A Theoretical Analysis of Savings and Consumption based on Gender: Implications for Developing Nations

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ABSTRACT *During the past few decades the structural adjustment and macroeconomic stabilization policies have affected men and women differently in the developing world. Research has shown that women show a stronger preference to save for future and spend more on goods and services that contribute to the development of human capital of their children. This paper examines how gender has made its inroads into economics. It presents research evidence on how the differing behaviour of men and women affects the two of the key macroeconomic aggregates such as savings and consumption. It points to paucity of empirical studies in developing nations, thereby, suggesting several strands of future research opportunities.*

Keywords: *Savings, Consumption, Economic Growth, Developing Nations*

Introduction

Traditional economics, for a long period of time, considered 'individual' as genderless. The recognition of the "household" as an economic unit was the first step toward bringing gender into economic analysis. In the 1950s, Mincer (1980) examined woman's increasing labour force participation at a time of rising family income. He used the household as a unit of analysis. Several studies by Becker (1964) acknowledged gender division of labour. In the 1970s many started to recognize and include unpaid production in the calculation of gross national product (GNP). Many countries developed techniques to quantify and include the value of home production (Nallari and Griffith, 2011). During 1980s feminist economists began to address the inability of the economic models to account for gender inequalities and gender relations (Baneria, 1995).

Gender and Macroeconomic Elements

In reality there exist a gamut of differences in the behaviour of men and women leads to different macroeconomic outcomes, specifically for aggregates such as savings, consumption and government expenditure. The neoclassical model traditionally never recognised the fact that individual members within a household are capable and very often make their own decisions. Schultz (1961, 1974) and Becker (1964, 1965) suggest that household is a combination of multiple decision making unit. Nallari and Griffith (2011) suggest that where the resources and responsibilities are pooled together to make decisions normally gender will have little effect on macroeconomic variables. But if bargaining prevails over cooperation in a particular household decision making process—that is, if individuals within the household use the resources they control to pursue their own priorities—gender differences will play a clear role. An analysis carried out in 2006 by the United Nations Children's Fund (UNICEF) show that in two-thirds of the countries surveyed less than half of the women took part in all household decisions. Such decisions include health care, major household purchases, daily household spending and visits with family and relatives outside the household.

Gender and Savings

It is noted that gender affects savings behaviour within a household. Preferences for risk taking also differ based on gender. Drawing from literature on savings and gender, Stotsky (2006) highlights reasons such as fulfilling bequest, making investments, and precautionary motives why people in developed economies save. But Agenor and Montiel (1996) and Gerosvitz (1989) suggest reasons such as households living below subsistence level, varied income over time, extended dependent families and many other make saving a challenging task in a developing economy. Seguino and Floro (2003) examine the differences in savings behaviour between men and women in developing economies. They suggest a number of reasons why women tend to have a greater incentive than men to save: the woman's role as a homemaker, longer life cycle of women etc. prompt her to save for consumption-smoothing purposes,

In many developing economies women have little access to formal financial markets; so they keep their saving at home or with other women or with small local bodies such as self-help groups etc. Goetz and

Gupta (1996) in their study in Bangladesh have shown that women tend to save less as they are required to hand over their savings to male household members for smooth running of the family.

However, Nallari and Griffith (2011) suggest that the studies on gender-based differences in savings are conducted mostly in developed economies. Therefore, lack of empirical studies in developing economies does not allow us to arrive at universal conclusion relating to gender and savings.

Gender and Consumption

Men and women spend very differently when it comes to household expenditure. Stotsky (2006) identifies two strands of research on the effects of gender on consumption behaviour. The first strand of research reveals that women have a stronger preference than men for spending on goods and services for their children. For Ghana, Duflo and Udry (2004) show that households spend a larger share of budget on food and on private goods for women in years when the production of women's crops is higher.

A number of studies show that increase in women's control over household resources increase expenditures on family welfare, such as food and non-food items for children. Doss (2005) finds that, among urban households, an increase in the share of assets owned by women increases the budget allocation on food. Among both rural and urban women, the share of assets held by women has a positive effect on expenditures on schooling, while it has a negative effect on expenditures on alcohol, tobacco and recreation (Morrison and Lamana, 2006). Pitt and Khandker (1998) find that female borrowing has a larger impact on children's school enrolment than male borrowing. Pitt et al (2003) find that female borrowing significantly increases children's welfare while male borrowing has no statistically significant effect on these measures of nutritional status. Duflo (2003) finds that girls who live with a grandmother who receives pension benefits weigh more than those who live with a grandmother who is not eligible to receive pension benefits. This suggests that pensions received by women translate into better nutrition for girls. In contrast, no effects of the pension were found in households where the pension was received by a man. Rubalcava et al. (2004) find that controlling for total resources, additional cash transfers from the program resulted in higher shares of the household budget spent on education, children's clothing and meat. The share spent on adult male clothing, transport and other food (mainly staples) declined.It is worth quoting Quisumbing and McClafferty (2006) who note that the most consistent effect across countries is that resources controlled by women tend to increase expenditure shares on education relative to resources controlled by men.

The second strand of the literature examines the fact that the gender of children in some cultures determines the amount of expenditure they receive (Stotsky, 2006). For example, Schultz (1987) shows that in 90 countries, an increase in the cost of schooling or a decrease in household income decreases girls' opportunity for education compared to boys. In India, Kingdon (2005) finds gender bias in the allocation of spending on education for boys. Alderman and Gertler (1997) find a gender bias in favour of boys with regard to demand for medical care in Pakistan. Lewis and Lockheed (2007) illustrate that in India 37% of girls of the age group of 7–14 belonging to lower castes or tribes do not attend school, compared with 26 percent of all girls the same age; school attendance for tribal girls is less by 9% than that of tribal boys.

Lampietti and Stalker (2000) examine consumption expenditure and female poverty. They note that poor women have higher fertility rates, higher maternal mortality rates, lower birth weight babies, and less access to qualified or modern health care during pregnancy than non-poor women. They also show that girls are worse off than boys in Egypt, Kenya, Nigeria, Pakistan, and Yemen. Below the poverty line, girls are worse off than boys in Algeria, Bolivia, India, Lao PDR, Malawi, Morocco, and Zambia; boys are worse off than girls in Lesotho and Mongolia. The findings are inconclusive or show no difference in Madagascar, Mauritania, Nicaragua, Rwanda, Sri Lanka, and Tanzania.

Conclusions and Future Research

It has been well recognized that household should no longer be considered a single decision making unit with aim to maximising the overall benefit. Each member of the household may exercise different opinions and such a bargain certainly influences decisions taken by the household. Another major stride has been that economists have started to value the unpaid work most often done by the women in almost all the economies. Thus, which was considered to be a social phenomenon has been recognized as an integral part of economic analysis. It was a global wake-up call when World Bank published its report entitled *Engendering Development* in 2001 which clearly show gender asymmetries and discrimination has profound impact on economic growth and development both at individual and macroeconomic level. Continuing with macroeconomic policies that are gender blind retards growth and development now and in future. Therefore, ignoring gender in macroeconomic models jeopardise welfare of the next generation and the development of human resources. Therefore, macroeconomic policies which seek to enhance women's control of household spending should, in the long run, foster economic growth. Studies indicate that gender equality is correlated positively with economic growth. However, data from developing nations have been scanty. Keeping the discussion in mind the following may be suggested:

- *Making education available in vernacular* will enhance the opportunity for girls to pursue them without costly tuitions and additional help which require financial outlay.
- *Making exclusive opportunities for girls* will enhance the possibility of girls being educated.
- *Expand schooling options for excluded groups* will bolster confidence to the excluded community girls.
- *Improvement of logistics and instructional materials* matters more for excluded groups than for children from mainstream families.
- *Offering conditional cash transfers* will help households take care of some of the costs of education.
- *Offering scholarships and stipends for girls* has been proved to be very effective incentive in many countries.
- *Introducing school feeding programs*has been shown to boost enrolment and attendance.

Turning to opportunities for future research one must note the need of further work on the interrelationship between women's empowerment and economic growth and development. More research needs to be carried out regarding differing savings and consumption behaviour in developing nations across religion, language group etc. Also women's access to finance and its influence on growth and development would be worth investigating into. Another important area of research would be improvements in methodologies on quantifying the unpaid work and service of the women both at individual and national level and the corresponding impact on national parameters with focus to developing world.

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