Impact of Exports and Imports on Savings in Chosen Advanced Economies

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Abstract

Exports and Imports expand the investment alternatives of individuals, allowing them to have different investment opportunities in changing economic conditions. Channelling the idle savings into productive sectors increase the fund margin of households and entrepreneurs facing financial squeeze. The aim of this paper is to examine the impact of exports and imports on gross domestic savings and gross savings. In order to achieve this purpose, the main determinants of savings in 19 upper middle-income, high-income countries for the period of 2010-2020 were identified using regression analysis. According to the result of the analysis, it was determined that there is relationship between exports, imports and economic growth and level of financial innovation and financial access are important parameters affecting both gross domestic savings and gross savings. The study reveals that both the degree of financial innovation and the level of financial access factors influence gross savings and gross domestic savings. These results provide evidence that exports and imports, thus, are seen as the source of economic growth and indicate that financial instability has a positive impact on savings, suggesting that individuals tend to accumulate funds in anticipation of financial crises. Significant positive change in capital formation raises gross domestic savings and have significant inverse effects on gross savings.

Key words: Export, Import, Economic Growth, Financial Innovation, Capital Formation, Gross Domestic Saving.

Introduction

As the lifeblood of the national economy, the financial industry has always been an important part of the economy. A large number of theoretical research and practical development have proved that economic growth is inseparable from financial support (Xie et al., 2021); Wang et al., 2021). At present, many scholars have studied the relationship between financial development and economic growth (Schumpeter, 1911; King and Levine, 1993). Innovation is defined as modifications to the processes that are employed to produce, evaluate, and select the best ideas, foster their growth, and introduce new or enhanced products, services, or initiatives, (Bessant and Tidd, 2007) to increase the number of ideas, improve their quality, and realise a more effective application of these innovations. When it comes to financial innovation, it is defined as the introduction of brand-new financial products and services as well as the creation of innovative organisational structures within progressively more intricate and extensive financial markets (Edquist and McKelvey, 2001). The main focus of financial innovation is the introduction of new financial products, services, or procedures. (Hu, 1990). This includes investigating new uses for financial resources, identifying untapped financing sources, implementing cutting-edge practises for daily operations, or even reorganising portions of current financial institutions and channels (Hu, 1990; Tufano, 2003). In addition, the emergence and impressive growth of new financial institutions and markets are essential elements of the financial innovation landscape. Domestic saving is important for innovation and growth because it allows the local business owner to invest equity in the cooperative project, thereby reducing an agency problem that might otherwise discourage the foreign investor from taking part (Aghion et al., 2016).