

**ASSESSMENT OF FACTOR THAT AFFECT HOUSEHOLD
SAVING BEHAVIOR IN WOLKITE TOWN**



COLLEGE OF BUSINESS AND ECONOMICS

DEPARTMENT OF ACCOUNTING AND FINANCE

**RESEARCH PAPER SUBMITTED IN PARTIAL FULLFILLMENT FOR
REQUIREMENT OF BA DEGREE IN ACCOUNTING AND FINANCE**

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DECLARATION

By my signature below I declare and affirms that this paper is my original work and prepared under the guidance of Mr. Teferi Tadesse (MSc). This paper is submitted in partial fulfillment of the requirement for BA degree at Wolkite University in Accounting and Finance Department of and compliance with the regulation of university and meet accepted standard with respect to originality and quality.

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This Research paper has been submitted for the partial Fulfillment of Bachelor of arts Degree in Accounting and Finance with my approval as a university main advisor.

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ABSTRACT

Saving represents one of the most predictable determinants of successful personal and Economic development. People desire to save also although they tend to postpone saving until they have higher paying jobs, or stability in their lives. The purpose of this study to assess saving habits and identify factors that affect household saving behavior in wolkite town. Samples of 100 households are selected in the town. The study also uses stratified sampling technique .The questionnaires are main research instruments that used for data gathering. The study employed descriptive statistics to analysis the data.

ACRONOMY

GNP -gross national product

SACCO -saving and credit cooperatives

FDIC - federal deposit Insurance Corporation

MFI - microfinance institutions

ROSCA - rotating savings and credit association

ASCAS - accumulation savings and credit association

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CHAPTER ONE

1. INTROUCTION

1.1. Back ground of the study

The business dictionary defines saving as the portion of disposable income not spent on the consumption of consumer goods, but accumulated or invested directly in capital equipment, it constitutes the basis for capital formation, invested, and growth of a country (Nga,2007).

Saving is income not spent, or deferred consumption .It also refers to an activity occurring over time, flow variable. Saving and investment are directly in capital equipment or in pay off home mortgage or indirectly through purchase of securities. Macroeconomics studies cannot deal with real world feature that reflect the diversely of saving behavior on other hand micro economics analysis estimating the important of economic variable and the role of household factors saving behavior. Saving provides multiple uses of households. It has to major or primary functions. First, saving increase the amount of fixed capital available, which is contributes the economic growth. Second, saving reduce expenditure, such as recurring costs. It terms of personal finance, saving generally specifies low risk preservation of money as in deposit account, versus investment where in the risk of higher (Dell Amore, Giordano, 1983).

Household saving is also defined as the difference between household disposable income and household consumption expenditure (Shikha et al, 2009). Household is as a part of current income, after the payment of direct taxes, which is not consumed or transferred for future consumptions and it includes current disbursements made in the form of a reduction in household liabilities such as repayment of loan.

By contrast any portion of current expenditure of household not financed by current income but rather by use of credit represents an increase in the financial liabilities of individuals and is treated as negative saving (Sehultz,2005;Nga,2007;cronje,2009). According to Schmidt-Hebbel, (1996) and Sinhala,(1999), long term economic growth requires capital investment in infrastructure, education and technology, business expansion and the main domestic source of fund for capital investment is household saving. According to Harrod (1939) and Domarn (1946), the speed of economic growth is determined by the ability to save because high saving rate of investment and consequently stimulate economic growth. After empirically examine the

vindication of the saving led growth hypothesis for Ethiopia with in the multivariate frame work through the Granger causality test, Tang (2010) claimed flat saving will lead to a long run economic growth and increase of saving eventually affect the capital accumulation. Neoclassical economists typically emphasize four motives for saving:(1) maintaining consumption during retirement;(2) preparing for income, stocks and other emergencies (precautionary Saving);(3) transferring wealth to future generation (bequest motive);and (4)purchasing(big ticket)items such as consumer durables, education or vacation(target saving).The first three are expected to influence long term saving, and the fourth to affect short to medium-term saving and not saving (sturm,1983).According to(Stuart Rutherford,2005),the savings needs of (1)Life cycle needs; such as wedding, funeral, education, homebuilding, old age (2) personal emergencies; such as sickness, injury, unemployment, death (3) Disaster; such as fires, floods ,and (4)investments needs expanding a business, buying land or equipment, improving housing, and securing a job.

When we come to saving people in the general and poor in particular might not be completely rational and completely knowledgeable (Karim, 2010). The goal of promoting saving habit is to make people more aware of financial opportunities, choices and possible consequences. Even if the Ethiopian banking system has a Long history phenomenon, most of those people not in a good habit of saving majority of population can generate an income and led themselves, but not properly use it. Differently perceptions save differently. For some, saving is money reserved for use, where as some others it's surplus income over its expenditure and for purchase of house hold goods and service. When saving is perceives as money reserved for future needs it implies an international decision behind saving, rather being residue. This decision on part of household to save for meeting future need depends depend on many factors, namely family size, income of individual, occupation of individual, family size is affected both abilities to save and willingness to save.

Consequently, the researcher motivated to conduct this research for two reasons, one to minimize as much as possible the hinder factor that affect household saving and to bring important solution simultaneously to improve the saving behavior of household in wolkite town.

1.2. Statement of the problem

Saving is important component which are responsible for meeting any emergency occurred in individual household. Saving meant for meeting contingency (prinsloo, 2002). However, sometimes it is also acts as for investment, so peoples are include towards saving and delicate reason lack of awareness. However , there are different types of factors that affect household Saving behavior such as household family size , occupation of individual ,income of household, and real interest rate are factors and more describes bellow with in source.

According to (chiteji and Hamilton, 2005; Heflin and patillo, 2002), poverty in extended families can impede saving and asset accumulation. This is further evidenced by findings of (Workday and their, 2014), which indicates that households with large family size (more children and elderly members) are likely to increase their consumption and remain with little cash to save.

Occupation of individual means household work status have been found to affect their saving performance. According to findings of the study conducted by (Workday and Tekie ,2014), occupation of household such as farming ,non-farming activities wage employment ,self-employment causal employment and etc. influence the Saving behavior of households. They state that in both rural and urban areas households with significant income from non-farming activities or self-employment are expected to have relatively higher cash saving. Occupation which can be predicted by person's level of education was found to be a significant predictor of saving rates in Kenyan (kibetetal, 2009). Some empirical studies such as Songs(1998), Muradoglu and Taskin (1996) shows that self-employed house has consistent saving because they have fear of work uncertainty in the future where as other studies such as mosk (2010) show that the employed household has consistent saving because of their constant income.

The other factor that affect saving behavior in this study are income of house hold; in Kenya household income was found to be a statistically significant predictor of savings among farmers , entrepreneurs, and teachers (kinetic et al ,2009). In Uganda, higher permanent and transitory incomes significantly increased the level of net deposits among households that reported owing bank deposit accounts (kiiza and Peterson, 2001). Income was also a significant predictor of improved Savings in Indian (Agrawal,sahoo, and dash,2007);Athukorala and sen,2004),and real interest rate is one of the determinant factor for saves by reduce interest rate Philippines (Bersales and mapa ,2006). A study conducted in Malawi,by (Alexander R ,2010) conducted that

household income levels significantly determine the ability to open a bank account or to save. This findings suggests that households save a larger share of their income when that income is higher. The same to wolkite town the saving habit of household decrease in the year 2016-2021 based on the collected data from the sample household due to large family size, occupation of individual, real interest rate, and income of household. If this study is not collected the living standard of the people in wolkite town decrease and this study try to alleviate this problem by giving awareness to limit family size ,develop hard working habit to increase Income of household ,and to improve educational level. Due to this the researcher will be motivated to study in this area to know the factors that affect household saving in wolkite town. Therefore the researcher will answered the following basic questions and the researcher try to study the solution both for avoidance or minimizations of factors affecting household saving behavior in wolkite town.

1.3. Research questions

- 1) What is the Factor that affects the household saving behavior in wolkite town?
- 2) What is the major factor that affect the household saving behavior in wolkite town?
- 3) What measurements should take from the financial institutions to improve the living standard of the society?

1.4. Objective of the study

1.4.1. General objective

The General objective of the study is to assess the factor that affect household saving behavior in wolkite town.

1.4.2. Specific objectives

The specific objectives of the study are:

1. To identify the factors that affect the saving behavior of household in wolkite town.
2. To assess the major factors that affect the saving behavior of household in wolkite town.
3. To assess what measurements should take from the financial institutions to improve the living standards of the society.

1.5. Significance of the study

Although different studies concerning about saving was conducted this study aims to shedding new light on the factor that affect saving. Therefore, the result of this finding will have the following significant.

- The saver and financial institutions be aware of the factors why peoples do not save.
- The researcher finding may use for financial institutions to see their potential customers and they may design attractive means of saving services for the society.
- The researcher finding will be show that the way to save their limited income in a proper manner.

1.6. Limitation of the study

The following limitations factors which limit the research significance from generating expected outcome. The limitation will includes the following.

- Shortage of literature which is related with research title.
- Involuntary of respondent to give accurate information.
- Time and financial constraint to go every day and collected the data in detail.

1.7. Scope of the study

By considering time and financial restrictions the scope of the study covered assessment of factors that affect household saving in case of wolkite town. The study mainly focus to identify family size, occupation of individual, income of household, and real interest rate affects household Saving behavior in wolkite town also restricted by open and close ended questionnaire's.

1.8. Organization of the study

This paper would be organizes as follow. The first chapter would include introduction, statements of the problem, significance of the study, limitation of the study, scope of the study and organization of the paper .In chapter two, review of literature would be presented. In chapter three research methodology would be presented. Chapter four would be analysis of data and decision based on data collection. Finally chapter five would be describe the summary, conclusion and recommendation.

CHAPTER TWO

2. REVIEW OF LITERATURE

2.1 Definition of household saving

According to Prinsloo (2000) household saving is defined as parts of current income. After payment of direct tax, that is not consumed or transferred for future consumption. Saving includes current disbursements made in the production in household liabilities such as payment of loans. In contrast any expenditure of households not financed by current income. However, by use of credit represents an increase in financial liabilities of individuals and it is treated as negative saving. On the other hand, debt to GNP ratio and dependency. Adverse impact on national saving. Saving also defined as putting aside money for use (saving=income-expenditure). This can be in the form of investment, bank deposit and policies. Saving can further be defined as that part of after-tax income that is not for current consumption (Cronji, 2010). This definition is expanded by Prinsloo (2000), by stating that saving;

Includes, (a) current disbursement made in reduction of household liabilities (such as repayment of capital on loans for housing and consumer durables, (b) regular and recurring employer and employee contribution to pension and insurance fund and interest charged on those funds, and (c) retained income of unincorporated business enterprise and non-profit institutions serving households; and Exclude (a) current household expenditures financed by credit and (b) capital gains and losses.

According to Prinsloo (2000), saving by the household sector or personal saving is divided into two categories: First, contractual-saving- it involves individuals committing themselves to a series of payment of such as premiums on insurance policies, contribution to pension funds and capital amount payable on household mortgage loan. Second, discretionary saving-by contrast, refers to types of saving where households are not bound by any fixed commitment. Contractual saving normally differs from discretionary saving to the extent that contractual obligation is made on a voluntary basis). In addition, a household saving defined as the difference between a household's disposable income (mainly wages received, revenue of the self-employed and net property income) and its consumption (expenditures on goods and services.) There are theoretical and empirical models in literature, which explain determinants of saving and asset accumulation.

2.1.1. Households Savings in Ethiopia

The financial service sector in Ethiopia is composed of formal and informal sectors. The formal sector comprises financial institutions such as commercial banks, insurance companies and microfinance institutions that are regulated and licensed by the National Bank of Ethiopia. In addition, the emergence of member based financial institutions such as saving and credit cooperatives (Sacco) has also been recognized for the provision of saving services in Ethiopia. The informal sector mainly comprises of financial institutions like *Ikub* and *Edir*. These institutions play a central role within the financial sector in providing liquidity for payment services and facilitating financial transactions of various entities (Mengistu, 2013).

2.1.2. Theoretical literature

“The peoples of Ethiopia as a whole, and each nation’s nationality and people in Ethiopia in particular have the right to improved living standards and to sustainable development.” Ethiopian constitution article 43/1 “Saving is the portion of disposable income not spent on consumption of consumer goods i.e. merchandise or other items of common or daily use; ordinarily bought by individual or household for private consumption. But accumulated or invested directly through purchase of securities.” business dictionary come.

Saving is income not spent, or deferred consumption. Method of saving includes putting money aside in a bank or pension plan. Saving also includes reducing expenditure, such as recurring cost. In terms of personal finance, saving specifies low risk preservation of money as in a deposit account, versus investment, wherein risk is higher. There is some disagreement about what counts as saving. for example, the part of a person’s income that is spends on mortgage loan repayment is not spent on present consumption and is therefore saving by the above definition, even though people do not always think repaying a loan as saving. However, in the U.S. measurements of the numbers behind its gross national product GNP (i.e. the national income and product account), personal interest payment is not treated as “saving “unless the institution and people who receive them save them. “Saving” differs from “savings”. The former refers to an increase in one’s asset, an increase in net worth, whereas the latter refers to one parts of one’s assets. Usually deposits in saving accounts, to all of one’s assets. Saving refers to an activity occurring over time, a flow variable, whereas savings refers to something that exists at any one time, stock variable. Saving is closely relating to investment. By not using income to buy

consumer goods and services, it is possible for resource to instead be invests by being used to produces fixed capital, such as factories and machinery. Saving can therefore be vital to increase the amount of fixed capital available, which contributes to economic growth. However, increased saving does not always correspond to increased investment (Mengistu, 2013).

If savings that are stashed in or under a mattress or otherwise not deposited into financial institution such as banks and other micro finance, there is no chance for those savings to be recycled as investment by business. This means that saving may increase without increasing investment, possibly causing shortfall of demand (pile-up of inventories, a cut –back of production, employment, and income and thus a recession) rather than to economic growth. In the short term, if saving falls below investment, it can lead to growth of aggregate demand and economic boom. In the long term if saving falls to below investment it eventually reduces investment and detracts from future growth .future growth is made possible by forgoing present consumption to increase investment .however savings kept in a mattress amount to (interest – free) loan to the government or central bank, who can recycle this loan. In a primitive agricultural economy savings might take the form of holding back the best of corn harvest as seed corn for the next planting season. If the whole crop were consumed the economy would deteriorate to hunting and gathering the next season.

Interest rates; classical economics posited that interest rate would adjust to equate saving and investment, avoiding a pile-up of inventories (general over production). A rise on saving would cause a fall in interest rates, stimulating investment, hence always investment is equal to saving. But Keynes argued that neither saving nor investment were very responsive to interest rates (i.e. that both were interest inelastic) so that large interest rate charges were needed. Further, it was the demand for and supplies of stocks of money that determined interest rates in the short run. Thus, saving could exceed investment for significant amounts of time, causing a general glut and a recession.

2.1.3. Saving in personal finance

Within personal finance, the act saving corresponds to nominal preservation of money for future use. A deposit account paying interest is typically used to hold money future needs, i.e. an emergency fund, to make capital purchase (car, house vacation, etc.). Or to give to someone else (children, taxes bill, etc.) within personal finance, money used to purchase shares, put in the collective investment scheme or used to buy any asset where there is an element of capital risk is

deemed an investment. This distinction is important as the investment risk can cause a capital loss when investments are not realized unlike cash saving (s). Cash savings accounts are considered having minimal risk.

In the United State, all banks are required to have deposit insurance, typically issued by federal deposit insurance corporation (FDIC).in extreme cases; a bank failure can cause deposit to be loss as it happened at start of great depression. The FDIC has prevented that from happening ever since. In many instances the terms saving and investments are used interchangeably.

For example, many deposit accounts are labeled as investment account by banks for marketing purposes. To help establish whether an asset is saving(s) or an investment, you should ask yourself, “Where is my money invested?” If the answer is cash then it is savings, if it is a type of asset, which can fluctuate in nominal value, then it is investment).

2.1.4 Households Savings Instruments

There are different types of saving system in the world. This is categorized as formal saving sector (microfinance institutions (MFI), bank and insurance companies, saving and credit cooperatives (SACCOs) and informal saving sector (save at home, save at clubs, deposit collector, reciprocal lending, rotating savings and credit association (ROSCA), accumulation savings and credit association (ASCAS). Informal savings have different names in different countries (Gebeyaw, 2008).

There are different traditional financial systems which have long history and paramount contribution to economic betterment and social wellbeing of the society. Traditional institutions organized with a sense of cooperation and risk sharing has enabled Ethiopians to experience saving and financial management within its cultural context. *Iqub, Edir*, etc. are some of the informal financial institutions that shaped the social bond and interaction (Gebeyaw, 2008).Delivery for both rural and urban community and having modern accounting and reporting systems e.g. private and government banks, and MFI. The problem in accessing formal saving instrument , lack of trust in formal institutions and inadequacy of formal institutions have been identified as problems to treat the poorer households saving needs. The banks have been considered as main type of formal institutions that have involved in saving mobilization in Africa. In other developing countries. Banks in Ethiopia has also shown a great improvement in their return on asset (NBE, 2010). There were 15 banks in operation and 30 microfinance

institutions, among which 12 were private banks and the rest 3 were state owned banks. In 2008, the Ethiopian banking industry covered 91.5% of the total asset share of the financial institution (Mengistu, 2013).

2.2. Importance of saving

According to (Stuart Rutherford, 2005), the savings needs of (1) Lifecycle needs; such as wedding, funeral, education, home, building, old age (2) personal emergencies; such as sickness, injury, unemployment, theft, harassment or death (3) Disaster; such as fires, floods, and (4) investments needs expanding a business, buying land or equipment, improving housing, and securing a job.

When we come to saving people in the general and poor in particular might not be completely rational and completely knowledgeable (Karim, 2010). The goal of promoting saving habit is to make people more aware of financial opportunities, choices and possible consequences. Even if the Ethiopian banking system has a Long history phenomenon, most of those people not in a good habit of saving majority of population can generate an income and led themselves, but not properly use it. Differently perceptions save differently. For some, saving is money reserved for use, where as some others it's surplus income over its expenditure and for purchase of house hold goods and service.

2.3. Empirical Literature

Think Under the empirical review literature, studies examine determinant in developing countries took several ways. Some studies have concentrated mainly on fixed –effect models to explain variations in saving performance among countries. Other studies depend on some robust techniques such as co-integration and integration test, which allow for heterogeneity in parameter and dynamics across countries, to examine the long run determinants of saving rates. Some of these studies concentrated mainly on interaction between demographic factors (i.e. fertility rate, dependency ratio, life expectancy) and saving. Others examined a variety of macroeconomic variables such as income, real interest rate, and change in terms of trade, money supply, government expenditure and openness of economy to capture the main dominants of saving level (Karim, 2010).

2.4. Factor that affect household saving

Dependent Variable – Saving Behavior the word “saving” contained broad-based meaning and numerous explanations. In economic contexts, saving is defined as the residual income after

deducting current consumption over a certain period of time Brogwning & Guardians, (1996),Warneryd,(1999).Conversely, saving in psychological context is referred to the process of not spending money for current period in order to be used in future (Warneryd, 1999). In other word, saving behavior is the combination of perceptions of future needs, a saving decision and a saving action. On the other hand, people are likely to define saving as investing, putting money in a bank account, speculating and paying off mortgages (Warneryd, 1999).

2.4.1. Income and Growth Variables:

The subsistence-consumption theories suggest that the higher per capita disposable income leads to higher saving rate. According to this view, a lower level of income is associated with a higher marginal propensity to consume at the household level and implies low saving rates at the national level. As the level of per capita income increases in an economy, the possibilities for savings increase. Indeed, several empirical studies indicate that countries with higher income level tend to have higher saving rates (Warneryd, 1999).

However, regarding the effect of income growth on saving rate, there is no consensus in economic theory. According to life-cycle hypothesis, an increase in income growth would increase aggregate savings through increasing the savings of people that participate in the labour force compared to the not saving of people who are out of the labour force. On the other hand, according to permanent income hypothesis an increase in income growth would lead to an increase in future and permanent income expectation and impel consumption today. Completing theories of consumption has different expectations regarding the impact of income growth on savings and therefore, this impact is much more an empirical question in this regard.

2.4.2. Real interest rate

One the most important financial variables relevant for saving behavior are the real interest rate. However, it has theoretically ambiguous impact on the saving due to opposing substitution and income effect associated with a change in the real interest rate. Firstly, an increase in the real interest rate reduces the present value of the future income flows and therefore has a negative impact on savings (income effect). However, at the same time it increases the net return on savings and makes saving more attractive today. In other words, it leads to postponement of consumption and has a positive impact in saving (substitution effect). Therefore, the net impact of real interest rate is determined by the relative strength of these two opposing effects and is an

empirical question. The degree of development of financial sector also has important implication for savings. The depth of financial sector, diversity of financial instruments available for saving, and the efficiency of the financial sectors are the important factors that is expected to have a positive impact on savings. However, the development of the financial sector also has an expected negative impact on savings. As the financial sector develops, the liquidity and borrowing constraints faced by agents in the economy are relaxed. It becomes easier to use external finance in order to shift resources between different periods. The immediate impact of this opportunity is to reduce savings. The liquidity and borrowing constraints in the economy is usually measures by the availability of credits and therefore an increase in the relative size of credits, which represents the relaxation of the liquidity constraints, it expected to have a negative impact on savings. (Middle Eastern and African Economies Vol. 14, September 2012).

2.4.3. Occupation of individual

Household work statuses have been found to affect their saving performance. According to findings of the study conducted by (Workday and Tekie, 2014), occupation of household such as farming, non-farming activities, wage employment, self-employment, casual employment, and etc... Influence the Saving behavior of households. They state that in both urban and rural areas households with significant income from non-farm or self-employment are expected to have relatively higher cash saving. Occupation, which can be predicted by person's level of education, was found to be a significant predictor of saving rates in Eilat Kenyan (kibetetal, 2009).

Some empirical studies such as sinha (1998), Muradoglu and Taskin(1996) shows that self-employed household has consistent saving because they have fear of work uncertainty in the future. Whereas other studies such as Mosk (2010) shows that the employed household has consistent saving because of their constant income

2.4.4. Household family size

Evidence suggests that poverty in extended families can impede Saving and asset accumulation (chiteji and Hamilton,(2005) ; Heflin and patillo,(2002). This is further evidenced by findings of (Workday and Tekie (2014), which indicates that households with large family size (more children and elderly members) are likely to increase their consumption and remain with little cash to save.

CHAPTER THREE

3. RESEARCH DESIGN AND METHODOLOGY

3.1. Research design

To conduct this study the researcher would apply descriptive research design. The method of analysis used in the study is descriptive statistics. In this study descriptive analysis would be used because of its simplicity and clarity to draw inferences. It is used to evaluate the significance changes in some key particular parameters between the year of first intervention and the study period.

3.2. Research approach

In this research work the researcher used mixed research approach that means (qualitatively and quantitative) research approach. Qualitative research approach is concerned with what the households feel and think about saving. Therefore, the researcher selects this approach to know the feeling, thinking and the behavior about Saving a Case of wolkite town. Quantitative research approach used in order to measure the amount money to save with the financial institutions and to determine the saving rate continuity and possible to draw conclusions, therefore the researcher used mixed research approach for the objective of the study.

3.3. Method of data collection and Data source

The researcher uses different methods of data collecting instruments based on the nature of the data. In order to make an efficient and effective research study, it is important collecting a good and reliable data for the study primary data used collect through close and open-ended questionnaire's for a sample household.

3.4. Target population

Based on the 2021 Wolkite city administration plan and economic development office in this study there are 106488 target population in wolkite town.

3.5. Sampling technique

Sampling technique help for the researcher to reduce some constraints such as time and finance, therefore the researcher is used stratified probability Sampling technique to select sample from the total population of households in wolkite town based on income level start from 1000_1500,1501_2000, 2001__3000, 3001_3500, 3501_4000, and above 4001.

3.6. Sample size determination

In this study stratified probability sampling technique used to obtain sample from the total population of 106488 households who lives in wolkite town. By using yamene (1967) formula to select samples are

$$n = \frac{N}{1 + N(e)^2}$$

Where, n=sample size

e=sample error

N=total population

1=constant

The researcher takes sample error of 10%

$$\text{Then, } n = \frac{106488}{1 + 106488(0.1)^2}$$

$$n = 100$$

3.7. Method of data analysis

The data collect from primary source were organized and presented by descriptive type of statistically tools such as tabulation and percentage used to make easy to understand and interpret.

CHAPTER FOUR

4. DATA ANALYSIS AND INTERPRETATION

This chapter shows that the presentation of finding, analysis and interpretation of the collected data. To interpret the data, researcher is using tabular frequencies

4.1 Demographic information of respondents

In collecting the necessary data ,questionnaire distributes to the sample household who are living in wolkite town in order to screen out the basic information regarding the factor that affect house hold saving. A number of factors that affect the saving habit of households like large family size, occupation of individual, real interest rate and income of households. First the following tables represent the general information of 100 respondents taken from all of wolkite town households.

Table 4.1.1 respondent's profile

No.	characteristic's	response	frequency	percentage
1	Gender	male	53	53%
		female	46	46%
2	Age	18-25	26	26%
		26-35	27	27%
		36-50	25	25%
		Above 51	20	20%
3	Education	Illiterate	5	5%
		Primary school	42	42%
		Secondary school	27	27%
		Diploma	14	14%
		First-degree and above	9	9%
4	Maternal status	Single	6	6%
		Married	51	51%
		Unmarried	23	23%
		Divorce	12	12%
		total	100	100%

Sources; Questionnaire, (2021)

Out of the sample households taken for the study, most of them are males and 46% are females. These indicates male households are more involve in different occupational status and save more rather than female but the saving habit of females and males not have a big difference based on sex structure .

As regarding to their age 26%, 27%, 25%and 20% of them fall in the age group of 18-25, 26-35, 36-50 and above 51 respectively. This indicates age structure is not affect the saving behavior of households.

The education level of households are 5% of the total samples are illiterate, 42% are copulate primary school, 27% are complete secondary school, 14% are diploma and 9% are forts degree and above, these indicates most of the households are complete primary school (42%) and complete secondary school (27%) have awareness about the importance of saving and in addition illiterate households are gaining awareness or the importance of saving.

As regarding to their maternal status 6%, 51%, 23%and 12% of them fall in the maternal status group of Single, Married, Unmarried and Divorce respectively. This indicates maternal status structure is affect Married and Divorce have awareness about the importance of the saving behavior of households.

4.2 Analysis of information related to factors that affect house hold saving

Table 4.2.1 major source of income

No.	Characteristic	Frequency	Percentage
1	Small restaurant and cafe	25	25%
2	Small local beverage houses	21	21%
3	Barber house	11	11%
4	Small shop	19	19%
5	Teachers	9	9%
6	Pool	11	11%
	Total	100	100%

Sources; Questionnaire, (2021)

An income plays a major role in determining the saving behavior of the household. Therefore the researcher tries to assess the source of income and its monthly income.

Table 4.2.2 monthly income of house holds

No.	Characteristic	Frequency	Percentage
1	1000-2000	11	11%
2	2001-3000	52	52%
3	3001-3500	16	16%
4	3501-4000	9	9%
5	4001-4500	6	6%
6	Above 4501	4	4%
	Total	100	100%

Sources; Questionnaire, (2021)

As researcher can see from the table 4..2.2 above 11% of the respondents generated income from 1000-2000, 52% respondents generated income from 2001-3000, 16% of the respondents generated income from 3001-3500, 9 % of respondents generated income from 3500-4000 , 6% of the respondents generated income from 4001-4500 and 4 % of Respondent generated income from above 4501 this income indicated buried town. Household have not enough in order to improve the habit of because only 4 % of the respondents generated satisfactory income and above 4501 on the contrary 52% of respondents generated in come from 2001-3000 the majority of households generated income from 2001-3000 but this income at the present time even for saving not fail full the day to day consultation of households and 11% respondents generated income from 1000-2000 and 9% of income generated from 3500-4000 therefore, table 4.2.2 shows the amount household generated income is higher the frequency of household is very low this leads affect the saving habit of households generated and also this indicates the source of income of households very low Means most of the households are engaged in small business activates small business activates are not enough for saving rather it is used for only to hand to mouth consumption. Finally 6% of households are generated income from (4001-4500), this indicates households have no enough income for save.

Table 4.2.3 source of awareness that house get

No.	Characteristic	Frequency	Percentage
1	From government trading	31	31%
2	From financial institution	48	48%
3	From educated person	10	10%
4	Other (media self-awareness)	12	12%
	Total	100	100%

Sources; Questionnaire, (2021)

This table shows the households get know how or awareness about saving the importance to live a better life mainly 48% of households get awareness from the financial institutions in order to improve the living standards of the households and more for getting are turn from savers by interest. And also 31% Of households get awareness from government trading in order to improve the living standard of the house hold therefore, government training are the second level by giving awareness next to financial institution 10% from educated person and 12% of households from media and by self-awareness.

Table 4.2.4 the purpose of household saving

No.	Characteristic	Frequency	Percentage
1	To buy or build house	15	15%
2	For education of children	21	21%
3	To pay loans / debts	37	37%
4	For future living	27	27%
	Total	100	100%

Sources; Questionnaire, (2021)

This table shows that 37% of the households save from their income for the purpose pay Loan as well as 27% of households save from their income for the purpose of improving the future living standard these indicate the households put money with in the financial institution in the form of saving but, the purpose is to pay Loan rather than improving the living standards. Additionally 15% households save for the purpose of build /buy house and 21% of house hold s save for the purpose of education of children.

Therefore 21% of households save for the purpose of education of children and 37% of households save for the purpose of paying loans. This indicates that households have a low level of income. Due to this low level of income, households have a low-level of income, and due to this low-level of income, the saving habit of households is declining.

Table 4.2.5 Information related to saving modernism of household

No.	Characteristic	Frequency	Percentage
1	Ikub	33	33%
2	financial institution	68	68%
3	By giving to elders	0	0%
4	By giving to traders	0	0%
	Total	100	100%

Sources; Questionnaire, (2021)

Therefore financial institutions are the major mechanisms of household saving. The reasons for financial institutions as the major mechanism are shown in the table below.

Table 4.2.6 reasons of choosing the mechanism

No.	Characteristic	Frequency	Percentage
1	Self-willingness	16	16%
2	Interest seeking	7	7%
3	Safety	66	66%
4	Guarantee	13	13%
	Total	100	100%

Sources; Questionnaire, (2021)

This table shows that 66% of households save within the financial institution, mostly to keep money safe and not exposed to unauthorized persons or theft. On the contrary, 7% of households save their income due to interest seeking. Out of 100%, 7% of households seeking interest indicates that the financial institution pays a small amount of interest for savers, which leads to a decrease in the saving habit of households. The only target of households is to keep money safely within the financial institution rather than thinking of getting a return in the form of interest from the financial institutions.

Table 4.2.7 major expenditure of house hold and their spending pattern for family consumption.

How much do you spent for family consumption	Frequenc y	Percentag e	That are your major expense	Frequenc y	Percentag e
All of monthly income	54	54%	Food and beverage	46	46%
			To teach children	24	24%
Half of monthly income	8	8%	Recreatio n	2	2%
75% Of monthly income	45	45%	loan payment	22	22%
25% Of monthly income	0	0%	ceremony	8	8%
Others	0	0%	Total others	0	0%
Total	100	100%		100	100%

Sources; Questionnaire, (2021)

As shown in table above 54% and 46% of households consumes all of income and 45% of households consumes 75% of income .This indicates that there is no other remaining amount for the purpose of income for saving leads to decrease the saving behavior of house hold.

The researcher knowing the household consume all of income and 75% income due to low level of income households pay for Loan (22%), 2% for recreation these indicates households have low level of income low level of income leads low saving habit.

The researcher used recreation and loan payment to identify household income is because of income increase demand of all things like recreation consumption and demand increase. And also 22% households incur expense to pay loan, this indicates household have not enough money to live with in life rather than saving for the future life. 46% of households incur for food and beverage, 24% of household incur for teach children and 8%household incur for ceremonies' these indicates households spend much amount for food and beverage consumption.

4.3 Analysis of importance and the magnitude of factors that affect household saving

Table 4.3 information related Importance of households saving

Item	No of respondent and percentage					
	Agree	Strongly Agree	Neutral	Strongly Disagree	Disagree	Total
Importance of saving households	0(0%)	0(0%)	4(4%)	55(55%)	0(0%)	100(100%)

Sources; Questionnaire, (2021)

This table indicates household have knowhow about the importance of saving but, the researcher identifies have some factors household do not save because, 55% of households do not save as shown in the above table.

Table 4.3 the magnitude of factors that affect household saving

No	Item	No of respondents and percentage					
		Agree	Strongly agree	Neutral	Disagree	Strongly disagree	Total
1	Income affect the saving behavior of households	17(17%)	18(18%)	0(0%)	0(0%)	0(0%)	100(100%)
2	Occupation of individual affects the saving behavior of household.	17(17%)	18(18%)	0(0%)	0(0%)	0(0%)	100(100%)
3	Large family size affects the saving behavior of households.	12(12%)	14(14%)	0(0%)	0(0%)	0(0%)	100(100%)
4	Real interest rate affects the saving behavior of household	10(10%)	19(19%)	0(0%)	0(0%)	0(0%)	100(100%)

Sources; Questionnaire, (2021)

As shown in table (4.2.9)18% of households are strongly agree income of households are affect the saving habit and 17% of households are agree income of households affect the saving behavior of households and also occupation of individual household affect the saving habit just like income of individual household, that means 18%of household are strongly agree and 17% of households are agree occupation affect saving habit of individual households. The reasons why income and occupation of individual affect saving habit at the same percentage is occupation because occupation is the source of income means that individuals have a better job get a better income leads high saving, because have the remaining money from consumptions.

14% of households strongly agree family size affects the saving behavior of households and 12% of households are agree family size affects the saving behavior of households. Totally 26% of households are agree family size affects the saving habit, Because of have large family size increase the consumption level ,high consumption level leads consumption all of households income. Household family size is increase with income increase the saving habit is not affected. The saving behavior is affected due to with high family size leads low income level affect saving habit of households. Lastly 19% of households are strongly agree real interest rate affect the saving behavior of households and 10% of households agree real interest rate affect the saving habit of households. The reason is the financial institutions make Small payment for savers, the savers not motivate to save by thinking there is no return expected for the future deposed money in the financial institutions. This leads affect the saving habit of households due to low real interest rate paid by the financial institutions and financial institutions get larger interest from the debtor compared to saver with financial institutions.

Generally the first major factor that affect household saving behavior is income and occupation of individual households due to low level of income and not engaged in a better job. The second major factor that affect household saving is family size and lastly real interest rate affect the saving behavior of households.

CHAPTER FIVE

5. CONCLUSION AND RECOMMENDATION

This chapter covers the conclusion and recommendation under two sections. The first section presents the conclusion that describing the findings of the study in short; while the second section is all about the recommendation. Recommendations have made from the prospective of the findings.

5.1 Conclusion

In this study attempted has been made to assess factors affecting households' savings in Wolkite town. The result of the study indicated that the towns households have used different financial institutions namely formal, and informal savings.

The descriptive analysis showed that some town households practiced saving in formal financial institutions and the common reasons for town households no saving in formal financial institutions in the study area were; due to they had no surplus cash to save, low income, large family size, and occupation of individual.

In household life education level enhances households' awareness to decide to save money in formal financial institutions. Household with high annual income would like to save in formal financial institutions. Develop strategies that promote the towns households savings is an integral part to achieve economic growth in the study area.

The study on different determinants of saving behavior has shown a considerable significance and non-significance of different variables which helped in analyzing the determinants of the saving behavior in Wolkite town households. The different variables like, occupation, income, number of family members and real interest rate for individual saver has been analyze by showing a relationship with saving behavior of household.

In the forgoing discussion, it has been emphasizes that household saving behavior is determined by income growth variables, demographic variables, financial variables, and occupation. The income and growth factors states that an income is basic determinant of consumption or saving. The higher level of per capital disposable income leads to higher saving rate.

Financial variables also state that one of the most important financial variables relevant for saving behavior is the real interest rate. Decrease in real interest rates reduces the present values of future income flows and therefore has a negative impact on savings. However, at the same time it decrease the net return on savings and makes savings less. In other words, it leads to increase of consumption and has a negative impact on savings. The degree of development of the financial sector also has important implications for savings.

The depth of the financial sector, diversity of financial instruments available for savings, and the efficiency of the financial sector are important factors that is expected to have a positive impact on savings. As uncertainty variables also implies that Uncertainty and risks about the future give rise to precautionary saving motives for risk-averse agents. In order to safeguard against future unexpected income losses, individuals prefer saving today.

Since the instability of the economy is similar to frequent income losses, it reduces the saving motive. Instability of economy may include growth volatility, and real interest rate volatility. The household saving is a base for the better standard living of the households in the better means to maintain or protect future uncertainties and it also a way to increase individuals' income level. The towns experiencing small business activities (such as small restaurant and cafes, telabet, Barber houses, pool houses, etc.), therefore these small business activities leads to low income, low saving and low occupational status, so households try to not engaged only for this small business.

In the study, we attempted to analyze the saving habit and determinants of the household saving. If look in to the saving pattern of these households we find that saving is accounted to be low or it is not as such satisfied because of their low occupational status, low income and more consumption habit such as food and beverage, for education of their children ,etc.

Almost all of the income is spends on consumption and it is insufficient to feed larger family members. Some of the individuals are accounted to save, but although it is less and small in quantity to obtain the needs for short period. Although the study has found there has been a significant change in the saving habit of these society because of the increase in saving opportunities available with a convenient situation. Therefore, income, and occupation of individual are the major factors that affect household saving.

5.2 Recommendation

The findings of the study identified major factors of the towns households' savings in Wolkite town. Based on the findings of the study, the following recommendations are forwarded. Literate households have the awareness regarding the importance of saving and practice in the town households' savings than illiterate in the town households.

In order to make illiterate town households have better understanding towards savings and make decision to save, emphasis should be given towards strengthening different educational opportunities (non-formal education). Financial institutions, NGOs and other community based organizations should work on awareness creation activities in the study area though providing training to the town households. In addition to awareness creation activities, financial institutions should have in-kind reward system to motivate non-saver households.

The result of the research revealed that average annual income had positive and statistically significant effect on town households' savings status. Based on this finding, to make non-saver households to save in financial institutions, there is a need to further improve the low income households' through diversifying their trade activities and income source by engaging in farm activities.

Credit access had positive and statistically significant effect on town households' savings status. In order to make non-saver town households to save, financial institutions should have awareness creation, consult program and provide productive loan and follow up their credit utilization so that they can use it to generate additional income and this in turn motivates town households to save in financial institutions.

Therefore, these factors affects town households' savings emphasis have to be given in designing strategies aimed at improving the saving mobilization of town households in the study area. In general, the researchers recommended the following necessary points to increase the level of saving habit.

- ✓ The government should improve the living standards of the society by giving awareness about households engaged in different occupational status by develop good working habit without any choose the level of job to increase income. Because only one type of occupation not satisfies the needs and wants of the society. Therefore household s work

hard in different occupational status, the source of income increase, income increase household saving habit also increase.

- ✓ It is better an efficient training about saving to those households be given by the government that they can meet the consumption needs and some portion of the income can be saved.

It is better the financial institutions increases the interest rates provided on savings, which can motivate the households for saving in those institutions mostly in banks, saving and credit institutions, and increase interest rate for borrowed.

Because real interest is too high the financial institutions not get a return from savers and if real interest rate make by the financial is too low leads households not motivate to save. Therefore the financial institutions should not widen the gap between the bank charges interest to saver and it makes interest for itself.

- ✓ They should aware households limit the number of family members or children. Because household not limit the number of family size, the consumption of household increase leads to income of household is decline. Therefore the saving habit of household decrease due to low levels of income.

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APPENDIXES

WOLKITE UNIVERSITY
COLLEGE OF BUSINESS AND ECONOMICS
DEPARTMENT OF ACCOUNTING AND FINANCE

Questionnaire's for the Sample household

Dear/ sir/madam, The following questions are prepared for research purpose to be undertake on the title “factors that affect household saving in wolkite town” for partial fulfilment a of the requirement for the BA degree in wolkite university. Your genuine answer will contribute a lot for the successful completion of study and hence you are kindly request to answer the following questions with patience.

For better treatment of data confidentially, do not write your name on the paper.

Part -1: Questions related to factors that affect household saving.

Please answer the following questions by tick selected rating number in box and others give within the given space.

Section-1 Demographic information.

A. Gender: Male Female

B. Age: From 18 to 25 year from 25-35 years
From 35 _50 year above -50 years

C. Education:

Illiterate below first level complete secondary school
Diploma First degree and above

D. Marital Status: Single Married
 Unmarried Divorced

Section -2: Questions

1-strongly disagree 2-disagree 3-nutral 4-agree 5-Stronglagree

		Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
1	Saving is important for households' life.					
2	Income affect the saving behavior of households					
3	Large family size affects the saving behavior of households.					
4	Occupation of individual affects the saving behavior of household.					
5	Real interest rate affects the saving behavior of household					

Section -3: Questions

5. What is your major source of income?

- (A) From Small restaurant and cafe
- (B) From Small local beverage shop
- (C) From Barber houses
- (D) From Small shop
- (E) Others specify.....

6. Your monthly income is:

- (A) From Br.1000-1500 (B) From Br.2001-3000
(C) From Br.3001_3500 (D) From Br.3501_4000 (E) Above
Br. 4001

7. Do you have awareness about saving?

- (A) Yes (B) NO

8. If your answer in question no_3, is 'yes' from where you get

- (A) From government training (B) From financial institution
(C) from educated person (D) Others.....

9. If your answer in question 1 is strongly agree what amount do you save?

- (A) 40% of monthly income (B) 50% of the income
(C) 25% of the income (D) 10% of the income
(E) If other specify....

10. If your answer in question 1 is agree what amount do you save?

- (A) 10% of income (B) 25% of income
(C) 40% of income (D) 50% of income
(E) 60% of income (F) If others specify.....

11. For what purpose do you save?

- (A) To buy or construct house (B) to pay the liability
(C) To teach the children (D) to self-retire
(E) Others (if any).....

12. Which mechanisms of saving do you use?

- (A) Ikub
- (B) Saving institution
- (C) Giving to trust elders
- (D) giving to trust traders
- (E) Others (if any).....

13. Why you choice this type of saving mechanism?

- (A) Because of personal interest
- (B) Due to interest
- (C) Because of safety
- (D) due to accessibility of the mechanism
- (E) Others specify.....

14. What amount you spend for family consumption purpose from your monthly income?

- (A) All of monthly income
- (B) Half of monthly income
- (C) Below $\frac{3}{4}$ of monthly income
- (D) $\frac{3}{4}$ of monthly income
- (E) $\frac{1}{4}$ of monthly in come

15. Your major expenditures are:

- (A) For food and beverage
- (B) For recreations or entertainment
- (C) For repayment of loans
- (D) to teach the children
- (E) To celebrate holidays
- (F) others (if any).....

16. Your form of saving is:

- (A) In the form of cash
- (B) In the form of inventory
- (C) In the form of jewelry
- (D) If other specify.....