

***DETERMINANTS OF RURAL HOUSEHOLD SAVING: THE CASE
OF KACHABIRA WOREDA KEMBATA TEMBARO ZONE,
SNNPR, ETHIOPIA.***

*A thesis Submitted to the School Graduate Studies of Jimma
University as a Partial Fulfillment of the Award of the Degree of
Masters of Science in Development Economics*

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**JIMMA UNIVERSITY
COLLEGE OF BUSNES AND ECONOMICS
*DEVELOPMENTAL ECONOMICS PROGRAM***

**MAY 24, 2019
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**Determinants of rural household saving: the case of Kachabira
Woreda Kembata Tembaro Zone, SNNPR Ethiopia.**

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CERTIFICATE

This is to certify that the thesis entitles “**Determinants of rural household saving: The case of Kachabira woreda**”, Submitted to Jimma University for the award of the Degree of Master of developmental economics and is a record of Valuable research work carried out by Dr.Leta Sera, under our guidance and supervision.

Therefore, we hereby declare that no part of this thesis has been submitted to any other university or institutions for the award of any degree of diploma.

Main Adviser’s Name

Date

signature

Co-Advisor’s Name

Date

Signature

DECLARATION

I hereby declare that this thesis entitled “**Determinants of rural household saving: The case of Kachabira woreda**”, has been carried out by me under the guidance and supervision of Dr. Leta sare and Mr. Tekelu Tadesse.

The thesis is my original work and that all sources of material used for this thesis have been duly acknowledged. I solemnly declare that this thesis has not been submitted to any other institution, anywhere for the award of degree, diploma or certificate.

Researcher’s Name

Date

Signature

Place: Jimma, Ethiopia

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ACRONYMS/ABRIVATIONS

AIH	Absolute income hypothesis
APC	Average propensity to consumption
CSA	Central Statistical Authority
DF	Degree of freedom
DR	Dependency ratio
e	residuals
EDU	Education
GDP	Gross domestic production
ha	Hectare
HH	Household
IHH	Income level of household
LS	Landholding size
LSZ	Livestock size
MoFED	Minister of finance and economic development
MPC	Marginal propensity to consumption
NGOs	Non-Governmental Organizations
OLS	Ordinary Least Square
OV	Omitted variable
SNNPR	Southern nation nationality people republic
UPC	use of planning for consumption
VIF	variance inflation factors
W	Kendall's coefficient of concordance

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ABSTRACT

Saving is considered as an important variable in the theory of economic growth determining, both personal and national welfare. However, saving in Ethiopia in rural areas is low and little as known empirically about its behavior and factors affecting. This study aims at investigating the determinants and behavior of rural households' saving in Kachabira Woreda Kembata Tembaro Zone. Data of 123 respondents are drawn through the field survey in 2019 by adopting multistage random sampling techniques. Questions are asked directly from head of household about their education level, household size, age, average monthly savings in birr, property, income etc. Sample contains information concerning rural households. Tobit regression model was used for analysis. Tobit regression shows that income, education, and use of planning for consumption status were significant and have a positive influence on the probability of household heads to save. However, people in the old age have a negative influence on probability of household heads to save. This study also supports presence of Life cycle hypothesis. Descriptive statistics percentages and frequency were also employed to designate the forms in which household heads in a Kachabira Woreda save. The effect shows that household heads save in either financial or non-financial forms. Financial form of saving identified includes depositing cash with financial institutions as well as fixed deposits and keeping money at home. The non-financial form identified includes coffee, livestock, ginger, maize and teff, other farmland and houses. Kendall's coefficient of concordance (W) was also used to assess how much agreement among household heads regarding the benefits household heads derive from savings. Eight issues were identified as benefits that household heads in study area derive from savings, among which buy asset, paying of school fees, meet unforeseen emergencies, improving and upgrading homes, interest on savings, accumulation of capital for investment, pay off debt and enjoy at retirement age were their major benefits in order of importance. The result of W designates that there is agreement among household heads regarding the benefits household heads derive from savings. Therefore, it is recommended that the government and other concerned bodies could deliver training for households so as to raise their level, culture and attitude of saving.

Keywords: *model, savings, Tobit*

CHAPTER ONE:

INTRODUCTION

1.0 Overview

This chapter offers an outline of the study. It focuses on the background to the study, the statement of the problem, and the research questions. Furthermore, it outlines the research objectives, its significance of the study, the limitations and scope (delimitations), organization of the study.

1.1. Background of the Study

Household saving is the part of income not spent on current expenditures. It is the difference between household income and consumption. Income is a household's earnings that are earned from all his sources during a year. Sources of income can be payment from Job, business profit, corporate revenue, interest payments, earnings from farm production, crops' earnings etc. Expenditure is the amount of goods and services that is consumed by households during a year. Expenditure includes expenditure on food, clothing, housing, rent, education, utility bills, traveling, ceremonies, health, recreation, or charity etc. According to Hafeez et al. (2011) general saving is a main feature for achieving high growth in the economy. Additional saving rates bring out more investment. This event will finally lead to industrial growth, improvements in the quality of products, use generation, steady prices and finally higher growth.

Household savings play an important part in the economic development and the component of national savings of both developed and developing nations, due to its significant effect on the circular flow of income in the economy (Iyoha et al., 2003, Issahaku, 2011). In the agricultural sector, growth attained will largely depend upon what the farmers do with the periodic additional incomes generated from their farm activities (Akerele and Ambali, 2012). Rural savings could also be intended to address other forms of household expense which include children's education, smoothing consumption during off-seasons and unexpected events such as illness and

other emergencies. This event that rural savings is serious to the welfare and development of the rural people (Ogheneruemu, 2014). Saving is the most important features of economic growth. It constitutes the source for investment, capital formation, growth and development of the country. The highest forms of savings: Construction materials, cereals, and harvest. In overall, this kind of saving accounts for a large part of households saving in rural area (Robinson, 2004 in Abdelkhalek et al., 2009). Development rate of the country is jointly determined by saving rate and incremental capital output rate in the dynamic model of Harrod-Domar.

For persons and households' Savings is the fraction of income not spent on current expenditures but put aside to take care of uncertainties in the future since it a very difficult to determine what will happen in the next second. Money should be saved or invested into liquid asset to be able to pay for unanticipated events or emergencies such as illnesses, accident and natural disaster like flood and many more. Savings play a dynamic role in capital accumulation for investment at both micro and macro level (Sutton and Jenkins, 2007; Jacqueline, 2010 cited in Mumin et al, 2013). Savings have not only been described as an important economic and financial issue but also correspond to a fundamental driving instrument of economic growth and development at large. Basically, at the micro level, savings also serve as a means of mobilizing financial resources as capital to start up new or expand existing businesses.

Saving by individual household is essential for the household themselves. It's a necessary condition to improve or maintain the quality of life of the members of the household. Certain household needs such as more durable consumer goods require comparatively large amount of money which ordinary household can never acquire unless they save over an expanded period of time. This is also true in Ethiopia where the household (HH) saving ratio has decline extremely. It can be taken as for granted that low saving rate is worth among the low income household due to poverty, unemployment, lack of education and information failures. So low income household have limited saving capacity and are mostly not financially well-organized. Even those how are financially efficient may not trust the formal financial institutions because of lack of saving formality (Cronje mark, 2009).

Private savings can be structured by banking system, development of financial institutions and the stock exchange. In private savings, great part of savings is due to large share of household sector. Though there is an improvement in domestic savings rate in Ethiopia, it is still at a low level. The prevailing domestic saving rates do not seem to be adequate with the envisaged huge investment requirements of the country. It is, therefore, imperative that concerted efforts are made to enhance domestic saving (MoFED, 2012). Household saving is usually the largest component of domestic savings in developing countries, like Ethiopia. This contrasts with the much greater importance of corporate saving in developed countries. The potential, willingness, and chance of households to save over time can therefore significantly influence the rate and sustainability of capital buildup and economic growth in developing countries (Bautista and Lamberte, 1990).

Rural household's savings in developing countries particularly in Sub-Saharan Africa remains limited and far behind from other parts of the world. Combine a number of data sources to estimate that only about 20% of households in Sub-Saharan Africa saved their money in formal financial institutions. This is due to high levels of unemployment, low level of income, the engagement of a large proportion of the population in the informal sector and poor performance of the economy (Karim, 2010). In developing countries, economic fluctuations and climate risk lead to important income variations and leave the households susceptible to severe hardship. Moreover, their social coverage is limited and the financial markets are not well urbanized. This, these countries often face saving allocation problems and have difficulty to expand productive investments (Tsega and Yemane, 2014).

According to Dejene (2003), savings in rural Ethiopia is mainly made out of the income from agricultural activities. The saving level in Ethiopia particularly in rural areas is very low and characterized as seasonal and unequal as the cash flow through sale of agricultural produce and accessibility of work is seasonal. These reduce their financial capacity to save or badly respond to incentives that promote savings in the country. According to Rogg (2006) serious problem confronting poor countries including Ethiopia is the savings and investment hole. Because of this hole, these countries find it difficult to finance investments needed for growth from domestic saving. It is also ordinary to see these countries to finance their investment in the short run

partially through domestic government borrowings and/or foreign loan and grants but this would significantly raise the country's debt burden and would not be a result in the long run (Girma et al., 2013). Consequently, the Ethiopian government attentions on the financial sectors to effectively exploit domestic saving potential, it has planned to increase financial sector accessibility in rural areas and diversify services that are provided by financial sectors.

The majority saving researches through still in developing countries in particular in Ethiopia are at macro level. However, a great body of empirical macroeconomic work disregards customer heterogeneity by assuming a representative household agent. According to Touhami et al. (2009), these macroeconomic studies cannot deal with "real-world" features that reflect the diversity of saving behavior. On the other hand, micro econometric analysis allows estimating the importance of economic variables and the role of households features in the saving behavior. Overall, only a few studies have dealt with saving behavior rural household. Present day a government encourages individuals to develop saving practice in the financial institutions, this is reviled by expanding the branches of Commercial Banks, by making incentives to savers, selling bonds and Government starts to pay salary to its employee through banking system. In my best of knowledge, this study is the first attempts to analyze the main determinants of household saving in the case of Kachabira woreda kembata Tembaro zone SNNP, Ethiopia.

1.2. Statement of the Problem

Saving is a very important component responsible for fighting any emergency accumulated by the individuals or the households or any corporate agencies. Household delay current consumption with saving, or future consumption, in response to economic incentive captured by future consumption relative to current consumption, or real interstate. Consumption practice formation and its resistance for change might have an important role in the process. The saving behavior in national economies as well as in local level exhibits inertia and persistence over time (Abu, 2004). One of the area towards which public policies have been directed is improving the private saving rate of the economy. The foundation of the policy is that saving provides the funds for capital formation which, in turn, is essential for economic development (Prinsloo, 2000).

Investment would be finance from current or future saving of a national economy coupled with the imperfect international mobility of capital in general and to developing countries in particular, implies that improving Private saving rate is an important policy target. The saving level in Ethiopia particularly in rural areas is extremely low and little is known empirically about its behavior and determinants. Savings in rural Ethiopia are mainly made out of the income from agricultural activities. It is also characterized as periodic and irregular as the cash flow through sales of agricultural products and availability of work is seasonal. This event decreases their financial position to save (Teshome, Kassa et al., 2013). The serious economic factors that affect saving culture include low interest rate of saving, lack of incentives to savers and high inflation rates prevailing in the country. Most determinant of poor saving practice is an attitude of the societies towards consumption than saving (Aron et al., 2013).

Rural households in Kachabira Woreda Kembata Tembaro Zone coffee producers collect their higher amount of money during the harvesting time when the happy ripe, at one they spend it wastefully. But shortly, the coffee collecting time over most of the households completely empty handed. The behavior of a household in the allocation of economic resources is a serious factor that exerts influence on the growth path of a country. In developing countries, households hoard money. This is due to the fact that these savings are completely liquid so it can be used to face any critical need or investment opportunity. This becomes all the more important since

households' confidence in the banking system is low. Moreover, non-financial saving is important in developing countries (Khaleketal, 2009).

Households in Kembata Tembaro Zone may have different saving behavior. This matter needs to be studied more at micro level. So, that savings in household or micro level was analyzed. The micro-evidence on the state of household savings and entry to credit indicates that, particularly in a rural Ethiopia, savings as cash are hardly a common practice (Alemayehu, Abebe and Daniel, 2006). Considering this problem, it is necessary to study behavior and determinants of household savings of the Kachabira Woreda, Kembata Tambar Zone and suggest some policies at a micro level.

This study is relatively different from some previous studies in that; first, it employed different methodological approach to analyze the determinants rural household saving. Instead of running Ordinary Least Square as used by most researchers, Tobit model was employed. Moreover, it is the only study conducted in our research area, Kachabira Woreda Kembata Tambar Zone, which was help broadening our understanding of factors hindering household saving in Kachabira woreda. This model is selected because saving tends to be censored at a lower limit of zero (Maddala and Lahiri 1992, Grogan-Kaylor, Ruffolo et al. 2008, Gujarati 2009). To explain this model, researchers continue without saving behavior of households. In the Tobit model, my interest is to find out the sum a household keeps on saving in relation to different factors.

There are limited studies so far, done to investigate the determinants of household savings in Ethiopia (Girma et al. 2013, Tsega Hagos and Yeman.M 2014, Abera Abebe 2017). However, this research is the first attempts to investigate determinants rural household's saving in the case of Kachabira Woreda Kembata Tembaro Zone. The aim of researcher is filling the gap on such areas of household saving. As a matter of fact, Kembata Tembaro Zone one of the Southern Nation's Nationality and Peoples Region (SNNPR) has been given little attention in the past by most researchers, because the largest part of this Zone is rural area and remote. Generally, almost no one is/are interested to study saving behavior in woreda of this area for number of years. That is why I have selected Kembata Tembaro Zone as my study area. Therefore, this study is initiated to identify the determinants and behavior of house hold saving in the study area.

Research Question

- What are the factors that are affecting rural household saving in only coffee producers of study area?
- What are the forms in which household heads have a preference to save?
- What are the motivation household heads in Kachabira woreda derive from savings?
- Does the data support Life Cycle Hypothesis?

1.3. Objective of the Study

1.3.1. General objective of the study

The general objective of the study is to identify the determinants and behavior of rural household saving in coffee producers of Kachabira Woreda of Kembata Tembaro Zone.

1.3.2. Specific objectives of the study: -

The Specific objectives of the study are the following:

- To estimate and discuss factors that influence saving behaviour of household heads in Kachabira Woreda.
- To assess the forms in which household heads in Kachabira Woreda have a preference to save.
- To analyze the motives household heads in study area derived from saving.
- To make direct test for the data support of Life Cycle Hypothesis.

1.4. Significance of the Study-

This study can also help to define the factors influencing the saving pattern and to analyze certain constraints in the saving attitude in the rural areas. Therefore, the information to be generated by this research may be helpful to financial institution, policy makers, and other bodies working with saving. The study on pattern of saving behavior in rural areas provides an important indicator for economic development of the country. This study will also serve as reference and guideline materials for researchers in banking, finance and economics. There are not any studies conducted or to the determinants of saving pattern of the rural people of Kachabira Woreda Kembata Tembaro Zone at the micro levels. The other significance of the study can be expected as a base for further studies.

1.5. Limitations of the Study

The first and foremost limitation of the research was that the survey confined only to Kachabira Woreda Kembata Tambar zone, thus conclusion and recommendation drawn for this study does not include another area. Even reluctance of some respondents was another limitation throughout the research study. Lastly, the study was limit in terms of the willingness of the respondents to participate in this study.

1.6. Scope of the study

The studies were conduct in Kachabira Woreda Kembata Tembaro zone, SNNPR region of Ethiopia. Shinshicho town is the capital of Kachabira Woreda and it is located 327km far from Addis Ababa. The total area of the Woreda is 25,944 hectares. For the financial reports of the Sample of rural household and explanatory part of the Research it covers the time span of 2018/19

1.7. Organization of the Research

The study has five chapters. The second chapter were discussing about review of related literature. The third chapter deals about the methodology of the study like Description of the study area, study design, source and method of data collection and method of data analysis. The fourth and fifth chapter deals about analysis, result, discussion and conclusion and recommendation respectively.

CHAPTER TWO:

REVIEW OF RELATED LITERATURE

2.0 Overview

This chapter of the study deals with the findings of other works in relation to the subject matter. It also consists of theories around the topic as well as definitions of relevant concepts. The literature review was organized into four main sub-sections. Sub-section 2.0 consists of overview. Sub-section 2.1 represents theoretical review which further consists of savings, theories of savings, categories of savings, forms of savings and definitions of concepts and variables. Sub-section 2.2 comprises empirical review which was further categorized into empirical evidence with regards to factors that influence the savings behaviour of households, benefits households derived from savings and forms in which households save. Sub-section 2.3 proposed conceptual frameworks.

2.1. Theoretical Literature Review

2.1.1. Definition and concept of savings

From classical economics, Income (y) is the summation of one's consumption (C) and savings (S): $Y = C + S$, therefore $S = Y - C$. Hence, saving is the portion of one's current income that is not consumed, postponed consumption (Deaton, 1992). In today's world, saving is generally the act of putting aside nominal currency for future use. Since cash stored in physical product such as land, car, etc., are less liquid.

Savings requires accumulation of anything of permanent value is also savings. The part of income not consumed is the part that is saved. Thus savings equals income minus consumption (Henderson and Poole, 1991). Samuelson and Samuelson (1980) noted that in the industrial society, savings is generally done by diverse people and for diverse reasons. For instance, these scholars believed that when farmers offer time of draining a field instead of planting and harvesting a crop, they are saving and at the same time investing. They are saving because they are abstaining from doing the things that would entail present consumption in order to provide

for larger consumption in the future – the amount of their savings being calculated by the difference between their net real income and their consumption. Thus savings is mainly done by all groups of people; by persons, families, households, pension funds etc.

Savings can be defined as disposal income less consumption (Issahaku, 2011). Disposable income is the total income of households less taxes paid or sometimes plus government transfers. Transfer payments on the other hand can be explained as payments the government makes to the public for which it receives no current goods or services in return. A theory suggests that there is a straight relationship between disposable income and savings but the savings is lesser proportion of disposable income (Mankiw, 2001 page 500). This implies that when households consume a smaller proportion of disposable income, as disposable income increases then they must be saving a larger proportion.

Savings can also be defined as income not consumed or deferred consumption (Frank and Bernanke, 2001 page 707). Savings can be done in many ways such as putting money aside in a bank or pension plan or reducing expenditure such as recurrent cost in terms of personal finance. Savings specifies low risks reservation of money in deposit accounts, versus investment where risks are higher. There are some disagreements about what counts as savings. For example, the portion of personal income that is spent on mortgage loan refund is not spent on current consumption and is therefore savings by the above definition (Safo-kantank Joseph Osei 2015).

Savings can also be defined to go beyond disposable income less consumption to include acquisition of durable goods (Issahaku, 2011). Examples of durable goods are; furniture, decoration, textile and home accessories, appliances, computer, equipment and accessories, musical instruments, motor bikes, boats and outboard motors, fishing equipment's among others. Savings can be defined beyond disposable income less consumption and durable goods to incorporate investment in human capital (Andrea and Francisco (1997 and 1998). Investment in human capital include; medical products, apparatus and equipment, professional health services, hospital care, health insurance, encyclopedia and dictionaries, school enrollment and so forth. Savings in other dimension can be defined as deposits in savings accounts which are done with banks, microfinance institutions (Safo-kantank Joseph Osei 2015)

With regards to this definition, savings is considered as increase in one's assets, an increase in the net worth which is usually deposited in savings account. Within individual finance, the act of saving corresponds to nominal protection of money for future use. A deposit account that pay interest is typically used to hold money for future need, which is an emergency fund to make capital purchase or to give someone else. In primitive agricultural economy, saving can be viewed as holding back the best of the crop harvest as seed crops for the next planting season. If the whole crops are consumed, the economy will worsen to hunting and gathering in the next season However, it must be emphasized that the study focus on deposit in savings account specifically financial savings held by banks, micro finance institutions and other saving. (Safokantank Joseph Osei 2015)

2.1.2. Household savings theory

There are several hypotheses of saving that are indirect from consumption theories (hypothesis) as the amount of income not consumed is saved. These include the Keynesian Absolute Income Hypothesis, the Duesenberry's Relative Income Hypothesis, Friedman's Permanent Income Hypothesis, and Modigliani Life Cycle Hypothesis. These hypotheses are discussed very briefly as part of theoretical literature. (Bogale yadeta et al., 2017)

The Keynesian absolute income hypothesis emphasizes that individuals save out of their current income to level the expected consumption over time. The result of the precautionary savings is realized through its influence on current consumption, as individuals suspend their current consumption in order to maintain the utility level of consumption in the future if income drops (Njung'e, 2013). Thus saving is only possible if someone has more than enough to meet the basic needs and can only save what is left after paying for such basic needs (Otto, 2009, as cited in Michael, 2013).

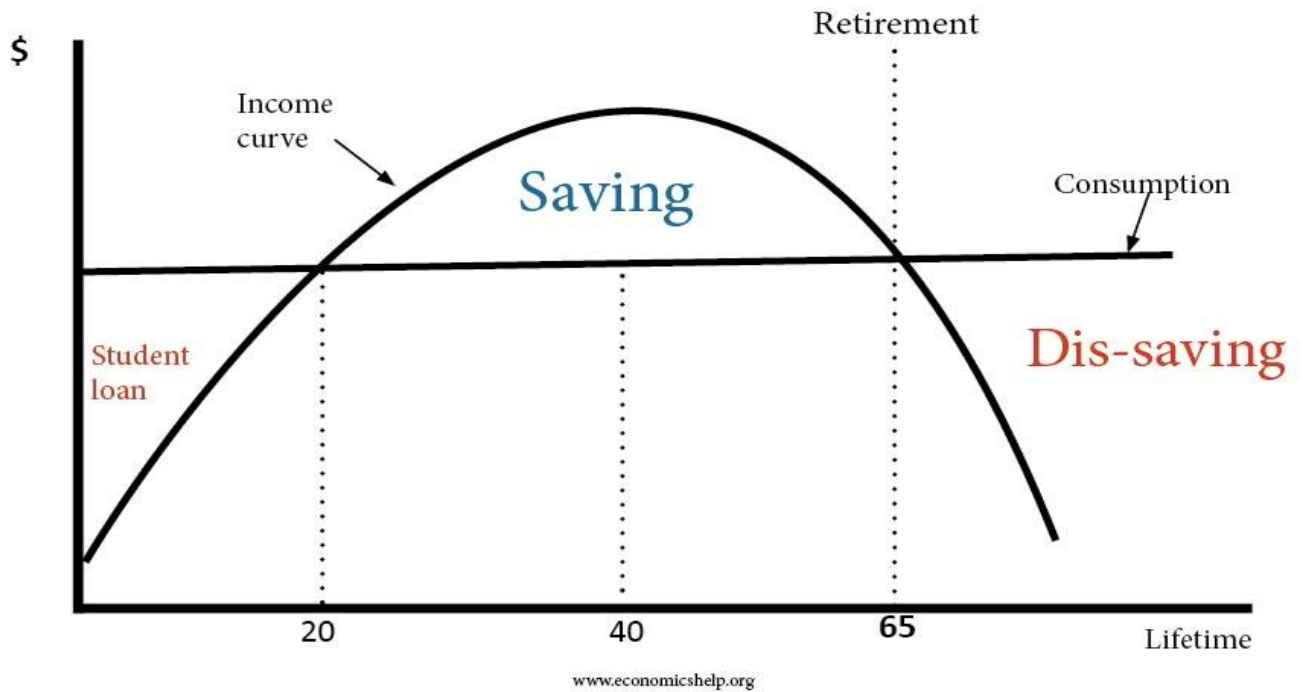
According to relative income hypothesis of Duesenberry larger growth rates lead to higher saving rates, which is inconsistent with the lifecycle or permanent-income theory, since the lifetime resources of an individual increases as growth rate increases (Nayak, 2013). The permanent income hypothesis on the other hand states that people will spend money at a level steady with their predictable long term average income. A household will save only if his or her present income is higher than the expected level of permanent income, in order to guard against

future failures in income. According to this hypothesis, income growth is one of the main determinants of domestic saving through its effect on the lifetime income of working population. This is because, higher rate of income growth raises the aggregate income of active workers relative to those not earning labor incomes and this will raise the lifetime resources of workers on which consumption and saving depends (Nayak,2013).

Finally, Franco Modigliani and Richard Brumberg's life-cycle hypothesis presume that individuals base consumption on a constant percentage of their anticipated life income. With population growth, there are more young people than old, more people are saving than are dissaving, so that the total dissaving of the old will be less than the entire saving of the young, and there will be net positive saving. If incomes are growing, the young will be saving on a larger scale than the old are dissaving so that economic growth, like population growth, causes positive saving, and the faster the growth, the higher the saving rate (Nayak, 2013).

The life-cycle theory assumes that households plan their consumption and savings attitudes over the course of their lifetime. Thus individuals even-out their consumption patterns over their lifetime, by accumulating savings during working age and then dis-saves when retired. The key assumption is, all individuals choose to maintain stable lifestyles (Deaton, 2005; Artus, 2002).

The life cycle hypothesis identifies growth in per capita income as one of the important determinants of saving rates, because people are forward looking and base their savings decisions on lifetime income. But in reality the current level of income also plays a significant role in explaining saving behavior (Ahmad and Hussein, 2010). An individual even out his consumption over his lifetime So that more saving are incurred in his younger year to maintain his consumption Standard upon retirement. Therefore, saving decrease as the individual ages (see Figure I)



Source: Developed for the research

The above life cycle hypothesis figure is improved from the life cycle hypothesis developed by *Jocelyn A/ma A. Rodriguez and Richard L. Meyer (1988)*

Figure 1: The life-cycle hypothesis of consumption

2.1.3. Categories of savings

Can be viewed from two broad categories these are private savings and public savings. Private saving is done by the personal sector of the economy. Private saving is additional divided into two Personal savings or household savings and Business saving. Household savings refer to saving done by families and individuals, whereas business savings refers to the purchases of new capital equipment's or the expansion of its operations. Public saving on the other hand, is the saving done by the government sector including state and local government as well as federal government. However, it must be noted that the research focus on household saving at Kachabira worda which is savings done by families and individuals specifically household heads.

2.1.4. Forms of Savings

Saving in broad sense consists of two forms; financial and non- financial forms of savings. Financial forms of savings include; deposit accounts, fixed deposit and keeping money at home, treasury bills, bonds and other securities. Non- financial forms of savings on the other hand also include non-financial assets such as; coffee, farmland, fruit and vegetable, livestock, crops, houses, and other consumer durables. For this research the stress is on financial forms of savings especially deposit in savings account. (Safo kantanka joseph Osei 2015)

2.1.5. Theoretical determinants of household savings

Review of relevant literature points out that, determinants for household savings can be analyzed from microeconomic viewpoint. At the micro level, individual saving and consumption attitudes, particularly households, have a particular significance for financial stability of the economy. Poor savings attitudes induce financial imbalance as the functions of financial intermediation becomes difficult to realize (Modigliani & Brumberg, 1954; Nwachukwu & Odigie, 2011). Since this study focuses its attention to household level analysis, household factors that therefore affect household savings decisions are discussed. These household variables are generally classified into economic and demographic factors as follows.

Household economic factors

At the household level, economic factors that are usually considered are incomes of individuals/households.

Income: -

Income has been considered the greatest important factor in the determination of the saving behavior of an individual. More income means, generally, more saving and vice versa. Two popular theories that show the relationship between income and household savings are the idea of absolute income hypothesis versus the relative income hypothesis. Absolute income hypothesis (AIH) is from Keynes (1936) “fundamental psychological law” of consumption, which explains that, as one’s income increases, consumption increases but by a smaller amount. This marginal consumption (MPC) out of increased income is between zero and one. Hence MPC and APC falls as income rises. Keynes implied that, the rich saves a higher fraction of their income than the non-rich.

Relative income hypothesis (RIH) by Duesenberry (1949) says that individual's makes their consumption and hence saving chooses not based on the absolute level of their income, but on the relative position of their incomes in relation to the society they live in. Hence, one's consumption is inter-dependent on others in that society. This implies that, rich individuals' exhibition low APC's since less portion of their income is needed to maintain their consumption behaviour. Non-rich individuals on the contrary will exhibit high APC so as to keep up with societal consumption standards. These two concepts generally decide to the fact that; income has a positive impact on savings

Demographic factors

Demographic factors such as gender, educational status, etc., have shown significant important influence on one's savings (Lopez-Mejia et al, 1998; Ayadi et al., 2009). Household demographic factors that serve as household savings determinants are therefore discussed.

a) Household size:

The size of the household/family is also an important determinant of the saving behaviour of the rural households. Large family size is very prominent in the rural areas. Household size is another way of evaluating number of dependents in a family. The introduction of the household size effects in the life-cycle model are theorized that that larger family size impacts on household savings negatively (Davies, 1981; Orbeta Jr., 2006). The **huge** family size leads to low savings as because of the maximum part of the income is spent on the consumption of the family. Lesser family size leads to more inclination of the family members towards savings (Subhashree Nayak, 2013).

b) Age

From the theory of life-cycle model suggests that there exists a relationship between age and savings, called the age-savings profile. As individuals grow, they save for future consumption, and after retirement they dis-save. Age, has a positive impact on savings, but as savings rise with age, it reach a top, and then decreases. This implies a non-linear relationship with age and savings in. Most studies access this relationship by adding the square of age, as an additional variable.

c) Dependency Ratio:

The dependency ratio is defined in the literature as the percentage of the population aged 14 and below plus the percentage of the population aged 65 and above alive in a household, as these

groups enhances to household consumption but contributes nothing towards production. Dependency ratio is another form of household size. The dependency ratio, for example, defined here as the ratio of the number of dependents over the total number of household members is expected to have a negative impact on saving. Higher ratios indicate more consumption expenditures and therefore, lesser Savings.

d) Sex

Gender has an influence on the willingness to save, but as to which sex type save more than the other is country, regional and society specific. Thus, there is no unanimous in the direction of impact from gender on savings.

e) Marital status:

Theoretically, when individuals are married, they care more about their wealth and savings. Thus, it is expected to find a person who is married to save more than one who is not married. But the interaction of marital status by other variables can show stimulating expectations. For instance, among the married, one may expect married male to save more than married females. On the contrary, married males may save less since they are the bread winners of the households in traditional perspectives, thus taking on the responsibilities of other household members. Thus being a married male implies having a female companion who may also be a dependent, as well as children. Thus increasing one's dependents resulting in less savings as opposed to the single male.

f) Educational status:

The variable educational status is included to estimate the impact of one's educational status of household. Illiterates are expected to save fewer than literates, since they are less informed on formal savings. But this does not necessarily mean that, advanced levels of education must necessarily result to more savings. Each person at each level of education has selections and community standards of living, etc., that may influence one differently from the other. To capture effect of education, we have used finished years of education of household head in our study. Education is key determinant of higher earnings and savings as well. It can have positive effect on household savings. But on the other side, educated parents pay more care on the quality of education of their children. They spend more on their education and save less.

2.2. Empirical review of related Literature

2.2.1 Factors that affect the savings behaviour of households

Some empirical studies used OLS to analyze the determinants of household saving (Abera Abebe, 2017 and Gedela, 2012). However, multiple regressions has its own drawbacks; The use of OLS models in the case of censored sample data sets make OLS estimates biased and inefficient, thus violating the basic tenets of Best Linear Unbiased Estimator (BLUE) conditions. However, OLS estimates become biased and inefficient depending on the number of zeros in relation to the number of observations in the data set. The greater is the number of zeros in relation to the total number of observations, the greater is the instability of the OLS estimates and vice versa.

The use of a Tobit model is recommended on theoretical grounds in preference to OLS models for data sets with censored samples (Gujarati, 1995). To investigate the determinants of households' savings the researcher intended to employ Tobit model. In order to estimate the effect of main determinants of household saving and to identify the factors that results in low rate of saving the following model is developed. The dependent variable in this study is household saving. Household saving takes the values zero for the extensive part of the population and positive continuous values for the rest of the population. Thus, complete regression model, that is, Tobit model is appropriate for such types of dependent variables.

Mark, et al (1999), studied into determinants of household savings in Australia. They used probit model to analyze the effects of various factors that influence household savings behaviour. The empirical results they arrived at were that, gender has significant impact on household savings. They stated specifically that male has positive important impact on savings thus males save more than women and the vice versa. However, income level, age and household asset were found to have positive significant effect on savings. Household size was also found to have negative significant effect on savings. Lawrence, et al (2009), employs multiple linear regressions in analyzing determinants of household savings in rural areas of Kenya. The findings were that education and income have positive significant impact on savings whereas household sizes were originating to have negative impact on savings. Also, further results show that gender has significant influence on savings.

According to Redman et al. (2010) investigated the determinants of households saving in Multan district of Pakistan. Data of 293 respondents were drawn through field survey in 2009 - 2010 by adopt stratified random sampling technique. Questions were asked straight from head of household about their education level, family status, age, region of residence, assets, income etc. Sample covers information about rural and urban households. To observe households saving behaviour in Pakistan especially in Multan district, they have expert Multivariate regression model. The study analyzed the determinants of household savings based on data collected from Multan district through stratified random sampling technique in 2009- 2010. They have found that their study reinforced life cycle hypothesis. Age has positive connection and square of age is adversely related to household savings. Haruna (2011) employed multiple linear regression analysis in determining the influence of various factors on savings behaviour. He found out that income level, educational status, assets of household heads and ages have positive significant impact on household savings behaviour. However, household size turns to have negative significant impact on household savings.

Gedela (2012) studied the determinants of the saving behavior of the tribal and rural households in the district of Visakhapatnam. The data of 120 sample households has been collected from both tribal and rural households by using interview schedule. This study has been used the Multiple Regression Model and Logistic Regression Model for finding out the determinants of saving behavior of households situated in tribal and rural areas. The results lastly revealed that the age of the head of the household, sex, dependency ratio, income and medical expenditure are significantly influencing the saving behavior in the entire study area. In the tribal area, dependency ratio and medical expenditure has severely affected of household savings. Income is the most vital factor of the saving behavior in the entire study.

Girma et al. (2013) applied single equation Tobit model on household survey data to analyses determinants of household saving in Ethiopia. Their finding indicated that education of household head, land holding size and annual income of the household affected household saving significant and positively and significant. The result further added that households mainly use the informal saving institutions as the result of which their savings is hardly traced in the national accounting system.

(Tsega Hagos and Yemane Michael, 2014), Using Tobit Model to analyze major determinants of household savings in North Gonder Zone, Amhara Regional State, Ethiopia. The finding shows

that income, age, Education status, forms of institutions used for saving and frequency of getting money are positively and significant determinants of household savings in the study area. This shows an increase in one of these variables led to increase to rural household saving. (Safokantanka Joseph Osei 2015), using Logistic regression model to study the savings behaviour of household heads in rural societies, a case study of Shama district. The result of the logit regression shows that income, education, and access to financial institutions were significant and had a positive influence on the probability of household heads to save.

Wogene markos (2015), used cross sectional survey data and applied multiple regression analysis technique to analysis the determinants of rural households' saving in Dale district. The finding shows that Age has positive relationship and square of age is negatively related to household savings and the study supports life cycle hypothesis. Education of household head, Number of livestock, size of land holdings, sex and marital status of household head are significantly and inversely affecting household savings. Total income of household, family size and Occupation has significant direct relationship with household savings.

According to (Halefom Yigzaw Nigus 2015), Using Tobit model to investigate the main determinants of household saving in Gedeo zone. The findings of the study show that higher income households save more than those of lower income. Income was establish to determine saving positively and significantly. In this study, it is found that households in the early age and old age save less than households found in the middle age. Educational levels of households positively and significantly affect households saving in Gedeo zone. As level of education increases households would be conscious of the merit of saving as a result, household saving increase. The study reveal that uneducated households negatively and significantly determine saving. Household heads with secondary and tertiary school positively and significantly affect saving. Gender of the household head is an additional important determinant of saving. The family size also determines saving negatively and significantly. That is, households with big family size save less than households with small family size.

Yonas Abera (2016), using quantitative probit and tobit econometric regression models methods were used for the analyses. Findings show that marriage, use of planning for consumption, higher income earning, and responsibility to help others, and age of individuals can significantly and positively affect the rate of individuals saving. This implies people specially the youth should be encouraged to improve their sense of responsibility (which is reflected by marriage,

use of planning and taking care of others) along with improving their means of earnings. Analysis on performance of formal and informal financial institutions indicates that only less than one third of the employees of the city use banks for deposit and there are serious complaints on the services delivered by the banks. Thus, much is expected from the banks and concerned stakeholders to enhance the use of banks by the people through improvement of quality of their services. The study revealed that huge amount of money exists under informal institutions like “Idirs” which could be converted into investment and capital formation although only small percentage of this potential capital is invested on business activities to date.

According to (BogaleYadetaLidi et al., 2017) investigate the factors that affect saving behavior of rural households in Benishangul Gumuz Regional State, Using descriptive statistics and double hurdle model. The result of double hurdle model providing a positive significant effect of age, income and level of education of the head on a decision of households to save; whereas household size, distance to formal financial institutions and employment status have negative influences on household’s decision to save. With regards to the degree of saving; income of household head, level of education, landholding size and involvement in petty trade has a positive significant influence on amount of saving; whereas household size, employment status and remoteness to formal financial institutions significantly reduced the extent of saving by households.

Abera Abebe (2017), using both descriptive and inferential analysis. The result of the study shows there are various factor that affect rural household saving approach in study area; Such as land size of household, income level of household, marital status of household, education level of household, occupation of household, habit of drinking alcohol and some other were found to have positively and significant influence on the amount of household saving the result of this study shows that rural household saves low amount of their income due to the above influences.

A study conducted by (Temam Gebu Duressa and Feleke Solomon Ejara 2018), Using simple descriptive statistics and Tobit model to investigate factors that determine rural households saving in Ethiopia in reference to Wolaita and Dawro Zones. The study result shows that gender, age, household’s family size and access to financial institution in kilometers was negatively associated with household saving. This indicated that as one of these variables increases households saving decreases. Households’ income, total land size and education level of

respondents were positively associated with rural household saving. This shows an increment in one of these variables led to increment to rural household saving.

The empirical literature review revealed that there are different factors that affect household savings. Most of these empirical studies focus on aggregate national savings using macro data. Besides, there is no study conducted on microeconomic level on the determinants of household saving in kachabira woreda kemebata temebaro zone, SNNP, Ethiopia and limited studies are found in the country. Therefore, this paper attempted objectively to identify major micro level determinants of savings at household level focusing on the effects of the socio-economic characteristics of the households on saving behaviors and their view on income, expenditure and credit institutions. The study is also intended to contribute to the existing research gap through a better exploration of its determinants.

2.2.2 Forms in which households save

Haruna (2011), use descriptive statistics to designate the forms in which households' save. He found out that households save in two main forms, thus financial and non-financial forms of savings. Financial forms include savings with depository banks whereas non-financial forms include farmlands, houses, livestock etc.

2.2.3 Benefits household's heads derived from savings.

Haruna (2011), studied into determinants of household saving and investment in Nadowli in the Upper West region of Ghana. He found out that households save due to the following reasons; to manage with unforeseen emergencies, to purchase some assets, pay for random expenses, allow for future consumption, accumulate enough funds for investment, to make provisions for retirement, employ teaming unemployed youth, to gain higher returns and for luxury.

Mark, et al (1999), investigated into determinants of household savings in Australia. They found the main benefits derived from savings by households to be; delivery for retirement, holiday, to buy, advance and upgrade homes, pay- off debt, education, purchase durables, and bequest motives. Annmaria (2000), in ahead insights into household savings behaviour and in explaining the differences in patterns of accumulation in United States of America found the following benefits of household savings; annuity and social security, accumulate capital, past economic conditions, expectations about the future and preferences.

2.3. Proposed Conceptual Framework

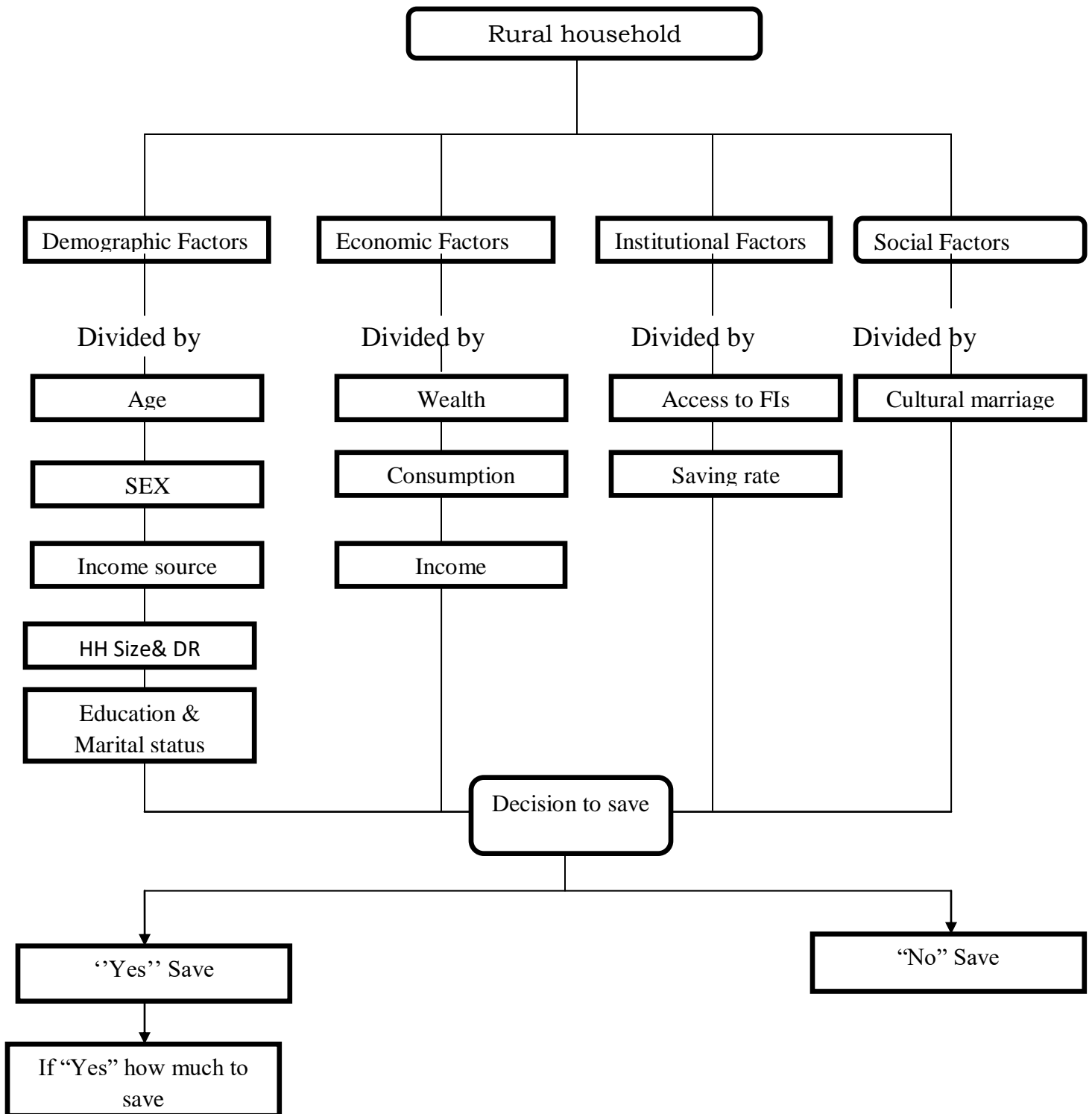


Figure 2: Proposed Conceptual Frameworks

Source: Andrew Tandoh 2016 & improved

CHAPTER THREE

RESEARCH DESIGN AND METHODOLOGY

3.0 Overview

Methodology refers to a system of principles or set of rules from which specific methods and procedures may be derived to interpret or solve diverse problems within the scope of a particular field. Chapter three outlines the research procedures used to obtain relevant data or information on the savings behaviour of household heads in kachabira woreda. This chapter basically talks about the methods of gathering information relevant to the study thus the household, sampling procedures and techniques, data collection and tools used in analyzing the data. It was organized into six sections. Section 3.0 consists of overview, Section 3.1 Description of the study, Section 3.2 Research design, Section 3.3 Source of data and method of data collection, Section 3.4 Sample size and sampling procedures, Section 3.5 Method of data processing and analysis. Finally, section 3.6 model specification..

3.1. Description of the Study Area

The geographical coverage of this study is confined to the Kachabira woreda is located in Kambata Tembaro Zone, SNNPR and it is located in the southwestern part of the zone restricted with Angacha woreda in the north, Kedida-gamela woreda in the east, Hadiya zone in southeast and southwest with Wolayita zone in the south west. The woreda capital is found 327 Kms away from the country capital Addis Ababa and 117 km away from the regional capital, Hawassa. The Woreda with a land area of 25,944 hectares is further divided into 20 rural kebeles and 2 semi-urban kebele (CSA, 2005). The woreda has varied topographic features such as flat, gentle, sloping plains and undulating to rolling plains with a great of low to moderate relief hills. The altitude of the woreda varies from 1600-2600 meter above sea level. Crop which grow in Kachabira woreda include maize, teff, wheat, barley, fruits and vegetables. The major types of food crops grown in woinadega are maize, haricot bean, coffee, enset, ginger, sweet potato, taro, banana, teff, pepper, and fruits. In addition, in dega wheat, barley, enset, beans and potato are

grown. The major income sources for households in the woreda are coffee and ginger (CSA, 2005).

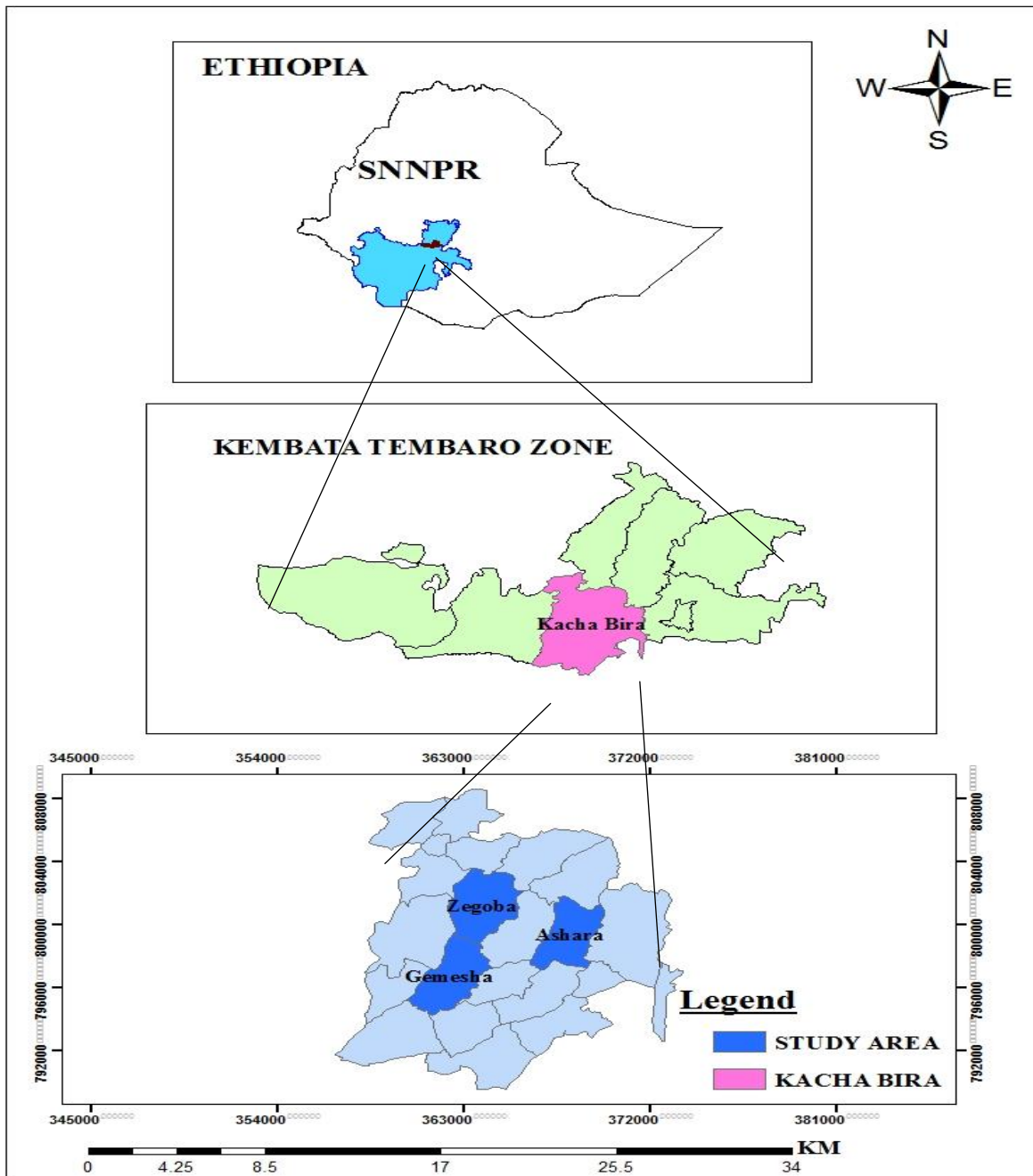


Figure 3: Map of the study area

Source: Getachew Tadesse et al.,2017

The above Map of the study area is improved from the Map developed Getachew Tadesse et al.,2017)

3.2. Research Design

A cross sectional based studies were employed to evaluate factors affecting the rural household saving in Kachabira Woreda. This method was preferred because a researcher is can collect data at one point in a time to answer questions relating to the current status of the subject of study. The study was carrying out using both qualitative and quantitative approaches. Quantitative approach was use to obtain numerical data whereas qualitative approach was used to carry out thematic discourse analysis, to make deeper understanding, and description of the problem under study and to present a detail view of the study.

3.3. Source of data and Method of data Collection.

The sources of the data for the research were both primary and secondary sources. Primary data was collected straight from household head by using face-to-face interview and questionnaire. Whereas secondary data were conduct from different sources like published and unpublished documents, research reports, magazine, journals etc., about, the saving behavior and factors affecting the rural household. The questionnaire and interview schedule was design also prepares to distribute to the respondents in order to gather the essential and appropriate information to undertake the study.

Questionnaire was used to determine information from literate household heads specifically open ended and close ended questions were used. This occasion was to ensure moderately high measurement validity. A questionnaire is a document containing questions and other type of items designed to ask appropriate information for analysis. Open ended questions were used because some questions demanded from the respondents, were to express their opinion. Closed ended questions were also used because some questions require specific response. The questionnaire was designed to encompass four main sections; profile of the household heads, factors that influence saving behavior of households and forms in which households save.

Face- to- face interview was also used to ascertain information from illiterate household heads. Interview guide was designed as a guide to speed up interview process. Face to face interview is a social interaction between an interviewer and interviewee, where interviewer possesses questions and records the answers given by the interviewee. This event instrument has the tendency of providing in-depth information on the topic. It also allows the probing and posing of

follow up questions by the interviewer. Face- to -face interview ensures guessing high response rate which are often attainable.

3.4. Sample Size and Sampling Procedures

The multi-stage sampling techniques were used to select the sample because the population was geographically dispersed. First stage Kachabira Woreda was selected purposely based on the volume of coffee production and availability. In the second stage, out of 22 kebeles in the woreda 3 kebele (Gemsha, Ashara and Zogoba) were purposefully selected based on high volume of coffee production, accessibility than other kebeles and discussion with extension officers of the kebeles. At final stage, from the each identified kebele actual sampled respondents was selected. The number of household living in these selected kebeles (Gemsha, Ashara and Zogoba) is about 17,620.

Kebeles	Households		
	Male	Female	Total
Gemsha,	4000	1840	5840
Ashara	5000	874	5874
Zogoba	4600	1306	5906
Total	13600	4020	17,620

The following formula was used in the determination of sample size by, Yamane's formula (Yamane, 1967)

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

Where

n = the sample size needed

N = is the household size of the study area (three kebeles) 17,620

e = is the desired level of precision (in this case, e= 9%),

Then, the sample size (n) are calculated as follows

$$n = \frac{N}{1+N(e)^2} n = \frac{17,620}{1+17,620(0.09)^2} = 123$$

Therefore, 123 households were select for this study from three Kebeles. A random samples of 41 householders finally selected from each of the three kebeles. Since these three kebeles has approximately equal size of households which is about 5,840, 5,874 and 5,906 respectively. Since the sampling procedure was random, the samples adequately represent the targeted populations in the area of study.

3.5. Method of Data Processing and Analysis

The study employed both descriptive and econometric method of data analysis. In order to analyze the raw data and to plainly see the relationship between the dependent variable and independent variables this study used the so called STATA software package. Simple descriptive statistics such as percentage, frequency and other distribution presented or table were employed to summarize the collected data. Qualitative data were analyzed by transcribing informants' ideas and views through narrative and descriptive approaches, and helps to capture the aspects of the research that could not be done through the quantitative method and useful to relate research findings to the data derived from the literature reviews.

3.5.1 Forms household heads save

The aim of the objective is to find the different forms of savings available to household heads. Percentages were used in the analysis; frequency distribution figure was used in presentation.

3.5.2 Benefits household heads derive from savings.

This objective intends to identify the benefits' household heads derive from savings. Hence, this event was done by using Kendall's coefficient of concordance (W) to establish whether there is an agreement or disagreement among household heads regarding benefits' household heads derive from savings. With this, benefits were ranked from the most preferred to the least preferred, where benefit with the least total rank score is most preferred and the one with the highest total rank score is the least preferred. The range of (W) cannot exceed one (1) and cannot be lower than zero (0). One (1) means a perfect agreement and zero (0) means a perfect disagreement.

In this regard, there was the need for testing hypothesis to establish the significance of the (W). The hypothesis was;

H₀ = There is no agreement among household heads regarding benefits they derive from savings.

H₁ = There is agreement among household heads regarding benefits they derive from savings.

The F-test was used to test the significance of the value (**W**). With this, the F-calculated is compared with the F-critical and a decision is made.

For F-calculated and F-critical: $F_{cl} = \frac{(m-1)W}{1-W}$ and $F_{cri} = \frac{\text{numeratorDF}}{\text{denominatorDF}}$

Where numerator $DF = (n - 2) - \frac{2}{m}$ and the denominator $DF = m - 1\{\frac{(n-1)-2}{m}\}$

Or the chi,

Where; $W = \frac{12 \sum T^2 - (\sum T)^2 / n}{nm^2 (n^2 - 1)}$ and T is the sum of ranks for each item being ranked, where **m** number of rankings (participants) and **n** number of issues being ranked.

3.6. Model specification

The Tobit model that the research employed is censored from below or is left- censoring. The form of the Tobit model following Verbeek (2000) is: -

$$S_i^* = X_i\beta + \mu_i \dots \dots \dots (3.1) \quad i = 1,2,3,4,5 \dots \dots \dots n$$

$$S_i = 0 \quad \text{If } S_i^* = X_i\beta + \mu_i = 0 \text{ or } S_i^* = 0$$

$$S_i = x_i\beta + \mu_i \text{ If } S_i^* = X_i\beta + \mu_i > 0 \text{ or } S_i^* > 0$$

Where: - S_i = is saving of the *i*th household head which is observable

S_i^{*} = is the latent variable or which is not observable

$\beta_i X$ = is the independent or explanatory variables

μ_i = is the error term

Where, $\mu_i \sim N(0, \sigma^2)$

$$X_1\beta = \alpha + \beta_1X_1 + \beta_2X_2 + \beta_3X_3 + \dots\beta_K + XK\dots\dots\dots (3.2)$$

The dependent variable in this model is S_i = the household saving, calculated as, household disposable income (net household income, in the case of rural households) minus total household consumption.

$$S_i = f(HHI_i, AG_i, SEX_i, EDU_i, FSI_i, LSI_i, LSZ_i, RUPC_i, DRI_i \dots\dots\dots 9$$

$$S_i = \alpha + \beta_1HHI + \beta_2AG_1 + \beta_3AG_2 + \beta_4AG_3 + \beta_5SEX + \beta_6EDU + \beta_7HHS + \beta_8LS + \beta_9LSZ + \beta_{10}UPC + \beta_{11}DR + \mu_i$$

Where, α is a constant term, μ_i is the error term and variance σ^2

Table 1: Descriptions and hypothesis of variables in the model

Name of the variable	Code	Type of the Variable	Description	Expected relationship with the dependent variable
Probability to save/Percentage of average monthly saving (Dependent Variable)	S_i	Continuous (but censored)	This variable has feature of being categorical (in the sense of 0 rate of saving) and continuous (in terms of level of rate of saving)	
Income level of households	IHH	Continuous	The annual/yearly income of i^{th} household heads inkachabira woreda.	+ve
Age1	AG1	Categorical	1, if the household head age is between 18-24 years 0, otherwise	+ve
Age2	AG2	>>	2, if the household head age is between 25-65 years 0, otherwise	+ve
Age3	AG3	>>	3, if the household age is >65 years 0, otherwise	-ve
Sex	SEX	Dummy	0 for female and 1 for male	-ve
Education	EDU	Continuous	The educational level of i^{th} household heads inkachabira woreda	+ve
Household Size	HS	Continuous	Household size of i^{th} household head	-ve
Livestock size	LSZ	Continuous	livestock size of i^{th} household head	+ve
Landholding Size	LS	Continuous	land hold size in terms of hectare of i^{th} household head	+ve
Use of planning for consumption	UPC	Dummy	1 for who use planning and 0 for who do not use planning for consumption	+ve
Dependency ratio	DR	Continuous	number of dependent within the i^{th} of household head	-ve

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CHAPTER FOUR:

ANALYSIS, RESULTS AND DISCUSSIONS

4.0 Overview

This chapter focuses on the research findings and analysis of data from field survey. The data analysis and presentation was organized into four main sections. Section 4.0 consists of overview. Section 4.1 consists of socio demographic characteristics of the household heads (respondents). Section 4.2 consists of analysis of the various forms in which household heads. Section 4.3 represents analysis of motives household heads derive from savings. Finally, Section 4.4 consists of Econometrics analysis result.

4.1 Socio-demographic characteristics of the household heads

4.1.1 Descriptions of the characteristics of household head socio-economic variables

This segment gives a brief discussion of the socioeconomic characteristics of the respondents used for the study that are the household heads of Kachabira Woreda. The Table 3 explains Mean, Standard deviation, minimum and maximum of data series. Table interprets that average Age of household (AG) is 38.22 years, average completed years of Education (EDU) is 2.53 years, average household size in number of people was 5.90 average, average Size of land holdings (LH) is 1 hectares, average number of livestock own (SZL) are 4.21, average households saving (ASv) are 925.29 per month and average dependency ratio per household (DR) is reasonably high 3.05. Minimum values of age, education, household size, and total income of household, land holding in hectare, size of livestock ownership, savings, and dependency ratio are 23, 0, 2, 500, 0.125, 1, 800 and 0 respectively. Maximum values of age, education, family size, and total income of household, land holding in hectare, size of livestock ownership, savings and dependency ratio are 66, 13, 13, 20,000, 2, 10, 2,600 and 8 respectively.

Table 2: Descriptive Statistics of household socio-economic variables (N=123)

Variable	Obs	Mean	Std. Dev.	Min	Max
Saving Income	123	925.2846	679.7193	0	2,600
	123	8037.805	4931.354	500	20,000
Age	123	38.21951	10.18802	23	66
Education	123	2.53	3.36	0	13
Household size	123	5.902439	3.014758	2	13
land size	123	1.00	.6402836	0.125	2
DR	123	3.056911	2.207665	0	8
livestock no	123	4.211382	2.33738	1	10

Field Survey 2019**4.1.2. The sex and age of the household heads**

From the age-sex distribution below, the analysis reveals that, most respondents were males (78.86%) with female (21.14%) forming the smallest. Further analysis indicates that, most of the respondents (73.98%) were in the (25-64) age groups while the minority of the respondents (5.69%) was in the age 65& above groups. Sex of household head is also considered as an important variable to determine saving behavior of a household.

Table 3: Sex and age characteristic of respondents.

Item	Category	Frequency	Percent	Average saving(birr)
Sex	Male	97	78.86	3,813.34
	Female	26	21.14	2,773.08
Age	Age(18-24)	25	20.33	1,081.92
	Age (25-64)	91	73.98	4,530.70

65&above	7	5.69	1,885.71
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Source: Field Survey 2019

Sex of the household is an important factor that determines household saving. Accordingly, totaling 123 respondents were enrolled in the study, of 78.86 % (97) respondents were males while 21.14% (26) respondents were females. The analyzed data revealed that male household head save more portions of their disposable income than women do with average saving of Birr 3,813.34. In this study, it is found that, household heads who are in the middle age (25-64) save more than household heads that are in the early age and old age. The mean saving of middle age, early and old age household heads is about Birr 4,530.70, 1,081.92 and 1,885.71 per annual respectively.

4.1.3 Educational background of respondents

Table 5; show that, most of the household heads had primary education representing 48.78%. Also, 31.71% of the respondents had no education. However, 1.63% of household heads had Certificate & above education forming the least. Even though household heads were not highly educated, they appeared to have understanding on savings. Education enables them to have a detailed knowledge on the need to save. To capture the effect of education, we have used completed years of education of household head in our study. Education is the main determinant of higher earnings and savings as well. It can have a positive influence on household savings

Table 4: Educational background of respondents

Item	Category	Frequency	Percent	Average saving(birr)
Education	No education	39	31.71	350.62
	Primary	60	48.78	1087.27
	Secondary	22	17.89	1438.75
	Certificate & above	2	1.63	1975

Own Survey, 2019

A further important determinant of household saving is educational level of household heads. This matter is because, as the level of education increase the consciousness of households

concerning saving also increase. Table 5 showed that mean saving of households with Certificate & above educational level on average save more than households with no or lower educational level. The mean saving of uneducated household heads is Birr 350.62 whereas household heads with primary education, secondary education and Certificate & above on average saves Birr 1087.27, Birr 1438.75 and 1975 per monthly respectively.

. 4.1.4. Marital Status

Marital Status of household head is also an important factor that effect on household savings.

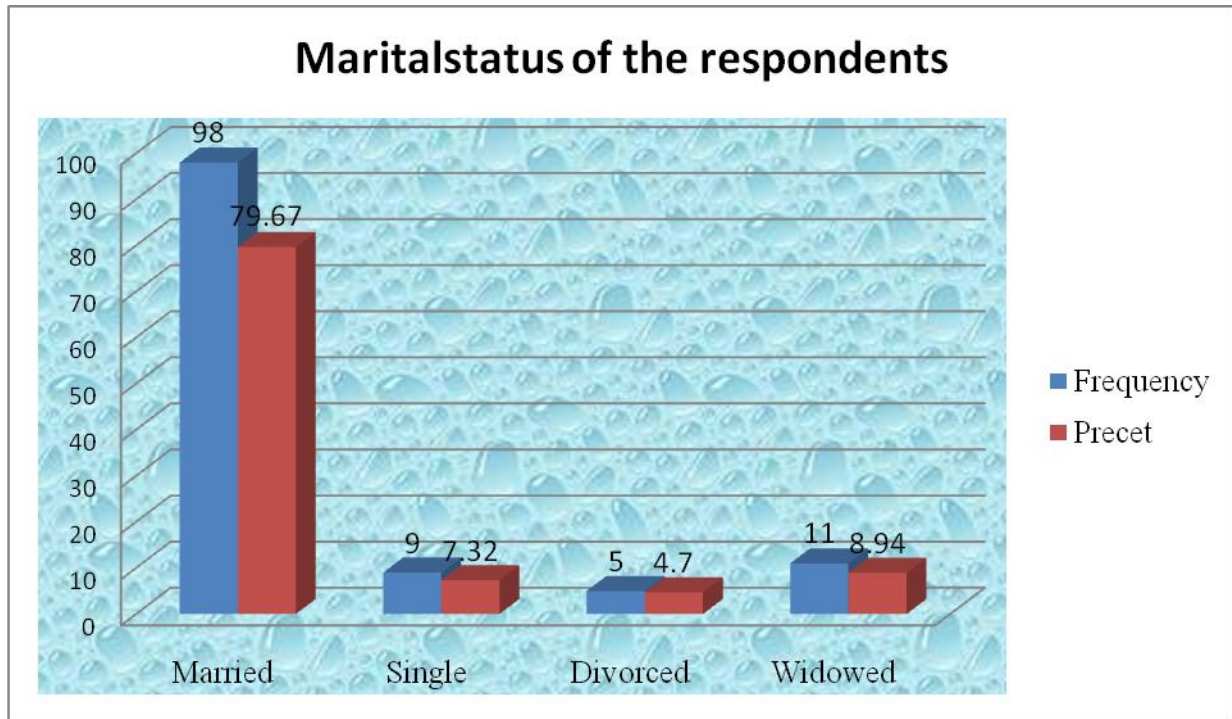


Figure 4: Marital Status of household heads

Source: Field Survey 2019

The marital status household is an additional important factor that affects household saving. In the above figure 79.67 %(98) of respondents was married, 7.32 %(9) were single while the rest 4.07% (5) and 8.94% (11) were divorced and widowed respectively. The married formed the maximum because they seem to have people who depend on them while the divorced constitute the minimum for their inability to look after their wards/area.

4.1.5. Income of household

Table 6: Income of the respondents

Income of a household is all monetary income. It is calculated through Income approach that includes wages of the workers, rent from land, and profit of a firm. It also includes income from farming, live stocks etc.

Table 5: Income of the respondents

Item	Category	Frequency	Percent	Average saving(birr)
	0 - 3000	20	16.26	21.85
	3001 – 6000	30	24.39	432.47
Income	6001 – 9,000	27	21.95	878.70
	9,001 – 12,000	23	18.70	1171.74
	>12,000	23	18.70	1973.35

Source: Field Survey 2019

Leading determinant of household saving is a disposable income of the household. Disposable income is expressed as a personal income minus personal income tax and household tend to spend a part of their disposable income on consumption and save the rest. Thus, disposable income is the sum of household's consumption, and their saving. Both theoretical and empirical literatures on saving have consistently outlined that income is one of the major determinants of household saving. The relationship between savings and income has been a major subject of discussion in the growth literature. Survival consumption theories suggest that countries with higher income levels tend to have a higher saving rate and the empirical evidence strongly supports this conclusion. So as to clearly show the impact of household disposable income on household saving, income is categorized into five groups [0 – 3000], (3001 – 6000], (6001 – 9000], (9001 – 12,000], >12,000 Birr)). Based on this classification of income, the mean saving of household heads with an income level of, (([0 – 3000], (3001 – 6000], (6001 – 9000], (9001 – 12,000], >12,000 is Birr21.85, 432.47, 878.70, 1171.74 and 1973.35 respectively.

4.1.6. Use of planning for consumption

From the Use of planning for consumption distribution table 7 below, the analysis reveals that, maximum respondents were Do not use planning for consumption (52.03%) with use planning for consumption (47.97) forming the minimum. It is likely that individuals' attitude towards saving and their awareness to use planning for their consumption is among the most important factors for the individuals' rate of saving. In consideration of this, the sample respondents were asked to report about their attitude towards saving and their application of planning for consumption.

Table: 6 Use of planning for consumption

Item	Category	Frequency	percent	Average saving(birr)
Use of planning for consumption	Use planning	59	47.97	1287.71
	Do not use planning	64	52.03	601.39

Source: Field Survey 2019

With the application of the use of planning for consumption, 123 of the sample respondents have given their information. Of these, Table 7 suggests that, about 47.97 % use planning for their daily consumption. The rest 52.03% reported that they do not have the culture to use planning for their daily consumption.

4.1.7. Household size/Family size

The large family size leads to low savings as because of the maximum part of the income is spent on the consumption of the family. Small family size leads to more inclination of the family members towards savings

Table: 7 Family sizes of the respondents

Item	Category	Frequency	Percent	Average saving(birr)
	2	15	12.20	1246.6
	3	18	14.63	1102.72
	4	15	12.20	1036.67
	5	12	9.76	895.83
	6	17	13.82	886.76
Family size	7	13	10.57	862.46
	8	9	7.32	800
	9	8	6.50	798.75
	10	4	3.25	393.75
	11	3	2.44	725
	12	5	4.07	550
	13 & above	4	3.25	262.5

Source: Field Survey 2019

The size of the family is also an important determinant of the saving behaviour of the rural households. Large family size is prominent in the rural areas. The large family size leads to low savings as because of the maximum part of the income is spent on the consumption of the family. Small family size leads to more inclination of the family members towards savings. In the above table 8, the family size of head increase then it effects the savings of head and saving level decreased.

4.1.8. Size of Land Holding

The land holding signifies the economic system as it acts as an economic unit for any physical asset to be considered. The land reflects the accumulated saving, capital transfer and revaluation of assets. Land is considered as the biggest asset for the rural households as it can be accumulated in money and productive asset at the time of financial emergency.

Table: 8 Land holding size of the respondents

Item	Category (in hector)	Frequency	Percent	Average saving(birr)
Landholding size	0.125h	13	10.57	311.53
	0.25h	18	14.63	348.44
	0.5h	14	11.38	606.09
	0.75h	15	17.07	614.5
	1h	18	14.63	1043.37
	1.125h	4	3.25	1206.25
	1.25h	7	5.69	1212.6
	1.5h	9	7.32	1363.88
	1.75h	11	8.94	1407.5
2h &above	14	11.38	1553.26	

Source: Field Survey 2019

The other determinant of household saving is landholding the size of rural household. The household head have more land than their savings has more. This event is because, as the level of landholding increase the coffee productivity of households concerning saving also increase. Table 10. showed that mean saving of rural households with 2 & above hector of landholding size on average save more than households with 0.125h or 0.25 landholding sizes. The mean saving of 0.125h household heads is Birr 311.53 whereas household heads with 2h& above on average saves Birr 1553.26.

4.1.9. Livestock size of rural household

Table: 9livestock holding size of the respondents

Item	Category	Frequency	Percent	Average saving(birr)
Livestock size/No/	1-2	38	30.89	321.37
	3-4	31	25.21	731.42
	5-6	31	25.21	1170.94
	7-8	19	15.44	1631
	9-10	4	3.25	2406.25

Source: Field Survey 2019

The size of the livestock is also an important determinant of the saving behaviour of the rural households. The large livestock size leads to higher saving as because of the maximum part of the income is spent on the saving for the family. Small livestock size leads to lower saving. Table 10 showed that mean saving of rural households with (9-10) of livestock size on average save more than households with (1-2) or (3-4) livestock size. The mean saving of (1-2) household heads is Birr 321.37whereas household heads with (3-4), (5-6), (7-8) and (9-10), on average save Birr 731.42, Birr 1170.94, Birr 1631, and 2406.25 respectively.

4.1.10. Dependency Ratio

The dependency ratio is defined in the literature as the percentage of the population aged 14 and below plus the percentage of the population aged 65 and above. In defining dependency ratio, it has been implicitly assumed that the population aged 14 and below plus 65 and above adds to household consumption and contributes nothing towards production

Table 10: Dependency ratio of the respondent

Item	Category			Average saving(birr)
	In terms of No	Frequency	Percent	
Number of dependent	0	14	11.38	1130.28
	1	25	18.70	1109.22
	2	25	18.70	1034.52
	3	14	11.38	948.57
	4	14	11.38	924.64
	5	14	11.38	805.36
	6	10	8.13	655
	7	9	7.32	294.44
	8	2	1.63	162.5

Source: Field Survey 2019

Finally, determinant of household saving is dependency ratio. The dependency ratio is defined as the percentage of the population aged 14 and below plus the percentage of the population aged 65 and above. In defining dependency ratio, it has been implicitly assumed that the population aged 14 and below plus 65 and above adds to household consumption and contributes nothing towards production. As shown in the above table 11, Lower number of dependent in the households on average save more parts of their disposable income than larger number of dependent in the households.

4.2. Forms of savings

The figure below gives the distribution of the major forms in which household heads in Kachabira Woreda save. Two major forms of savings were identified in Kachabira woreda during the study. These are financial and non-financial forms of savings. Most respondents (36.58%) save in both financial and non-financial forms of savings. Also, some respondents (30.89%) of the respondents said they save in financial form which happens to be the least preferred choice of form in which household heads save. this is due to the fact that, the financial institutions in Kachabira Woreda have not exploited all the opportunities available to them in Kachabira Woreda. The remaining respondents (32.52%) confirmed they save in non-financial a form which happens to be the well-known form of saving in Kachabira Woreda.

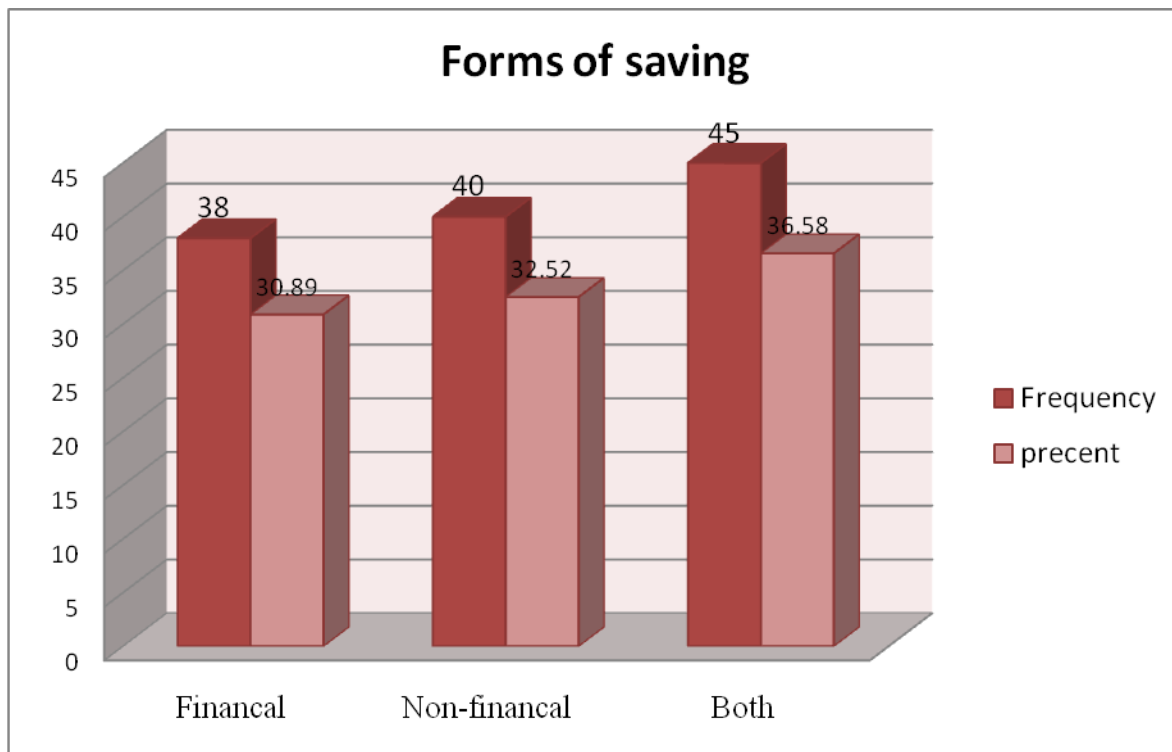


Figure 5:Forms of saving

Source: Field Survey 2019

4.2.1 Financial form

Also, it has been identified that the financial forms of savings in which the respondents save include; depositing cash and fixed deposit and keeping money at home with and from banks respectively. Out of 38 respondents who save with banks, only 15.79% said they save in fix deposit. The remaining 84.21 % confirmed they save in cash.

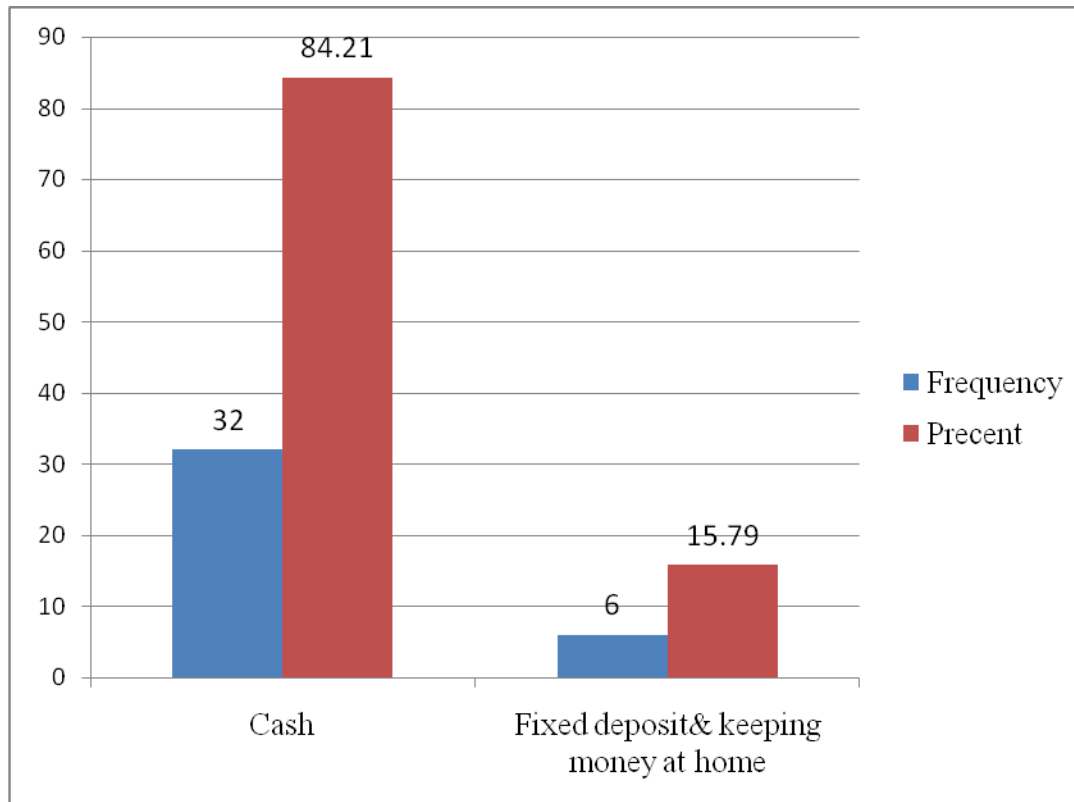


Figure 6: Choices of financial form of saving

Source: Field Survey 2019

4.2.2. Non-Financial form

With regards to non-financial forms of savings as identified in Kachabira woreda, it is confirmed that, most household head coffee and this can be linked to the fact that the area under study is a well-known coffee producer's community with a 35%, followed by livestock and ginger with 25% and 20% respectively so these percentages suggest that farming is paramount to the people of Kachabira woreda. Houses were the least non-financial form of savings with only 2.5.

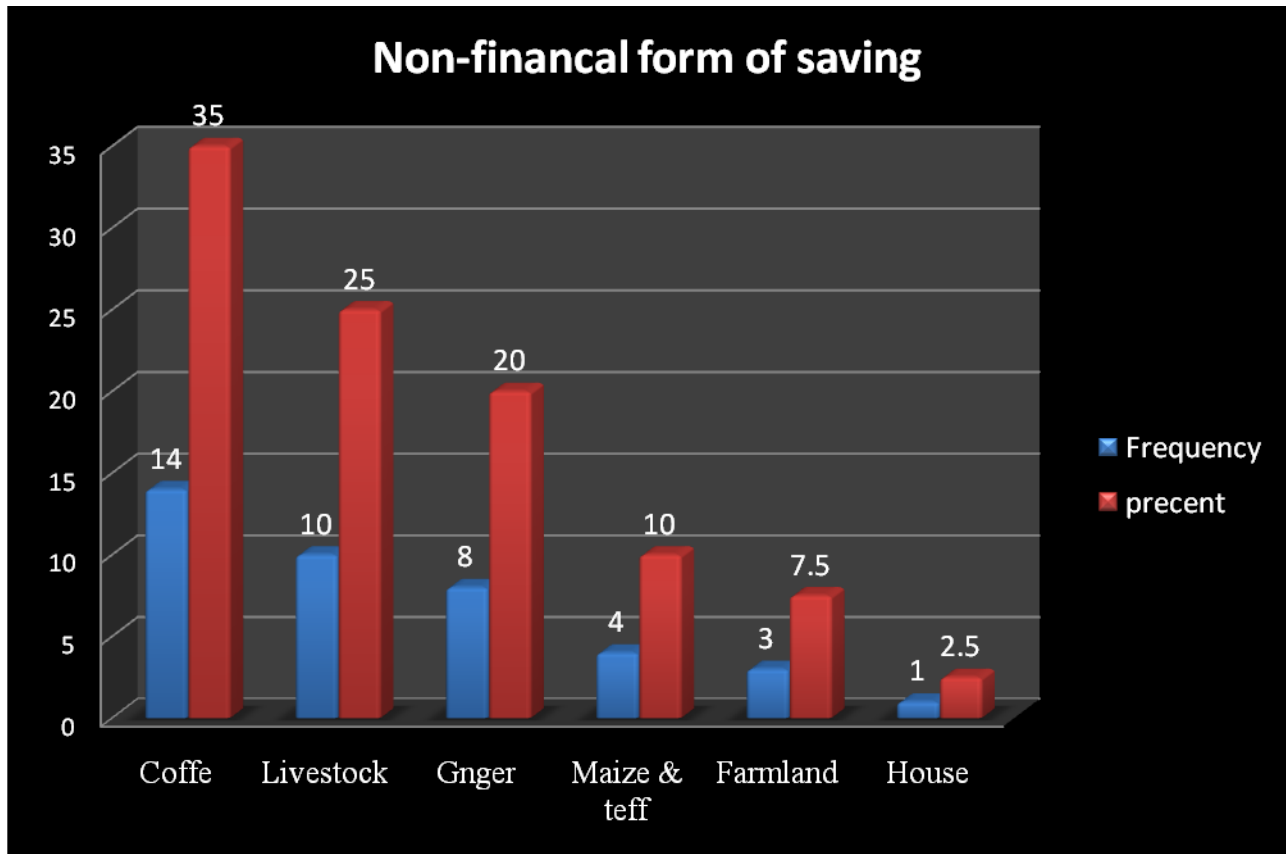


Figure 7: Choices of non-financial form

Source: Field Survey 2019

4.2.3. Both financial and non- financial

In the quest of the study to find out the form of savings which gives a substantial increase in value, questions were posed to respondents who save in both financial and non-financial form.

Figure shown below gives a summary of which form of savings gives an increase in value. The responses were taking from household heads that save in both financial and non-financial form. 53.33% of the respondents said the value of their savings increase when they save in financial form. On the other hand, 46.67% of respondents said their value of savings increases when they save in non-financial form and this is due increase in inflation, high cost of fuel prices, insecurity of doing business in rural communities, and marketing challenges

Figure 8 Choices of both (financial & non-financial form)

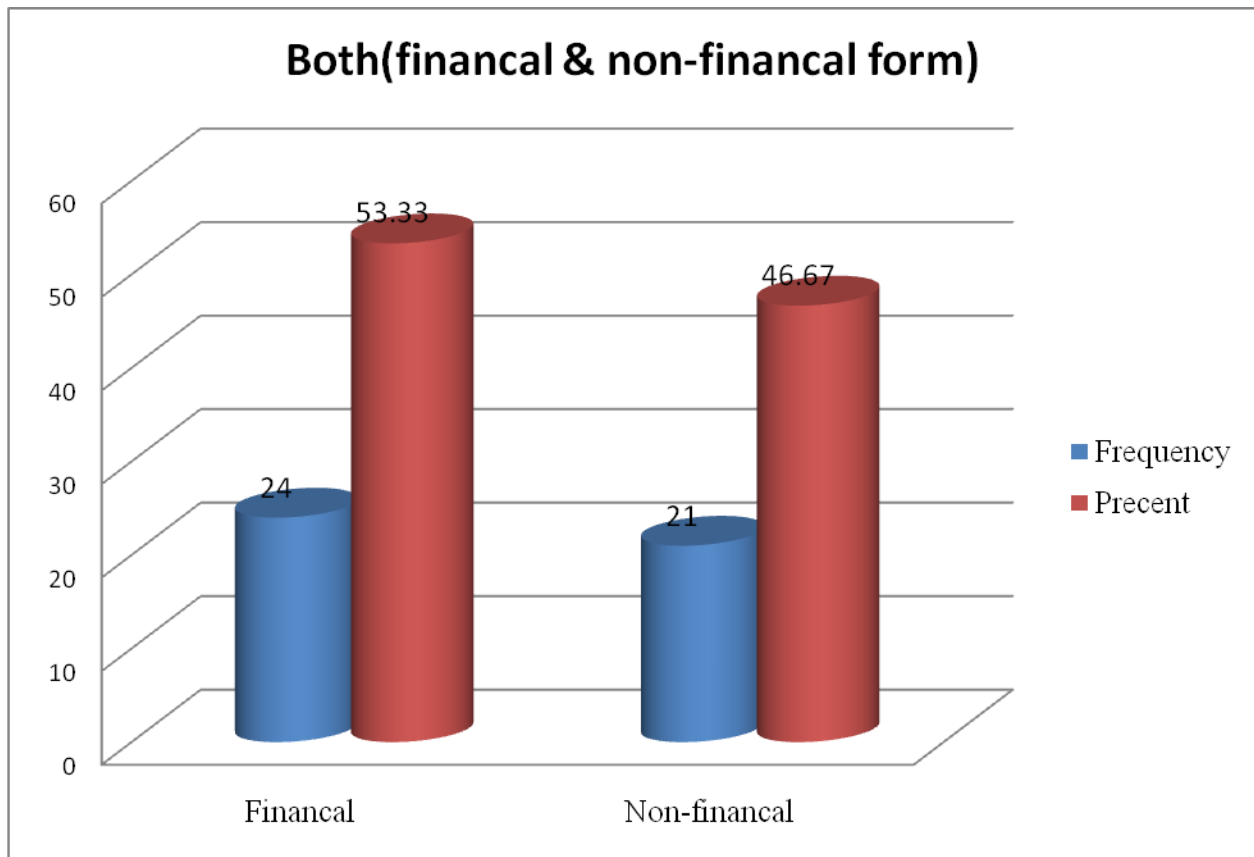


Figure 8: Choices of both (financial & non-financial form)

Source: Field Survey 2019

Convenience

In terms of convenience/ease/, 65.04% of the respondents confirm that, it is convenient to save in financial form especially in fixed deposit since it is a risk free. However, 34.96% of the respondents confirm it is convenient to save in non-financial form

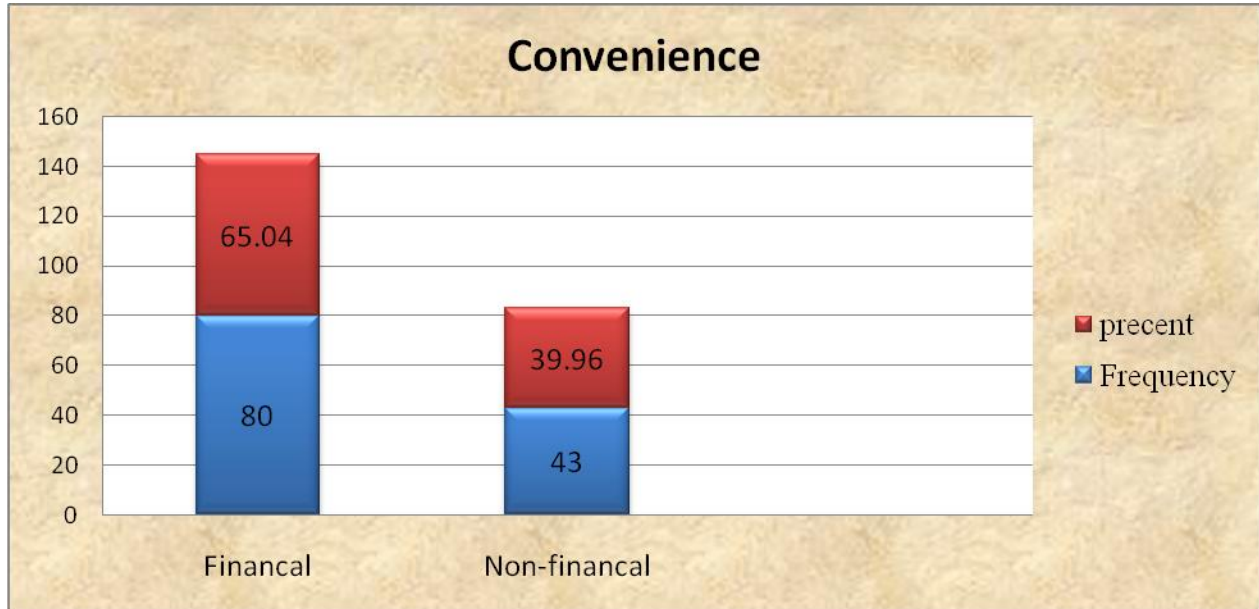


Figure 9: Interims of convenience

Source: Field Survey 2019

4.3. Motives household heads derive from savings.

Table 12: Rank of motives result

Benefits	Mean Rank	Sum of Scores	Ranking
Buy asset	3.07	147	1 st
Pay school fees for children	3.09	298	2 nd
improving and upgrading homes	3.94	358	3 rd
Meeting unexpected emergencies	4.01	559	4 th
Interest on savings	4.61	625	5 th
Capital accumulation	4.80	662	6 th
Pay off debt	5.97	784	7 th
Retirement Benefits	6.63	984	8 th
Kendall's W	0.824		
Chi-square	552.125		
Asymp. Sig	0.0000		

Source: Field Survey 2019

This objective seeks to analyse benefits household heads from Kachabira woreda derive from savings. Benefits such as Pay off Debt, Capital accumulation, pay school fees for children, Retirement Benefits, Improving and upgrading homes, meeting unexpected emergencies, buy asset(s) and interest and incentive on savings were identified. Household heads were asked to rank benefits in order of importance. The Kendall's Coefficient of Concordance (W) was used to establish the extent of agreements or disagreements among responses on the issues (benefits) ranked. The benefits were ranked from the most pressing to the least pressing, where a benefit with the least total rank scores is the most pressing. The one with the highest total rank score is the least important. The table below represents benefits household heads derive from savings.

Results from ranks of benefits above shows that the Kendall's (W) is 0.824. This indicates that, there is high extent of agreement among the identified benefits household heads derive from savings but the agreement level is not whole since (W) is less than 1 (one). The asymptotic significance is 0.0000 which confirm the rejection of the null hypothesis that, there is no agreement among household heads regarding benefits they derive from savings.

4.3.1 Capital accumulation

The research reveals that household heads save purposely to accumulate enough capital for investment. It was observed from the field that; many household heads save in order to invest in micro enterprises just to improve on their standard of living. The research further indicates that, most household heads who engage in petty trading use their savings to purchase goods for resale.

4.3.2 Payment of school fees

Paying school payments/fees for children was also a benefit to household heads savings in Kachabira woreda. Most of the household heads confirm that savings help them to meet the financial needs in educating their wards. According to household heads, this is used to pay school fees for their wards. It also helps them to meet their wards education requirement like buying of exercise and text books and sewing of school uniform for their children and also to buy stationeries needed for sound studies.

4.3.3 Pay off debt

Most household heads stated clearly that savings help them to decrease debt owed to outsiders. During face- to -face interview with household heads, it was realized that savings enable them to pay for goods purchased on credit. This also assists them smoothen their consumption.

According to some household heads, savings help them to repay loans they contracted from financial institutions and other private lenders.

4.3.4 Meeting unexpected emergencies

Some household heads also confirmed that, savings enable them to respond to unexpected emergencies such as sickness, funeral, wedding of friends and relatives. Field survey conducted indicates that savings help to heal the household in times of sicknesses by helping households to pay for their medical expenses. It has also been revealed that savings help households to respond quickly to natural disasters like drought which is common in due to weather condition. With this, it helps households to find new shelter for their households when such disasters occur.

4.3.5 Retirement benefits

Further study reveals that, households save in order to live a comfortable life after they have retired from work. The empirical evidence was gotten from those above 65years who have retired from work. The group came across some household heads who confirm that, they were able to save enough to cater for the rest of their life.

4.3.6 Improving, upgrading homes and buying assets

The study also revealed that sum of score 358 households in Kachabira woreda acknowledged the fact that saving has been of deep help to them to improve and upgrade their home and also a good strategy to help in acquiring assets.

4.3.7 Interest and incentive on savings

Finally, the study reveals that households in Kachabira woreda benefits from savings through the interest and incentive earned on savings. However, most households complained that interest they earn is middle. This is the main reason why interest on savings was ranked as the middle pressing benefit they derived from savings. Most households who save with coffee producer also confirm that they do not earn interest on their savings but rather, deduction is made on their savings at the end of the agreed period.

4.4. ECONOMETRIC ANALYSIS

4.4.1 Tobit Estimates

The preceding section has provided some explanations concerning the relations between saving and household socio-economic variables. However, the weakness of the descriptive statistical analyses is that each determinant has been calculated without varying other determinants. This section analyzes the determinants of household savings behavior with Tobit estimation technique that takes the effects of all determinants at the same time into account. Eleven (11) explanatory variables are included in the model. From the variables, six namely income, education level, use of planning for consumption, age one (18 – 64) are statistically significant. All the significant variables positively affected the dependent variable, rural household saving except old age of household head (household heads older than 64 or above 64 years) are significantly and inversely affecting household.

4.4.1.1 Income

Table 13, also, income was found to be significant at 1% level. This means income is a good forecaster of savings behavior of household heads. The positive coefficient of income in Tobit regression analysis shows that, as the income of the household heads increases, the probability for them to save also increases since they have enough to take care of their basic needs. Further result from marginal effect analysis also shows that, an increase in income level of household heads by birr 1 will have the probability of increasing their willingness to savings by 0.00016. This means that increase income of household heads in Kachabira woreda positively influence on the probability of them to save and vice versa.

The study also found out that, household heads that have low income tend to spend almost everything on their household consumption. This makes it difficult for them to save thereby decreasing their willingness and ability to save. The result is in accord with earlier study by Subhashree, (2013) indicates that a large and rapid increase in income tends to raise the rate of household savings because household capacity to save increases with household income. This outcome is also consistent with the other empirical studies by Horioka and Wan, (2007), Qin and Ndiege, (2013). That is, as the disposable income of the household head increases, household saving changes in the same way. This result is reliable with the hypothesis and is also in agreement with the other empirical studies by (Kibet et al., 2009; Horioka and Wan, 2007; Abdelkhalek et al., 2009; Loayza et al., 2000)

4.4.1.2. Age

The additional important determinant of household saving is age of the household head. The (AG1) of the household is positively associated with savings and significant at 5% in the study area. When we see the coefficient of (AG1) compare to (AG3) which is positively related to saving and significant at 5%. The marginal effect of AG1 (household head found in the age group "between" (18 – 64) years in Table 13 shows that an increase in the age of household heads by 1 year will have the probability of 0.0174 of increasing household heads saving. However, as compare to AG3 (household heads older than 64 or above 64 years) in Table 13 shows that an increase in the (AG3) of household heads by 1 year will have the probability of 0.0081 of reducing household heads saving

It is expected that, savings by the young household would be diminishing with age as they grow towards and beyond retirement age. This shows that the household lessen their savings, as they grow old. This confirms with the life cycle hypothesis of savings, which claims that a person would be expected to save up to a point and then start dissaving as he/she grows old. Reliable with several empirical studies (Rehman et al., 2010; Robinson, 2001), this finding suggests that age of the household is positively related to savings up to some point (retirement) and negatively after some points.

4.4.1.3. Education

Educational status of household head was significant at 5%. It had positive sign of coefficient which signifies that household heads who had higher level of educational attainment have higher probability to save. This is because such household heads seem to have more understanding regarding the need to save and its benefits associated with it. Also, results from marginal effect reveals that, an increase in number of years of education by 1 year for household head will increase probability of savings by 0.0099 this implies that the higher a household head is educated the higher the probability for him/her to save since they tend to have more understanding about savings as compare to household heads with low level of educational attainment. This is theoretically justified from the fact that education has the probability to increase households' awareness to saving and also their capacity to save as more educated households has wider possibilities of earning more income than not educated ones.

4.4.1.4. Use of planning for consumption

Use of planning for consumption is positively and significantly correlated with the household savings. The marginal effect after Tobit regression was estimated for the sake of showing the extent to which the rate of average monthly saving of the individuals change as there is change in the significant variables. As indicated in table 13, marginal effects of the use of planning for consumption is approximately 0.01247; if an individual uses planning for consumption, his/her rate of monthly saving increases by 0.01247.

Table 11: Tobit regression result

Number of obs	=	123
LR chi2 (11)	=	485.68
Prob > chi2	=	0.0000
Pseudo R2	=	0.2799

Log likelihood = -624.7064

Saving	Coef	Std.Err	t	P > t/ 	[95% cof.	Interval]
Income	.1313498	.0030925	42.47	0.000*	.1252229	.134766
Sex	-.3860998	17.78433	-0.02	0.983	-35.62006	34.84786
AG1	44.11858	17.35404	2.54	0.012**	9.733771	78.50339
AG3	-20.59629	7.93177	-2.60	0.011**	-36.31208	-4.880509
EDU	25.00267	11.35272	2.20	0.030**	2.508716	47.49662
HHS	-2.400597	2.856293	-0.84	0.402	-8.059974	3.258781
UPC	31.62598	14.47574	2.18	0.031**	2.944163	60.3078
LS	.832815	12.187503	0.06	0.949	-24.67742	26.34305
DR	-.1040962	4.125864	-0.03	0.980	-8.278968	8.070775
LSZ	.7091707	4.547863	0.16	0.876	-8.301847	9.720189
Cons	-201.513	28.50134	-7.07	0.000	-257.9847	-145.0412
/sigma	65.19108	4.540679			56.19431	74.18786

Note:-* 1% significance level, ** 5% significance level and ***10% significance level

18 left-censored observation of saving <=0

105 uncensored observations

0 right-censored observations

In terms of direction of influence, all the variables support the hypothesis (Table 12). In general, household annual income, age, education and use of planning for consumption were statistically significant in determining the amount of savings by households in the study area. It was however observed that household size, dependency ratio, sex, livestock size and land size are not statistically significant to the study. Variables like dependency ratio, household size, landholding size and sex are, however, significant in studies that were carried out by different previous researchers in different part of country (Halefom Yigzaw 2015, Harris *et al.* and Kibet *et al.*, 2009). Therefore, further studies are necessary on such variables (insignificant variables) and in

reality on determinants of saving in Ethiopia. In terms of direction (sign) of influence, all the variables support the hypothesis (Table 12).

Table 12: Marginal effect after Tobit

<i>Delta – method</i>						
	<i>dy/dx</i>	<i>Std. Err</i>	<i>z</i>	<i>p > z </i>	<i>[95% Cof.</i>	<i>Intervaal]</i>
Income	.0001672	4.6706	13.85	0.000	.0001576	.0001765
Sex	-.0001971	.09715	-0.02	0.983	-.179769	.0175828
AG1	.0173983	.0064491	2.70	0.007	.0047584	.0300383
AG3	-.0081222	.0029309	-2.77	0.006	-.0138668	-.0023777
EDU	.0098599	.00466	2.12	0.034	.0007264	.0189934
HHS	-.0009457	.001103	-0.86	0.391	-.0031083	.012132
UPC	.0124718	.005377	2.32	0.020	.001933	.0230106
LS	.0003284	.0050849	0.06	0.949	-.0096378	.0102946
DR	-.0000411	.001627	-0.03	0.980	-.0032299	.0031478
LSZ	.0002797	.0017944	0.16	0.876	-.00322374	.0037967

Data/model Diagnosis

Before rushing to econometric estimation and result display, different econometric assumptions were tested. First Variance Inflation Factor (*VIF*) was employed to test the presence of multicollinearity among independent variables. Secondly, the inclusion and exclusion of irrelevant and relevant variables respectively were tested by linktest and OV (Omitted Variable) tests. Thirdly, heteroscedasticity problem was tested by using Breusch-Pagan test. Finally, normality test was tested by Skewness kurtosis test

- ❖ **Test for heteroscedasticity:** in this study Breusch-Pagan test was used to check the presence of heteroscedasticity. The result of Breusch-Pagan test shows that there is no heteroscedasticity problem in the tobit model. The data tested for heteroscedasticity using Breusch-Pagan test and found that the stochastic term is constant throughout the sample observations. (See Annex B)
- ❖ **Multi-collinearity:** multi-collinearity means the existence of a perfect or exact linear relationship among some or all explanatory variables of a regression model. When the variables are multi collinear, it is difficult to separate their effects on the dependent variable. The regression coefficients cannot be estimated with great precision. But we can measure its degree in any particular sample detect of multi collinearity was isolated using the Variance inflation factor (*VIF*). Variance inflation factors examine the direction of relationship among two variables and how one variable is related to another. *vif* also indicates the problem of multi-collinearity. If coefficient of correlation among two explanatory variables has absolute value equal or less than 10, there is severe no problem of multi-collinearity. (See annex A) correlation among some selected independent variables and verifies no problem of multi-collinearity, as all values are less than 10. Hence there is no multi-collinearity among the independent variables in this study the results of variance inflation factor (*VIF*) test confirmed the non-existence of multi-collinearity between the variables i.e. mean *vif* = 2.47

❖ **Skewness kurtosis test for normality:** skewness is measure of the asymmetry of the probability distribution of a random variable about its mean. It represents the amount and the of skew on the other hand, kurtosis represents the height and sharpness of the central peak relative to that of a standard bell curve. (See Annex) shows the result obtained after for performing skewness and kurtosis test for normality. 'sktest' shows the number of observation

(Which is 123 here) and the probability of skewness which 0.0506 implying that skewness is asymptotically normally distributed (p-value of skewness >0.05), Similarly.Pr(kurtosis) indicated that kurtosis is also asymptotically distributed (p-value of kurtosis is > 0.05). Finally, chi is 0.0543 which is greater than 0.05 implying its significance at 5% level. Consequently, the null hypothesis cannot be rejecting. Therefore, according to skewness test for normality residuals (e) shows normal distribution.

❖ **OV (omitted variable) test:** In addition to the above three test the inclusion and exclusion of irrelevant and relevant variables was tested by "*linktest*" with Stata command and Ramsey Reset test using the powers of the fitted value of dependent variable the result of *ovtest* and *linktest* from the Stata show that there is no omitted variable effect in the model. The model is also tested for omitted variable by applying Ramsey RESET test and the test result shows that there is no omitted variable in the model (See Annex C).

CHAPTER FIVE

CONCLUSION AND RECOMMENDATION

5.0 Overview

This chapter concludes the study. It presents a summary of the main findings, offers policy alternatives/recommendations based on the regression results obtained.

5.1. Summary

The study investigates determinants and behavior of rural household savings based on data collected from Kachabira Woreda through multistage random sampling technique in 2018/2019. It is found that this study is confirmed life-cycle model by the data. With regards to analysis into the savings behavior of household heads in Kachabira woreda, this research has provided some understanding into how some of those factors interact and affect the savings behaviour of households in kachabira woreda. In this study, the saving behavior of rural households specifically the determinants of rural household saving, benefitsfor saving and forms of saving were analyzed by using primary data collected from kachabira woreda. Both descriptive statistics

and econometric model were employed for the analysis of the data. Econometric software, Stata, was used to estimate the Tobit model beta coefficients. The Tobit model was chosen because the amounts of saving tend to be censored at the lower limit of zero.

Eleven explanatory variables are included in the model. From the variables, six namely income, education level, use of planning for consumption, age one and age two are statistically significant. All the significant variables positively affected the dependent variable, rural household saving except old age of household head are significantly and inversely affecting household saving. This shows an increase in one of these variables led to increase to rural household saving. People in the old age of household head are significantly and inversely affecting household saving. This indicated that as one of these variables increases households saving decreases. Five variables namely gender, household size, landholding size, dependency ratio and livestock holding, are not statistically significant.

In idea of the forms in which household heads save, it was exposed that household heads save in two main forms. These include financial and non-financial forms of savings. It was identified that some households save in financial and non-financial forms. However, some households save in either financial or non-financial form. The financial forms of savings identified include depositing cash with financial institutions, fixed deposit and keeping money at home.

On the other hand, the non-financial forms identified include coffee, livestock, ginger, maize and teff, houses and other farmlands.

Furthermore, about the benefits household heads derive from savings, it was found that benefits such as pay-off debt, capital accumulation, paying of ward's school fees, retirement benefit, upgrading homes, meeting unexpected emergencies, purchasing of asset and interest and incentive earn on savings were associated with household savings in Kachabira woreda. Though, Kendall's coefficient of concordance (W) of 0.824 revealed that, there is contract among household heads regarding the benefits they derive from savings in Kachabira woreda.

5.2 Conclusion

Previous studies attempt to investigate into the willingness of households to save have all led to the establishment of the fact that household's savings depend on the socio-demographic Characteristics of household heads. Also, various methodologies have been used in analyzing issues regarding household savings. Hence, the purpose of this Study is to contribute knowledge on the savings behaviour of household heads' in rural household: a case study of Kachabira woreda of the KembataTembaro Zone, SNNP region which determines the socio-economic development of the people. The study has shown that education, income, age and use of planning for consumption have significant and positive impact on the probability of household heads saving in kachabira woreda. This shows an increment in one of these variables led to increment to rural household saving. However, People in the old age are significant and negatively

influence the probability of households to save. This indicated that as one of these variables increases households saving decreases.

It has been noted that out of the two major forms identified in Kachabira woreda, financial form of saving is preferred over non- financial form of saving. This is because most households confirm that their value of savings is always secured when they save in financial form. Finally, it was also evident that, benefits households derive from savings are arranged from most pressing to the least pressing as follows; accumulation of capital for investment, paying school fees for children, pay-off debt, meeting unexpected emergencies, enjoy at retirement age, buy asset(s) and interest and incentive on savings

5.3 Recommendation

Based on the findings of the research, the following policy recommendations are suggested to improve the saving performance of the rural household.

- According to the findings of the research, farm income has positively and significantly affected rural household savings. Therefore, policies and strategies that will increase farm income of rural households are necessary to enhance rural households saving. The expansion of marketable and high value crops is also recommendable.
- According to the research result, rural households saving increases jointly with the increase in education level of the households. The implication is that appropriate strategies need to be designed to improve the education level of farm households.
- Education is also very important to increasing aggregate household saving. Education has a positive impact on household savings mainly because of the awareness that occurs with higher educational levels. Though government has already provide free elementary and high school education in public schools, their outreach is limited. Thus, efforts can be made by government, private institutions and the public to increase the number of schools. these days, our government increases tertiary education by increasing the number of Universities at an *alarming* rate. Efforts to lessen drop-outs and advocate for more students to continue and finish high school can also be maintained.
- The research revealed that the participation of rural households on trainings related to savings enhances their saving. This implies that in addition to the formal and informal education, farmers could be given short-term trainings on topics related to saving to promote domestic resource mobilization.
- Making plan for consumption is considered to be one of the major variables which can significantly affect individuals' rate of saving; awareness creation and trainings can be given by government and other concerned bodies to the society about consumption planning.

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APPENDICES TABLES: Different econometrics test

A. Variance inflation factors among independent variables

Variable	VIF	1/VIF
annualincome	4.02	0.248931
age1	3.92	0.255139
age3	3.88	0.257917
livestockno	3.09	0.323720
education	2.01	0.498487
noofdepe	1.86	0.536852
hhsize	1.78	0.560244
ls	1.65	0.606326
useforplan	1.36	0.735040
sex	1.15	0.871947
Mean VIF	2.47	

Source: own calculation

B, Breusch-Pagan/Cook-Weisberg test for heteroscedasticity

Breusch-Pagan / Cook-Weisberg test for heteroskedasticity

Ho: Constant variance

Variables: fitted values of saving

chi2(1) = 1.12

Prob > chi2 = 0.2907

Tested using Stata-14

C.Linktest

. linktest

Source	SS	df	MS	Number of obs	=	123
Model	55671384.5	2	27835692.3	F(2, 120)	=	4807.20
Residual	694850.534	120	5790.42112	Prob > F	=	0.0000
				R-squared	=	0.9877
				Adj R-squared	=	0.9875
Total	56366235	122	462018.32	Root MSE	=	76.095

saving	Coef.	Std. Err.	t	P> t	[95% Conf. Interval]	
_hat	1.058133	.0318293	33.24	0.000	.9951131	1.121153
_hatsq	-.0000265	.0000137	-1.93	0.056	-.0000537	7.13e-07
_cons	-19.10381	15.30789	-1.25	0.214	-49.41236	11.20474

Ramsey RESET test using powers of the fitted values

. ovtest

Ramsey RESET test using powers of the fitted values of saving
 Ho: model has no omitted variables
 F(3, 109) = 4.49
 Prob > F = 0.0052

Tested using Stata-14

D. Normality test

. sktest e

Skewness/Kurtosis tests for Normality

Variable	Obs	Pr(Skewness)	Pr(Kurtosis)	adj chi2(2)	Prob>chi2
e	123	0.0506	0.1350	5.83	0.0543

—— joint ——

APPENDICES QUESTIONNAIRE

Gimmi yunveristeen

Buznesina Ekkonoome kollejjaan

Ekkonoome roshsha kifile

Le'ee Ekkonoomiksi lanki Digiree/Maastersii

Xa'mmuta mini annaakka fanqashshuta

Ti xa'mmut qixxanteeii sawwittaakkata <<Bogo xawi gaxari mini mannaakka maaxaqqi hagara>> yanonni kaa'lli le'ee Ekkonoomikse Msc/Maastersii hulata wiinshunta qixxammeehaa.

Sereegguse qixxammeeiihu roshsha xallii ikkoGtanee wolurra bargeenumbua,sereeggus assamaneehu muggeenni minaabakk minaagadina minaadabi tophphe killilaan kambaata xambaaro zoonaan qaaccabiiri woradaan buna laashshiin doo'rratee beechchaakkaaneet kaalatoohanne galaxxaamm.Sereeggisi laalut gaxari manni gizza aphphi qoorimata barguntaat. Fanqashshukk gegi iggimaan mexxurruu ka'mmanoru yoobaiidagiin ihun.

1.Su'mma xaaf hasisanoba'a

2.Ta malaan xudis [√]

3. Xaafeen fanqashsheenno xa'mmooha gabbanchuta fanqashshuta gassantoo ma'neen xaaf

4.Gabbanchuta fanqashshuta hassaa xa'mmaakkaa mataqqata fanqashshuta xaaf

Kifil Matu:-fanaqashshuta aassaanni mahoomata

1.Umurukk meoot?

18-24

25-65

65 Woggeechch aluuda umuru

2.Meegukk mahaan? Goonu

Meentu

3.Roshsha gardabba. Wona gradabba

Lanki gradabba

Hikkanniichch aluudu

Rosumbuu

4.Miniassigu

Eebumua/ta

Eebbeehaa/taa

Sharreehaa/teetaa

Arit retoosii/Arooreesee

5.Ki mini manni batinnit/mineentakk haano manni batinnit(hittita yuhu kees bargeet ikkodaa hundanka bari heumbura gaga danditoora barganoba'a _____)

6.Kesaan dikkai hearu yoondo?

1. Āā

Āāa

7.Minikki manniichch gizziin kesaan dikkisantaaru meoot(aaggut yoossabairu te kii mini manniichch kaa'lladunossaa yooda)_____

8.Mini galtee ta'mmeennorii yaadu yookkendo?

1. Āā

Āāa

9.Habanka heektaari uullat yookke?_____

10.Xaqeenno gizzu habanku yookke?_____

Kifil lamu :- Gaxara mini manni halu/haalu.

11. Maaxaqqii assiteentiru yoodo?

1.Āā

Āāa

12.Āā, yitoontida, fintit kulis _____

Odaas	Malaata	Wolluta	Mereeraanchies Tophphe birriin
Bunu kuntaaliin			

Gizziin/birriin			
-----------------	--	--	--

13. Maaxaqqikki gajaajjut te gajaajjaakkat mahaan?

Garite ikkosii malaata assiin xaadis.

Maaxaqqi gajajjut	Fanqashshas
Beenu baateenoo	
Haaroo hujee hasisiinoo	
Roshsha mini baatii	
Nuba jeechchoo hujit	
Mini haaresii	
Gaambittirii	
Hi'rreenoru	
Iitteen maaxaqqeenoru	
Aluudiiin yooba'a	

14. Buniichch daqqitaant aaggu habankaan? Tophphe birriin _____

15. Buniichch birra daqqitaantii hattigoot?

Bariin bariin Hehezzeetten Aganaan Wolu yooda
finti _____

16. Gizza le'eesano xaaxxittaan maaxaqqitayyoont?

1. Āā 2. Āāa

17. Āā yitoontiichch awwant yooru makkanokkendo.

1. Leaat 1. Āā 2. Āāa

2.Baankaan 1. Āā 2. Āāa

3.Maxaaqqeenobu 1. Āā 2. Āāa

4.Duugas makkaa hiilaa

18.Aganaan ti/maaxaqqitaantii Tophphe biriin_____

19.Maaxaqqu ka'allano laalut mahaan?

Maaxaqqu kantaara malaat assit xuudis

Mini aphpha maaxaqqi gufichch	Fanqashshas
Mini manni aphph/aaggi qaxu	
Mini awwansaanchi/cho umuru	
Mini awwansaanchi/cho meegut	
Mini anna ihano mini assas	
Roshshasi gardabbu	
Xaqqeemna lali batinnit	
Mini manni batnnit	
Ka'lleennosarii batinit kaa'llaanniin	
Fanqashshaachisi yaadu ta'mmaannihans	
Uull haraarimat	

Wolurru yooda fint_____

Kifil sasu :- Maaxaqqi hagaru

20.Hakka hagariin maxaaqqifayyoont

Gizziin Gizziichch annanna Lamiintasin

21.Hakkus maaxaqqi hagaru abbishsh kaa'llanuan?

1. Maaxaqqi baatanat Giziin Gizziichch annanna
2. Doo'rrammoo Giziin Gizziichch annanna
3. Amma'nnisansanosii Giziin Gizziichch annanna

22. Baankaan maaxxaantii ikkoda hattigusineet?

A. Gizzaanga doonnamhanniichch/billiittoon maaxaqqu

Wolu yooda fint A _____ B _____ C _____

23. Gizziichch annanna woqqeen maaxaqqitaantida, awwantaariichch hakkanniin taseet?

1. Hogo uullat Āā Āāa

2. Bunu te wixat Āā Āāa

3. xaqqeenno gizzu Āā Āāa

4. Minnaan Āā Āāa

5. Wolu, fint A _____ B _____ C _____

24. Lamuank woqqeen maaxaqqitaantii ikkoda hakkas doo'rritan?

Giziin Gizziichch annanna

25. Miiha _____

Kifili shool: Mini manni maaxaqqi hagariichch

26. Maaxaqqi hagarraachch laaluta daqqiteent?

Āā Āāa

27. Āā yitoontida woroodiin yoo memmaaraan 1-8 illanqaxee yoorii tame batinnita kulis. Matus abbishsh taa'llanoo ihaniyan hezzeettus kanniichch kottaahaarra.

7. At ka'allitaantiru mine heaaru yoondo?

1. Āa

2. Āāā

8. Kesaan dikka'aa kii gizziin heaa minikk mannu meoot?(gizzu(aagut) yoossababairu at te mini

Manniichch matu kaa'llanoru)_____

9. Meo hektaari uullat yookke?_____

10. Meu lalu(mini gizu) yookke?_____

Kifili 2:- Laaga xa'mmosi xa'mmaakkata

11. Iri buna hirt meu Tophphe birra daggan?_____

12. Maxaqqitayyoontindo?

1. Āa

2. Āāā

13. Gizzakk hakkannenheet maaxaqqitayyoontii?

1. Baankaan

2. Baankiichch wolobbaan

3. Mine

4. Ilamibaan

5. Wolubba ikkeeda caakkis_____

14. Habanka maaxaqqiteent Hakkansibaanii?

1. Baankaan yoo birru Tophpha

2. Baankiichch wolu birru Tophpha

15. Maaxaqqu kamanokke abbusiru mahaan? _____

16. Hakkannes maaxaqquan kesaa woyyanno?

1. Baankaan

2. Baankiichch wolobbaan

17. Maaxaqqitoont gizzichch qaluta habanka daqqit?

K.W	Maaxaqqikaalatut	Iittammeem[1]	Iittamma'a[2]	Gardabbus
1	Beenni fulut			

2	Hujee afuushshaqqu			
3	Ciilla roshsha minii miqu			
4	Nubaabu xa'mmu			
5	Mini wezii fushshu			
6	Gambitti hawwii fushshu			
7	Kaallanora irru(kaameela,uullata,oddishshata..			
8	Maaxaqqi qalut			
9	Wolurru yooda fint_____			
10	Wolurru yooda fint_____			

Xa'mmue xooffeem,ekku

yitoontieannii galaxxaanke!

ጅማ ዩኒቨርሲቲ
የኢኮኖሚክስና ቢዝነስ ኮሌጅ
የኢኮኖሚክስ ፎካል ክፍል

ለቤተሰብ አደጋዎች የተሰናዱ ቃለ መጠይቅ

የዚህ ማኅበር ዓላማ “በገጠር የቤተሰብ ቁጠባ አገልግሎትና ውሳኔ” በሚሉ ርዕስ ሚጃ በሚከተሉት ለማስተርስ (MSc) ዲግሪ ለማግኘት ኢኮኖሚክስ ለክፍል ማሟላት ጥናታዊ ጽሁፍ ማቅረብ ነው። ጥናቱ ትኩረት የሚደረገው በትምህርታዊ ዓላማ ላይ እንጂ የእርስዎ ምላሽ ሌላ ምንም የሚያደርገው ነገር አይኖርም። ለጥናቱ የተሟላው አካባቢ ደ/ብ/ብ/ሕ/ክ/መ ከምግብ ጠምገሮ ዞን ቃጫ ቢራ ወረዳ በና አምራቾች ናቸው። ስለትኩረታዎ ምክንያት ለማቅረብ እወዳለሁ። የጥናቱ ወጭ (ግኝት) ለገለጸው አወጭች፣ ለገጠር ህዝብ ኢኮኖሚ ዕድገት እና ለፋይናንስ ተቋማት አፈፃፀማቸውን እንዲያሻሽሉ አስተዋፅኦ ያደርጋል። ለጥያቄዎቹ የሚከተሉት ምላሽ ለዚህ ጥናት ብቻ እንደሚሆን እያረጋገጥኩ በራስ ማሞገጥና በነፃነት እንደሚሆኑ ማለፅ እወዳለሁ።

መረጃ:-

1. በማኅበሩ ላይ ስም ማፍ አያስፈልግም
2. በተሰጠው ቦታ ላይ የጭነት ምልክት በሚደረግ ተጠቀሙ (.)
3. በቀረበት ክፍት ቦታዎች ላይ ለጥያቄዎቹ አጭር ማለፊያን በማስጠኑ ይተባበሩን። :

ክፍል 1:- የግል ሚጃ

1. ዕድሜ - 18 - 24 25 - 65 ከ65 በላይ

2. ፆታ - ወንድ ሴት

3. የትምህርት ደረጃ/ሁኔታ
 የሚመዘኛ ደረጃ 2ኛ ደረጃ
 ሦስተኛ ደረጃ ምንም ያልተሟላ

4. የጋብቻ ሁኔታ
 ያላገባ ያገባ
 ፈታ ባል የሞት/ሞት የሞት

5. የቤተሰብ ሁኔታ ምን ይመስላል? በቤት ምን ያህል ሰዎች ይኖራሉ? -----

6. ሌላ አገሮች የሚኖር ጥገኛ አለ?
 1. አዎ 2. የለም

7. በቤተሰብዎ ውስጥ በእርስዎ ገቢ ምን ያህል ሰዎች ይኖራሉ? ምንም ገቢ የላቸውም ወይስ የሚገኙ ጥቂት ነገር ይኖራል? -----

8. ለምግብ ፍጆታ ዕቅድ ይኖርታል?
 1. አዎ 2. የለም

9. የእርሻ በታዎ ም ያህል ሄክታር _____

10. የከብቶችዎ ቁጥር ም ያህል ነው? (ም ያህል ከብቶች አለት/አለዎት?)

ክፍል 2: - የገባር ህዝብ የቤተሰብ ቁጠባ ልምድ ወገታማ ት ምክንያት

11. የተወሰነ ለመቆጣጠን የተፈጠረ ምዘድ ሁኔታ አለዎት?

1. አዎ 2. የለም

12. አዎ ካሉ አዎ ያሉበትን ያብሯሉ: :

Assets ንብረት	Tick የምልክት ጫት(.)	ቁጥር	የኢትዮ ብር በመቶኛ
የቦና ምዘድ (በከንታል)			
የገንዘብ ማክክ			

13. ለቁጠባ ምክንያትዎ ምድነው? እባክዎ በትክክል የ“.” ምልክት ያደርጉ: :

የቁጠባ ምክንያቶች	ምልክት
ዕዳ ለመቅፈል	
ገንዘብ አጠራቅ ሥራ ላይ ለመሞል	
የት/ት ቤት ክፍያ ለመቅፈል	
በጠፈታ ወቅት ለመከናወን	
ቤቶችን ለመደስ	
ለተለያዩ መሀበራዊ ችግሮች ወይም ጉዳዮች (ደንገተኛ አደጋዎች)	
የተለያዩ ዕቃዎችን ለመግዛት	
መቆጣጠን ስለመደስደስት	
ከላይ የተጠቀሱትን አንዱንም አልጠቀምም	

14. መከለሻ ገቢ? ከቦና ም ያህል የኢትዮጵያ ብር ገቢ ያገኛሉ? _____

15. በም ያህል ጊዜ ያገኛሉ?

በየቀኑ በየሳምንቱ በየወሩ ሌላ ዝርዝር

16. ከተለዩ ገንዘብ ማክክ ተቋም የመቆጣጠት ይኖራል?

1. አዎ 2. የለም

17. አዎ ካሉ - ከፋይናንስ ተቋማት እንዲያገኙ የተፈጠረላትን ምዘድ ሁኔታ በመተላለፍ ይግለጹ: :

- 17.1. ከገንዘብ አበዳሪ ተቋም አዎ አይደለም
- 17.2. ከተቀማጭ ሂሳብ አዎ አይደለም
- 17.3. ከቁጠባ አ አይደለም
- 17.4. ከሁኔታዎች በዕድል ያለዕድል
18. በፋይናንስ ተቋማት ምን ያህል የኢትዮጵያ ብር ይቆጥባሉ? _____

19. በቁጠባ ልምድ ላይ አሉታዎች ተፅዕኖ የሚደርግ ምንድናቸው? በቁጠባ ላይ ተፅዕኖ የሚደርጉ ነገሮችን የ“.” ምልክት በሚደረግ ለዩ::

በቤተሰብ ቁጠባ ላይ ተፅዕኖ ፈጥሮ	ምልክት
የቤተሰብ ገቢ ማጠና	
የአባዳሪው ዕድሜ	
የቤተሰብ ማሪያ ቤታ	
የአባዳሪው የጋብቻ ሁኔታ	
የአባዳሪው የት/ት ደረጃ	
የከተማዎች ማጠና	
የቤተሰብ ማጠና/ብዙነት	
የሚከተሉት ችግር (ጥንካሬ)	
የምግብ ፍጆታ ዕቅድ ሁኔታ	
የእርሻ ማሪያ ማጠና	

ሌሎች ካሉ ዘርፍ _____

ክፍል 3: - የቁጠባው አመራሮች/ዓይነት

20. ምን ዓይነት ቁጠባ ትጠቀማለህ?
 ገንዘብ ነክ ገንዘብ ነክ ያልሆነ ሀላቱም

21. የተሻለው የቁጠባ ዓይነት የትኛው ነው?
 A. የቁጠባ ፋይዳ ገንዘብ ነክ ገንዘብ ነክ ያልሆነ

B. ምጭ ገንዘብ ነክ ገንዘብ ነክ ያልሆነ
 C. ምቹ ገንዘብ ነክ ገንዘብ ነክ ያልሆነ

22. በባንክ የሚገኙ ቢሆን ኖሮ በየትኛው ዓይነት ነው?
 በጥሬ ገንዘብ በግምጃ ቤት/በደረሰኝ በሚጠበቅ ተቀማጭ
 ሌላ ይዘርዘሩ A _____ B _____ C _____

23. ገንዘብ ነክ ያልሆነ ቁጠባ ዓይነት ከሆነ ከሚከተሉት በየትኛው ነው?
 A. ከእርሻ አዎ አይደለም
 B. በፍ አዎ አይደለም
 C. ከብድር አዎ አይደለም
 D. ቤቶች አዎ አይደለም
 E. ሌሎች ዘርዘሩ A _____ B _____ C _____

24. ሀላፊነት የቀጠበት ዓይነት የሚቀመጥ ቢሆን ኖሮ የትኛው ይመዘገባል?
 ገንዘብ ነክ ገንዘብ ነክ ያልሆነ

25. ለምን _____

ክፍል 5: - ከቤተሰብ ቁጠባ የተገኘ ትርፍ/ጥቅም

26. ከቁጠባ ያገኙት ትርፍ አለ?
 አዎ የለም

27. አዎ ካሉ እባክዎ ያገኙት ትርፍ ካለ በሠንጠረዥ ላይ በደረጃ አስቀምጡ፡ የሚጀምረው በጣም ብዙ ትርፍ 8ኛው የሚጨምረው ጥቂት ትርፍ በሙሉ በሚደገፍ አስቀምጡ፡

የቁጠባው ትርፍ	ደረጃ	አስተያየት
ዕዳ ማጠፊያ		
የተለየ ሥራ ለመስራት ማጠፊያ		

ለህፃናት የት/ት ቤት ክፍያ ለመገኘት		
በጠፈታ ጊዜ ለመክናናት		
ቤት ለመደስ፣ ለመገዛት ወዘተ		
ለልታሰቦ አደጋ (አጋጣሚ ለመጠገን)		
ንጥረት (ዕቃ) ለመገዛት፣ ቲቪ፣ ማሽን፣ ልብስ		
ከቁጠባው የተገኘ ወላድ		
ሌላ (ዘርዘር)		
ሌላ (ዘርዘር)		

ጊዜዎን ሰጥተው ስለተባበሩኝ ከልብ አመክግኛለሁ !!

JIMMA UNIVERSITY
COLLEGE OF BUSINESS AND ECONOMICS
DEPARTMENT OF ECONOMICS
MASTER OF DEVELOPMENTAL ECONOMICS
QUESTIONNAIRE FOR HOUSEHOLD HEADS (RESPONDENTS)

This questionnaire is prepared to collect information for the purpose of research on the title of “Determinants and behavior of rural household saving” for partial fulfillment of MSc. Developmental economics. The study is only focused on educational purpose and your responses have never any impact on any other entity. The study area is kachabira woreda kembata Tembaro Zone, SNNPR region on selected coffee producers. I would like to thank you for your cooperation in advance. The findings will be helpful to policy makers who are concerned with rural development and also help financial institutions to device policies to improve performance. Your response will be treated with outmost confidentiality.

Directions

1. No need for writing your name
2. Make a tick mark)
3. Give short answer for question items that are open-ended and write in the black spaces.
4. Give any a single answer to each closed ended questionnaire.

PART I: PROFILE OF THE RESPONDENT.

1. What is your age?

18-24 25-65 above 65 age

2. What is your Sex? Male Female

3. What is your highest Level of educational attainment?

Primary Secondary education Tertiary No education

4. Marital status?

Single Married Divorced Widowed

5. What is your household size or How many people usually live in your household? (This includes you but excludes people who do not usually live there and who are financially independent.)

6. Do you have any other dependents living with you?

1. Yes 2. No

7. How many members of your family are financially dependent on you? (They have no income of their own and you and/or someone else in your household supports them) _____

8. Are you use of planning for consumption?

1. Yes

2. No

9. What is your land size in terms of hector? _____

10. What is your livestock size in terms of number? _____

PART II: FACTORS THAT EFFECT RURAL HOUSEHOLDS' SAVINGS BEHAVIOUR

11. Do you have any available means of making some savings?

1. Yes

2. No

12.If yes, please identify in terms of _____

Assets	Tick	Number	Average in Ethiopia birr
In terms of Coffee product/in quintal			
In terms of cash /Monterey/ value			

13.What is or are your reason(s) for saving?

Please tick where appropriate

Reasons for savings	Response
Pay off debt	
Accumulation of capital for investment	
Pay school fees	
Enjoy at retirement age	
Upgrading homes	

Meeting unexpected emergencies	
Buy asset(s)	
Interest on savings	
None of the above	

14. Please, on an average, what is the amount of income that you earn from coffee?

In Ethiopia birr _____

15. How often do you earn it?

Daily weekly monthly other,

specify _____

16. Do you save with any financial institution(s)? Yes No

17. If yes, do you have access to financial institution(s) in terms of the following?

1. Loan. Yes No

2. Account. Yes No

3. Savings. Yes No

4. Conditions. Favorable Unfavorable

18. What is your average monthly savings with the following financial institutions?

In Ethiopia birr _____

19. What are the factor that are effects for saving?

Please tick where appropriate/ correctly affecting for saving

Factors that influences household savings	Response
Household income level	
Age of the household head	
Household head sex	
Marital status of the household head	
Educational attainments of household head	
Livestock size	
Family size	
Dependency ratio	
Respondents use planning for consumption	
Land size	

other(s)specify _____

PART III: FORMS OF SAVINGS

20. Which form do you save?

Financial Non-financial Both

21. Which of these forms of savings is the most important in terms of;

A. Value of savings? Financial Non-financial
 B. Preference? Financial Non-financial
 C. Convenience? Financial Non-financial

22. If you save with bank(s), which forms do you save?

Cash Treasury bills/fixed deposit

other(s)specify A. _____ B. _____
 C. _____

23. If you save in non-financial form, do you save in any of the following?

A. Farmland. Yes No
 B. Coffee/crops. Yes No
 C. Livestock. Yes No

D. Houses. Yes No

E. Other(s), specify A. B. C.

24. If you save in both forms, which one do you prefer to the other?

Financial Non-financial

25. Why _____

PART IV: BENEFITS HOUSEHOLDS DERIVE FROM SAVINGS

26. Do you benefit from savings?

Yes No

27. If yes, please rank the following benefits from 1-8 in order of importance in the table below. 1 is the most pressing benefit and 8 is the least pressing benefit.

Benefits of savings	Rank	Comment
Pay off debt		
Accumulation of capital for investment		
Pay school fees for children		
Enjoy at retirement age		
Buying of, improving and upgrading homes		
To meet unexpected emergencies		
Buy asset(vehicle,clothes,Tv and land eta.)		
Interest on savings		
Other (specify)		
Other (specify)		

Thank you for your time and co-operation!

**AN INTERVIEW GUID FOR GEMESH, ASHIRA AND ZOGOBA KEBELE RURAL
HOUSEHOLD HAED**

PART I: PROFILE OF THE RESPONDENT.

1.what is your age?.....yrs.

2. What is your Sex? [1]. Male [2]. Female
3. What is your highest Level of educational attainment?
 [1] Primary education [2]. Secondary education [3]. Tertiary.E [4]. No education
4. What is your marital status?
 [1]. Single [2]. Married [3] Divorced [4] Widowed
5. How many people usually live in your household? (This includes you but excludes people who do not usually live there and who are financially independent.) _____
6. Are you use of planning for consumption?
 [1]. Yes [2]. No
7. Do you have any other dependents living with you?
 [1]. Yes [2]. No
8. How many members of your family are financially dependent on you? (They have no income of their own and you and/or someone else in your household supports them) _____
9. What is your land size in terms of hector? _____
10. What is your livestock size in terms of number? _____

PART II: INTERVIEW QUESTIONS

11. what is the amount of income that you earn? In Ethiopia birr from coffee _____
12. Do you have savings?
 [1]. Yes [2]. No
13. Where do you save your money?
 [1] Financial [2]. None-financial
 [3]. Home [4]. Give to a friend to keep.
 [5]. other(s) specify _____

12. How much savings do you have (In your savings account ways).
 [1]. Financial from in Ethiopia birr _____

[2]. Non- Financial from in Ethiopia birr _____

13. What are the Major factors affecting your saving? _____

14. which from of saving is the first choice to save?

[1]. Financial

[1]. None- financial

15. What do you generally benefit the money you have saved for?

No	Benefits of savings	Agree [1]	Disagree [2]	Rank
1	Pay off debt			
2	Accumulation of capital for investment			
3	Pay school fees for children			
4	Enjoy at retirement age			
5	Buying of, improving and upgrading homes			
6	To meet unexpected emergencies			
7	Buy asset(Vehicle,land,clothes,Tv etc.)			
8	Interest on savings			
9	Other (specify)			
10	Other (specify)			

This is the end of the interview.

Thank you for your patience