In this estimation, however, they are operating with high parameters for risk aversion in order to match the mean average saving rate, especially before 1997 when strong expected income growth and low risk was combined with a high replacement rate. (Feng, 2011, Public pension and household saving: Evidence from urban China@@author-year) reach similiar conclusions when estimating the impact on household savings by an exogenous change in pension wealth. Using CHIPS household data, Feng estimates that reduced pension wealth due to the pension reform increased household savings for cohorts aged 50-59 years by 2-3%. …. The potential role of bequest motives is elaborated by (Horioka, 2007, The determinants of household saving in China: A dynamic panel analysis of provincial data@@author-year) who find a positive coefficient for the old dependency ratioon saving using aggregate data. They suggest a strategic bequest motive among old households as the explanation:

“Moreover, the elderly in China may be planning to leave a bequest to their children in order to repay them for financial support received during old age and may be saving for this purpose. Thus, it is not surprising that the old dependency ratio does not lower, and may even raise, the household saving rate.” (p.11)

In an earlier paper, (Chamon, 2010, Why Are Saving Rates of Urban Households in China Rising?) Chamon and Prasad (2010) also argue life cycle motives to be of important contributors to saving.