

THE IMPACT OF SEX RATIOS BEFORE MARRIAGE ON HOUSEHOLD SAVING IN TWO ASIAN COUNTRIES: THE COMPETITIVE SAVING MOTIVE REVISITED

Charles Yuji Horioka and Akiko Terada-Hagiwara

NO. 494

August 2016

**ADB ECONOMICS
WORKING PAPER SERIES**

ADB Economics Working Paper Series

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No. 494 | August 2016

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We thank Jiro Akita, Chetan Ghatte, Pedro Gomis-Porqueras, Shikha Jha, Shoshana Grossbard, Tatsuo Hatta, Aziz Hayat, Yoshihiko Kadoya, Takamitsu Kurita, Jaewoo Lee, Seunghwan Leem, Debdulal Mallick, Keunkwan Ryu, Kwanho Shin, Xueli Tang, Hideki Toya, Shinsuke Uchida, Midori Wakabayashi, Junmin Wan, Shang-Jin Wei, and Tansel Yilmazer. We also thank the seminar participants at the Asian Growth Research Institute; Deakin University; Fukuoka University; the International Monetary Fund/Bank of Korea Conference on “Asia: Challenges of Stability and Growth,” Korea University; Nagoya City University; Seoul National University; Tohoku University; and the University of the Philippines, Diliman; two anonymous referees; and especially Yoko Niimi for their very helpful comments. We also acknowledge Elenita Pura and Shiela Camingue-Romance for superb research assistance, and JSPS KAKENHI Grant Number 15H01950, the Asian Growth Research Institute, and the Joint Usage/Research Center at the Institute of Social and Economic Research, Osaka University, for their financial support.



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6 ADB Avenue, Mandaluyong City, 1550 Metro Manila, Philippines
Tel +63 2 632 4444; Fax +63 2 636 2444
www.adb.org

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Printed in the Philippines.

ISSN 2313-6537 (Print), 2313-6545 (e-ISSN)
Publication Stock No. WPS168312-2

Cataloging-In-Publication Data

Asian Development Bank.

The impact of sex ratios before marriage on household saving in two Asian countries: The competitive saving motive revisited.

Mandaluyong City, Philippines: Asian Development Bank, 2016.

1. Age structure of the population. 2. Competitive saving motive. 3. Dowries. 4. Gender ratio.
I. Asian Development Bank.

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CONTENTS

TABLES AND FIGURES	iv
ABSTRACT	v
I. INTRODUCTION	1
II. THEORETICAL CONSIDERATIONS	2
III. DATA ON PREMARITAL SEX RATIOS AND HOUSEHOLD SAVING RATES IN INDIA AND THE REPUBLIC OF KOREA	4
IV. ESTIMATION MODEL	8
V. DATA SOURCES	9
VI. ESTIMATION RESULTS	10
A. Time Series Properties of the Variables	10
B. Results of the Tests for Cointegration	10
C. The Determinants of Household Saving Rates in India and the Republic of Korea	12
VII. CONCLUSIONS	15
REFERENCES	19

TABLES AND FIGURES

TABLES

1	Results of Engle-Granger and KPSS Cointegration Tests	11
2	The Determinants of Household Saving	13

FIGURES

1	Trends over Time in the Premarital Sex Ratio	5
2	Trends over Time in the Household Saving Rate	7

ABSTRACT

This paper estimates a household saving rate equation for India and the Republic of Korea using long-term time series data for the 1975–2010 period, focusing in particular on the impact of the premarital sex ratio on the household saving rate. To summarize the main findings of the paper, it finds that the premarital sex (or gender) ratio (the ratio of males to females) has a significant impact on the household saving rate in both India and the Republic of Korea, even after controlling for the usual suspects such as the aged and youth dependency ratios and income. It has a negative impact in India, where the bride's side has to pay substantial dowries to the groom's side at marriage, but a positive impact in the Republic of Korea, where, as in the People's Republic of China, the groom's side has to bear a disproportionate share of marriage-related expenses including purchasing a house or condominium for the newlywed couple.

Keywords: age structure of the population, competitive saving motive, dowries, gender ratio, household saving rate, India, life cycle hypothesis, marriage expenses, population control, premarital sex ratio, Republic of Korea, saving for education, saving for marriage, saving rate, sex ratio, son preference, wedding expenses

JEL codes: D12, D14, D91, E21, J11, J12, O16

I. INTRODUCTION

As documented by Wei and Zhang (2011a), Du and Wei (2013), and Golley and Tyers (2014), the introduction of the one-child policy and other population control measures in the People's Republic of China (PRC), combined with strong son preference, led to an increasingly unbalanced sex (or gender) ratio (ratio of males to females) in the premarital cohort. And in two widely cited papers, Wei and Zhang (2011a) and Du and Wei (2013) argue that the increasingly unbalanced premarital sex ratio, in turn, required the groom's side to save increasingly more to ensure his success in an increasingly competitive marriage market and that this elevated the saving rate of the household sector as a whole (what they call the "competitive saving motive").

Wei and Zhang (2011a) and Du and Wei (2013) verify this effect using household-level data and provincial panel data for the PRC, cross-country data for a sample of about 160 countries, and numerical calibration methods and show that the sharp increase in the premarital sex ratio can potentially explain about 60% of the sharp increase in the PRC's household saving rate during the 1990–2007 period (from 16% to 30%) and about half of both the current account surplus of the PRC and the current account deficit of the United States (see Wei and Zhang 2015 for a useful survey).

While the "competitive saving motive" may be applicable outside of the PRC given the unbalanced sex ratios and conventions regarding marriage-related expenses in other countries, empirical investigations have been limited (but see Horioka 1987 for an analysis of saving for marriage in Japan). The purpose of this paper is to contribute to the literature by determining whether or not a similar mechanism has led to a significant relationship between the premarital sex ratio and the household saving rate in India and the Republic of Korea, two countries in which, as in the PRC, sex ratios are unbalanced and marriage-related expenses are considerable, and to determine whether or not trends over time in the premarital sex ratio can explain trends over time in the household saving rate in these two countries. In order to accomplish these objectives, this paper estimates a household saving rate equation for India and the Republic of Korea using long-term time series data for the 1975–2010 period, focusing in particular on the impact of the premarital sex ratio on the household saving rate.

To summarize the main findings of this paper, it finds that the premarital sex ratio (ratio of males to females) has a significant impact on the household saving rate in India and the Republic of Korea, even after controlling for the usual suspects such as the aged and youth dependency ratios and income. It has a negative impact in India, where the bride's side has to pay substantial dowries to the groom's side at marriage, but a positive impact in the Republic of Korea, where, as in the PRC, the groom's side has to bear a disproportionate share of marriage-related expenses including purchasing a house or condominium for the newlywed couple. The findings of the paper imply that trends in the premarital sex ratio can explain trends in the household saving rate during the first half of the sample period but not during the second half in both countries and that the level of the premarital sex ratio can partly explain the high level of the Republic of Korea's household saving rate but not the high level of India's household saving rate.

The remainder of this paper is organized as follows. Section II contains a theoretical discussion of the impact of the premarital sex ratio on the household saving rate, section III presents and discusses data on trends over time in the premarital sex ratio and the household saving rate in India

and the Republic of Korea, section IV presents the estimation model used in this paper, section V discusses the data sources used, section VI presents the estimation results, and section VII summarizes, concludes, and explores the policy implications of our findings.

II. THEORETICAL CONSIDERATIONS

In this section, we discuss the theoretical impact of the sex (male to female) ratio of the premarital cohort on the household saving rate (this exposition is based on Grossbard-Shechtman 1993, Wei and Zhang 2011a, Du and Wei 2013, and Grossbard 2015).¹ If the premarital sex ratio is unbalanced, families with a child who belongs to the overrepresented gender will presumably increase their saving in order to ensure that their child is able to secure an “attractive” spouse, especially if the custom in that country is for families with a child who belongs to the overrepresented gender to bear a disproportionate share of marriage-related expenses. At the same time, families with a child who belongs to the underrepresented gender may or may not reduce their saving due to the presence of two mutually offsetting effects. On the one hand, they may reduce their saving because of their favorable bargaining position in the marriage market, but on the other hand, they may increase their saving to ensure that their child does not suffer an erosion of his or her bargaining power vis-à-vis his or her spouse (assuming that the relative wealth levels of the two sides affects the relative bargaining power of the husband and wife vis-à-vis one other after marriage). Thus, families with a child who belongs to the overrepresented gender will unambiguously increase their saving, but it is not immediately clear whether families with a child who belongs to the underrepresented gender will increase or decrease their saving and whether the saving of the household sector as a whole will increase or decrease, on balance.

However, Du and Wei (2013) show that a higher premarital sex ratio will unambiguously raise the saving rate of the household sector as a whole for at least two reasons. First, families with a child who belongs to the overrepresented gender will save more not only because of the child’s disadvantaged position in the marriage market but also because they know that families with a child who belongs to the underrepresented gender will save less due to the child’s advantaged position in the marriage market and want to compensate for the reduced saving from the other side. Thus, the increase in the saving of families with a child who belongs to the overrepresented gender will more than offset the decrease in the saving of families with a child who belongs to the underrepresented gender. Second, the more unbalanced the premarital sex ratio is, the higher will be the proportion of the premarital cohort that needs to save more for marriage due to its disadvantaged position in the marriage market.

These theoretical considerations generate the prediction that the saving rate of the household sector as a whole will be lowest when the premarital sex ratio is balanced and that it will be higher, the more the premarital sex ratio is unbalanced in either direction. In other words, the premarital sex ratio will have a negative impact on the household saving rate if the premarital sex ratio is below the biologically normal sex ratio of 1.05 to 1.06 and a positive impact on the household saving rate if the

¹ See Lafortune (2013) for a very similar analysis of the impact of sex ratios not on the household saving rate but on premarital educational investments and Wei and Zhang (2011b) for a very similar analysis of the impact of sex ratios on the occupational choice of parents.

premarital sex ratio is above this threshold. However, as shown later, the premarital sex ratio is unbalanced in favor of males (exceeds the 1.06 threshold) in both India and the Republic of Korea (except in the Republic of Korea during the 1975–1983 period). This implies that we would expect the premarital sex ratio to have a positive impact on the household saving rate in both countries because the groom's side will have to save more and more as the premarital sex ratio increases and brides become in increasingly short supply.

However, the foregoing discussion ignores the issue of which side bears the brunt of marriage-related expenses, and it is to this issue that we now turn. Since the custom in the PRC is for the groom's side to bear a disproportionate share of marriage-related expenses including purchasing a house or condominium for the newlywed couple, this in turn bid up the cost of securing a bride, led families with sons to save more than before, and caused the overall household saving rate to increase over time. Similarly, in the case of the Republic of Korea, the bride's side is expected to pay a (cash) dowry and to pay for the furnishings of the newlywed's home, but the groom's side is expected to return half of the dowry and to pay for the newlywed's home, which has become a more and more onerous burden over time due to the rapid rise in housing prices (see Onishi 2007). Thus, wedding customs in the Republic of Korea are very similar to those in the PRC, with the groom's side being expected to bear a disproportionate share of marriage-related expenses, and moreover, housing prices have increased sharply in the Republic of Korea, as they have in the PRC, thereby further increasing the groom side's burden.²

By contrast, in the case of India, the bride's side must pay enormous dowries to the groom's side. According to Anderson (2007), dowries are paid in 93 to 94% of cases in India and amount to 4 to 6 times annual male income, 7 to 8 times annual per capita income, and 68% of total household assets before marriage, and the amount of dowries increased at the phenomenal rate of 15% per year during the 60-year period from 1921 until 1981. The Dowry Prohibition Act was enacted in 1961 and it was further strengthened in 1983 and 2005, but the payment of dowries is still common in many parts of India and the aforementioned laws are primarily concerned with preventing and punishing the cruel treatment, harassment, and even murder of brides in connection with dowry demands rather than with the payment of the dowry itself. Thus, the situation in India is the opposite of that in the PRC.

If the social custom is for the groom's side to bear a disproportionate share of marriage-related expenses (as in the PRC and the Republic of Korea), the positive impact of the premarital sex ratio on the household saving rate will be actualized because the groom's side has to save for marriage-related expenses even when the premarital sex ratio is balanced and will have to save even more for marriage-related expenses if the premarital sex ratio is unbalanced and they are disadvantaged in the marriage market.

By contrast, if the social custom is for the bride's side to bear a disproportionate share of marriage-related expenses (as in India), the positive impact of the premarital sex ratio on the household saving rate may not be actualized because it is the bride's side that bears the burden of marriage-related expenses, and even if the premarital sex ratio increases (the ratio of grooms to brides

² Note, however, that there is an endogeneity issue here, with the higher housing prices in the PRC and the Republic of Korea being caused in part by the increased demand for housing caused by the unbalanced premarital sex ratio (see, example, Wei, Zhang, and Liu 2015).

increases), the groom's side will not necessarily have to save any more than before for marriage-related expenses despite their disadvantaged position in the marriage market. Indeed, as the premarital sex ratio increases, the shortage of brides will become increasingly acute, which in turn might bid down dowries, reduce the marriage-related saving that the bride's side has to do, and thereby *reduce* overall household saving. Thus, the impact of the premarital sex ratio on the household saving rate is theoretically ambiguous, but it could well have a negative impact on the household saving rate, the opposite result from countries such as the PRC and the Republic of Korea where the groom's side bears a disproportionate share of marriage-related expenses.

To summarize, even though the premarital sex ratio is unbalanced in favor of males in both India and the Republic of Korea, we would expect the impact of the premarital sex ratio to be different in the two countries due the differences in social customs regarding which side bears the brunt of marriage-related expenses. We would expect the premarital sex ratio to have a positive impact on the household saving rate in the Republic of Korea where the groom's side bears a disproportionate share of marriage-related expenses, and it could well have a negative impact on the household saving rate in India, where the bride's side bears a disproportionate share of marriage-related expenses.

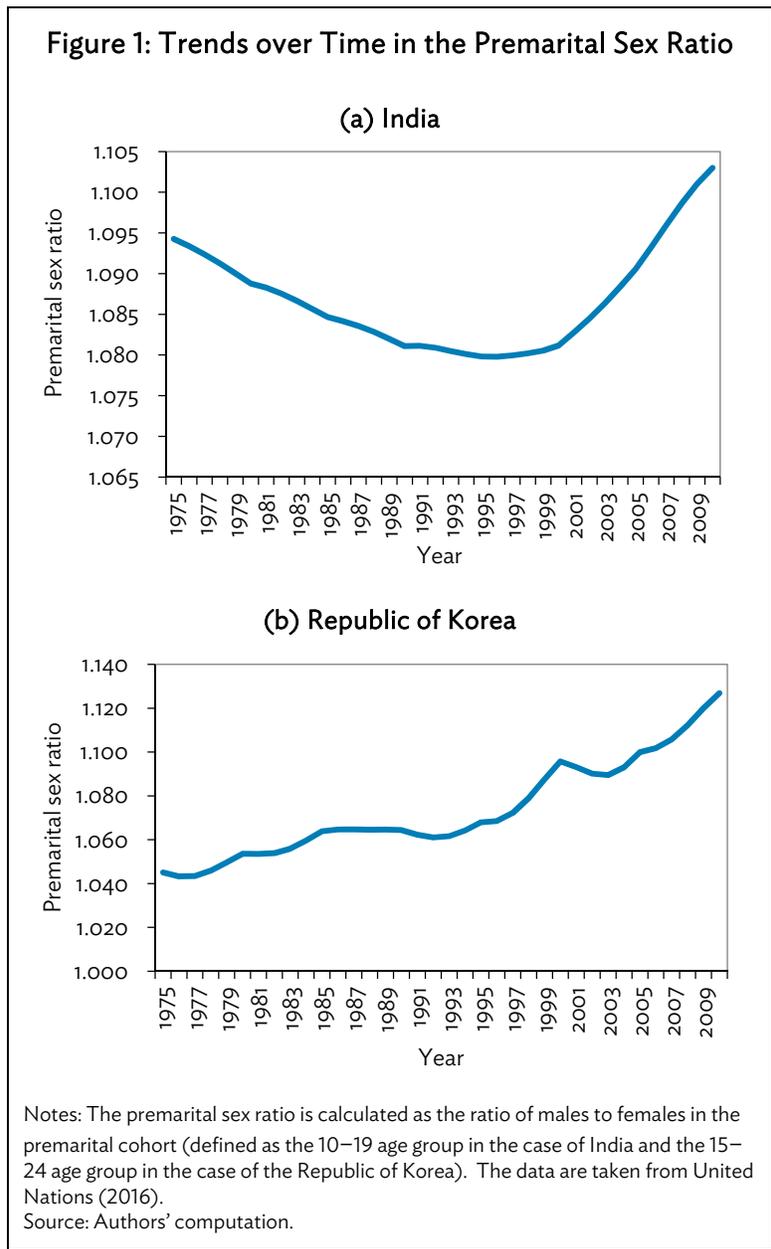
III. DATA ON PREMARITAL SEX RATIOS AND HOUSEHOLD SAVING RATES IN INDIA AND THE REPUBLIC OF KOREA

In this section, we present data on the sex ratio of the premarital cohort and the household saving rate in India and the Republic of Korea during the 1975–2010 period.

In India, the average age at first marriage was 22.7 for males, 17.7 for females, and 20.2 for both sexes in 1971 and 26.0 for males, 22.2 for females, and 24.1 for both sexes in 2011 (all data were taken from Medindia 2016), and thus the average age at first marriage for both sexes presumably averaged about 22 during the 1975–2010 period as a whole. By contrast, in the Republic of Korea, the average age at first marriage was much later—26.7 for males, 22.8 for females, and 24.75 for both sexes in 1966 and 32.2 for males, 29.6 for females, and 30.9 for both sexes in the Republic of Korea in 2013 (the data for 1966 were taken from Lapierre-Adamcyk and Burch 1974, while the data for 2013 were taken from Statistics Korea 2013), and thus the average age at first marriage for both sexes presumably averaged about 28 during the 1975–2010 period as a whole. We therefore define the premarital cohort as the 10 to 19 age group in India and the 15 to 24 age group in the Republic of Korea, reflecting differences in the average age at first marriage in the two countries, and calculate SEXRATIO (the sex ratio of the premarital cohort) as the ratio of males to females for the 10 to 19 age group in the case of India and for the 15 to 24 age group in the case of the Republic of Korea. It would have been preferable to use a different definition of the premarital cohort in each year to reflect increases over time in the average age at first marriage in the two countries, but we were not able to do so because the population data are available only for 5-year age groups. Moreover, it would have been preferable to take account of the age difference between males and females at first marriage (about 4 to 5 years in India and about 3 to 4 years in the Republic of Korea), but we were not able to do so for the same reason.

Figures 1.a and 1.b show data on trends over time in SEXRATIO (the premarital sex ratio, the ratio of males to females) in India and the Republic of Korea, respectively, during the 1975–2010 period, taken from United Nations (2016), and as can be seen from these figures, this ratio was

relatively stable in India during this period, fluctuating in the 1.080 to 1.103 range. It showed a slight downward trend during the 1975–1993 period, declining from 1.094 in 1975 to 1.080 in 1993, remained stable at 1.080 during the 1993–1998 period, and showed a slight upward trend during the 1998–2010 period, increasing from 1.080 in 1998 to 1.103 in 2010. In the Republic of Korea, by contrast, the premarital sex ratio showed a sharp upward trend throughout the 1975–2010 period, increasing from 1.045 in 1975 to 1.127 in 2010. There are at least two possible explanations for this trend. One is the increasing availability and/or affordability of sex determination technology (ultrasonography and amniocentesis) and sex-selective abortions (see Guilmoto 2009 and Du and Wei 2013), and the other is that the sharp decline in fertility, combined with strong son preference, caused parents to care more about the gender of any given child (see Golley and Tyers 2012 for a discussion of the population control policies that were largely responsible for the sharp decline in fertility).



Note that the biologically normal sex ratio at birth is 1.05 to 1.06 (105 or 106 males for every 100 females). Thus, the sex ratio in both India and the Republic of Korea is higher than the natural ratio (except until 1983 in the Republic of Korea), as it is in many, if not most, Asian countries (see Guilimoto 2009 for comparative data on sex ratios at birth for a large number of Asian countries), suggesting that parents have a strong preference for sons in both countries. Parents presumably operationalized their preference for sons via female infanticide in earlier times (observed in some northern Indian states such as Delhi, Haryana, and Rajasthan) and by sex-selective abortions (made possible by sex determination technology such as ultrasonography and amniocentesis) in more recent times.³ The crucial difference between India and the Republic of Korea is in trends over time, with the Republic of Korea showing a much more pronounced upward trend in its sex ratio throughout the period of analysis for the reasons noted earlier.

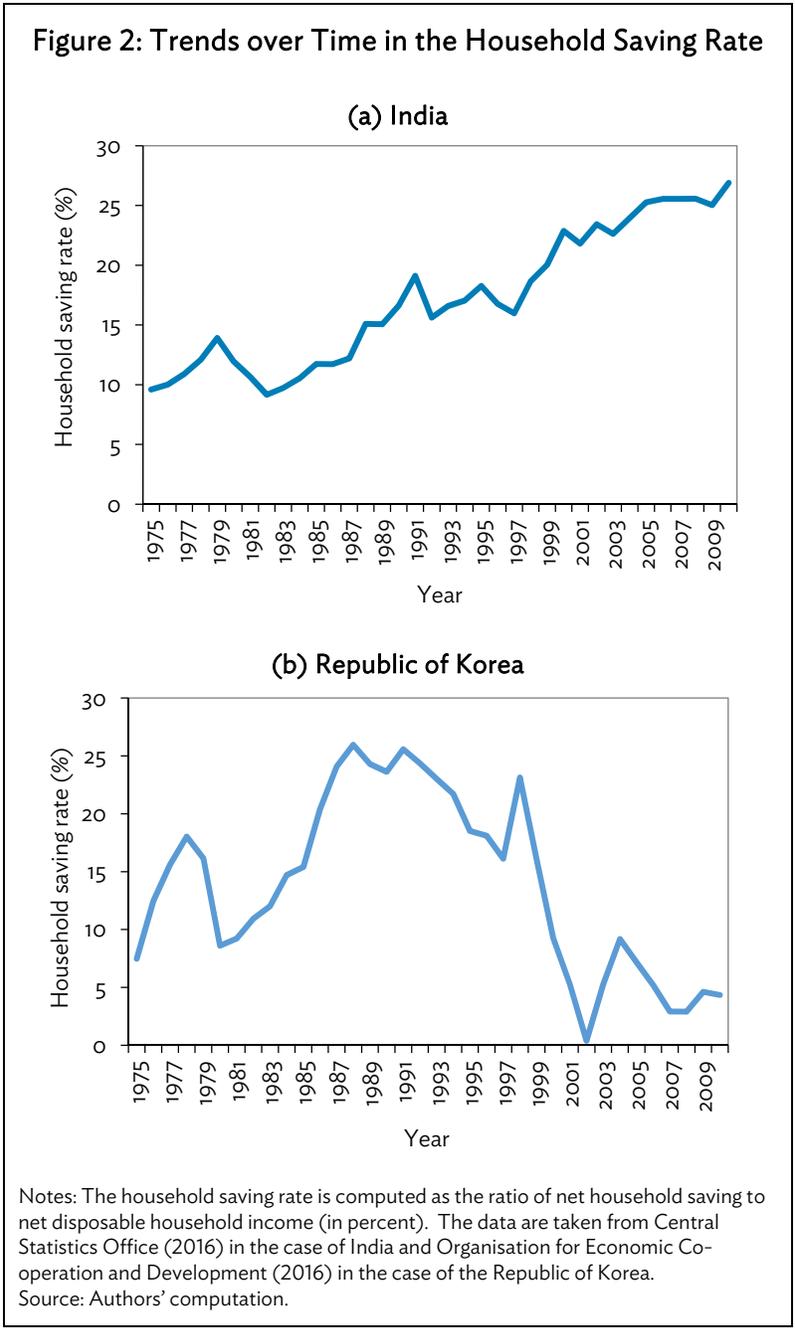
Turning to data on the household saving rate, we defined the household saving rate (HHSR) as the ratio of net household saving to net household disposable income, where net household saving is calculated as the difference between net household disposable income and household consumption) (see section V for data sources). Figures 2.a and 2.b show data on HHSR for India and the Republic of Korea, respectively, during the 1975–2010 period, and as can be seen from these figures, India's household saving rate has shown a long-term upward trend over time, increasing from 9.6% in 1975 to 26.9% in 2010. By contrast, the Republic of Korea's household saving rate has been highly volatile over time, fluctuating between 0.4% in 2002 and 26% in 1988 but generally high (above 10%) until 1999 and generally low (below 10%) thereafter.

We now compare trends over time in the premarital sex ratio to trends over time in the household saving rate in India and the Republic of Korea. In the case of India, the premarital sex ratio and the household saving rate showed opposite trends during the 1975–1996 period, with the former showing a downward trend and the latter showing an upward trend, whereas they showed similar trends during the 1996–2010 period, with both of them showing upward trends. Since we hypothesized that the premarital sex ratio may have a negative impact on the household saving rate in the case of India, trends in the premarital sex ratio may be able to explain trends in the household saving rate during the 1975–1996 period but not during the 1996–2010 period.

In the case of the Republic of Korea, the premarital sex ratio showed an upward trend throughout the 1975–2010 period but the household saving rate was volatile during this period. Since we hypothesized that the premarital sex ratio will have a positive impact on the household saving rate in the case of the Republic of Korea and since the household saving rate showed an upward trend during the 1975–1978, 1980–1988, 1997–1998, 2002–2004, and 2008–2009 periods, trends in the premarital sex ratio may be able to explain trends in the household saving rate during these periods but not during other periods.

However, we cannot be certain about the impact of the premarital sex ratio on the household saving rate in the two countries unless we conduct a rigorous regression analysis and control for the impact of other factors. It is to this type of analysis that we turn in the remainder of this paper.

³ Indeed, Cheng, Li, and Meng, (2013) find using variations across counties in the PRC that access to ultrasound had a significant impact on sex ratios at birth, with 40%–50% of the increase in sex ratios at birth in the PRC being due to improved access to ultrasound.



IV. ESTIMATION MODEL

In this section, we discuss the estimation model we use in our econometric analysis of the determinants of household saving rates in the Republic of Korea and India. We start with the most commonly used specification deriving from the life cycle/permanent income hypothesis that posits that the household saving rate is a function of the age structure of the population, income levels, corporate saving, etc. and add to it the premarital sex ratio (see, for example, Modigliani 1970; Feldstein 1977, 1980; Modigliani and Sterling 1983; Horioka 1989, 1997; Edwards 1996; Higgins 1998; Loayza, Schmidt-Hebbel, and Serven 2000; Chinn and Prasad 2003; Lührman 2003; Bosworth and Chodorow-Reich 2007; Horioka and Wan 2007; Kim and Lee 2008; Park and Shin 2009; and Horioka and Terada-Hagiwara 2012 for more details; Fafchamps and Pender 1997, Kochar 1999, and Athukorala and Sen 2004 for papers on India; and Hurd 1995, Kwack and Lee 2005, and Park and Rhee 2005 for papers on the Republic of Korea).

Thus, the estimation model we use is as follows:

$$\text{HHSR}(t) = a_0 + a_1 \cdot \text{DEP}(t) + a_2 \cdot \text{AGE}(t) + a_3 \cdot \text{SEXRATIO}(t) + a_4 \cdot \text{PCY}(t) + a_5 \cdot \text{CORPSAV}(t) + a_6 \cdot \text{POP1519}(t) + a_7 \cdot \text{TREND}(t) + e(t), \quad (1)$$

where HHSR = the household saving rate (defined as the ratio of net household saving to net household disposable income)

DEP = the youth dependency ratio, defined as the ratio of the young population (the population aged 0 to 14 in the case of India and the population aged 0 to 19 in the case of the Republic of Korea) to the working-age population (the population aged 15 to 59 in the case of India and the population aged 20 to 64 in the case of the Republic of Korea)

AGE = the aged dependency ratio, defined as the ratio of the aged population (the population aged 60 and older in the case of India and the population aged 65 and older in the case of the Republic of Korea) to the working-age population

SEXRATIO = the sex ratio (the ratio of males to females) of the premarital cohort (defined as the 10 to 19 age group in India and the 15 to 24 age group in the Republic of Korea, for the reasons explained earlier).

PCY = per capita real net household disposable income

CORPSAV = the ratio of net corporate saving to net household disposable income

POP1519 = the ratio of the precollege population (the population aged 15 to 19) to the working-age population (the population aged 20 to 64) (included only in the case of the Republic of Korea for the reasons given below)

TREND = a time trend

e = an error term

DEP and AGE are meant to capture the impact of the age structure of the population and are included in virtually all aggregate saving rate regressions. The life cycle hypothesis predicts that both coefficients will be negative since the aggregate household saving rate should be lower, the higher is the ratio of the dependent (young or aged) population to the working-age population. The dependent and working-age populations are defined differently in India and the Republic of Korea to reflect differences in college entrance rates (higher in the Republic of Korea than in India) and retirement ages (later in the Republic of Korea than in India).

Turning to the other explanatory variables, one would expect the coefficient of PCY to be positive since households should be able to afford to save more if their income levels are higher, and one would expect the coefficient of CORPSAV to be negative if households see through the corporate veil and reduce their own saving in response to increases in corporate saving.

Yet another demographic variable of possible importance in societies that place value on education is POP1519 (the ratio of precollege children (the population aged 15 to 19) to the working-age population (the population aged 20 to 64)). More specifically, in a society in which college expenses are high, one would expect parents with precollege children to save for their children's college expenses and therefore that the aggregate household saving rate will be higher, the higher is the share of parents with precollege children. By contrast, in a society in which precollege expenses such as the expenses of cram schools, private tutoring, etc., are high, one would expect parents with precollege children to have to draw down their savings in order to pay for such expenses and therefore that the aggregate household saving rate will be lower, the higher is the share of parents with precollege children (see Horioka 1985 for an analysis of saving for education in Japan). This variable was included only in the case of the Republic of Korea because its coefficient was not significant when included in the regressions for India, perhaps because educational expenses are not as important in India as they are in the Republic of Korea, which in turn may be due partly to the fact that the practice of sending precollege students to cram schools, hiring private tutors for them, etc., is far less common in India and partly due to the fact that a much lower proportion of the young go to college in India.⁴ As of 2010, 39.8% of the population aged 25 and above had completed tertiary level education in the Republic of Korea whereas the corresponding figure for India was still only 9.1%, according to data from Barro and Lee 2016.

V. DATA SOURCES

In this section, we describe the data sources from which our data were taken.

National accounts data for the Republic of Korea on the net saving and net disposable income of households and nonprofit institutions serving households and net corporate saving (needed to calculate HHSR, PCY, and CORPSAV) were taken from the Organisation for Economic Co-operation and Development 2016, while similar data for India were taken from CEIC Data Company, WEB (New York, N.Y.), which in turn were taken from the Central Statistics Office 2016.

⁴ The regression results for India with the POP1519 variable included are available upon request from the authors.

In both countries, PCY was calculated by dividing net household disposable income by total population, then deflating by the price deflator for private consumption expenditure. In the case of India, the price deflator was obtained by dividing nominal private consumption expenditure by real private consumption expenditure using data from the Central Statistics Office 2016. In the case of the Republic of Korea, the price deflator was taken directly from the Organisation for Economic Co-operation and Development 2016.

DEP, AGE, SEXRATIO, and POP1519 were calculated using data taken from United Nations 2016.

VI. ESTIMATION RESULTS

In this section, we present our estimation results.

A. Time Series Properties of the Variables

We tested the variables used in our analysis for unit roots using the Dickey-Fuller test, Augmented Dickey-Fuller test, KPSS test, and Zivot-Harvey test (see Dickey and Fuller 1979; Kwiatkowski et al. 1992; Zivot and Andrews 1992; and Harvey, Leybourne, and Taylor 2013). The detailed test results are not shown due to space limitations, but we found that all of the variables used in our analysis are nonstationary. In particular, most or all tests showed that HHSR, PCY, and CORPSAV are $I(1)$ and that DEP, AGE, SEXRATIO, and CREDIT are $I(2)$ or $I(3)$ in the case of India. Similarly, most or all tests showed that HHSR, CORPSAV, and CREDIT are $I(1)$, that SEXRATIO and FINA are $I(1)$ or $I(2)$, that DEP and AGE are $I(2)$ or $I(3)$, and that the degrees of integration of PCY and POP1519 are not clear in the case of the Republic of Korea. Thus, there is a real danger that ordinary least squares will lead to spurious correlations, and the use of cointegration techniques is clearly warranted.

B. Results of the Tests for Cointegration

We tested for cointegration using the Engle-Granger test (Engle and Granger 1987), the KPSS test (Kwiatkowski et al. 1992), and the Johansen test (Johansen 1988, 1991) and Johansen and Juselius 1990). Looking first at the results of the Engle-Granger test and the KPSS test (see Tables 1.a and 1.b), the results for all specifications for both countries indicate the presence of cointegration, implying the presence of a long-term relationship among the variables.

Turning to the results of the Johansen test (not shown due to space limitations), the trace test as well as the maximum eigenvalue test indicate the presence of cointegration in both countries for all specifications. As for the number of cointegrating vectors, the trace test as well as the maximum eigenvalue test indicate the presence of 2 to 5 cointegrating vectors in the case of India and 2 to 4 cointegrating vectors in the case of the Republic of Korea. A priori we would expect to find only one cointegrating vector and it is well known that the Johansen test will lead to an upward bias in cointegrating rank in small samples (see, for example, Cheung and Lai 1993 and Johansen 2002). Thus, when estimating the cointegrating vector, we constrained the number of vectors to be one.

Table 1: Results of Engle-Granger and KPSS Cointegration Tests

(a) India

Specification	Type of Test	Time Period	Number of Obs.	Test Statistic
DEP, AGE, SEXRATIO, PCY	DF	1975–2010	35	-3.389**
	ADF(1)	1976–2010	34	-2.757*
	ADF(2)	1977–2010	33	-3.082**
	KPSS0	1975–2010	35	0.0846
	KPSS1	1976–2010	34	0.0581
	KPSS2	1977–2010	33	0.0476
DEP, AGE, SEXRATIO, PCY, CORPSAV	DF	1975–2010	35	-3.533**
	ADF(1)	1976–2010	34	-2.773*
	ADF(2)	1977–2010	33	-3.088**
	KPSS0	1975–2010	35	0.083
	KPSS1	1976–2010	34	0.0583
	KPSS2	1977–2010	33	0.048

(b) Republic of Korea

Specification	Type of Test	Time Period	Number of Obs.	Test Statistic
DEP, AGE, SEX RATIO, PCY	DF	1976–2010	35	-2.933*
	ADF(1)	1977–2010	34	-3.130**
	ADF(2)	1978–2010	33	-2.522
	KPSS0	1976–2010	35	0.227
	KPSS1	1977–2010	34	0.143
	KPSS2	1978–2010	33	0.119
DEP, AGE, SEXRATIO, PCY, CORPSAV	DF	1976–2010	35	-3.498**
	ADF(1)	1977–2010	34	-3.569**
	ADF(2)	1978–2010	33	-3.340**
	KPSS0	1976–2010	35	0.156
	KPSS1	1977–2010	34	0.106
	KPSS2	1978–2010	33	0.094
DEP, AGE, PCY, SEXRATIO, POP1519	DF	1976–2010	35	0.094
	ADF(1)	1977–2010	34	-4.975***
	ADF(2)	1978–2010	33	-5.267***
	KPSS0	1976–2010	35	0.0382
	KPSS1	1977–2010	34	0.0291
	KPSS2	1978–2010	33	0.0306

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Table 1.b continued

Specification	Type of Test	Time Period	Number of Obs.	Test Statistic
DEP, AGE, SEXRATIO, PCY, POP1519, CORPSAV	DF	1976–2010	35	-3.938***
	ADF(1)	1977–2010	34	-5.368***
	ADF(2)	1978–2010	33	-4.595***
	KPSS0	1976–2010	35	0.0465
	KPSS1	1977–2010	34	0.0342
	KPSS2	1978–2010	33	0.0363

Notes: This table shows the results of Engle-Granger and KPSS tests for cointegration for India and the Republic of Korea. Refer to the main text for variable definitions, data sources, and details on these tests. *, **, and *** denote significance at the 10%, 5%, and 1% levels, respectively.

Source: Authors' estimate.

C. The Determinants of Household Saving Rates in India and the Republic of Korea

In this subsection, we present our estimates of the cointegrating vector, which shed light on the determinants of the household saving rate in India and the Republic of Korea. The results for India are shown in Table 2.a, and as can be seen from this table, the coefficient of SEXRATIO is negative and significant in both variants, as expected. As for the coefficients of the other variables, the coefficients of AGE and DEP are negative and significant, as predicted by the life cycle hypothesis, the coefficient of PCY is positive and significant, as expected, the coefficient of CORPSAV is negative and significant, as expected, and the coefficient of TREND is negative and significant, indicating a downward trend in the household saving rate.

The results for the Republic of Korea are shown in Table 2.b, and as can be seen from this table, the coefficient of SEXRATIO is positive and significant in every variant, as expected. As for the coefficients of the other variables, the coefficient of DEP is always negative and significant, as expected, but the coefficient of AGE is always positive and significant in all but one variant, contrary to expectation. Perhaps this is because Koreans continue to save even after retirement because they are risk averse (and concerned in particular about longevity risk) and/or because they want to leave a bequest to their children. The coefficient of PCY is positive and significant, as expected, the coefficient of CORPSAV is positive and significant, contrary to expectation, the coefficient of POP1519 is negative and significant, presumably because the cost of cram schools, private tutoring, and other expenses of precollege students lowers the saving rate of households with precollege children, and the coefficient of TREND is negative and significant, indicating a downward trend in the household saving rate.

Thus, the results are highly satisfactory, in general, and provide support for the life cycle hypothesis in both India and the Republic of Korea, and in particular, the coefficient of SEXRATIO has the expected sign (negative in India and positive in the Republic of Korea) and is always significant in both countries. This suggests that the “competitive saving hypothesis” of Wei and Zhang (2011a) and Du and Wei (2013) applies not only in the PRC but also in India and the Republic of Korea and that unbalanced premarital sex ratios elevate the household saving rate.

Table 2: The Determinants of Household Saving**(a) India**

Variable	Model 1	Model 2
DEP	-32.976*** (-8.11)	-10.949*** (-75.74)
AGE	-176.326*** (-6.71)	-147.382*** (-116.67)
SEXRATIO	-95.957*** (-11.06)	-12.868*** (-45.81)
PCY	500.234*** (13.60)	164.063*** (162.06)
CORPSAV		-1.621*** (-72.92)
TREND	-29.307*** (-11.30)	-4.748*** (-61.91)
Constant	14,394.880	-3,622.178
Sample period	1979–2010	1979–2010
No. of obs.	32	32

(b) Republic of Korea

Variable	Model 1	Model 2	Model 3	Model 4
DEP	-2.439** (-2.16)	-5.552*** (-27.23)	-14.466*** (-72.44)	-5.532*** (-8.52)
AGE	8.396 (1.44)	27.697*** (26.41)	71.753*** (77.84)	20.347*** (7.87)
SEXRATIO	3.705*** (2.72)	8.740*** (40.06)	27.575*** (52.70***)	5.728*** (4.15)
PCY	50.533*** (3.69)	117.770*** (45.97)	255.900*** (76.30)	111.328*** (11.69)

continued on next page

Table 2.b continued

Variable	Model 1	Model 2	Model 3	Model 4
CORPSAV		0.460*** (15.26)		0.450*** (3.28)
POP1519			-0.035*** (-18.33)	-0.033*** (-5.42)
TREND	-9.962* (-1.89)	-28.600*** (-30.10)	-72.134*** (-74.12)	-24.900*** (-8.64)
Constant	-635.572	-1,452.321	-3,894.049	-923.198
Sample period	1979–2010	1979–2010	1979–2010	1979–2010
No. of obs.	32	32	32	32

Notes: This table shows the cointegrating vector estimated using the Johansen method with 4 lags. The dependent variable is the household saving rate. Refer to the main text for variable definitions and data sources. Values in parentheses are z-statistics. *, **, and *** denote significance at the 10%, 5%, and 1% levels, respectively.

Source: Authors' estimate.

We turn now to the implications of our findings for whether trends over time in the premarital sex ratio can explain trends over time in the household saving rate in India and the Republic of Korea. Looking first at the case of India, the negative impact of the premarital sex ratio on the household saving rate implies that the downward trend in the premarital sex ratio until 1993 can explain the upward trend in the household saving rate until 1993 but that the upward trend in the premarital sex ratio after 1998 cannot explain the continuing upward trend in the household saving rate after 1998.⁵

Looking next at the case of the Republic of Korea, the positive impact of the premarital sex ratio on the household saving rate implies that the upward trend in the premarital sex ratio throughout the 1975–2011 period can explain the upward trend in the household saving rate until 1998 but not the downward trend therein after 1998.⁶

Turning next to whether the level of the premarital sex ratio can explain the level of the household saving rate in India and the Republic of Korea, the fact that the premarital sex ratio has a negative impact on the household saving rate in India and the fact that the India's premarital sex ratio is higher than average imply that India's household saving rate should be lower than average. Thus, India's premarital sex ratio cannot explain India's higher than average household saving rate.

⁵ If the coefficient of the premarital sex ratio became positive after 1998, the upward trend in the premarital sex ratio after 1998 would be able to explain the upward trend in the household saving rate, but when we tried introducing an interactive term between SEXRATIO and a dummy variable that equals one for all years after 1997 and zero otherwise, we found that the coefficient of SEXRATIO not only remained negative after 1997 but that its absolute magnitude increased even further.

⁶ If the coefficient of the premarital sex ratio became negative after 1998, the upward trend in the premarital sex ratio after 1998 would be able to explain the downward trend in the household saving rate, but when we tried introducing an interactive term between SEXRATIO and a dummy variable that equals one for all years after 1997 and zero otherwise, we found that the coefficient of SEXRATIO not only remained positive after 1997 but that its absolute magnitude increased even further.

Turning to the case of the Republic of Korea, the fact that the premarital sex ratio has a positive impact on the household saving rate and the fact that the Republic of Korea's premarital sex ratio was below average until 1983 and above average thereafter implies that her household saving rate should have been below average until 1983 and above average after 1983. Thus, the premarital sex ratio can explain the high level of the Republic of Korea's household saving rate during the 1984–2000 period but not the high level thereof before 1984 nor the low level thereof after 2000.

As for the impact of the age structure of the population, since DEP was found to have a negative impact on India's household saving rate, the steady decline in DEP during the period of analysis can help explain the steady increase in India's household saving rate during this period. AGE was also found to have a negative impact on India's household saving rate, but since it increased only slowly during the period of analysis, it did not have an appreciable impact on trends over time in India's household saving rate during this period, and India's household saving rate showed a steady increase despite the slight downward pressure exerted on it by the slow increase in AGE.

In the case of the Republic of Korea, both DEP and AGE exerted upward pressure on the household saving rate during the period of analysis because DEP declined over time and has a negative impact on the household saving rate while AGE increased over time and has a positive impact on the household saving rate. Thus, trends in the age structure of the population can explain the upward trend in the Republic of Korea's household saving rate during the 1975–1978, 1980–1988, 1997–1998, 2002–2004, and 2008–2009 periods but cannot explain trends in the Republic of Korea's household saving rate during other periods.⁷

VII. CONCLUSIONS

In this paper, we estimated a household saving rate equation for India and the Republic of Korea using long-term time series data for the 1975–2010 period, focusing in particular on the impact of the premarital sex (or gender) ratio (the ratio of males to females) on the household saving rate. To summarize the main findings of the paper, it found that the premarital sex ratio has a significant impact on the household saving rate in both India and the Republic of Korea, even after controlling for the usual suspects such as the aged and youth dependency ratios and income. It has a negative impact in India, where the bride's side has to pay substantial dowries to the groom's side at marriage, but a positive impact in the Republic of Korea, where, as in the PRC, the groom's side has to bear a disproportionate share of marriage-related expenses including purchasing a house or condominium for the newlywed couple. The findings of the paper imply that trends in the premarital sex ratio can explain trends in the household saving rate during the first half of the sample period but not during the

⁷ Finally, we estimated an error correction model to analyze the short-run dynamics of household saving behavior. The results are not shown in detail because they were not very satisfactory, but we provide a brief summary here. In the case of India, virtually none of the coefficients including that of the error correction term were significant. In the case of the Republic of Korea, the coefficient of the error correction term was negative and significant in some cases, indicating some tendency to return to equilibrium after a deviation. None of the other coefficients were consistently significant, and moreover, their signs were almost always contrary to expectation. These results suggest that the variables included in the analysis cannot adequately explain short-run household saving behavior, which is not surprising because most of the variables included in the analysis are variables that would be expected to have a longer-term impact on household saving behavior.

second half in both countries and that the level of the premarital sex ratio can partly explain the high level of the Republic of Korea's household saving rate but not the high level of India's household saving rate.

In sum, unbalanced premarital sex ratios combined with excessive and asymmetric marriage-related expenses have distorted the saving behavior of households in both countries. Du and Wei (2013) conduct a welfare analysis using numerical calibration methods and show that, in the PRC, the welfare of males decreases while that of females increases and that social welfare (the sum of the welfare of all males and all females) decreases as the sex ratio increases. Thus, the welfare of males as well as social welfare could be increased by bringing the sex ratio back into balance in the Republic of Korea, where marriage customs are similar to those in the PRC, and conversely in India, where marriage customs are the opposite of those in the PRC.

Another policy implication relates to saving–investment imbalances and current account imbalances. Wei and Zhang (2011a) and Du and Wei (2013) show that more than half of the increase in the PRC's household saving rate was due to the sharp increase in the premarital sex ratio and that about half of the PRC's current account surplus was due to her unbalanced sex ratio. Similarly, saving distortions caused by unbalanced sex ratios may very well affect saving–investment imbalances and current account imbalances in India and the Republic of Korea as well.

A related policy implication of our results relate to the so-called worldwide saving glut. Our results imply that the imbalanced sex ratios in India and the Republic of Korea are causing India's household saving rate to be lower than it would be otherwise and the Republic of Korea's household saving rate to be higher than it would be otherwise. Thus, the net impact of imbalanced sex ratios on worldwide saving is ambiguous.

Turning finally to how to reduce or eliminate the distortions in household saving behavior caused by unbalanced premarital sex ratios in the first place, there are at least three possible ways: (i) to eliminate son (or daughter) preference, (ii) to relax or abolish population control measures, and (iii) to reduce excessive and asymmetric marriage-related expenses.

There is a long tradition of son preference in Asian societies because the eldest son traditionally carries on the family line or the family business, and it is therefore not easy to weaken this long-held tradition. However, Das Gupta, Chang, and Li (2009) argue that the Republic of Korea did precisely that through direct policy measures although Hvistendahl (2011) disputes this claim (see Golley and Tyers 2014), and thus weakening son preference is a potentially effective way of eliminating the distortions in household saving behavior caused by unbalanced sex ratios.

Turning to population control measures, they have been implemented in many developing countries as a way of keeping population growth down and raising living standards, but the most extreme example is the one-child policy in the PRC (see Golley and Tyers 2012 for an excellent overview of population control measures in the PRC and India). Relaxing or abolishing population control measures would enable parents to have the desired number of children and, at the same time, eliminate the distortions in household saving behavior caused by unbalanced sex ratios, thereby enabling two birds to be killed with one stone. The Chinese government's relaxation of its one-child policy in rural areas and certain cities in the early 1980s (see Golley and Tyers 2012) and its sudden

decision to abolish the one-child policy altogether starting in 2016 are examples of policies that weakened or abolished population control measures.

Finally, the marriage customs that led to excessive and asymmetric marriage-related expenses have a long tradition and hence would be hard to change, but abolishing such customs would reduce the financial burden on parents of newlyweds and, at the same time, eliminate the distortions in household saving behavior caused by unbalanced sex ratios, thereby enabling two birds to be killed with one stone. India's efforts to prohibit dowries via legal means is one example of such a policy.

Moreover, policies to weaken son preference and policies to reduce excessive and asymmetric marriage-related expenses would also lead to greater gender equality, which in turn would lead to a decline in sex-selective abortions and infanticide and in the dowry-related harassment and even murder of women, and hence would be desirable for that reason as well.

Thus, policies to eliminate son (or daughter) preference, to relax or abolish population control measures, and to reduce excessive and asymmetric marriage-related expenses are highly desirable because they would not only eliminate the distortions in household saving behavior caused by unbalanced sex ratios but also because they would allow parents to have the optimal number of children, reduce the financial burden of marriage-related expenses, and achieve greater gender equality.

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The Impact of Sex Ratios before Marriage on Household Saving in Two Asian Countries: The Competitive Saving Motive Revisited

This paper estimates a household saving rate equation for India and the Republic of Korea using long-term time series data for the 1975–2010 period, focusing in particular on the impact of the premarital sex ratio on the household saving rate. It finds that the premarital gender ratio (the ratio of males to females) has a significant impact on the household saving rate in both India and the Republic of Korea, even after controlling for the usual suspects such as the aged and youth dependency ratios and income. It has a negative impact in India, where the bride's side has to pay substantial dowries to the groom's side at marriage, but a positive impact in the Republic of Korea, where, as in the People's Republic of China, the groom's side has to bear a disproportionate share of marriage-related expenses including purchasing a house or condominium for the newlywed couple.

About the Asian Development Bank

ADB's vision is an Asia and Pacific region free of poverty. Its mission is to help its developing member countries reduce poverty and improve the quality of life of their people. Despite the region's many successes, it remains home to half of the world's extreme poor. ADB is committed to reducing poverty through inclusive economic growth, environmentally sustainable growth, and regional integration.

Based in Manila, ADB is owned by 67 members, including 48 from the region. Its main instruments for helping its developing member countries are policy dialogue, loans, equity investments, guarantees, grants, and technical assistance.

