

Ewa Wójcik

University School of Banking and Finance in Katowice

HOUSEHOLDS ON SAVINGS MARKET IN POLAND – CHALLENGES AND OPPORTUNITIES

Summary: The article addresses the issue of individual savings which is of key importance for current economies. The critical role of households is visible on the market as their decisions determine supply of goods and services. Competition is tough and households have ample opportunities to choose from. Their modest funds are invested in different instruments, but the structure of savings reflecting their preferences shows that their decisions are not based on sound financial knowledge and maturity. Consumption is a priority of households and they often cover expenditure with credits. Challenges and opportunities of savings market are discussed with reference to households' behaviour and its determinants with focus on specific features of Polish households.

Keywords: savings, households, financial instruments, consumption.

1. Introduction

The importance of individual savings from both macroeconomic as well as microeconomic perspective is worth emphasizing. Savings are considered a key issue in the economy of every modern country as a fundamental source of finance for investment, thus enabling the growth and development and ensuring better work efficiency in the long run by improving the relation of capital to labour. For individuals savings are valued particularly as a guarantee of a stable consumption level in case of changes in income. They also ensure the standard of living of subsequent generations is higher.

In developed countries households possess significant amount of wealth to help them insure their consumption level against the decrease in income on retirement, while in Poland it is still a challenging task to collect sufficient funds. Demographic changes, with first of all ageing of the population, pose threats to national social security systems as the number of employed in relation to the number of retired is shrinking. To raise the awareness of decreasing potential of social security systems and to stress the fact they have to be supplemented by additional funds collected on individual basis are the challenges to be faced. Yet another one is to stimulate different forms of savings to confront consumptionism so common in contemporary societies.

It is desirable that a high level of savings should go with effective transformation into investment. The role of regulatory bodies is also to channel the funds into the most effective forms of investment from the point of view of households, and at the same time required from the macro-perspective. Lack of knowledge and experience on savings market often leads to inefficient allocation of funds, for example if they are kept in cash or in bank deposits instead of being invested in instruments which offer a higher rate of return. The return is often combined with the length of investment. Therefore the extension of the investment period should be seen as yet another challenge of Polish savings market.

Economic growth mirrored in better financial standing of households can be viewed as a perfect opportunity to increase the amount of savings. Also better standard of households ensures they are more likely to retain supplementary funds instead of spending them on consumption.

It must be stressed, however, that savings market in Poland is an area where a lot of challenges have to be met by both regulatory bodies as well as financial institutions which depend on customer trust.

In the light of the challenges, to find out factors and determinants of household decisions resulting in their particular behaviour towards saving and investment seems an important issue. Hence the analyses of different aspects of savings as well as trends and tendencies on the market can offer a valuable tool effective in improving the situation in this area.

The purpose of this paper is to study household needs, with the focus on financial ones, to establish what decisions they may result in. Additionally, external and internal factors influencing behaviour towards consumption and savings are discussed as a background for the analyses of savings market in Poland from both quantitative as well as structural point of view. Finally, prospects of savings market are addressed to provide an overview of potential threats and opportunities.

2. The role of households on savings market

When referring to the notion of market in general, as well as while considering a particular market where certain types of goods and services are offered, a reasonable procedure is to identify and scrutinize its participants. As a rule, it is the needs of the demand side participants which urge the supply side participants to take any potential action in order to gratify them. Households – the smallest basic units operating on the market in the sphere of consumption – represent in principle the former side. They demand different goods and services which are capable of satisfying their needs. The role of households, however, is not restricted to this side. It may be reasoned that at a certain level of development they also function as supply side participants on savings market making their funds available to financial institutions.

This dual role households take on the market makes them remarkably attractive for both market researchers and other participants of the market.

The main responsibility of households is connected with their basic function – satisfaction of needs – both common and individual ones of all members, which makes them demand various goods and services. The role of a household in the life of an individual is twofold: economic and social, and it is reflected in the needs of a household, which fall roughly into two parallel categories. The appearance of needs is an endless process. If existing needs are relatively well gratified, there then emerges a new set of needs.

The hierarchy of needs is predetermined in order of importance. An interesting psychological approach is presented by Abraham Maslow. His pyramid of needs consists of five levels: the lowest level is associated with basic physiological needs, while the uppermost level is connected with self-actualization needs. As low as on the second level there are needs of safety in a broad sense which refer not only to security of body, health, and family, but also to security of employment, resources and property¹. Higher needs in the hierarchy come into focus only when lower needs in the pyramid are met². The needs are prioritized, and once an individual has moved upwards, he is not willing to regress to the lower levels. This means there is constant progress in the area of needs, which makes good prospects for other market participants whose role is to satisfy them.

The extent to which the needs are fulfilled by the goods and services acquired contributes to the living standard of households³.

The needs as the focal point of households' motivation, and therefore any activity they are involved in, influence market decisions concerning consumption. They have to be made, however, within certain constraints, the level of income being critical. The income earned by members of households is the source of funds they possess and its amount determines the quantity, as well as quality of goods and services which can be purchased. Consumption has its limits, though, which are quantified by marginal propensity to consume – the ratio of change in personal consumer spending to change in income. After certain level of income has been reached and a household has progressed to the top level of the hierarchy of needs, it is likely to restrict spending because the utility – the measure of the relative satisfaction from the consumption of various goods and services – is decreasing. In this case additional income will not be spent, but saved. Hence, the growing income is reflected in increased savings.

¹ The importance of safety for households is also visible in precautionary motive which drives them to save and implies that individuals are uncertain as for the future and they want to take measures in case of unexpected events such as the loss of job, accident, illness, etc. They tend to safeguard against certain risks to feel independent and secure being able to cover unexpected expenditure.

² A. Maslow, *A Theory of Human Motivation*, "Psychological Review" 1943, No. 50, p. 370-396.

³ T. Zalega, *Gospodarstwo domowe jako podmiot konsumpcji*, „Materiały i Studia” No. 1, Wydawnictwo Uniwersytetu Warszawskiego, Warszawa 2007, p. 11.

The affluence of a household depends on the number of people who belong to it, the number of employed, as well as its property. The assets of a household in a broad sense, both accumulated in the past and current ones, tangible and intangible ones are the core of its decisions which result in certain behaviours on the market. Moreover, there is a correlation between the social and demographic features of households and their economic status. Historically, the changes of those features go with changes in tangible assets being the foundation of all activities which households engage in⁴.

All funds of households are allocated for current or future consumption in different proportion which depends on various factors. Common functions of households are gathered around consumption, spending and earning, while other characteristics make them diverse. Consumption and saving patterns may be similar in certain types of households grouped around similar income, size, or the structure of a household: the age of its members, the number of children, the occupation and place of residence. Basic criterion, however, is total amount of income per capita calculated annually.

In order to choose which needs to meet and in what sequence, households have to make decisions. An important part of consumer decisions is a financial aspect which accompanies a vast majority of transactions households take part in. Financial limits make individuals analyze the situation and decide about allocating consumption in time. Four levels forming a pyramid similar to Maslow's pyramid of needs are distinguished by S. Smyczek, who claims financial behaviour can be broken into phases starting with basic decisions which concern budget planning and cash management. At this stage, which is entered by all households, income is divided to cover different expenditure. This stage will be followed by buffer stock saving, whose purpose is to create a fund to fall back on in case of any unexpected events. On the third one particular purchasing aims are reached, with assets multiplication at the very top. This final stage is entered by customers who earn sizable income. The stages form a hierarchy with the first level typical for all customers, while the second, third and fourth levels are available for those whose income is sufficient to cover additional expenses. Also these more advanced stages require wider knowledge concerning funds management, the general situation on the market and specific features of financial products and services⁵.

Similarly, financial needs of households can be organized in a certain hierarchy with basic ones at the bottom of the pyramid and higher needs requiring specialized services at the top. Customers progress from one level to another. The first level of needs requires services connected with the most liquid assets which involve the lowest level of risk, while the stages that follow consist of needs which concern less liquid assets in large quantities and services which entail higher risk. More

⁴ Ibidem, p. 16.

⁵ S. Smyczek, *Modele zachowań konsumentów na rynku usług finansowych*, Wydawnictwo Akademii Ekonomicznej w Katowicach, Katowice 2007, p. 29-31.

complex financial services demand more investment knowledge and skills, as well as financial maturity and awareness of the investor. Customers' involvement in less intricate services is the first stage and at the same time an inevitable condition to gain knowledge and experience which is needed to be able to proceed up the pyramid. The progress customers make when moving up the hierarchy from basic to compound needs, which are satisfied by more and more complex services, is connected with their financial maturity. The needs are positioned according to urgency. It is assumed that basic needs are a priority, and satisfaction of these needs allows for the emergence of higher ones. In case of financial needs the basic ones include: ensuring liquidity, possessing cash reserves and insurance. Once they are filled, more sophisticated needs may follow, for example those concerning the allocation of funds in highly specialized financial instruments⁶.

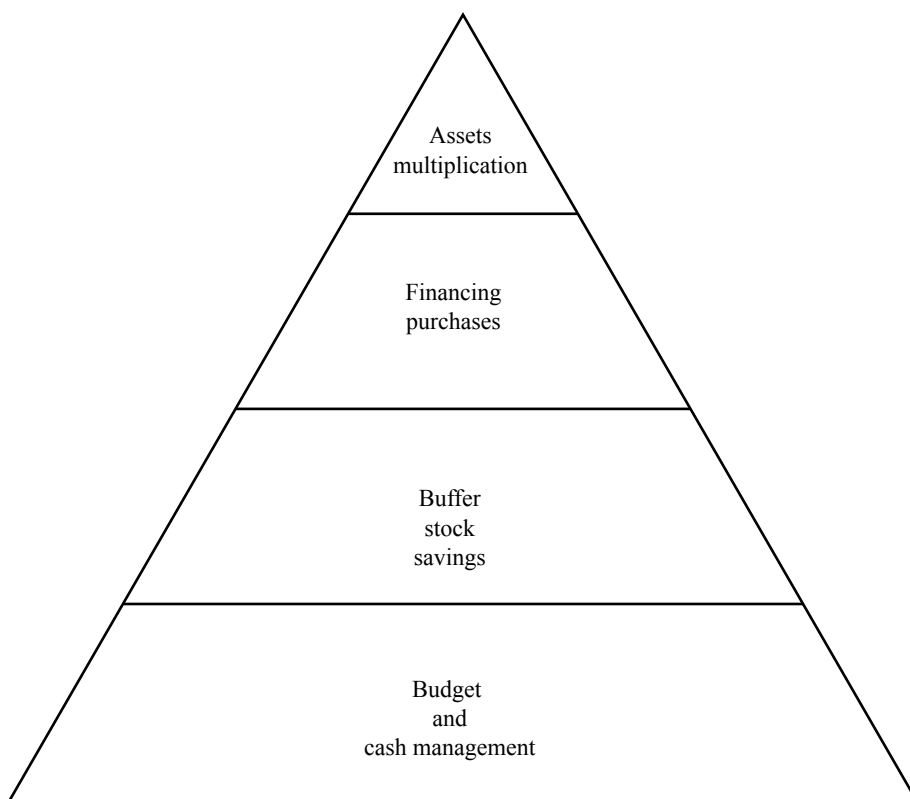


Figure 1. The pyramid of financial needs

Source: S. Smyczek, *Modele zachowań konsumentów na rynku usług finansowych*, Wydawnictwo AE, Katowice 2007.

⁶ Ibidem, p. 49-50.

Financial needs are frequently connected with savings defined as the part of income which is not spent on current consumption. The common dilemma households have to face is to choose between spending and saving and to decide in what proportion to divide funds. Consumer behaviour in this sphere has been in the centre of interests of scientists who made attempts to standardize it by analyzing the forces that drive individual conduct. Early models were based on the assumption that individuals behaved in a rational way and they aimed at maximizing the utility function. There were discrepancies, however, between these assumptions and practice, which resulted in numerous attempts to detect the grounds on which to base further reasoning. These attempts led to the discovery of additional factors which are critical in decision making process regarding spending and saving. Among them researchers distinguished psychological factors. In this number stimulus – bound behaviour cannot be undervalued. G. Katona presumed that customer behavior is rational only in certain areas and in isolated instances, while a lot of decisions are impulsive or customary, which implies that a big proportion of actions is not based on reasoning. His theory also assumes that needs change in the course of time. Moreover, the adaptive measures and preferences of a household are modified or transformed⁷.

After fundamental decisions about income distribution are made, another area of households' resolution is the way how the saved funds are channeled. There are numerous alternatives to choose from, and the selected option will reflect preferences of different nature. It may be claimed that external conditions create the environment for decision makers, while internal factors specific to the household determine its ultimate decisions⁸. Apart from income – the variable which is unquestionably most soundly correlated with decisions of households – there are a lot of other factors the decisions are reflective of. They can be categorized roughly as demographic, social, cultural and psychological ones. Moreover, households' decisions are driven by traditional and customary norms, which evolve in time and are visible in the long run. The needs and motives are firmly anchored in consumers' mind and their hierarchy is decisive in sovereign choices to form consumption patterns and structures. Households are susceptible to influence, which is reflected in their coping certain types of behaviour, following fashion, customs and a way of living. Relative importance of these factors corresponds to social and economic development⁹.

Consumer behaviour is initiated by a decision making process whose first phase concerns gathering information from the environment about possible alternatives and solutions, and is followed by processing. In the course of action individuals exploit personal knowledge, experience and skills to sort out the available data and to settle on the right solution. The environment and conditions it creates for households are

⁷ G. Katona, *Psychological Economics*, Elsevier Scientific Publishing Co., Amsterdam 1975, p. 5.

⁸ S. Smyczek, op. cit., p. 35.

⁹ T. Zalega, op. cit., p. 11-12.

crucial in decision making, but final steps depend on internal factors that are decisive for individual households.

Decisions taken by households are complex and dependent on various factors. The importance of the level of income, both current and from the past, in decision making process has to be stressed, though. Only those households whose income is sufficient to cover basic needs and those whose property has been satisfactory can afford to save surplus funds. It has been observed that only income higher than average provides sufficient funds for households to enable saving. The rate of saving has been acknowledged to be a function of income. If income is double, the average three to fivefold increase in saving rate can be expected¹⁰. These are such considerations that suggest the postulation that affluent households will be in the centre of interest of all the market participants who compete for their funds.

It is reckoned, therefore, that the direct result of households' decisions is certain demand for goods and services. On the other hand, their funds represent supply of money available on the market for financial institutions to make use of. Households assume a very specific role on savings market as its supply side participants. The amount of money they decide to put aside may be used by financial institutions which represent, in this case, the demand side of the market. It is the specific role of these institutions, which are eager to obtain the profusion of funds, to create favourable environment for households in order to, consecutively, stimulate their savings.

3. External and internal determinants of households' financial decisions

The supply of funds available on the market will be absorbed and exploited by other contestants of the market game. The funds, however, are scarce and demand for them is much higher, which gives a rise to increased competition among participants of demand – side market. The competition stimulates economic growth and development by encouraging entrepreneurship, creativity and efficiency of financial institutions. In this sector specifically the role of the state and its regulations should not be neglected, though. Creating favourable environment and good conditions for competing institutions, without much restricting their freedom, should be the priority. On the other hand, self-regulatory mechanisms should be supplemented by measures taken to ensure the security of financial system and to guarantee the safety of funds.

As reasoned in the previous part, household's behaviour is reflective of its needs. Those which are connected with the security of family, its property and resources in a broad sense make up an essential second level in the hierarchy of needs. The need for safety can be satisfied by means of financial institutions and their offer of

¹⁰ B. Liberda, *Oszczędzanie w gospodarce polskiej*, PTE, Dom Wydawniczy Bellona, Warszawa 2000, p. 93.

products and services available for individual customers. The answer to households' requirements is the institutional environment of financial sector in a broad sense which is shaped by the state, its regulations and policy. A very important role is attached to supervisory bodies over the system which ensure its stability. The financial system constitutes a complex of interactions among its participants. Firstly, it provides a framework within which they can resume their activities, and secondly, owing to feedback from its participants, verifies how successful and responsive it is. It must be concluded the environment plays a central role in financial decisions of households and it has foremost influence on their behaviour on the market.

The approach to financial systems and the extent of their freedom have changed dramatically over the last years. Substantial changes in national legal regulations of financial services sector, which are referred to as deregulation, were originated in western economies in the 1980s and became effective internationally. The liberalization of law which financial institutions had been subject to lifted barriers restricting their activities and enabled de-specialization. This process made the market open for financial institutions other than banks which had previously been excluded from the system by law. The fact that other institutions had been kept away from financial services sector provided the monopoly of banks, but at the same time too many rules abridged their freedom. This specific hedging against competition from various institutions constituted an obstacle for banks which were not allowed to take up additional activities other than the traditional banks' proper. Due to the abovementioned processes an interpenetration began – the term referring to different responsibilities and jobs from those which used to be taken before. By and large liberalization is assumed to be improving the efficiency of financial resources saved and put into use¹¹.

Political, legal and economic factors contributed a great deal to substantial changes in financial services sector. Additionally, customers' attitude must not be undervalued in this respect. Their expectations towards financial institutions have increased as for quality, range of services, diversity and transparency. Convergence in money and capital markets, as well as their different segments accounts for intensified competition. As a result, customers function on much wider, deeper and much more transparent financial market. There is an opportunity, therefore, to compare products and services within different markets¹². This new situation poses a challenge for financial institutions, which have to adopt certain measures to face it.

The abovementioned changes accounted for the improving efficiency of financial markets, which is a fair parallel to economic development. The growth in real GDP per capita is accompanied by the increasing share of financial institutions in its creation. This phenomenon, referred as financial deepening, is reflected in the greater part of assets taking a financial form. Moreover, the higher the GDP growth,

¹¹ K. Schmidt-Hebel, L. Serven, *The Economics of Saving and Growth*, Cambridge University Press, New York 2006.

¹² K. Stępień, *Konsolidacja a efektywność banków w Polsce*, CeDeWu, Warszawa 2004.

the higher the average relation of assets of financial institutions to GDP. It may be concluded that well functioning financial markets seem to play an important part in the economic growth of developed countries.

Moreover, the role of financial services market has been mounting especially in the countries of our region where market mechanisms have been maturing. This market is a foundation bearing the total market system functioning.

Most European financial systems, including the Polish one, are bank oriented which means the role of banks in the sector is predominant. The orientation has been changing over the last years with capital market gaining the interests of market participants: households when investing their savings and enterprises when raising finance. The process known as disintermediation results in diminishing the role of banks in financing economic activity. The funds collected by the issue of securities have been gaining importance as a source of finance in current economies¹³. Despite the chances offered by such a state of affairs, specialists emphasize the possible threats it may pose: in case the capital market collapses, the financial crises may easily spread all over the economy or even reach far beyond the country borders to become internationally important. The recent turmoil seems to have proved such a possibility.

Households' positive attitude towards capital market-linked products which promise more generous return than traditional ones offered by banks is a factor that makes the trend towards capital markets even more discernible. Profit, being not the only criterion of decision making process when choosing a form of investment, seems to be decisive in Poland where relatively low income makes individuals look for higher rate of return from investment. In developed economies bank deposits are considered the means of keeping funds safe only as transactional reserve, while investment promising better return must be made through other forms of investment available on the market. Such an attitude has been partly assumed by Polish households. The trend towards the greater role of capital markets, however, seems irreversible in the long run.

Households operating on the market are influenced by the environment understood as the complexity of economic, legal, institutional/organizational, technological¹⁴ as well as social conditions which affect all market participants and their decisions directly or indirectly irrespective of their will. External conditions are best described by macroeconomic ratios as there is a close relationship between economic development and demand for financial services. GDP growth rate as well as the rates of unemployment and inflation affect demand for goods and services either directly or indirectly¹⁵. The general policy of the state is reflected firstly in

¹³ L. Oręziak, *Systemy bankowe krajów Unii Europejskiej*, [in:] *Bankowość na świecie i w Polsce*, ed. L. Oręziak, B. Pietrzak, Olympus, Warszawa 2000.

¹⁴ J. Altkorn, T. Kramer, *Leksykon marketingu*, PWE, Warszawa 1998, p. 51.

¹⁵ S. Smyczek, op. cit., p. 38.

regulations and secondly in instruments that are applied to encourage particular behaviour. Certain measures not only shape the whole financial system, but also may have international consequences.

Legal regulations provide a framework within which all participants function on the market. Additionally, they safeguard the system and guarantee customers' deposits are secure and payable in a due course. Financial institutions depend on customers' trust heavily and therefore it is so vital they ensure the deposited funds are in safe hands. Without this confidence, customers' decisions to entrust their funds would not be likely. Individuals' position on the financial services market is determined by their poor knowledge and lack of experience in this field, so the support by the state through its protective regulations is supposed to compensate for customers' inferiority. Regulations supplement the deficit of knowledge, experience, lack of specialized staff on customer's part, as well as the consequence of different approach of professionals whose aim is to mass sell the products, while for customers the gratification of particular needs is a priority¹⁶.

Customers' trust in the financial sector is reflected in financial depth ratio which shows the total amount of financial assets collected in institutions, such as: banks, mutual funds, insurance companies, as well as invested in bonds and on the stock exchange. The extent to which households are prepared to make use of the offer of financial institutions — the depth of financial market — is crucial for the economy. These institutions assist in fund raising to cover investment, effective allocation of funds, reduction of transactional risk and costs of financial operations. Financial depth is calculated as a relation of assets of the financial system to GDP. In 2007 the ratio in the world was 358% and it had more than tripled since 1980. The euro zone reached as much as 435%, while in Poland the ratio stood at 104% and was not much different from other countries of our region, that is East-Central Europe¹⁷. The proportion cannot be viewed as satisfactory, so financial institutions are confronted with ample opportunities to gain importance and increase their share in GDP creation.

Another group of factors that are at play in the environment of financial sector are technological factors, whose importance has been visible in the rapid development of new channels of distribution. Information technology not only ensures easy access to financial products and services and enables comparison within various markets, but also simplifies and accelerates transactions.

External conditions are objective, that is refer to all market participants and are not specific to individual customers, although they may influence individuals with different intensity. This way they form the environment, provide confines for activity

¹⁶ W. Springer, *Ochrona klienta usług bankowych w Unii Europejskiej i w Polsce*, Twigger, Warszawa 1999.

¹⁷ *Rozwój systemu finansowego w Polsce*. NBP Warszawa 2009, <http://www.nbp.pl/SystemFinansowy/rozwoj2007.pdf>

and may act as incentive for households. Final consumer decisions, however, are made if prompted by factors of different nature and intensity, which are specific to individuals operating on the market. Basically, they are classified as economic and non-economic factors, external or internal ones¹⁸. Decisions about consumption or accumulation, as well as about which financial services to choose, are influenced by economic factors primarily, especially in not affluent societies like the Polish one. Non-economic factors include demographic factors, characterizing the family type, size, age, education, profession, as well as social and psychological factors. Significance of the last group should not be neglected.

Polish researchers stress economic and other tangible factors, which were historically important, and useful as instruments of consumption policy to meet the requirements of centrally planned economy. By and large in not developed countries economic factors do play an important role¹⁹. This approach is therefore justified, although the role of both groups of determinants should be perceived.

Households' behaviour on the market reflects the efficiency of social and economic policy of the government as well as the effectiveness of market mechanism²⁰. Customers' ultimate decisions concerning consumption and saving, their proportion and structure can be attributed to a great extent to the influence of the environment.

4. The level and structure of individual savings in Poland

Favourable environment in Poland was created by changes introduced by the transformation of the 1990s. Free allocation of funds which households have at their disposal is only possible if the market and its mechanisms are not restricted by the confines of an economic system or by too many regulations of the state. Therefore, the analyses of savings market in Poland can be carried out since the introduction of market economy, which guarantees customers freedom of choice as for consumption and savings as well as selection of possible alternatives to invest funds which are temporarily free. The conditions of command economy made it impossible for households to make independent decisions about consumption or savings and to ensure their funds are put into effective use. After the transformation from centrally planned system to market economy, the environment changed to favour such decisions.

In the period preceding the appearance of market economy in Poland households' decisions to deplete spending and to save did not result from their will or conscious sovereign decisions. Savings were enforced by the situation on the market. Compulsory accumulation was due to shortages of goods on the market. Funds were put aside because they could not be spent anyway. The transformation brought

¹⁸ S. Smyczek, op. cit., p. 44.

¹⁹ Ibidem, p. 43.

²⁰ Z. Kędzior, *Gospodarstwo domowe – podmiot gospodarujący*, IRWIK, Warszawa 1992, p. 2-4.

about self-regulatory mechanisms also for households, which had to adopt to the new situation. Firstly, deficiency in consumption from previous time urged them to spend or even overspend to become equal with consumers from the developed countries. The tendency towards consumptionism has been still strong in Poland over the last years, and it seems to be parallel to the trend growing internationally, especially in the developed countries. The past shortages and present abundance of goods seem to inspire Polish consumers in so far that they still feel eager to focus on consumption rather than accumulation.

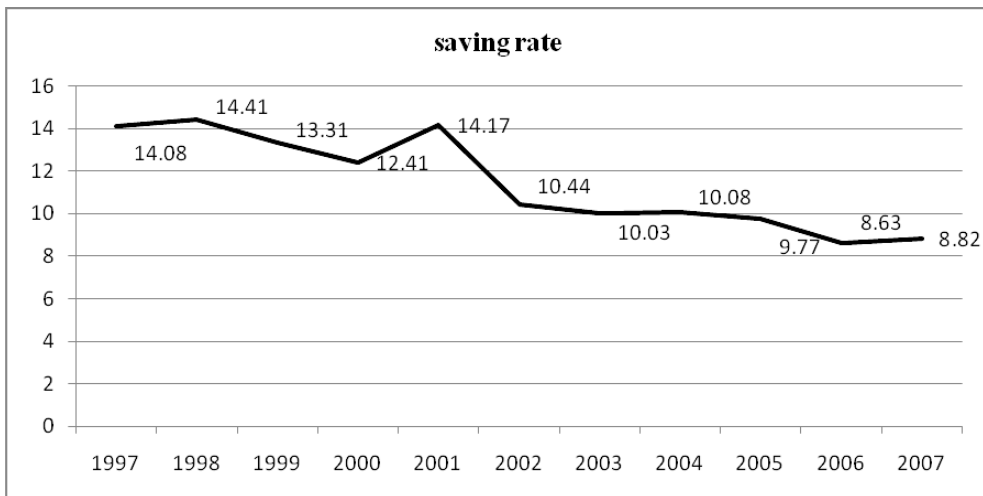


Figure 2. Saving rate (%) of Polish households in 1997-2007

Source: http://epp.eurostat.ec.europa.eu/cache/ITY_OFFPUB/KS-SF-09-029/EN/KS-SF-09-029-EN.PDF.

The propensity to consume is contradictory to propensity to save, which implies the growth in one ratio will simultaneously entangle the decrease in the other. It seems indispensable and not to consider their relations concurrently. Among the elements that determine these ratios specialists distinguish between the ability to save and the willingness to save²¹. While the former depends on income and the level of gratification of needs, the latter is associated with the determination and willpower of the household members²². These elements can be supplemented by the following: maturity, persistence, self-control, ability to look at things from different perspectives, to plan and to value deferred gratifications.

²¹ G. Katona, op. cit.

²² S.G Beverly, M. Sherraden, *Institutional Determinants of Saving: Implications for Low-Income Households and Public Policy*, "Journal of Socio-Economics", 1999, Vol. 28.

By and large, the household saving rate is following a downward trend in a lot of countries, including Poland. According to the data published by the Eurostat, in 1997 the gross saving rate of households in Poland, calculated as gross saving divided by gross disposable income, was 14.08 while in 2007 it dropped to 8.82.

Saving rate in the European Union countries came to 12.07 in 1999 and fell slightly to 10.75 in 2007. The downward trend was prevalent, but not common, so the decrease in certain countries was balanced by the increase in others. The most significant declines were those in the United Kingdom (from 9.57 in 1997 to 2.46 in 2007), Norway (from 8.08 to 4.64), Portugal (from 10.81 to 6.65) and Italy (from 20.19 to 14.53). There was also a downward trend in countries of our region: Slovakia, Lithuania, Estonia and the Czech Republic. In Sweden, Austria and the Netherlands the ratio increased respectively by 4.52 percentage points, 3.64 percentage points and by 4.26 percentage points²³.

Table 1. Household saving rate (%) in 1997 and 2007

Country	1997	2007
Austria	12.36	16.27
Belgium	17.72	13.67
Czech Republic	11.04	8.8
Denmark	5.04	5.13
Estonia	6.50	0.84
Finland	9.11	6.38
France	15.79	15.34
Germany	15.93	16.69
Italy	20.19	14.53
Latvia	1.83	-4.29
Lithuania	3.37	0.12
Netherlands	17.62	13.36
Norway	8.08	4.64
Poland	14.08	8.82
Portugal	10.81	6.65
Slovakia	13.85	7.70
Sweden	7.20	11.72
Switzerland	15.82	17.76
United Kingdom	9.57	2.46

Source: http://epp.eurostat.ec.europa.eu/cache/ITY_OFFPUB/KS-SF-09-029/EN/KS-SF-09-029-EN.PDF.

The reasons for this situation are manifold. Economic factors such as disposable income, and the standard of living seem to ensure a positive background for savings market development.

²³ http://epp.eurostat.ec.europa.eu/cache/ITY_OFFPUB/KS-SF-09-029/EN/KS-SF-09-029-EN.PDF.

On the other hand, psychological profile of Polish society implies that imitation in consumption patterns predominates and there are substantial changes in the system of values. Consumers are exposed to temptations and variety of stimuli that influence this system. As a result excessive, undesirable or restitutive needs are created, although they are not felt by individuals, which leads to lack of balance in consumer behaviour²⁴ which is becoming derivative of apparent needs, not the real ones. As a result principles are re-oriented with tangible assets becoming the central part. New standards are established and all households aspire to apply them. Intangible assets are increasingly less important as compared to tangible ones, which are valued highly particularly by young generations. The generation of transformation, which is often referred to as a T-generation, has been found even more materialist than any other²⁵.

This relatively low propensity to save is not, however, quite parallel to the general situation on the savings market. From the macro-perspective the market may be viewed as promising. The data show that the value of savings is constantly increasing. In Poland savings accounted for 64.4% of GDP in 2007 and this figure presented an increase by nearly 27 percentage points as compared to 2000 figure²⁶. As weighed against the ratio in Western European countries, which shows savings constituted 220% of GDP, the ratio in Poland is modest, though²⁷.

The total amount of savings in Poland was going up steadily since the beginning of transformation until October 2007 when they reached a peak of PLN 703.3 bln. The decrease that followed was due to the dramatic changes in world economy that led to a slump in the market. The worldwide turmoil resulted in Polish household savings decline for the first time over the period. As a result the value of funds accumulated by Polish households shrank to PLN 671.3 bln in 2008. 2009 saw an upturn in the amount of savings which increased to PLN 796.2 bln²⁸. The above values of savings are inclusive of funds which are collected in Open Pension Funds (OFE) on obligatory basis. The regulations individuals are subject to make them contribute to pension funds by regular monthly payments. The nature of savings in Open Pension Funds is also different from other forms of investment as the funds are blocked and cannot be withdrawn until retirement. For these reasons, they are

²⁴ A. Wildowicz, *Determinanty skłonności do oszczędzania w Polsce w latach 1991-2005* [in:] *Zachowania rynkowe gospodarstw domowych i przedsiębiorstw w okresie transformacji systemowej w Polsce*, red. D. Kopycińska, Uniwersytet Szczeciński, Szczecin 2006, p. 71, www.mikro.univ.szczecin.pl.

²⁵ *Diagnoza społeczna 2005*, http://prawo.uni.wroc.pl/~kwasnicki/EkonLit/diagnoza2005_raport_041005.pdf; *Diagnoza społeczna 2009*, http://www.diagnoza.com/pliki/raporty/Diagnoza_raport_2009.pdf.

²⁶ In 2008 the rate of savings accumulated by Polish households dropped by nearly 11 percentage points as a result of crisis on financial markets.

²⁷ Raport Money.pl, *Oszczędności Polaków*, MillwardBrown SMG/KRC, www.open.pl.

²⁸ <http://www.analizy.pl/FUNDskaner-oszczednosci.pdf>; <http://www.analizy.pl/fundusze/wiadomosci/8567/struktura-oszczednosci-gospodarstw-domowych-tabela-%28grudzien-2009%29.html>.

often considered separately from the other forms of savings. The values of savings exclusive of savings collected in Open Pension Funds are shown in Figure 3.

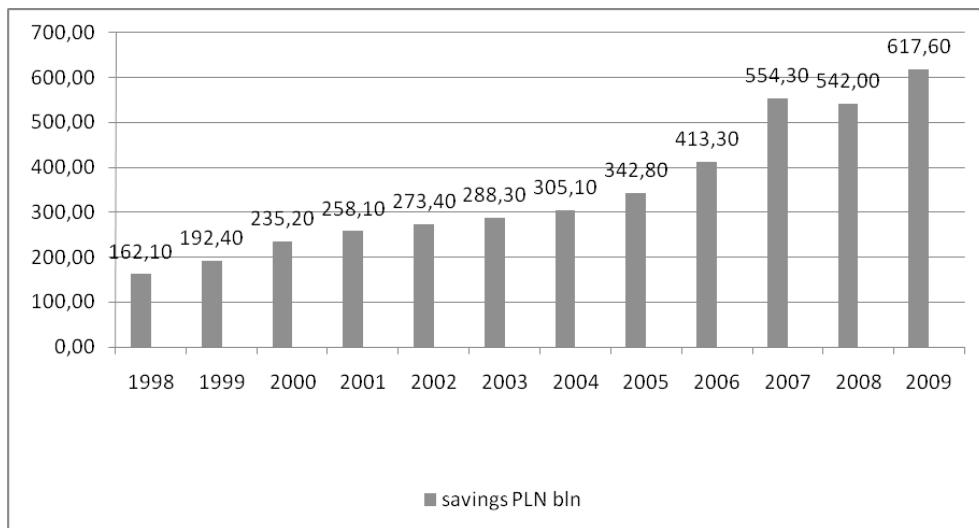


Figure 3. Value of savings of Polish households in 1998-2009

Source: <http://www.analizy.pl/subskrypcja.shtml>.

The changes in value go with the conversion in the structure of savings. The traditional forms of accumulation are being gradually replaced by new ones. Deposits in bank accounts have been the most popular form of saving in Poland, although their share in savings market has been diminishing. The boom in economy and the bull market of 2003-2007 were the main reasons for other financial instruments gaining importance on the Polish savings market. In the late 1990s deposits accounted for over 85% of individual savings market, while in 2006 their share was around 53%. There was a corresponding increase in the share of stock market-linked instruments: investment funds share went up from 1.1% to 22.3%, shares purchased on individual basis grew from 4% to 9.6%. Also life assurance gained importance increasing its share in savings market from 4.7% to 12.4%. In 2008 the trend was reversed and bank deposits accounted for over 75%, whereas investment funds accounted for 9.7% and shares only for 6% of the market. The changes which took place in 2009 imply that the tendency typical for the years preceding the financial crises may be back as the share of bank deposits dropped to 72% while the share of investment funds went up to 11.9%.

Table 2. Savings structure of Polish households

	1998	2001	2002	2003	2004	2005	2006	2007	2008	2009
bank deposits	85.7	79.8	73.4	69.0	65.5	60	53.9	56.98	75.35	72.6
assurance	4.7	8.0	9.4	10.5	11.7	12.2	12.4	7.7	5.85	5.9
shares	4.0	3.7	3.0	4.0	6.2	7.5	9.6	9.32	6.04	7.2
bonds	4.4	5.0	6.5	5.7	5.0	3.9	2.4	2.32	3.09	2.4
investment funds	1.1	3.5	7.7	10.8	11.6	16.4	22.3	23.68	9.67	11.9

Source: <http://www.analizy.pl/subskrypcja.shtml>; <http://www.analizy.pl/fundusze/wiadomosci/8567/struktura-oszczednosci-gospodarstw-domowych--tabela-%28grudzien-2009%29.html>.

Moreover, liquid instruments have been traditionally valued by Polish households; the trend is perceptible in nearly PLN 50 bln kept in current accounts i with banks²⁹. Also as much as PLN 92 bln – around 16% of households' funds – were kept in cash in the middle of 2009. Both forms, being the referred to as defensive ones, do not bring any rate of return and are therefore not efficient. Different factors may account for their significance on the Polish savings market. This undesirable situation may result partly from the fact that Polish customers do not have profound knowledge about financial issues and are not aware of being other options for them to accumulate money there and make profit. Yet another possibility is that households' funds are modest and they are kept as a transactional reserve only. It is also widely declared by households that they do not trust financial institutions. As the surveys in 2009 showed only 44% of Polish customers declared to have confidence in banks, while only 7% trusted investment funds³⁰.

The latter gained importance in 1999, but partly lost interest as a result of the crisis at the end of this decade. The importance of investment funds relative to banks measured by the relation of assets of investment funds to bank deposits started at 1.3% in the late 1990s, stood at 32% in 2007 and reversed in 2008 to reach 15%.

5. Prospects of individual savings market in Poland

When discussing prospects of savings market in Poland, two perspectives should be taken into consideration: macro and micro scale. Firstly, it must be observed that objective factors favor savings market. Macroeconomic ratios are promising. Gross Domestic Product – the basic indicator of general economic situation of the state – has been growing steadily since the beginning of the transformation. Its value per capita swelled from \$8.200 in 1992 to \$16.400 in 2008. The economic situation determines the financial standing of households, the amount of money they have at their disposal to divide between current consumption and accumulation.

²⁹ Open Finance, NBP.

³⁰ Diagnoza Społeczna 2009, http://www.diagnoza.com/pliki/raporty/Diagnoza_raport_2009.pdf.

The outlook is also promising for the aggregate rate of saving which depends on two factors: income and demographic structure – the age groups and their representations. If it were not for higher productivity and population growth, the savings of young generations would be absorbed by the consumption of older ones. The income of young generations as well as their possibilities to save are bigger so aggregate saving rate increases³¹.

It has to be stressed that environmental factors in a broad sense create favorable conditions for households and therefore they should have positive effect on their savings.

However, the microeconomic approach may offer an optimistic picture in certain respects only. Purchasing decision criteria of customers will also depend on their property. Households value highly certain possessions, among them a house or flat primarily, as well as other items that constitute their assets. These include consumer durables: basic equipment to enable and simplify food preparation, housework and relaxation. These purchases are given a priority as most households aspire to be well equipped. As researches prove, consumption slows down in the groups of households which possess a lot of assets. Such households may be likely to deplete spending. Good prospects for savings market in Poland may be rationalized by possible improvement in households' property in the future.

A good forecast is also justified by more affluent households, whose participation in savings market guarantees a flow of larger amounts of money to savings market in Poland.

As high income earners have a higher transitory element to income and lower propensity to consume their presence should be noticed on the savings market in Poland. This group of households is given a priority by financial institutions, the fact justified by the rules of Pareto Principle, which implies that 80% of business is generated by 20% of customers.

The changing saving structure effective in possible turn towards stock exchange-linked saving instruments may present a positive scenario too. Stock exchange securities in the portfolio are welcome because they may give rise to acceptance of long-term investment. At present most households are reluctant to endure long perspective. An extension of the investment period would be advantageous as funds re-invested for longer periods in different sectors of the national economy may promise better return.

Subjective factors connected with individual preferences, however, seem to be hampering development in this sphere. So far consumption has been winning the race with accumulation, the trend widespread all over the world. Overspending is reflected in the recent credit boom. Different consumption pattern visible in distinct organization of consumption may offer an explanation. One of the reasons why

³¹ F. Modigliani, R. Brumberg, *Utility Analysis and the Consumption Function: An Interpretation of Cross-Section Data*, Rutgers University Press, New Brunswick 1954.

households saved was their desire to accumulate for future purchases. This motive is apparently diminishing as households make purchases to begin with. The cost is covered later with credits and hire purchase systems. The reimbursement may be regarded as future accumulation, though.

Credit boom, widespread all over the world, is also visible on the Polish market. Despite low creditworthiness of many Polish households, the value of credit has been increasing over the last years. Banks have made the credit market wide open for consumers, whose temptation to spend influences the demand for loans and credit. Banks simplified procedures and eased criteria, which made a consumer credit easily available to a large number of households.

The increased interest in credit is mirrored in vigorous upward movement in debt-to-income ratio of Polish households over the 1997-2007 period.

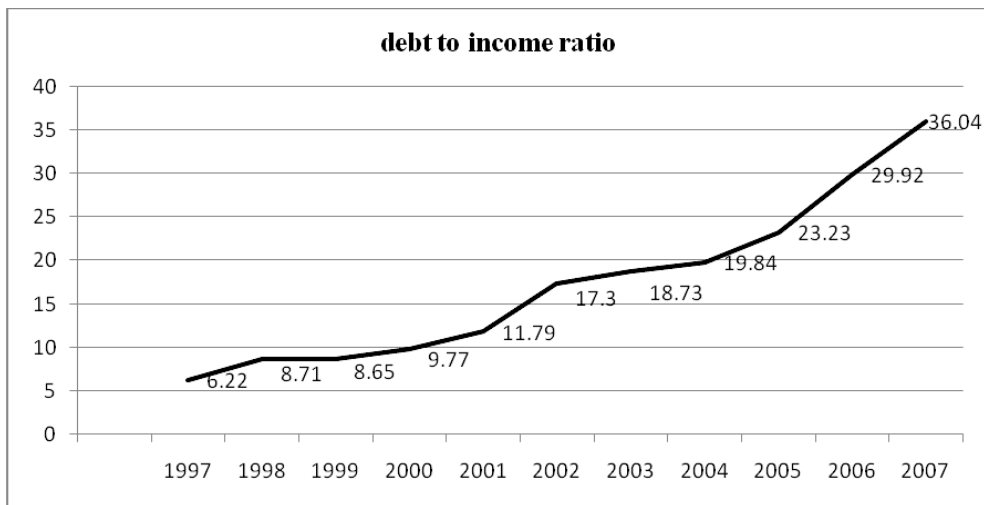


Figure 4. Gross debt-to-income ratio of Polish households in 1997- 2007 (%)

Source: <http://epp.eurostat.ec.europa.eu/tgm/table.do?tab=table&init=1&plugin=1&language=en&pcode=tec00104>.

Households' attitude towards saving and investment is also reflected in another indicator, which is calculated as a difference between households savings and their capital transactions. If it is positive, households are net lenders and they have excess of savings over investment. If it is negative, they are net borrowers, which implies they need to borrow funds. In the period of 1995-2007 Polish households were net lenders, although a downturn was observed (Figure 5). The equivalent trend was recorded in EU countries, whose households were also net lenders in 1995 (6.6% of their gross disposable income) and in 2007 (0.9% of their gross disposable income). The decreasing net lending, to a lesser extent, was observed in the Euro area, whose ratio dropped from 6.8% in 1995 to 3.2% of gross disposable income in 2007. In

2007 households had the highest net lending in Switzerland (9.9%), Austria (8.4%), Germany (8.2%) and Slovenia (7.1). Countries whose households had the largest borrowing needs were Ireland (-14.7%), Latvia (-12.6%) and Estonia (-12.5%).

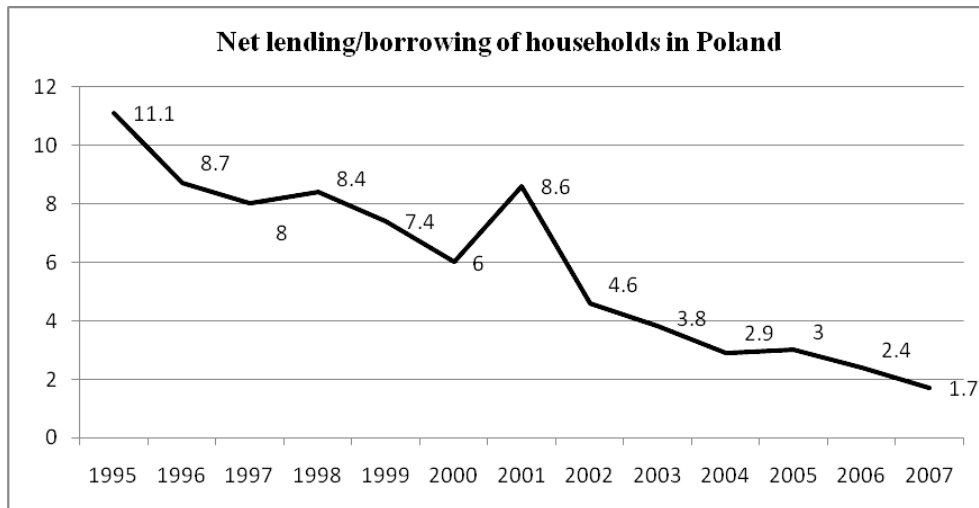


Figure 5. Net lending(+)/net borrowing(-) of Polish households in 1995-2007 in percentage of gross disposable income

Source:http://epp.eurostat.ec.europa.eu/cache/ITY_OFFPUB/KS-SF-09-029/EN/KS-SF-09-029-EN.PDF.

Households' borrowing needs pose threats to individual savings sector as they may indicate they would like to increase spending.

Also the lack of financial knowledge and experience which is effective in households' decisions to keep funds in non efficient saving instruments constitute an important threat. Yet another one – the fact that households do not trust financial institutions – may be harmful to the savings market in Poland. On top of that, it is widely admitted that the malfunctioning of social security systems is likely in the near future and the odds will have to propel further structural changes.

It may be anticipated that the generally advantageous and sound economic situation in Poland will dominate over the negative aspects of consumer behaviour on savings market. There seems to be grounds on which to base the likelihood of a positive scenario for the development of this market in Poland.

6. Conclusions

The analysis of household needs leads to the following conclusion: with their increasing possibilities and potential, higher financial needs should be expected to

appear more frequently. Specifically, affluent households' needs should not be neglected. To provide for the developing consumer needs financial institutions should be ready to prepare a suitable offer of more sophisticated services.

On the other hand, a clear and simple construction of an offer and its transparency can support the development of savings market by increasing customer's trust. Attempts to create such an offer have not been successful so far.

To prevent excessive spending awareness should be raised as for the necessity to collect funds for the time of retirement. It should be stressed the process has to be commenced at an early stage of employment.

The potential of households on savings market may not be realized if funds are not invested effectively. Conservative allocation strategies together with relatively short investment period are often inefficient and they mean lost opportunities and partly profit which can lead to disappointment.

Customer knowledge is often not sufficient to understand the complexity of problems involved in saving and investing to be able to make effective decisions. Therefore education in the area should be the priority and the approach of financial institutions can be of assistance.

Summing up, the economic growth guarantees the financial situation of households is improving, as well as their real wealth which is, the key determinant of consumption and savings. In the light of positive changes which have been taking place in Poland since the beginning of transformation, it must be stated the prospects for further development of savings market are promising.

Although the regulations of the state do not support savings market in Poland directly, for example by tax reliefs, the protection offered by the legal system provides a solid basis. External factors, economic and legal environment, appear to facilitate the development of savings market in Poland.

Literature

1. Altkorn J., Kramer T., *Leksykon marketingu*, PWE, Warszawa 1998.
2. Beverly S.G., Sherraden M., *Institutional Determinants of Saving: Implications for Low- Income Households and Public Policy*, "Journal of Socio-Economics", 1999, Vol. 28.
3. *Diagnoza społeczna 2005* http://prawo.uni.wroc.pl/~kwasnicki/EkonLit/diagnoza2005_raport_041005.pdf
4. *Diagnoza społeczna 2009*, http://www.diagnoza.com/pliki/raporty/Diagnoza_raport_2009.pdf.
5. <http://www.analizy.pl/subskrypcja.shtml>.
6. http://www.epp.eurostat.ec.europa.eu/cache/ITY_OFFPUB/KS-SF-09-029/EN/KS-SF-09-029-EN.PDF.
7. Katona G, *Psychological Economics*, Elsevier Scientific Publishing Co., Amsterdam 1975.
8. Kędzior Z., *Gospodarstwo domowe – podmiot gospodarujący*, IRWIK, Warszawa 1992.
9. Maslow A., *A Theory of Human Motivation*, "Psychological Review" 1943, No. 50.
10. Modigliani F., Brumberg R., *Utility Analysis and the Consumption Function: An Interpretation of Cross-Section Data*, Rutgers University Press, New Brunswick 1954.

11. Oręziak L., *Systemy bankowe krajów Unii Europejskiej*, [in:] *Bankowość na świecie i w Polsce*, red. L. Oręziak, B. Pietrzak, Olympus, Warszawa 2000.
12. Raport Money.pl: *Oszczędności Polaków*, MillwardBrown SMG/KRC na zlecenie Money.pl, www.open.pl, 2009.
13. *Rozwój systemu finansowego w Polsce*, NBP Warszawa 2009. www.nbp.pl.
14. Schmidt-Hebel K., Serven L., *The Economics of Saving and Growth*, Cambridge University Press, New York 2006.
15. Smyczek S., *Modele zachowań konsumentów na rynku usług finansowych*, Wydawnictwo Akademii Ekonomicznej w Katowicach, Katowice 2007.
16. Springer W., *Ochrona klienta usług bankowych w Unii Europejskiej i w Polsce*, Twigger, Warszawa 1999.
17. Stepień K., *Konsolidacja a efektywność banków w Polsce*. CeDeWu, Warszawa 2004.
18. Wildowicz A., *Determinanty skłonności do oszczędzania w Polsce w latach 1991-2005*, [in:] *Zachowania rynkowe gospodarstw domowych i przedsiębiorstw w okresie transformacji systemowej w Polsce*, red. D. Kopycińska, Uniwersytet Szczeciński, Szczecin 2006, www.mikro.univ.szczecin.pl.
19. Zalega T., *Gospodarstwo domowe jako podmiot konsumpcji*, „Materiały i Studia” No.1, Wydawnictwo Uniwersytetu Warszawskiego, Warszawa 2007.

POLSKIE GOSPODARSTWA DOMOWE NA RYNKU OSZCZĘDNOŚCI – WYZWANIA I MOŻLIWOŚCI

Streszczenie: W artykule przedstawiono zagadnienia związane z problemem oszczędzania przez gospodarstwa domowe w Polsce. Dokonano analizy roli gospodarstw domowych na rynku oszczędności wynikającej z odczuwanych przez nie potrzeb, w tym finansowych, i dążenia do ich zaspokojenia. Artykuł koncentruje się także na zewnętrznych i wewnętrznych determinantach decyzji finansowych gospodarstw domowych. Przedstawiono w nim również zmiany w poziomie i strukturze oszczędności polskich gospodarstw domowych, które miały miejsce w ostatnich latach oraz perspektywy rozwoju rynku oszczędności w Polsce.