

# **ANALYZING THE BEHAVIOR OF FAMILIES IN SAVING AND ITS RELATIONSHIP TO THE ABILITY OF THE BANKING SYSTEM TO GRANT CREDIT IN IRAQ**

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## **Abstract**

Saving is the main motive for investment, production, employment and growth, as it is the main element to increase the ability of the banking system to grant banking credit and an aid factor for the financial policy in achieving the government's economic programs and not resorting to foreign borrowing in financing the government budget deficit or/and funding government development projects, which it lacks. The Iraqi economy due to the low savings rate, which affected the ability of the banking system to grant credit and stimulate investment and use imports to fill the gap of aggregate demand in light of the atrophy of domestic production to meet this demand, and this requires studying the behavior of families in saving and the factors affecting this economic behavior through a survey of a sample of families in Iraq.

**Keywords:** Macroeconomics, Savings, Credit, Reconnaissance Survey.

## **INTRODUCTION**

The behavior of families and individuals in consumption and then saving affects short-term economic stability and long-term economic growth, whereas the family saving rate is an influential factor in the ability of the banking system to grant banking credit and an active component in the ability of companies and projects to grow and productivity. as well as it is a preventive element for non-existence foreign borrowing and debt and consequently a decrease in the global credit rating of the national economy and an increase in the risk of falling into the problem of the government budget deficit, and the negative consequences that affects on economy, society and politic.

The saving rate is closely related to the behavior of families and individuals in saving, whose rate varies from one economy to another. whereas it is an active contributor to increasing the effectiveness of monetary policy in influencing the economy through several channels, the most important of which is the channel of interest, exchange and discount rates, and thus controlling inflation rates, the stability of the exchange rate and the role of the banking system in the economy, thus stimulating short-term growth and active sustainability of long-term growth.

Therefore, the literature, theories and experimental research were interested in studying the behavior of families and individuals in saving and knowing the factors affecting this economic decision, and trying to put opinions and theories that explain this behavior. And thus analyze the impact of the factors affecting this economic behavior in an attempt to direct this behavior in a way that makes it a supportive element for economic growth.

The Iraqi economy, like many developing economies, suffers from the weak role of the banking system in the economy, whereas the percentage of currency among the public reached (89%) of the currency issued by the banking system in 2019 (CBI, 2020). that indicates the largest volume of cash -flow is outside the banking system, and also indicates the weak desire to deal with banks through bank deposits of different terms, and a clear indication of the low desire of the public to save, and thus the low ability of banks to grant credit investment and growth. Also it is regarded the deposit volume index to Gross domestic product, as one of the important indicators of financial depth and banking performance, especially after it was found that the currency (outside of the banking system) represents the largest part of the balance of money supply in Iraq, and deposits of all kinds are the main and most important source of bank financing sources that is used to provide credit of Iraq (NDP 2018), where the percentage of this indicator reached (30%) in 2018, which is a low percentage that indicates a decrease in the volume of deposits with the banking system that can be used in Increasing the volume of credit provided and increasing the ability of banks to accumulate assets, in light of the high indicator of the volume of current deposits to GDP, which amounted to (70%) in 2018 (CBI, 2020), which requires a precise experimental study represented by conducting a survey of a sample of families in Iraq to find out the factors affecting their saving behavior.

## RESEARCH METHODOLOGY

**The research problem:** The behavior of families in saving was affected by several factors that led to a decrease in the desire to save and an increase in the percentage of currency outside the banking system in the Iraqi economy, which weakened the ability of the banking system to grant bank credit and thus investment, production and growth.

**The research hypothesis:** The behavior of families and individuals affects the saving rate, and consequently the ability of the banking system to grant credit, finance investment, activate productive projects and growth and a preventive element not to fall into indebtedness at the level of the national economy.

**The research importance:** The importance of research rises in studying the behavior of the Iraqi family in saving stems from several indicators, to show the factors affecting this economic behavior and the effects of this behavior on the ability of the banking system to grant credit, investment, production and growth.

**The research objective:** The research aims to analyze the behavior of families in saving and the factors affecting it, and to highlight the low capacity of the banking system in granting credit and stimulating investment, production and growth.

**Research Sample:** In this research was used the descriptive and analytical method through the exploratory survey, which included (1000) families distributed over four governorates (Baghdad, Babylon, Diyala, Salah al-Din) and included several questions and assumptions to come up with indicators that highlight the research problem and clarify the hypothesis of the research.

**Research Structure:** The research was divided into three sections: The conceptual framework of savings theories and the factors affecting it were discussed in the first section, while the second section dealt with the illustration description of the exploratory survey, and the third section dealt with the analysis of the indicators of the exploratory survey for the included Iraqi families.

## CONCEPTUAL FRAMEWORK

### **The explanation theories of the behavior of savings, a conceptual framework:**

Many theories and opinions explain the behavior of individuals and families in saving, the factors affecting the decision to save and consumption, and the effect of this decision on economic variables, both at the macroeconomic and microeconomic levels.

#### **1. Definition of saving behavior**

Determining a comprehensive definition that focuses on identifying the most important trends and how these trends and motives are changed behind the behavior of families in the saving decision are a necessary thing to know the impact of this behavior on the macroeconomics. the saving behavior may be defined as the flow of income minus the flow of expenditures during a certain period of time, or the changes in the net wealth of the family during a certain period of time (Maseer & Flayyih, 2021), or it is the decision of the individual and families to reduce immediate consumption in order to improve their standard of living in the future Which is achieved by reaping future benefits (SJANS et al., 2019), or it is defined as an understanding of the long-term relationship between an individual's confidence in the sustainability of maintaining an adequate standard of living and the expected income to be obtained during an individual's life cycle (Abdullah & Mansor, 2018). Also the behavior of families in saving was explained as the relationship between the proportion of expenditures on health, education, the environment and other services necessary for an adequate standard of living for humanity by the government and families' decision to save (MHAIBES & MAHMOOD, 2020), or it is the difference in wealth (the value of durable goods as well as real estate) between periods of the life cycle of individuals and families (Abdul Rahman et al., 2021) and therefore saving is just deferred consumption, because households' decision to consume or save is a

homogeneous decision between consumption and saving that affects the degree of its homogeneity several factors, (Beshir, 2017).

## **2. Theories and opinions that explain the behavior of families in saving:**

There are many opinions, theories, and behaviors that explain the behavior of families in saving. The behavior of families in saving is nothing but a translation of the individual's decisions in reading and prediction about many current and future economic, social and political variables. Among the most prominent concepts, theories and opinions that explain the behavior of families and individuals in saving are:

Relative income theory, which represents the Keynesian approach in explaining the behavior of families in consumption and saving, as it is assumed that the consumption current is a function of available income, which is a logical description of the behavior of consumption and saving at low levels of income. Where the creation of consumption that achieves the subsistence level of goods and services is the goal Basic, and when income rises, consumption will not rise in proportion to the rise in income, but will rise decreasingly with an increase in saving increasingly. This means that the level of income positively affects saving, and the relative income hypothesis is based on two principles. First, the level of absolute consumption of the family is proportional to and affected by the consumption behavior of all families within the individual's surroundings. Second, the principle clarifies that the current consumption is affected by the previous consumption levels at a certain income level, and if the income is currently reduced, the individual will maintain the current consumption through spending, conducting or grab his previous savings (Njenga, 2018).

Life cycle hypothesis for Duesenberry, the theory indicates that income, consumption and savings during the lifetime of individuals and families will be different during the life cycle, and according to this model, the individual consumer benefit and thus saving is a function to ensure the flow of the individual's total income and thus consumption and savings over the life cycle. This hypothesis was developed by Modigliani and Brumberg in the early 1950s, they explained that the life cycle hypothesis consists of three stages, the acquisition of negative net savings in early adulthood, to be later replaced by positive net savings in working years, and finally the decline in savings as individuals enter into retirement stage. Therefore, individuals and families seek to maximize the overall benefit of goods and services and prepare for the maintenance of this post-retirement standard of living through savings during these periods of the life cycle of the individual and families, so the work persons provide maximum income and wealth for their retirement and debts accumulated during early adulthood. Therefore, consumption is not viewed as a function of income, but rather as a function of expected average income or lifetime income. In this model of the life cycle hypothesis, individual and family consumption tends to follow a reasonably predictable pattern when individuals begin to work in the early years, despite that they are relatively inexperienced and unproductive therefore receive lower wages. Over time, salaries increase as the adult

individual moves towards middle age, and this age category is characterized by increased experience and productivity, after that salaries decrease again with the individual reaching retirement. Therefore the theory emphasizes that the pattern of consumption and saving over the life cycle will not change significantly, in the early working years when income is relatively low, and consumption exceeds income. The family is forced to borrow in order to meet this consumption, while in later stages of working life, individuals pay off this debt and start saving for their retirement and also planning for future consumption (Mohammed et al., 2021).

Precaution and contingency, which is the second and complementary theory to the life cycle theory, which explains the behavior of individuals and families in saving. Where this theory shows that there are two motives to stimulate families to make a saving decision, the first to finance expenditures after retirement, or other planned situations for life, as discussed above, with a constant level of consumption over the life cycle, the second motive, is to protect the family from unexpected shocks that occur throughout the life cycle. Where families face risks during the life cycle of the individual and families, and it is difficult to avoid these risks that may cause loss of income, such as deterioration of health, unemployment or other unexpected living expenses that affect the standard of living of the family and that represent risks related to families alone. But planning to face threats external affairs are more complex and represent risks related to the economic and political environment surrounding families and individuals. For example, the contraction in the national economy, which is not controlled by the family, therefore, the circumstances of how the family's consumption and saving behavior changes with increasing uncertainty about future income, will push families to ensure the continuation of a stable standard of living to create reserves of forms of wealth to be able to reduce the effects of these types of risks and unexpected events, and this behavior is called precautionary savings. The higher the expectations of the occurrence of internal and external risks, the more families save more assets for emergency purposes. It was also found that the disparity in the expectation of risks and the ambiguous view of family about their future income and costs and the available information about the future risks of their income and the degree of exaggeration or pessimism (uncertainty) about income and consumption during the cycle Individuals' lives. It is regarded as a determinant factor to explain differences in savings behavior between families and the limitation of amounts for emergency purposes (Ögren, 2018).

The Ricardian equivalence and the permanent income hypothesis, which is another theory that explains the behavior of families in consumption and saving, and the proponents of this theory believe that consumers take into consideration when making a decision to consume and save their future income and the effects of fiscal policy, especially taxes, where the public opinion was about the economic behavior of the family, is that the family focuses on today's income and does not pay much attention to how its future income will be affected by financial policy, as happens when the



government increases expenditures and finances these expenditures through taxes or/and the sale of debentures. Therefore the Ricardian equivalence indicates that families will take into account the future behavior of government decisions (and in particular the expectation of tax increases in the future) when determining their current level of consumption and saving, because they know that if the government faces a deficit, there will come a period when this deficit will have to be paid, and thus their future income will be affected which requires preparing for such a decision to increase saving in order to meet this risk. Therefore the permanent income hypothesis developed by Milton Friedman (1957) is closely related to the Ricardian equivalence and focuses on the expected future income in light of the effects of financial policy and the expectations of recession case or revival case for the national economy, and whether it is temporary or medium term and the degree to which families' behavior and decisions are affected by consumption and savings. If it is expected that the recession is temporary and that the economy will recover after a short period, thus increase employment, production and income, families will find that there are no high risks on the flow and volume of their future incomes, and therefore it is not necessary to reduce immediate consumption and increase the saving motive (Ögren, 2018).

Institutional savings theory, which is the other explanation of family saving behavior, as it links institutional factors with the ability to save, where the savings and the accumulation of assets for families and individuals are related to the system of incentives, subsidies, retirement, services, banking facilities, link and understanding of financial information, especially for low-income families, and the degree of financial inclusion (Altameemi & Flayyih, 2021).

There are several views that have tried to explain the behavior of families in saving, including, that the saving behavior of families is related to the financial culture, including how to calculate deserved social security and pensions, how to calculate compound interest rates and understand the effects of expected inflation and the time value of money, and also the behavior of saving is affected by the culture of society, education and political stability. As planning to make the decision to save and to ensure the implementation of this behavior is closely related to higher education, the extent of understanding of financial information, how to calculate pensions, and the ability of families to develop future plans to improve their standard of living, as most studies found that the lack of information about social security, pensions and the above-mentioned concepts is concentrated between low and middle income families. So, the lack in financial culture, financial advice or the assistance by banking, financial and legal specialists in putting immediate and future plans for savings, and the lack of knowledge and awareness about retirement pensions or the duration of financial contracts is one of the important opinions in explaining families' decision to save (Rashid et al., 2021).

Also, several opinions indicated that the behavior of families in saving is related to the characteristics of the families themselves in terms of financial culture, quality of

education, the social environment, their view and understanding of state decisions regarding tax and spending policy (Salman et al., 2021).

Other opinion also showed that the increase in the prices of assets (real estate in particular) and the huge funds that are required to possess these assets, and the increase in taxes on savings gains in light of the fluctuation in the state of the financial budget, consumer confidence in the economy, spending rates on the health sector, and evading under the pressure associated with debts in light of the uncertainty of the continuation of jobs due to the fluctuation of the state of the economy (stagnation or recovery) and thus the high expectation of non-payment of money, it will push families to focus on creating immediate consumption more than their interest in improving it in the future through savings (Wang, 2015).

There are several studies and opinions that clarified the importance of saving in the economy and the impact of the saving behavior of families in developing countries. Where it was expend that the relationship between savings and investment and then economic growth takes another different interpretation of the impact of this relationship in developed countries, the nature of financial systems and the degree of development and/or the degree of financial depth and/or the structural imbalance of the components of the GDP and/or the dependence on the production of basic commodities in the formation of the GDP and/or the dominance of agriculture in the economy and/or the rate of capital formation and/or the structural imbalances in the productivity of the factors of production and/or the efficiency of directing savings and/or ambiguous economic policies with regard to targeting growth and development and/or inflationary pressure, in addition to the financial culture and demographic factors (average age of the individual, population, average income, education, culture, gender), economic stability, the shape and stability of the political system, they affect the behavior of families in saving in lower and middle-income countries and thus the clarity of the relationship between savings, growth and output (Horvathne Kokeny, 2015).

### **3. Factors Affecting the Behavior of families in saving:**

There are several factors that explain the behavior of family savings and why it differs greatly between countries, which affect the ability of the banking system to grow and develop.

Lack of financial culture, which is one of the reasons why families and individuals prevent planning for savings or lack of knowledge about pensions or the duration of their financial contracts because they lack literacy, and the degree of complexity of financial instruments, which families and individuals have to deal with new and developed financial terms from where concept and dealing. Financial literacy, which appears with knowledge of the work and concept of some analytical economic tools such as compound interest and how to calculate it, the difference between nominal and real values and the basics of risk diversification, which will be reflected in the desire of

individuals and families to make decisions. While demographic factors including education, gender, race and marital status, as well as a set of variables which are indicative of preferences (caution of risk and rate of time preference), subjective expectations about the future, past negative and positive shocks to wealth and other impulses of lower wealth holdings (family confidence in the economy). The lack of financial advice, and several experimental studies have shown that families and individuals lack basic financial knowledge and have low recourse to financial experts to use their professional advice to make the decision to save and rely on the help of family and friends in order to make financial decisions, especially saving, and this applies especially to those with low level of education (Lusardi, 2007)

Also several studies have found that there are other factors that are no less important than the impact of financial illiteracy, represented by the influence of parents, socialization, peers influence, self-control, and uncertainty about financial policy decisions, income and rates of return for the money saved, which have a significant impact on family savings. The strength of social security programs and the development of social structures such as health care and education that reduce the incentive to save in case of they are advanced, developed, and inclusive, and the expectation of a family that a rapid and stable increase in money with individuals growing older leads to allocating less money for future expenditures, compared to some families who expect slow growth in income.

Also it is regarded uncertainty about future income and economic stability is another powerful motivator for family saving. So uncertainty about total income, unemployment and inflation will increase the families' behavior in saving, all these factors influence individuals and families' saving behavior (Frączek, 2011). As it shown by several studies the importance of income, interest rate, gender, number of worker, and other factors such as comfort, prudential purposes, education, awareness in the investment, returns on investment, risks on investment, retirement plans, business growth, promotional activities, government programs regarding health insurance, taxes. While demographic factors such as age, gender, dependency ratio, and urbanization have an impact on behavior families in saving (SJANS et al., 2019), family marital status, family's age and family's education level, family's income level, family's religion, family's career, drinking habit and family's space (Dawood, 2021<sup>b</sup>), as well as ease of access to banking services and savings incentives, information, facilities and expectations are factors affecting savings behavior and asset building, especially among low-income families.

Moreover, several empirical studies have shown that the dependency ratio, age and education of the head of the family, the number of family members, and the degree of prohibition have an impact on the behavior of families in saving (Ali & Flayyih, 2021). Also, many experimental studies have proven that there are factors not less than income that affect the behavior of families in saving, such as social organizations, the media, the policy of spreading financial knowledge, developing human capital, quality



education, the quality of educational programs, and the presence of financial experts and advisory teachers in the educational system and development humankind, which represented by teaching the concept of self-care at an early age by setting an example and education, and long-term state policies to motivate the population to save (Dawood, 2021<sup>a</sup>).

In addition, several studies have also shown the impact of psychological factors on the behavior of families in saving, represented by the degree of openness to global experiences in life, conscience, simplicity or complexity of life, harmonization, nervousness, calmness, and the association of family members with passion, adventure, curiosity, or other types of experiences, ideas and inclination to organization, adherence to a schedule or self-discipline, type of person whether active or conservative and degree of anger, depression or anxiety (Popovici, 2012).

#### **4. Concepts of reconnaissance survey:**

The exploratory survey is defined as “the survey of opinions, measuring trends, collecting information, data and statistics about a matter in a specific period of time, conducted by different means and techniques, direct and indirect. The study community is defined as “the total set of elements to which the results are generalized related to the phenomenon studied,” Where Iraqi families were identified. The sample is defined as “a part of the study community that is chosen in a certain way to represent the community.” Baghdad, the capital, Babil, Diyala and Salah al-Din had been chosen. The aim of the study, which is the first stage of the survey, is to study and analyze the behavior of families in saving and to indicate the factors affecting this behavior, and to clarify its impact on the ability of the banking sector to grant credit in Iraq. Several indicators have been designed translated into questions to achieve the goal of the survey (NDP 2018-2022, 2018).

## **RESULTS AND DISCUSSIONS**

### **1. Analysis of the indicators of the exploratory survey of the behavior of Iraqi families in saving:**

The exploratory survey included several items: the percentage of savers and non-savers for families covered by the survey, the relationship of expenditure budget numbers to the savings behavior of families, the relationship of the form of expenditure budget numbers to the behavior of families in saving, the relationship of total income to the behavior of families to saving, the relationship of the proportion of workers in the public and private sectors to the behavior of families in savings, the proportion of the amount of money saved for each income group, analysis of the impact of psychological factors of the individual and society on the behavior of savings.

As for the mechanism of implementing the exploratory survey, it was based on a personal interview by graduate students in the master's degree in economics, and the

sample number included (1000) families distributed over the governorates (Baghdad, Babil, Diyala and Salah al-Din), and then transforming the answers into many indicators to show the problem and achieve the desired objectives of the research.

**2. Do you save amount of money:**

It is noted from the table below, that 60% of the families included in the survey do not save money, and that 40% of the families save money.

**Table (1): Percentage of savers and non-savers of families included in the survey**

YES	No
40%	60%

**3. The relationship of preparing budget of spending to the saving behavior of the families:**

The table below shows an analysis of the relationship between whether a budget is prepared for spending on goods and services and the behavior of families in saving, as it is noted that (53%) of the families included in the survey do not adopt a mechanism of preparing budget for spending, and that (47%) of the families prepare a budget of spending on goods and services, and it also shows that (68%) of the families that prepare a budget for spending and saving and the percentage (32%) of the families that prepare a budget for spending not to save, and the table shows that (18.8%) of the families that do not budget prepare to prioritize their consumption of goods and services and save, and the largest percentage of families that do not prepare a budget for spending do not save, at a rate of (81.2%).

**Table (2): Relationship of preparing budget of spending to family's behavior in saving**

Is there a budget prepared for spending?			
Yes		No	
47%		53%	
savers ratio	Ratio of non-savers	savers ratio	Ratio of non-savers
68%	32%	18.8%	81.2%

**4. Is the spending budget prepared for the family on a daily/weekly/monthly level?**

It is noted from the table below, which shows the behavior of the family with saving and its relationship in the form of preparing budget of expenditures on goods and services. that 52% of the families included in the survey tend to prepare budgets for spending monthly, and that (41%) of families tend to budget numbers expenditures per day, and a rate of (7%) of families prefer preparing a weekly budget for expenditures. The table also shows the association of the percentage of savers with the behavior of families in the preparing of a monthly budget for spending on goods and services, and the low

percentage of savers among families whose spending on goods and services is daily and weekly. As it is noted that (69.2%) of the families that prepare a monthly budget to spend on goods and services and saving, and (90.3%) of the families who prepare a daily budget, as well as the percentage of (71.5%) of the families who prepare a weekly budget for expenditures without save.

**Table (3): The relationship of form preparing expenditure budget to families saving behavior**

The behavior of families in savings and its relationship to the form of preparing expenditure budget					
Daily spending budget		Weekly spending budget		Monthly spending budget	
41%		7%		52%	
savers ratio	Ratio of non-savers	savers ratio	Ratio of non-savers	savers ratio	Ratio of non-savers
9.7%	90.3%	28.5%	71.5%	69.2%	30.8%

**5. Analysis of family saving behavior and its relationship to total family income:**

It is noted from the table below, which shows the percentages of savers and non-savers at each level of the total income of the family included in the survey, that (41%) of families receive a total income (from 500 to 750 thousand Iraqi dinars), and that (25%) of families receive a total income ranging from (one million and 500 thousand to one million and 750 thousand Iraqi dinars), and (13%) of the families have a total income ranging (from 750 to one million Iraqi dinars), and that (9%) of the families receive a total income ranging (from one million Iraqi dinars to one million and 250 thousand Iraqi dinars), and (5%) of the families receive a total income ranging (from 250 thousand Iraqi dinars and less, and that a percentage (2%) of the families receive an income ranging (from one million and 750 thousand Iraqi dinars and above). also, it is noted that the highest savings rate for families covered by the survey was for people with a total income (from one million dinars to one million and 250 thousand dinars), and the lowest savings rate was for those with income (500 thousand dinars to 750 thousand dinars).

It is also noted that the percentage of savers among families with income (two million and above) and the income category (one million and 750 thousand to two million) was (100%), which shape (the two categories) a percentage of (2%) of the number of families covered by the survey. and the category with Income (one million dinars to one million and 250 thousand dinars) ranked third, whereas the percentage of savers reached (88.8%) and this income group shape (9%) of the number of families. And families with income came (one million and 500 thousand to one million and 750 thousand dinars) in the fourth rank, where the percentage of savers reached (76%), and this category shape (3%) of the number of families covered in the survey. moreover, for the income category (one million and 250 thousand to one million and 500 thousand

dinars) ranked fifth, where the percentage of savers reached (66.6%), and this category shapes (3%) of the number of families covered in the survey.

It is also noted that the highest percentage of non-savers was for people with income (below 250 thousand dinars), where it reached (100%), and this income group shapes (5%) of the number of families covered by the survey. and then the income group came from (500,000 to 750 thousand dinars) ranked second, as the percentage of non-savers reached (92.7%), and this category constituted (41%) of the number of families covered in the survey. and the income group (750 thousand to one million dinars) ranked third, as the percentage of non-savers was (92.4%), and this category constitutes (13%) of the number of families included in the survey.

**Table (4): The relationship of total income to family saving behavior**

Total income	The ratio %	Ratio of savers and non-savers per income level	
		Saver%	Non-saver%
less 250 thousand dinars	5%	0	100
From 500 to 750 thousand dinars	41%	7.3	92.7
From 750 to one million dinars	13%	7.6	92.4
From one million dinars to one million and 250 thousand dinars	9%	88.8	11.2
From one million and 250 thousand dinars to one million and 500 thousand dinars	3%	66.6	33.4
From one million and 500 thousand dinars to one 2%million and 750 thousand dinars	25%	76	24
From one million and 750 thousand dinars to two million dinars	2%	100	0
From two million dinars and above	2%	100	0

**6. Analyzing the behavior of families in saving and its relationship to the percentages of workers in the public and private sectors:**

The table below shows the percentage of workers in the public and private sector, which was extracted from the survey and its relationship to families' behavior in saving, as it shows that the largest proportion of families covered by the survey works in the public sector, the percentage of workers in the public sector reached (69.8%) of the number of families, And the lowest percentage is in the private sector, which reached (30.2%) of the number of families, and it is clear that the percentage of savers in the public sector reached (61.4%) of the percentage of workers in the public sector, and a percentage

(38.6%) are not savers, while the percentage of savers in The private sector was (26.4%) and the percentage of non-savers was (73.6%).

**Table (5): Relationship of the percentage of workers in the public and private sectors to families' savings behavior**

Relationship of saving to the percentage of employees in the public and private sectors			
Percentage of workers in the public sector		Percentage of workers in the private sector	
69.8%		30.2%	
Savers	Non-savers	Savers	Non-savers
61.4%	38.6%	26.4%	73.6%

**7. Analyzing the amount of monthly saved amounts:**

The table below shows the percentage of the amounts saved for the families included in the survey, as (49%) of the families do not save any money, and (29%) of the families save less than (250 thousand dinars). And (9%) of the number of families that save the amount (500 thousand to 750 thousand dinars), and a percentage of (8%) of the number of families save the amount (250 thousand to 500 thousand dinars). And a rate of (3%) of the number of families save the amount (750 thousand to one million dinars), and (2%) of the number of families save (one million and above).

**Table (6): Percentage of the amount of savings for each income group of households included in the survey**

No savings	Less than 250 thousand dinars saved	From 250 to 500 thousand saved	From 500 to 750 thousand dinars saved	From 750 to a million Saved	From a million and above saved
49%	29%	8%	9%	3%	2%

**8. Analyzing the impact of psychological factors of the individual and society on the behavior of savings:**

Psychological, cultural and religious factors affect the behavior of families in saving, which can be demonstrated through the following hypothetical questions:

**a. If we suppose there is a surplus in personal income, is it saved in a government or private bank, or is it at personal disposal?**

The table below, which is extracted from survey for the families, shows that (70%) of the assumed surplus families wish to keep at personal disposal. And (28%) of families wish



to keep the assumed surplus in a government bank. And (2%) of families want to keep the supposed surplus in a private bank.

**Table (7): hypothetical behavior of families in saving money in banks**

Government bank	Private bank	At personal disposal
28%	2%	70%

**b. If we suppose that there is a surplus of personal income and you decide that it is at personal disposal, do you keep it in the form of local or foreign currency or gold?**

The table below shows that 65% of the families included in the survey prefer to keep the assumed surplus in the form of local currency (the Iraqi dinar), and 25% of the families want to keep the assumed surplus in the form of foreign currency (the US dollar), and the percentage (10%) of the families want to keep the surplus in the form of gold.

**Table (8): hypothetical behavior in the form of saving money**

Saving in the form Iraqi Dinars	Saving in the form of gold	Saving in the form of US dollar
65%	10%	25%

**c. What are the reasons for not wanting to keep the saved and supposed funds in the bank?**

The table below and extracted from the survey shows the behavior that if we assume there is a surplus in the monthly income and there is no desire to save it in the bank, is this because it is a usurious bank, or lack of confidence in the bank and the economy, or the low rate or ignorance of the procedures for depositing money with the bank? The survey showed that (43%) of families do not want to keep the assumed surplus of income in the bank due to lack of confidence in the future of the Iraqi economy, and (30%) of families because most banks are usurious banks (the religious aspect), and the percentage ( 17% ) of families due to lack of confidence in the bank, (8%) of families due to low interest on deposits, and (2%) of families due to ignorance of the procedures for depositing money in the bank.

**Table (9): hypothetical behavior to the reasons for not saving in the bank**

Usurious bank (religious aspect)	Lack of confidence in the bank	Low interest given	Ignorance of the procedures for depositing money in the bank	Lack of confidence in the future
30%	17%	8%	2%	43%

## CONCLUSIONS

It can be concluded from table (1), which shows the percentages of families that save and that do not save, that the largest percentage of families included in the survey do

not save. And the reason behind that may be attributed to preparing or not preparing of budget for spending on goods and services, and/or the shape of prepared budget, and/or the decrease in the total income of the families, and/or the sources of income whether from the public or private sector, and/or the ability or inability of the total income of the families to provide the families' requirements of goods and services, which that is evident through the average percentages of expenditures per month of total income on goods and services and borrowing which is not provide the necessities of living. And/or other factors rooted in the psychological behavior of the individual and society, which determines all of that the desire to save then increase the ability of banks to grant credit (assuming they are saved in the banking system) and increase investment, production, and employment.

It is evident from table (2), which illustrates the analysis of families' behavior with preparing budget for spending on goods and services or not. The relationship of saving behavior with preparing budget for spending on goods and services, where the high inclination towards preparing budget for spending takes into account the living requirements of goods and services and contingency reserve and saving without preparing a budget for spending, the higher the percentage of savers, and in the case of saving money in banks, this will increase the ability of banks to grant banking credit, increasing investment, production, and employment, and vice versa. It is noted that the largest proportion of the families covered by the exploratory survey that do not prepare a budget to cover expenditures on goods and services, the proportion of savers is low and therefore the irregular consumption of goods and services, which generates an unwillingness to save, which loses the economy opportunities to invest money, but increases the money supply in circulation and exposing the economy to increases in aggregate demand, and in light of the inflexibility of the production system, will lead to inflation.

Table (3) shows the high percentage of families that tend to prepare a budget for family on a monthly basis, which is a requirement to prioritize spending on goods and services and thus the possibility of increasing the desire to save, assuming that the available income to families covers the necessary living requirements. But an significant proportion of the families covered by the exploratory survey their spending budget is designed on a daily and weekly basis, which leads to families losing the advantage of prioritizing spending and consequently the inability to save. It also extracts the correlation of the percentages of savers with families that prepare a budget for spending on goods and services monthly, and the low percentages of savers for families that prepare a daily and weekly budget for spending, and therefore the more the tendency is towards preparing a budget for spending on a monthly level, it will lead to prioritizing expenditures and income, and thus saving (and assuming savings in the bank) this will increase the ability of banks to grant credit, investment, production, and employment, and vice versa. In the case of preparing a budget for the family on a daily and weekly

basis, which makes spending priorities a difficult task, and consequently the decrease in the desire to save and the economy loses an important resource for investment, production and employment.

It is concluded from the analysis of table (4), the behavior of families in saving and its relationship to the total income of the families covered by the survey, that the largest proportion of families in the survey have low incomes, which may not meet the requirements of creating the necessary goods and services, as the income groups (million dinars to one million and 250 thousand dinars) and above constitute (41%) of the families, and groups with income (750 thousand to one million dinar) and less constitute (59%) of the number of families, and consequently the unwillingness to save, but may resort to borrowing to meet the spending requirements. Whereas a proportion of (67%) of the families covered by the survey borrow to meet the requirements of living, and that (33%) of the families do not borrow, which shows the low funds offered for lending to the banking system, which weakens investment then production.

It is also deduced from the relationship that saving is related to the total income of the families under the survey, as the relationship shows a high percentage of savers for groups with income (one million dinars to one million and 250 thousand dinars) and above, and a decrease in the percentages of savers for the income groups (750 thousand to one million dinars) and below. And the reason behind that may be attributed to the fact that its total income is not sufficient to meet the necessary living requirements of goods and services. And therefore its tendency towards consumption will be greater than the desire to save, which leads to a decrease in the ability of banks to grant credit and a decrease in investment, production and employment.

It is clear from the analysis of table (5), the percentages of workers in the private and public sectors, that the largest proportion of the families covered by the survey work in government jobs, which is characterized by an almost constant total income on the one hand and a high for some of the families included on the other hand, and thus covers the costs of the families' requirements of the necessary goods and the rest of it is for saving, which is achieved in light of the budget numbers to prioritize spending, but some families working in the public sector have low incomes (temporary government contract, low number of years of service, low academic achievement, etc.), which makes them to not meet the necessary requirements for livelihood of goods and services and does not tend towards saving.

It also becomes clear through analyzing the percentage of workers in the private sector which is a good percentage, that the total income of these families is oscillating therefore the priority of creating the necessary living requirements is higher than the tendency towards saving. as well as that working in the jobs and businesses of the private service sector (restaurants, taxi drivers, construction and constructions, etc.) which are non-permanent businesses, therefore these businesses generate daily income and may be low weekly, which may not cover some of the necessary

consumption requirements, which reduces the desire to save and the ability of banks to grant credit, investment, production, and employment.

It is concluded from the analysis of table (6), the amount of savings for families included in the survey, that the largest proportion of families do not save, which the reason behind that may be attributed to the insufficiency of income to meet the living requirements of goods and services. It is noted through the results extracted from the survey, that a proportion of (75.9%) of the average monthly expenditures of families covered in the survey is spent on meeting food commodities, medicines, health, clothing, and transportation, a percentage of (24.1%) of the average monthly expenditure for families is spent on meeting the maintenance of household appliances, private education, entertainment and restaurants, and to pay off previous debts. This shows the inability to save in light of the inconsistency of families' income with the living requirements of goods and services. It is also deduced from the table of the saved amounts for the families covered in the survey, the low percentage of families saving sums (250 thousand dinars) and above, which weakens with other factors the ability of the banking system to increase the funds offered for the purpose of investment.

It is clear from Table (7), that most of the families covered by the survey prefer to keep the surplus in personal income (assumed) at personal disposal instead of keeping it in banks, whether governmental or private, which may be attributed to lack of confidence the banking system, and/or the low interest of the money saved in banks, and/or the lack of confidence in the future and stability of the economy, and/or ignorance of the procedures for depositing money in the bank, and/or the religious aspect, and this psychological behavior of the individual will lead the banking system to lose from the surplus funds and their investment. This behavior also increases the money supply outside the banking system and deprives the economy of the opportunity to sustain investment and growth, and the high desire of the individual to keep the supposed surplus in the form of money at personal disposal, will lead to its transformation into a demand for goods and services faster than keeping them as deposits, and this It will lead to an increase in the aggregate demand gap, and if it is known that local production cannot respond to any increase in aggregate demand, due to the inflexibility of the local production system, which will push the economy to increase imports to meet aggregate demand, the trade deficit will increase.

It is concluded from table (8), the behavior of families about their choice to keep the supposed surplus in the form of local or foreign currency or gold, which most families want to keep the surplus if it is realized in the form of local currency, which is attributed to the ease of spending it in the case of emergency. Which that means the high degree of elasticity of demand towards the rise, the instability of aggregate demand and the increase of the burden on the economy to prepare (imported) goods and services to avoid the expansion of the demand gap. Also deduced from this hypothetical behavior, the volume of burden on the amount of foreign reserves with the Central Bank, whereas

an important part of the demand for the foreign currency (the US dollar) is for the purposes of reserve for the individual and to diversify the form of wealth preservation, which weakens the ability of the Central Bank to continue the stability of inflation rates and the exchange rate and thus its ability to stimulate investment and growth.

The hypothetical question of Table (9) shows that if we suppose there is a surplus in the monthly income and there is no desire to save it in the bank, is that because it is a usurious bank, or lack of confidence in the bank and the economy, or a low inexperience or ignorance of the procedures for depositing money with the bank?. The psychological behavior of families and their opinion about the role of the banking system in the economy. whereas it shows that the largest percentage of families covered by the survey suffer from lack of optimism (pessimism) about the future stability of the economy in light of the local and regional political and security challenges. The hypothetical question also shows that a significant percentage of families are affected by the religious aspects of the Islamic religion with regard to the interest clause, therefore the need to create more Islamic banks and spread their branches throughout Iraq with the dissemination of the culture of their role in the economy to change the individual's behavior in his view of the role of the banking system in the economy. Whereas it clarifies the hypothetical question, the extent of distrust of banks, which stems from local and regional security instability and the possibility of their exposure to bankruptcy or closure, and the hypothetical question shows the need to reconsider the interest on deposits to make it an attractive element for funds.

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