraining or personal development is a kind of investment in human and social capital. Zadorin pays attention to different factors in the formation of savings and their transformation into investments, thus relieving his point of view from a purely economic approach.

Thus, by “savings” we shall mean part of the money not consumed and reserved in various forms. Savings can be generated both as the funds remaining after costs for current needs and through an intended reduction of these costs. In this case, saving behavior is considered, on the one hand as a type of economic behavior depending on ways of use of income. According to Parsons, “economic behavior (action) is a special case of social behavior (action). It is implemented in a particular area of social life (the economy) which has a certain system-related purpose, namely the production of means to meet the needs of society”. This approach is valid for the analysis of savings at the level of economic institutions (at the macro-level).

On the other hand, at the micro-level, saving behavior is the kind of financial behavior (financial activity) which in turn is a kind of economic behavior. Financial behavior implies the mobilization and decision making about the use of cash revenue.

Since, the behavior (including saving behavior) is a deliberate phenomenon, it correlates with value and motivational structure of the individual. As noted by Leonov (2005), “a sociological approach to motivational issues is complex process, it is the study of the influence of not only economic indicators but also many social factors and sociocultural institutions on intrapersonal, motivational processes of individuals, defining different types of behavior of individuals, groups and communities”.

Table 1: Savings and investments (the main differences)

Savings	Investments
The risk is minimized	Is characterized by a certain risk
Funds often remain with its owner	Involves the diversion of funds from their owner for quite a long time
Funds are aimed at preserving existing capital	Are focused on deriving benefits from investment into certain arrangements

Therefore, saving behavior as a process, includes the following components:

- Facts of making savings and their regularity
- Savings ratio (the share of income allocated for savings)
- Savings formation terms
- Choice of the savings form

Various combinations of these components characterize a particular type (or model) of saving behavior. However, the factors and motivation have a direct impact on the formation of a particular model. In addition, saving behavior is influenced by temporal and spatial characteristics of the economic sector in which the individual operates and communicates.

The motivations of activities define the behavior strategy, i.e., the way to achieve the set goal and the way to solve set problems. Strategy is not always rational, though always an intended feasible choice:

- Postponement of the “extra” money
- Accumulation of capital
- Creation of “insurance” fund
- Routine saving behavior
- Maintaining a minimum capital
- The lack of saving behavior

The choice of strategy is influenced by factors, different in their nature of origin (economic, social and psychological).

The general division of the factors influencing the choice of a saving strategy and saving behavior in general incorporates internal and external factors. “External factors are the state’s economic policy and the development degree of the banking system; internal factors include the family’s financial situation (level of income, wealth accumulation); the level of current consumption; socio-psychological attitudes of people, in particular their readiness to the changing economic conditions (i.e., adaptability to the environment)”. Kavruk proposes to classify the factors influencing the motivation of saving behavior of the population as follows:

- The factors affecting the duration of the accumulation process (affecting the savings volume and their division into long term and short term savings depending on the type of saving behavior)
- The factors determining the aims of savings formation

- The factors indicating functional purpose of savings (a means of economic survival, providing social comfort, factors influencing the increase in the educational level)
- The factors reflecting the economic needs of savers (wealth, price level, expectation of future earnings/inflation, availability of debts and tax system)
- General economic factors (are divided into primary and secondary factors; primary factors, namely the level of income, determine the quantitative proportions of the saving process while secondary factors determine social, political, legislative and financial aspects of the saving process)

Conditionally these factors can be divided into two groups: the factors affecting the quality characteristics of saving behavior (include the first and third factors of above classification) and target factors (include the second and fourth factors). General economic factors have an influence in each group.

Thus, to describe comprehensively the saving behavior it is necessary to consider not only its components but the factors influencing it from the outside as well as the grounds that are the internal motivating force. However, this will be a description of exactly practical models and types of saving behavior.

At the same time, the social meaning of the “savings” and “saving behavior” concepts are much more complicated since they involve the senses that are constructed by the action of social dispositions of the social agents as well as the meanings constructed by economic reality and supporting institutions. In this regard, it is necessary to turn to theoretical experience by Bourdieu (1985).

Firstly, Bourdieu (1985) noted the existence of statistical dependencies of indices reflecting economic practices, for example, related to loan, savings and investments, on the amount of economic and cultural resources indicating the existence of economic and cultural conditions providing access to activities that are not fully rational and are motivated by non-economic factors.

Secondly, according to Bourdieu (1985), any economic behavior depends, on the one hand, on the prevailing social institutions, formed throughout the history of particular country and the people and on the other hand, on the system of social dispositions that characterize sustainable aspirations and inclinations of the population. The most basic economic dispositions-needs, preferences, propensities (to labor, savings and investments) are not exogenous that is to

say, dependent on a universal human nature but endogenous and dependent on a history that is the very history (psychological-determine the nature of the savings process) of the economic cosmos in which these dispositions are required and rewarded”. Basing on ideas of famous sociologists we will try to deepen the social content of the “saving behavior” and “savings” concepts.

### **SOCIAL CONTENT OF SAVING BEHAVIOR**

Saving behavior primarily indicates the nature of social relations involving individuals and depends on them. It is no coincidence that, Zelizer (2004) points to availability of “... the connections between social ties, on the one hand and a variety of monetary transactions, on the other hand”. People undoubtedly adjust their saving behavior to fit with their changing social relations that helps them to create new social relationships, strengthen existing ones, to conduct presentations and even change their social ties to a greater or lesser extent.

It is known that the individuals are involved in the system of social relations at various levels of social context: macro-, meso- and micro- levels. People construct their saving behavior depending on the social relations at each level. Present-day socio-economic reality is characterized by constant dynamism and mobility that inevitably leads to increased uncertainties and risks. The unpredictability forms in the individuals the assessment tuning them to the care that is to say the measure that must be shown in calculations conducted by individual engaged in saving behavior. In other words, present-day individuals are forced to construct their saving behavior in a situation where social ties of immediate circle are telling them more or less clear picture of life. The meso-level, represented by different organizations, including banks is not enough introductive and its perception is largely determined by the level of confidence in them. One or another individual may be involved into the social system of the organization that gives employees information about its current status, based on the situation quite familiar to him. However, he can predict the situation with the banks in which he needs to invest his savings to much lesser extent. The socio-economic situation in the country in general can be assessed by the individual even to a much lesser extent that makes him either to avoid planning any savings or to make them with great care, relying more on himself rather than on the society and economy.

Above we talked about the socio-economic environment which involves the individual. At the same time, it is necessary to consider subjective aspects of

saving behavior. They include three components: existing social practices, real-life experience, disposition and value orientation of the individual. Provided similar situation in the country, banking system and organizations as well as similar related culture elements, the individuals show absolutely different saving behavior, since the interpretation and assessment of social realities is produced by individuals with different features of social practices, real-life experience, dispositions and value orientations. Thus, saving behavior is a sustainable system of socio-economic actions of individuals whose purpose is to create financial reserves (savings) implemented on the basis of interpretation and assessment of the social situation on the macro-, meso- and micro-level as well as to construct dispositions and value orientations towards care and prevention of negative influence of the socio-economic environment, complete uncertainty and risks.

Summarizing the above stated, we conclude that in economic theory, savings are firstly considered as secondary category with regard to consumption. That is, they are formed when an individual or other subject of economic relations has free cash flow remaining after the costs for current needs. Secondly, the issue of saving monetary resources is carried out at the macro-level in conjunction with the status of employment, economic production and the general condition of the economy. As an economic category, savings are the available monetary resources left after consumption expenditures and tax payments and accumulated into the organized (investments) or unorganized (cash) forms. At that organized forms as a rule are formed by economic subjects such as firms, industrial enterprises, private entrepreneurs while unorganized forms by hired workers or private individuals. It is important to note also that the empirical data concerning the relationship of these forms of savings, revealed from the sociological studies, allows speaking about the state of the economy and the need (or lack thereof) for measures to attract personal savings of citizens as economic investments.

In economic sociology as well as in economic theory, the savings of individuals and households are regarded as a powerful investment resource. A distinctive feature of the approaches of economic sociologists is firstly the focus of the studies on savings and saving behavior towards the micro-level. They consider types of individual's saving behavior, their strategies and motivations because the solution to the problem of attracting personal savings into the country's economy implies the analysis of not only the consumption function. They propose a twist towards a more comprehensive and in-depth analysis. Secondly, they recognize the important effect on savings and saving behavior of social factors

such as education, marital status, gender identity, availability of children, degree of social protection and the level of trust to various institutions. Thirdly, they recognize savings as a category of multiple nature which is rooted from the theory of multiple money (Zelizer, 2002).

## CONCLUSION

The main essence lies in the meanings that individuals attach to the savings. These meanings and attitude towards money is socially constructed. "Multiple money are important as powerful visible symbols of a certain kind of social relations and meanings...People not only differently understand or perceive different kinds of money but spend, save or donate them for different purposes and to different people" (Zelizer, 2002). Fourthly, the study of the interpretation and evaluation features of the socio-economic context with regard to the subjects of saving behavior is considered within the interaction of social relations at all levels: macro-, meso- and micro-level, produced by subjects on the basis of their dispositions and value orientations, formed during their social practices.

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