

THESIS

**Analysis Factors That Influenced Household Saving  
In West Sumatera**



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**2008**



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## Analysis Factors That Influenced Household Saving In West Sumatera

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## ABSTRAK

In course of development these days stand in need of very big defrayal. Hence in defrayal of which can pledged to pass defrayal of home affairs coming from mustered society and re-channelled by banking institute. This research aim to know factor influencing household saving gathering in West Sumatera in the year 1993 - 2006, used variable here is Per capita Income (PI), Interest Rate (R) and amount of bank offices through Banking Density (BD).

Period of this research is 14 year's ( 1993 - 2006) which in form of data quarterly. Obtained data will in analysis by Ordinary Least Square method. Result of this research indicate that factor - factor influencing household saving (S) in West Sumatera which consist of : Per capita Income (PI), Interest Rate (R), and amount of bank offices through Banking Density (BD) collectively is same have influence which is significantly to household saving gathering (S) in West Sumatera of per capita income, interest rate, banking density individually (partial) have influence which is significantly and positive to third party fund gathering (DPK) in East Java, this matter as according to theory. Gathering of Household saving have to follow also with effort in improving channeling of Household saving in order to pushing growth of real sector and economics between with forming institute observation of channeling of credit, inwrought service between Local government and of BI.

Keyword : *Household Saving, Per capita Income, Interest Rate, Banking Density.*

Skripsi ini telah dipertahankan di depan Seminar Hasil Skripsi dan dinyatakan lulus pada tanggal 25 Juli 2008  
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## CHAPTER I

### INTRODUCTION

#### 1.1 The Background of the Study

Economic growth is a part of country developments. Definitely developments is a process that causing additional citizen income per capita in long term goal. To made development run well we need financials that one of them come from savings. Interest of saving should be remaining to all aspects from old people to youth, men or women. By saving we get double benefits, in one hand we can add capital accumulation as a modal to development and the other hand we creating a simply way of life through saving. By the higher interest of savings level from the citizen, our country that still in developing level of economic area can reduce its depended to international loan. This international loan can make new problems such as repay loan problem, in fact there are many developing countries like Indonesia can not give the pay back.

The literature on savings is embedded in the general literature of finance and the importance of finance to growth has taken cue from the pioneering works of Goldsmith (1969) and more recently of McKinnon (1973) and Shaw (1973). The survey of this literature provides three main views on the existence and direction of causality between finance and economic growth. The "supply-leading" view states that financial development has a positive effect on economic growth. The proponent of this view argues that financial intermediation contributes to economic growth through two main channels: (i) by raising the

efficiency of capital accumulation and in turn the marginal productivity of capital (Goldsmith, 1969) and (ii) by raising the savings rate and thus the investment rate (McKinnon, 1973 and Shaw, 1973).

Economics growth indicates that there is increasing of economic in urban level that adding development allocation funds. It means there is an increasing mobilization funds in urban area.

The growth of output in any economic level depends on capital accumulation, and capital accumulation requires investment and an equivalent amount of saving to match it. Two of the most important issues in development economics, and for developing countries, are how to stimulate investment, and how to bring about an increasing in the level of saving due to fund collecting and increased investment. Note that the *funding* of investment is not the same as the *financing* of investment which merely requires financial institutions willing to lend for investment purposes in advance of prior saving. Investment is not constrained by prior saving; but ultimately saving must match planned investment for *real* capital accumulation to take place.

According to McKinnon (1973), liberalization of financial markets allows financial deepening which reflects an increasing use of financial intermediation by savers and investors and the monetization of the economy, and allows efficient flow of resources among people and institutions over time. This encourages savings and reduces constraint on capital accumulation and improves allocative efficiency of investment by transferring capital from less productive to more productive sectors.

## CHAPTER V

### CONCLUSION AND SUGGESTION

#### 5.1 CONCLUSION

- a) The empirical results of this study have shown evidence of a high potential for household financial savings in West Sumatera. The study concludes that existing economic and financial policies have led to the neglect of savings mobilization in general and in rural areas in particular.
- b) After analyze from the classical assumption test this model is finally valid. From the f-test we known that the free variables gathering to influenced the tight variables of household saving in West Sumatra.
- c) Per capita income, interest rate and banking density have a positive relation to household saving that have been proven statistically.
- d) The increasing of percapita income will raising of the household saving collected in West Sumatra. The raising of per capita income implicate that there is a raising of society wealth live. The increasing of interest rate, people will totally interestsed to save their money in the bank in order to have a great benefits in the future. And also the increasing of total bank offices in West Sumatra can intermediate the saving collection in West Sumatra.
- e) Banking density is the most determined variable to household saving in West Sumatra.

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