

ABSTRACT

Consumption Smoothing Through Savings and Borrowings:

A Case Study of Households in Bangladesh

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The basic focus of this paper is to see how the households try to make their consumption level smooth¹ and for that purpose what sorts of strategies are undertaken. In fact, the data analysis of the paper is based on the flood affected rural households of Bangladesh during 1998-1999. So the paper measures the extent to which these households are able to use savings and borrowings as coping strategies to smooth their consumption over time in response to unexpected shocks. More over it is tested whether credits have any positive impact on consumption smoothness among the household. Empirical tests are presented using OLS estimation methods with robust to control the heteroscedasticity across estimation procedures. All the findings imply that the households are not capable of smoothing consumption and unable to save income to use during disaster time. The credit markets are not perfect in the country, which indicates that the poor households do not have full access to the formal credit market through which they can smooth the consumption.

Keywords: Consumption Smoothing, Coping Strategy, Panel Data

¹ Consumption smoothing means the desire to have a relatively even pattern of consumption over time.