

The Evolution of Households Savings in Romania During 2008-2017

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Abstract

As we all know, savings can be translated from the perspective of income and expenditure differentials, and at the same time it is a very important subject for both economists and other people.

Collecting white money for black days," this is one of the popular interpretations for saving, proof that our ancestors have been thinking about this since ancient times.

The paper aims to study this saving process, the degree of indebtedness of the population in Romania, which implies the use of appropriate econometric methods. Their choice was made on the basis of the economic theory of the observed phenomenon.

Key words: saving process, capital market, inflation, savings

J.E.L. classification: D10, E27, E29

1. Introduction

As we can see from the data provided by the National Institute of Statistics, it is quite difficult for the Romanian to save a considerable amount each month, referring to their income and expenses. Leaving aside the communist period in which the population was subjected to forced saving due to the circumstances and situations of that time and returning to the period of economic instability as was the economic crisis since 2008, Romanians have become somewhat more attentive to this issue, for which reason have begun "to put money on socks" as much as possible.

After the revolution, the banking experienced a spectacular development, appeared increasingly more banking institutions, each coming to meet potential clients with a diversified and more profitable so cause them to become actual customers . But it is not enough to have only institutions where we can store our savings. Money is particularly important for a country's economy, but our decisions to use them are essential. According to some studies, as our income grows, consumption increases, but not to the same extent. That's why some of them are trying to save as much as they allow their monthly income (Abel B., Bernanke B. & Croushore D. D., 2011).

If we had a look at the Austrians, we find that they are saving 5 times more than a Romanian, who on average puts somewhere at 200 lei, a very small amount compared to the Czechs and Slovaks who are doing it something better than us. Here are several factors that differentiate us from many developed countries of central and western Europe, such as the standard of living that is far ahead of Romania, not to mention salaries.

According to recent data, the Hungarians save on average 52 euros, a little more than the Romanians, while Serbs can not save more than 37 euros a month on average. The fact that there are states in Europe with a lower saving rate this should not enjoy and compare with the latter. We should take the example of the developed countries and try to improve and correct the negative sentiments. I think that Romania is a rich country with many possibilities for development, its administration being a flawed one. It is not enough to want, we must struggle to see a change for the better in this country and to be the change we want to see "in the world".

2. Theoretical background and research method

The paper is structured in two chapters, each chapter being designed to explain a certain issue. The first chapter presents the general framework of the analysis. Of course, in order to analyze the effects or evolution of a particular phenomenon, it must first be defined and well known.

This analysis was based on the work of Carroll (2003 and 2004), Souleles (2004), Doms and Morin (2004), empirical analyzes that took into account the behavior of individuals in terms of saving. The savings patterns of the population have been highlighted as well as the reasons behind these saving decisions. All these savings decisions of the population have been influenced by a number of particularly important factors such as income, consumption or investment decision, factors that we have attempted to exemplify theoretically in this paper.

The paper analyzes the results obtained on the case of Romania, highlighting the evolution of the influence factors of the saving process. In this paper were processed the series of statistical data taken from the NBR Annual Reports 2008-2017.

Linear regressions, regressions that highlighted the dependencies between the variables analyzed (inflation rate, passive interest rate and net salaries) and population savings were used to perform this analysis. At the end of the paper, the conclusions occupy an important place in the thesis, because the saving process in Romania has begun to gain an increasing magnitude, aiming to reach the developed countries.

3. Analysis the factors of influence on household savings

I emphasize that the word "saving" is not a novelty, it is a rather complex term in terms of what it means and it is influenced by many factors. As we all know and as explained at the beginning of the paper, saving is calculated as a difference between revenue and expenditure. Until we turn the words into action, from the action of saving us to the stage of doing this, it is a long way, with many obstacles (Bodea C., 2012).

It is important to know this aspect of household savings because each country needs capital. This capital can either be imported by attracting foreign investment, or can come from within our country. Thus, we can say that there is a very close connection between saving and investment, as savings = investment.

International capital flows should not become for a country the main source of investment because in periods of economic instability they could destabilize the country's economy as it did in 2008, even when we were faced with, and with a fairly low saving rate. That is why we should come up with solutions to get Romanians to save more and more, but before doing so, we should consider what factors influence them and how we can improve that. That being said, encouraging "internal saving" is a measure of limiting capital inflows from the home and regaining the independence of the economy (Dobrescu E., 2006).

Analyzing the income, I noticed that they increased from year to year, more or less, both in the private and public sectors, with few exceptions. Income growth can generate savings, but as investment opportunities dwindle, this process is diminishing. But in order for everything to be clear, we must also keep in mind the average monthly expenses that we have seen varying from one year to the next.

As a household is more attentive with the consumer spending, a category where more than 70% of the money is spent on it, and the chances of saving it would increase. Obligations to the state in the form of taxes, taxes, contributions and contributions greatly diminish the income of the population, which is a hindrance to the saving process, diminishing the chances. I say this because, after spending on consumption, fiscal spending consumes an average of 14-15% of the total monthly average revenue.

Secondly, the macroeconomic certainty or uncertainty is another factor influencing the household saving process. After the fall of the communist bloc and until the crisis of 2008, the population was quite relaxed in this regard, the saving rate being low, even saving the population for many years in a row: 2002 -0.6%; 2003 -8.7%; 2004 -6.3%; 2005 -9.9%; 2006 -13.6%; 2007 -11.2% and 2008 -2.3% (Source: National Institute of Statistics). This unfavorable situation led to

the indebtedness of the population, consumption exceeding the average income. Only in 2009 the situation has improved, demonstrating that the Romanians have learned a hard lesson, saving them as a solution at hand for possible periods of economic instability.

Inflation also influences household saving when dealing with excessive growth in the sense that it degrades the real value of the savings stock. At the same time, higher inflation means higher interest rates, in other words, from this point of view, this factor could have a beneficial effect on saving in order to encourage people to save.

Developing financial markets can have both a positive and a negative effect on saving people. The good part of this is that the emergence of many financial and banking institutions, allows the creation of savings accounts, the contribution to private pensions, so that every willing person contributes monthly, depending on its possibilities. But the negative side of this is that, with the diversification of consumer credit instruments, the chances of savings are diminishing.

Unemployment is another decisive factor in the savings process, which could have a negative impact on saving, as it is a financially more difficult period where incomes can be reduced even by half. A good example of this could be considered as the coming of the economic crisis in Romania, when the unemployment rate was quite high and created many problems for Romanians and big companies, but also for the budget sector (Dumitru, I., Mircea, R., Jianu, I., 2011).

We also need to take into account the demographic factor when discussing savings because it is important to know that the "working-age population" is the one that contributes most to this process. Thus "those who work and are young are the ones who save the net", while the pensioners are the ones who have a negative saving.

4. Actual (real) household savings for 2008-2017

According to the Family Budget Survey, in 2008 a household saved on average 216.18 lei per month, which means 10.2% of the total monthly average income. Moreover, the amount deposited with banks for savings accounts, private pensions or other saving instruments was 24.59 lei from the saved amount, ie 11.36% of the total amount for saving.

For 2009, the situation changes slightly, in the sense of increase because the saved amount reaches the value of 268.66 lei per month, representing 11.6% of the total revenues. It is a significant increase compared to last year by 52.48 lei. Because the figures show optimistic as a result, the banking institutions received an average of 20.40 lei per month, or 7.59% of the total savings. This time, the population chose to deposit less money at the bank than in 2008, according to data released by the Family Budget Survey.

In 2010, we face an involution because the amount saved by one household drops to 241.3 lei, which means 10.5% of total revenues. This time, the amount deposited with the bank drops to 14.92 lei, representing 6.18% of the total savings. If we were to take a look at the data where the potential (possible) savings of households were analyzed, the figures were slightly more discouraging than the actual ones, which means that the forecasts are not always true.

Family Budget Survey shows that a family in 2011 saved an average of 233.5 lei per month, or 9.7% of the total revenues, decreasing compared to last year and 2009. The fact that the salary incomes have increased slightly from year to year and other household incomes, this has not boosted the savings process because I believe that these increases have not been enough to motivate people to move in that direction. Deposits to the bank on average amounted to 18.44 lei, which represents 7.9% of the total savings, increasing compared to last year.

In 2012, the average monthly savings per household is 230.6 lei, ie 9.3% of the total monthly average income. Of this amount, 15.18 lei went to the banking institutions, ie 6.58% of the total savings. Compared with potential savings, the actual ones look a little better.

In 2013 we are facing an increase of the average savings compared to last year and the potential ones, reaching the value of 241.7 lei, which means 9.4% of the total monthly average income per household. An increase is also recorded for financial institutions because this year a household has deposited with the bank the average amount of 21.01 lei per month, ie 8.69% of the total savings.

For 2014, savings are insignificantly reduced to 235.4 lei per month, or 9% of total revenues. Thus, the amount deposited to the bank on average per month by a household according to the Family Budget Survey was 19.5 lei, which means 8.3%.

As the National Institute of Statistics shows for the next 3 years, the increase in the average monthly income per household, a higher than usual increase, also led to a change in the saving plan. That being said, we deduce the following for 2015: the saved amount reached 295.8 lei per month, and deposits at the bank averaged 40.5 lei.

For the year 2016, the situation looks even better because the saved amount was 354.7 lei, a significant increase over all the years analyzed so far. Thus, on average, the amount deposited to the household bank for this year was 45.7 lei.

The maximum saving was reached in 2017, because a household "put money in socks" on an average of 381.5 lei per month and the amount deposited to the bank was 56.4 lei.

Table no. 1 - Table with the amount actually saved per month per household per month for the analyzed period

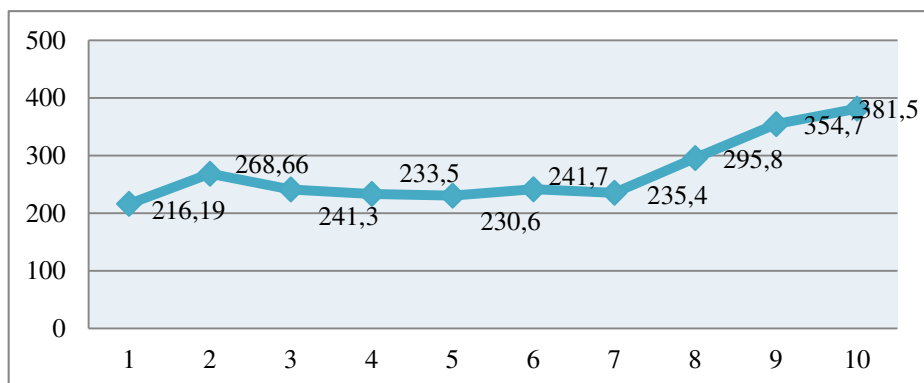
Year	The average amount actually saved / month (€)	Average monthly amount deposited in the bank (lei)
2008	216,19	24,59
2009	268,66	20,4
2010	241,3	14,92
2011	233,5	18,44
2012	230,6	15,18
2013	241,7	21,01
2014	235,4	19,5
2015	295,8	40,5
2016	354,7	45,7
2017	381,5	56,4

Source: Family Budget Survey

And this time it turned out that the factual beats the theoretical. I say this because there is a large discrepancy between the analyzed data on the amount that could be saved by an average household and the actually saved one, and the figures prove this.

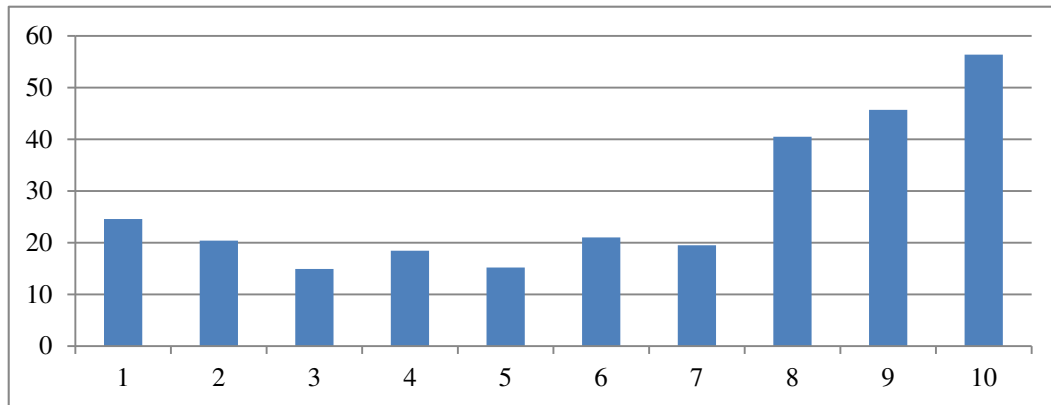
The graphical representation below shows the evolution of the average amount saved by a household for each analyzed year starting with 2008 and ending with 2017. From here we can deduce that it reaches the maximum in 2017, reaching the value of 381.5 lei and the minimum is registered in 2008, with the value of 216,19 lei.

Figure no. 1 - The graphical representation of the table with the amount actually saved on average per month by a household



Source: Family Budget Survey

Figure no. 2 - Graphical representations of the average monthly deposits of the household at the bank



Source: Family Budget Survey

The figure above shows the evolution of the average amount deposited per bank per month by a household. From the graph we deduce that after 2008, we have a slight decrease in the following years, by 2015, when the situation improves, surpassing the values of the previous years. This means that people have begun to gain confidence in banking institutions again and to keep their savings within.

As I mentioned before, the period before the economic crisis started meant the people's indebtedness to the banks. Consumer credit has increased, and the interest of the savings population has been very low, and this is due to the low income that prevents them from saving. Since 2002 and until 2006, the saving rate has been a negative one, precisely from this point of view.

Even now, the situation does not look better, although we see some kind of glamorous figures. About 40 percent of the country's population can not afford to put aside at least one lion per month. Despite the fact that revenue has changed over the years, this does not really help us because monthly expenses increase. Moreover, the financial situation is not on the Romanian side, we are also faced with a crisis in financial education, which strikes under the belt, giving Romania the graceful shot and shamefully placing it on the last place in Europe in terms of saving.

5. Conclusions

In conclusion, saving plays an important role in our lives, which is why we should take this issue seriously. The data analyzed above show that the Romanian population is quite difficult to do so due to the high monthly expenses. Another reason why Romanians are not saving is that they are not taught how to manage their money properly, so that they save money, family-based education.

If from 2002 to 2006 the saving rate was negative, in other words, the Romanians spent more than they earned monthly, at that time increasing consumption credits, after 2007 the population began to save, this time the saving rate became positive. But this is not enough because, from statistical data, we are among the last places in Europe in this chapter.

We allow state-of-the-art phones and many other gadgets, but we do not allow ourselves to ensure the uncertain and uncertain future, it is a paradox that we are seeing in Romania. Only half of the country's population can afford or can save, while the other half does not even put a lion aside on a monthly basis.

From the data provided by the National Institute of Statistics, salary income accounts for the highest share in the total income earned by one household per month. Although they grow from one month to the next and from one year to the next, this is not enough because they are eclipsed by the lunar spending that grows at a fairly high pace. Thus, consumer spending is the most expensive, consuming more than 70% of monthly income.

Romanians should understand that saving plays a special role both in our personal lives and in the country's economic environment, for which they should be more careful with spending. I say this because they are irresponsible when it comes to this topic. Waste in flower, mismanagement of income, low levels of financial education of the population are just a few of the main factors leading to the present situation.

The fact that there are states in Europe with a lower saving rate this should not enjoy and compare with the latter. We should take the example of the developed countries and try to improve and correct the negative assertions. I think that Romania is a rich country with many possibilities for development, its administration being a flawed one. It is not enough to want, we must struggle to see a change for the better in this country and to be the change we want to see "in the world".

It is important to know this aspect of household savings because each country needs capital. This capital can either be imported by attracting foreign investment, or can come from within our country, there being a close link between the two notions, because savings = investment. Unfortunately, very few Romanians know this problem.

International capital flows should not become a country, the main source of investment, because in periods of economic instability they could destabilize the country's economy. Encouraging internal saving is a measure of limiting capital inflows from the home and regaining the independence of the economy.

The fact that banking and non-banking institutions have experienced a spectacular development, each coming with more diversified and more attractive offers to people, could cause them to do so.

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