ST. MARY'S UNIVERSITY

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EFFECT OF SALARY AND STAFF LOAN ON EMPLOYEES' SAVING DEPOSIT STATUS:

CASE STUDY OF OROMIA INTERNATIONAL BANK

BY

DEGINET ALEMU

JUNE 2020

ADDIS ABABA, ETHIOPIA

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A THESIS SUBMITTED TO ST. MARY'S UNIVERSITY COLLEGE, SCHOOL OF GRADUATE STUDIES IN PARTIAL FULFILLMENT OF THE REQUIREMENTS FOR MASTER OF ART IN DEVELOPMENT ECONOMICS

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DECLARATION

I, Deginet Alemu, hereby declare that this research work entitled; "Effect of Salary and staff loan on Employees' saving deposit Status" submitted by me for the award of the degree of Master of Art in Development Economics is my original work and that all sources of materials used for the study have been duly acknowledged. I have carried out independently with the advice and comments of my advisor of the research, Kurabachewu Menber (PhD).

Name of Student   Signature   Date

Deginet Alemu   _____   _____

ENDORSEMENT

This thesis has been submitted to St. Mary's University, school of Graduate Studies for examination with my approval as a university advisor.

_____ _____

Advisor Signature

St. Mary's University, Addis Ababa June 2020

APPROVAL SHEET

As members of board of examining of the final MSc thesis open defense, we certify that we have read and evaluated the thesis prepared by Deginet Alemu under the title "Effect of Salary and staff loan on Employees' saving Deposit Status" we recommend that this thesis to be accepted as fulfilling the thesis requirement for the Degree of Master of Art in Development Economics.

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External Examiner's Signature

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ACRONYMS

AIH   Absolute income hypothesis

CDs   Certificate of Deposit

GDP   Gross domestic product

IMF   International Monetary Fund

MPS   Marginal propensity to save

NBE   National Bank of Ethiopia

OIB   Oromia International Bank

PCI   Per capita income

PIH   Permanent income hypothesis

TOT   Terms of trade

ABSTRACT

In formulating strategy on how to boost saving deposits and employee retention programs Banks shall understand the effect of income, inflation, loan, customer number and other determinant factors of saving behavior. Similarly, in designing policies to promote savings and investment, which in turn enhances economic growth through capital formation, understanding the nature of savings behavior is critically important. This paper examines the Impact salary and staff loan have on employees savings deposit status. This study is undertaken in Oromia International Bank s.c. The researcher used both qualitative and quantitative data collected from randomly selected respondents and Oromia International Bank. Also, the researcher adopted Qualitative and Quantitative research approaches. Different multiple regression analysis diagnostic tests (test for assumption of Homoscedasticity, Autocorrelation, Normality, and independent variables are non-stochastic) were conducted to check the appropriateness of the model. The conceptual framework for this study is originally derived from Life-Cycle model and appropriately modified to accommodate the peculiarities of a developing country and builds on the existing cross-country literature on Impact of salary on savings deposit. The study implies that salary amount has a positive relationship with savings deposit. It is the most important factor that affects savings deposit growth from the two independent variables. While a staff loan has negative impact on saving. The research recommends that employers have to consider the impact of salary amount and staff loans on saving capacity of their employees while deciding salary amounts for their employees and providing loans.

Key words: Saving deposit, salary, staff loan, regression analysis

CHAPTER ONE

1- INTRODUCTION

1.1. Background of the study

According to the IMF, a financial service is best described as the process by which a consumer or business acquires a financial good. For example, a payment system provider is providing a financial service when it is able to accept and transfer funds from a payer to a recipient. This includes accounts that are settled through credit and debit cards, checks and electronic funds transfers. Commercial banking services are the foundation of the financial services group. The operations of a commercial bank include the safekeeping of deposits, issuance of credit and debit cards, and the lending of money. According to Harvey and Spong (2001), the banking industry is most concerned with direct saving and lending while the financial services sector incorporates investments, insurance, the redistribution of risk, and other financial activities. Banks earn revenue primarily on the difference in the interest rates charged for credit accounts and the rates paid to depositors. Financial services like these primarily earn revenue through fees, commissions, and other methods like the spread on interest rates between loans and deposits.

Retail banking, also known as consumer banking or personal banking, is banking that provides financial services to consumers as individuals, not businesses. Retail banking is a way for individual consumers to manage their money, have access to credit, and deposit their money in a secure manner. Services offered by retail banks include checking and savings accounts, mortgages, personal loans, credit cards, and certificate of deposit (CDs).

In the past decade, bank savings deposits have been increasing in Ethiopia. According to 2018/19 Annual Report of National Bank of Ethiopia, The overall Bank Deposit of the last four years have shown an increasing growth. The Bank Deposit on 2015/16 fiscal year, which was 36.5 billion birr, has grown to 52.01 billion birr on 2016/17, 61.2 billion birr on 2017/18 and 78.94 billion birr on 2018/19. It has shown a 216.27 % growth within those four years. Bank Saving Deposits in particular have also grown from 217.03 billion birr in 2015/16 fiscal year to 293.43 billion birr in 2016/17, to 382.55 billion birr on 2017/18 and to 487.3 billion birr on 2018/19 fiscal year. Ethiopia has registered a double digit economic growth for the past 10 years. In those

years the Inflation rate has also been staggering from year to year. According to the 2018 World Bank report, the inflation rate in Ethiopia is higher than all other East African countries and sub Saharan African countries. In year 2001 Ethiopia's annual inflation rate was below zero, at -8.238% compared to year 2000's 0.675% annual inflation rate. Since 2002 Inflation has been increasing in Ethiopia. The largest increases were in year 2008, which was 44.357% and in year 2012 at 24.124% annual inflation rates. Since 2002, the list inflation rate was recorded in year 2014, at 7.402% annual rates. In year 2019 the annual inflation rate was 12.5%. According to IMF's forecast Ethiopia's 2020 inflation rate will be 19.4 %.

The famous economist Gregory Mankiw, on his book Macroeconomics emphasized that savings is directly proportional with income and when Savings increases, investment increases too. An increase in investment results in an increase in growth. Ethiopia has been registering economic growth and high inflation at the same time. There were few relative researches undertaken concerning saving, and determinants of household saving.

Haile Ademe (2013) examined that growth rate of income play a stronger positive role in determining both the short run and long run behavior of domestic saving in Ethiopia. Budget deficit ratio and inflation rate were also found to have adverse effects both in the short run and long run. However, the effect of current account deficit ratio is found insignificant to determine domestic saving ratio both in the short run and long run.

H/mariam Dereje (2017) examined Macro economic variables such as disposable income and real GDP have a significant impact on saving deposits of Banks in Ethiopia. Additionally, Disposable income and GDP growth rate have a positive impact on the savings of private commercial Banks of Ethiopia. This finding is consistent with the empirical results of the cross country studies, which indicate, ceteris paribus, that more advanced countries tend to save a higher percentage of their GDP

Yemane Michael and Tsega Hagos (2014) empirically investigate the common reasons for households not to save are low income, inflation, low interest rate, cultural background, education, social affairs and unemployment. The planning and expenditure controlling habit of most respondents was found minimal. Besides, the economic analyses shows that income, age,

sex, marital status, forms of institutions used for saving and frequency of getting money are significant determinants of household savings.

Oromia International Bank, which is one of the private Banks found in Ethiopia, has 262 branches all over the country. The Bank's total Savings deposit amount has grown to 24,815,325,000 billion birr in 2019 fiscal year. Also, there are more than 1,368,291 account holders in the Bank.

1.2. Statement of the problem

Ethiopia has been named one of the world's fast growing countries, which have been registering a miraculous continuous economic growth for the past ten consecutive years. Similarly, reports from the World Bank, the IMF and Ethiopia's CSA shows that, The PCI rate has been increasing for the past several years. Many Economics scholars have confirmed that there is a direct relationship between Income and Saving. Some studies confirm that an increase in income would result in an increase in saving and the vice versa.

According to a study undertaken by Mr. Million Assefa and Dr. Durga Rao (2017) Employees in Ethiopia save money from their salary, but, at a very lower rate. Low level of income and lack of incentives and encouragement from financial institutions affects salaried employees not to save money from their gross monthly income. The cause of the poor saving identified in includes lack of appropriate saving products, lack of incentives to save, low income level, high level of debt, low interest rate, high inflation and others.

Abate Yesigat (2017), depicted in his examination the existence of positive long-run relationship between inflation and national saving in Ethiopia. Moreover, the Granger Causality Test found the unidirectional causal relationship running from inflation to saving.

According to Genanawu Timerga, Butte Gotu and Yegnanewu Alem (2011), number of dependent family members and job satisfaction in the sector are significantly related with saving habits of employees. Married employees have higher saving habits than those who are not married. Their study also indicated that sex, religion, ethnicity, credit access, income satisfaction, interest rate were not significant predictors of saving habits of employees. Monthly salary, distance from home to work place and supporting others with money are significant predictors.

A study by Aron H/silasie (2018) concluded that Ethiopians have very low saving attitude. It is because of low interest rate of saving, lack of incentives to savers and high inflation rates prevailing in the country. The single most determinant of poor saving habit is attitude of the societies towards consumption than saving. The demographic factors that affect saving habit includes; age which implies that when households age increase their saving will decrease; gender which revealed that educational level which revealed that as the academic level of households increase their saving behavior shows improvement; work status which revealed that self-employed households save more than employed and retired households; housing status which revealed that households who have not their own home saves more than house owner's; income level which shows that when the income level of households increase the saving rate will also increase by some presents; marital status which shows that the saving behavior of widowed and married households is better than unmarried; number of dependences which shows that when the number of dependences increase the saving behavior of households will also increased.

In Ethiopia, with all these factors of saving behavior of Individuals and salaried workers, do salary amounts help employee to save more? Did their saving deposit affected by the change in amount of salary of employees? Does staff borrowing have any impact on employees' saving status?

There are many researches related with saving in Ethiopia and worldwide. But, As far as the knowledge of the researcher, there is no similar study regarding the relationship of staff borrowing amount and saving deposit status.

This study examined whether there is any significant relationship between the major income of employees, which is salary, staff loan and savings or not. The research investigated if employees' salary amount and staff loan have any significant impact on their savings status.

1.3.   Research objectives

1.3.1. General objective

The purpose of this study is to analyze the impact of salary amount and staff loan on employees Savings status, studying the salary grades and the status of employees saving status. The study was undertaken on Oromia international Bank's Head office employees.

1.3.2. Specific objective

The specific objectives of the study are;

- ♦ To examine the effect salary and staff loan amount have on employees savings status.
- ♦ To analyze the relationship of salary (Income), staff loan and savings.

1.4. Research hypothesis

Hypotheses of the study is based on the theories related to a relationship between savings and Income that has been developed over the years by different researchers or scholars and past empirical studies related to relationship between Income and savings. From the literature review, which is to be explained in the following chapter and based on the research objective, this study seeks to test the following hypotheses.

- ✓ H0: Salary amount does not have any significant effect on savings status.
- ✓ H1: Staff loan amount does not have any significant effect on n saving status.

1.5. Significance of the study

Knowing the true nature of the relationship between income, loan and saving in Ethiopia is important for Ethiopian financial institutions, research centers, concerned Government bodies and all stakeholders in the financial industry.

The study will describe the relationship between income, staff loan and saving using valid data from reliable sources. Hence, anybody who is interested in knowing the subject matter can use it for further research or as reference for related work.

The result of the study will particularly benefit Ethiopia's commercial Banks in making plans on Savings Mobilization, Loan provision, employee salary and benefits scale formation, employee retention programs and overall banking service understanding the effects income level and other relevant factors have on saving.

1.6. Organization of the research

Chapter one covers the introductory part of the research. Under this chapter, background of the study, statement of the problem, research objectives, research question, research hypothesis, scope and limitation of the study and significance of the study will be presented. The second chapter presents the theoretical and empirical literature review. The Third Chapter will present the Research Methodology. Those are categorized as Research Approach and design, Variables, Data source and Sampling, Population and Sampling, Methods of Data Analysis. The Forth Chapter will be about the Data Presentation, Analysis and Discussion. Under this chapter, Econometric analysis and results interpretation for tests for normality, hetroskedasticity and multicollinearity will be presented. The last chapter, chapter five will include summary of research findings, conclusions and recommendation of the researcher.

1.7. Scope and limitation

This study mainly focuses on analyzing the effect of salary and staff loan on savings deposit status of employees. Hence, the study included salary amounts and staff loan amounts of Oromia International Bank Head offices employees and their monthly savings amounts.

CHAPTER TWO

2. LITRATURE REVIEW

2.1. Concepts and definition

2.1.1. Definition of saving deposits

According to Merriam Webster's dictionary, a saving deposit is a bank deposit usually of an individual or a nonprofit organization drawing regular interest and payable on 30 days notice.

As Wikipedia puts it, A savings account is a bank account at a retail bank whose features include the requirements that only a limited number of withdrawals can take place, it does not have Cheqeu facilities and usually do not have a linked debit card facility, it has limited transfer facilities and cannot be overdrawn. Traditionally, transactions on savings accounts were widely recorded in a pass book, and were sometimes called passbook savings accounts, and bank statements were not provided; however, currently such transactions are commonly recorded electronically and accessible online.

According to a definition given by Webpedia, Savings deposits are interest-paying bank accounts used by consumers as a (usually) temporary way to store wealth, but while maintaining a significant amount of liquidity. Four basic accounts are included under the savings deposits designation: (1) standard savings accounts, (2) passbook savings accounts, (3) share accounts at credit unions, and (4) Money market deposit accounts.

Banking regulations stipulate that a depositor must give a minimum of seven days written notice before withdrawing funds from savings deposits, but this requirement is seldom enforced. This requirement is why savings deposits are included in the broader category of time deposits.

While savings deposits have a legal time requirement of at least seven days, like certificates of deposit, they have no explicit maturity date. In other words, the accounts can remain inactivity in perpetuity. However, savings deposits do have limits on the number of withdrawals per month, often with a minimum amount per withdrawal.

2.1.2. Types of saving deposits

Basic savings accounts

In its simplest form, a savings account is just a place to hold money. An account holder deposits into the account, earn interest, and take money out when he/she need it. Account holders can deposit and withdraw from the account as often as they like. Interest rate paid on this deposit is determined by the National Bank.

Noninterest bearing (Wadiah) saving accounts

This type of saving account is opened for non interest bearing (Islamic Banking) users. The Bank does not pay saving interest on this kind of deposits.

Online savings accounts

This kind of saving deposits are not practical in our country. But, they are widely used by other countries. Types of online bank accounts include:

1. High interest rates on your deposits
2. Low (or no) monthly fees
3. No minimum balance requirements
4. Leading-edge technology

Money market accounts

They look and feel like savings accounts; the main difference is that customers have easier access to their cash: They can usually write checks against the account, and they might even be able to spend those funds with a debit card. However, as with any savings account, there are limits on how many times per month they can make withdrawals. MMAs often pay more interest than savings accounts, but customers are also typically required to keep more money in them. They are a good option for emergency savings because customers still have easy access to their cash while earning interest.

Certificates of deposit (CDs)

CDs are also similar to savings accounts, but they usually pay more. The trade-off is, customers have to lock their money up in a CD for a certain amount of time, for example, 6 months or a year and a half. It is possible to withdraw funds early, but customers have to pay a penalty. So CDs make sense only for storing cash that customers won't need anytime soon.

Checking accounts

If depositors want the easiest access to their cash, they might consider opening a checking account instead. Traditional checking accounts pay either no interest or an annual percentage yield. However, some banks in few countries pay a bit of interest. A depositor uses Cheqeu leaf to make withdrawals. A checking account holder can issue a Cheqeu leaf for others to make withdrawals.

Specialty accounts, such as student savings and goal-oriented accounts

Student savings accounts

With the general exception of online banks, savings accounts can be expensive if depositors don't keep a large balance in their account. Banks typically charge monthly maintenance fees, and some banks in few countries pay little or no interest on small accounts. For students who spend most of their time studying, not working, that's a problem. Some banks offer student savings accounts that don't charge monthly fees.

Goal-oriented savings accounts

A depositor can save for anything or nothing in particular in a savings account, but sometimes it's helpful to earmark funds for a specific purpose. For example, someone might want to build up savings for a new vehicle, his first home, a vacation, or even gifts for loved ones. Some banks offer savings accounts that are specifically designed for those goals.

The main benefit of these accounts is psychological because you might be more likely to reach a savings goal if a specific account is tied to something a customer value. Depositors generally don't earn more, although some banks and credit unions offer perks to encourage regular saving.

2.1.3. Definition of salary

A typical dictionary defines salary as a fixed regular payment, typically paid on a monthly basis but often expressed as an annual sum, made by an employer to an employee, especially a professional or white-collar worker.

According to Wikipedia, A salary is a form of payment from an employer to an employee, which may be specified in an employment contract. It is contrasted with piece wages, where each job, hour, or other unit is paid separately, rather than on a periodic basis. From the point of view of running a business, salary can also be viewed as the cost of acquiring and retaining human resources for running operations, and is then termed personnel expense or salary expense. In accounting, salaries are recorded on payroll accounts.

2.1.4. Savings deposit in banking industry

Banks understand saving deposit as an account at a bank in which the customer deposits money for any non-immediate use. For example, one may utilize a savings account to save funds for an expensive purchase such as, a house or a car. Because most customers keep money in a saving account for a longer period than a checking account, a saving account pays higher interest rate. However, the interest rate is not as high as bold or another low risk investment. Generally speaking, one may not write a check on a savings account without paying a penalty. This is not to encourage withdrawals on savings.

Banks profit is highly dependent on interest on Loans. Therefore, banks require deposits to lend credits for their customers and create a capital market. Deposit mobilization is the main competing area for banks in Ethiopia. The Banking business depends on deposits of its customer. Because of this, banks pay interest for deposits they collect from their customers.

2.2. Theoretical literature

2.2.1. Theories that support the nexus between income and saving

Milton Friedman's income hypothesis

The core of Friedman's AIH is that individuals are rational and they seek to maximize their lifetime utility subject to the constraint that all their lifetime resources must be spent. In this

hypothesis, income and consumption are divided into two major components, the transitory and permanent components. The permanent income is defined as the lifetime income an individual is expected to earn out of the physical and human assets that he possesses while transitory income has been defined as the difference between actual income and permanent income over a specified period of time. This is because an individual economic agent is thought to plan his expenditures on both income received during the current period and income expected during his lifetime.

Therefore, consumers plan their expenditure on the grounds of a long-run view of the resources that will accrue to them in their lifetime. Friedman argues that, permanent income should be considered when studying the saving and consumption behavior of economic agents, not absolute income as Keynes suggests (Epapher 2014).

According to Friedman's PIH, the saving function at time t in its simplest form given the transitory and permanent income can be expressed as (Equation 2).

$St=C+\Phi Y (p) +\Phi Y(T)$

Where,

Φ is the marginal propensity to save given permanent income Y(p)

Φ is the marginal propensity to save given transitory income Y(t)

C= constant with value less than zero

Life-Cycle hypothesis

Ando and Modigliani (1963) postulate a life-cycle hypothesis of consumption of an individual in a specified period of time the life-cycle hypothesis has been utilized extensively to examine savings and retirement behavior of older persons. This hypothesis begins with the observation that consumption needs and income are often unequal at various points in the life cycle. Younger people tend to have consumption needs that exceed their income. Their needs tend to be mainly for housing and education, and therefore they have little savings. In middle age, earnings generally rise, enabling debts accumulated earlier in life to be paid off and savings to be accumulated. Finally, in retirement, incomes decline and individuals consume out of previously accumulated savings. This model suggests that in the early years of a persons' life they are net

borrowers. In the middle years, they save to repay debts and provide for retirement. The life cycle model predicts that a higher interest rate increases the current price of consumption vis-à-vis the future price, thus leading to an increase in savings.

According to Tochukwu (2009), the life–cycle hypothesis theory are more focus on what happens in developed economies but little or no regard to the peculiarities of developing countries. So it needs to be modeled separately from that in developed economies because;

1- Households in developing countries tend to be larger than those in developed ones, and there is a greater tendency for several generations to live together. Such a household has no need for retirement saving because resources are shared between workers and dependents, and ownership is passed from parents to children. This kind of household can internalize many of the insurance activities that would otherwise require saving

2- Developing-country households tend to be large and poor. They have a different demographic structure, more of them are likely to be engaged in agriculture, and their income prospects are much more uncertain. Uncertainty at low income poses a real threat to consumption levels, a threat that is likely to exert a powerful influence on the way in which income is saved and spent.

3- Borrowing is not permitted. This is an extreme simplifying assumption, but more appropriate than it's opposite, that households are free to borrow and lend at a fixed real interest rate. Saving provides a buffer between uncertain and unpredictable income and an already low level of consumption. Saving here is inter temporal smoothing saving, not life-cycle intergenerational saving. The analysis is different, and so are the welfare issues, which are focused on the protection of consumption, particularly among those whose consumption levels may not be far above subsistence.

Based on the above point, Deaton (1989) modifies the life-cycle theory by developing a model of households which cannot borrow but which accumulate assets as a buffer stock to protect consumption when incomes are low. Such households dissave as often as they save, do not accumulate assets over the long term, and have on average very small asset holdings. However, their consumption is markedly smoother than their income.

The Keynesian theory of Absolute Income Hypothesis (AIH)

Keynes in his theory argues that consumption and savings are an increasing function of absolute/disposable income. Keynes postulates that consumption will increase at a decreasing rate as the income increases other things being constant. This implies that part of the income will be saved at an increasing rate as the disposable income increase (Epaphra 2014).Generally, the Keynesian saving function takes a form of linear function with constant marginal propensity to save (MPS).

$S_t = C + \beta Y_t$, Where, S_t = real value of savings

C= constant with value less than zero, Hence, with $Y_t = 0$, savings is negative or very low and in general, income-savings relationship is not proportional.

Y_t = total disposable income

β=changing S/changing Y, the marginal propensity to save is expected to be constant and positive but less than unity, so that the higher income leads to higher savings.

Duesenberry Relative Income Hypothesis

According to Duesenberry (1949) cited in Epaphra (2014) , a household consumption function depends on household income in relation to other household income. As a result, for any given relative income distribution, the percent of income saved by a household will tend to be unique, invariant, and increasing function of its percentile position in the income distribution. The

Relative Income Hypothesis assumes that the percent of income saved will be independent of the absolute level of income. This implies that the MPS (marginal propensity to save) of an individual would be higher if his percentile position in the income distribution is higher.

2.2.2. Factors affecting Savings deposit

There are macroeconomic factors and micro economic factors that can affect the growth of saving deposits.

1- Macroeconomic Factors

The external or macro determinants are variables that are not related to bank management but reflect the economic and legal environment that affects the operation and deposit positions of Banks. The macroeconomic factors that can affect bank's deposit include factors such as Economic growth; disposable income, deposit rate and population growth among others.

Economic Growth

Economic growth is an increase in the capacity of an economy to produce goods and service, compared from one period of time to another. It is generally being measured through GDP (Gross Domestic Product), a variable that has also become the de facto universal metric for 'standards of living (Yanne et al, 2007).

The relevant literature generated a mixed view regarding the relationship between savings and Economic growth. Some of the researches explain that savings cause to economic growth; however some other certain works argue that economic growth granger causes savings. Different countries also have different effect of saving; income source of a country does play an important role in determining the direction of causality.

In the light of life-cycle analysis, GDP growth will result in an increase of aggregate savings, because it increases the lifetime earnings and savings of younger age groups relative to older age groups (Athukorala and Sen, 2004).Thus, Countries with higher GDP growth rates are expected to have higher savings than countries with lower growth rates. However, the size of this effect is likely to decline as GDP growth rises and may even become negative for rich countries where investment opportunities and growth are relatively lower (Masson et al, 1998 cited in Epapher (2014).

Disposable Income

Income received by households can be disposed of in three ways: it can be paid in tax, consumed or saved. Income after tax is disposable income. Household disposable income is the income available to households for consumption or saving.

Life cycle hypothesis emphasized that income varies systematically over people's lives and that saving allows consumers to move income from those times in life when income is high to those times when it is low. The life-cycle hypothesis suggests a positive relationship between saving and income. High incomes improve the per capita income of the households, which will induce them to save more. Thus, richer people can afford the luxury of saving for their future consumption. The poor on the other hand, have low incomes that only allow them to consume at the maximum level. It therefore follows that higher incomes enhance the saving's ability of households and consequently raises the national savings (Epaphra 2014).

Changes in real disposable income over time are often interpreted as a measure of changes in the average standard of living of a country. If households and firms desire to hold more money, deposits will increase. So, the relationship between income and deposits is positive. That means, as the income of the society increases, the same happens for the commercial banks' deposits. Income is expected to have a positive effect on deposits (Khaliy, Meyer & Hushak 1987)

Deposit interest rate

The main focus of every financial system is financial intermediary. That is, mobilizing financial resources from the surplus sector and lend to the deficit outlets to facilitate business transactions and economic development based on the monetary and fiscal policy of the nation. The attraction for getting the deposit from the surplus sector is interest payment, which must be reasonable and acceptable to the owner of the money.

Population Growth

If saving is hump saving, accumulated during the working years to finance retirement, then population growth provides more savers than dissevers, and positive aggregate saving. For many people, population growth is the issue in economic development, and the relation between population growth and capital accumulation is one of the most important of the possible link between population policy and economic welfare.

The life cycle and permanent income models of consumption and savings suggest that population growth affect the savings rate. Assuming that the bequest motive for saving is of little

importance, the young and the old thus tend to have low saving rates, whereas the highest saving rates are observed among people who are at or around the peak of their earnings.

2- Bank Specific Factors

The Bank specific factors are factors that are related to internal efficiencies and managerial decisions. Such factors include determinants such as Branch expansion, capital adequacy, bank liquidity, bank profitability and the like.

Capital Adequacy

Capital of a bank includes paid up capital, undistributed profit (retained earnings), legal reserve or other reserves and surplus fund which are kept aside for contingencies. Though capital adequacy ratio is measured by the ratio of total capital to risk weight asset, in some literatures it can be also measured by the ratio of capital to total asset and then in this study, the proxy for capital adequacy is the ratio of total capital of the bank to total loan and advance of the bank. Capital adequacy refers to the extent to which the assets of a bank exceed its liabilities, and is thus a measure of the ability of the bank to withstand a financial loss. Rajan (2002) under the theory of financial fragility-crowding out, suggest that higher capital commercial bank reduces liquidity creation and lower capital commercial Bank tends to favor liquidity creation. Furthermore, Gorton and Winton (2000) show that a higher capital ratio may reduce liquidity creation through another effect: "the crowding out of deposits". They consider that deposits are more effective liquidity hedges for agents than investments in bank equity.

Indeed, deposits are totally or partially insured and can be withdrawn at par value. Consequently, higher capital ratios shift investors" funds from relatively liquid deposits to relatively illiquid bank capital.

Bank's Liquidity

Liquidity can be defined as a measure of the relative amount of asset in cash or which can be quickly converted into cash without any loss in value available to meet short term liabilities. The liquidity measure provides suggestions about the level of liquidity on which the commercial banks are operating. According to Samuel (2011) Liquidity involves three elements or characteristics namely Marketability, Stability and Conservatism. Liquid assets should be more

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marketable or transferable. That means, they are expected to be converted to cash easily and promptly, and are redeemed prior to maturity. All assets that cannot be redeemed at maturity are said to be illiquid. the fact that the prices of the former are fixed and have lesser variability than the prices and value of the later that experience considerable fluctuation.

Conservatism quality of liquidity refers to the ability of the holders of liquid assets to recover the cost of the asset on the time of resale. On the basis, common stocks are not considered highly liquid asset despite its ready marketability. This can be attributed to the fact that on certain periods, the current prices are lower than their initial or original prices. In consideration of these qualities, people and firms decide to hold cash which is the only perfectly liquid asset. Another quality of liquid asset is price stability. Based on this characteristic, bank deposits and short term securities are more liquid than equity investments such as common stocks and real estate due to banking liquidity is the ability to meet obligations when they come due without incurring unacceptable losses.

The more liquid banks can attract the deposits. When banks fail to pay for its depositors then it faces liquidity risk that makes other depositors not to deposit in that particular bank.

Bank Profitability

One of the reason as to why people deposit in banks is to ensure a feeling of security of their money .A sound and profitable banking sector is better able to withstand negative shocks and contribute to the stability of the financial system. Erna & Ekki, (2004), finds that the long run relationship between commercial banks deposits and the profitability of the banks. The long run relationship between Commercial bank deposits and the profitability of the banks indicated that higher banks profits would tend to signal increased bank soundness, which could make it easier for these banks to attract deposits.

Branch Expansion

Branch expansion is opening new branches or service outlets in and outside the country. Carlson and Mitchener, (2005), found from theoretical literature on banking regulation that branch banking leads to more stable banking systems by enabling banks to better diversify their assets and widen their deposit base. An argument commonly articulated in the literature is that branch

banking stabilizes banking systems by reducing their vulnerability to local economic shocks; branching enables banks to diversify their loans and deposits over a wider geographical area or customer base. According to Erna & Ekki, (2004), there is a long run relationship between commercial bank branch and commercial banks deposits. Rangarajan (1982) explained that branch expansion, by spreading the banking habit over a wider geographical area, induced a large number of people to use bank deposit. Besides, a wide network of branches by facilitating transactions across different geographical areas reduced the need for holding larger amount of cash. This prevented the outflow of reserves from the banking system leading to a larger expansion of secondary deposit; therefore, the author observed that one of the structural changes to be expected from a massive branch expansion program was raising deposit. Lewis (1955) noted that people would save more if saving institutions were nearer to them than if they were farther. As a result, a negative relationship is assumed to exist between population per bank branch and household financial saving. However, whether increased financial intermediation itself significantly increases the overall propensity to save depends also on the degree of substitution between financial saving and other items in the household's asset portfolio. Consequently, the expected sign of this relationship in the private saving function is ambiguous.

2.3. Empirical studies on the relationship between Savings and Salary

Review of previous studies in Ethiopia

A study by Mr. Million Assefa and Dr. Durga Rao (2017) examined determinants of saving behavior of the salaried employees in Ethiopia. The study revealed that majority of the salaried employees in Ethiopia save money but at lower rate. Low level of income and lack of incentives and encouragement from financial institutions affects salaried employees not to save money from their gross monthly income. There is a significant impact of income level on saving decision of the salaried employees. Gender, age, field study, experience and income have a strong relationship with saving rate. Education level and marital status do not have a strong relationship with saving rate.

The study conducted by Hassen Beshir (2017) on Factors Affecting Savings as Means of Economic Growth in Ethiopia suggested that there is a high correlation between growth and savings. However, the causality issue (whether saving causes growth or the other way round) is

not yet settled. GDP growth is positively and significantly determined by savings, money supply, and foreign capital flow. Foreign capital in-flow in the form of foreign aid and credit is found to have a statistically significant negative effect in the short run and direct effect in the long run on domestic savings. Terms of trade (ToT) are found to have a statistically significant direct effect on savings, particularly in the long-term effect.

Another study conducted by Gebrekiristos G/silassie and Yonas Abera (2016), on Utilization of and Factors Affecting Individuals Saving in Ethiopia shows that the rate of individuals' saving is very low as compared to that of other fast growing countries like china. Much of the spending of the individuals is made on daily meal or food items; which shows the characteristics of spending of poor people. Majority of the individuals use their saving for some other purposes than to make investment; besides there are significant number of individuals who do not use banks to save their money which would have been possibly used for investment by other individuals had they used banks.

Result of the descriptive analysis also shows that rise in prices of commodities (inflation) is ranked as the first factor to retard the individuals' saving which is followed by lack of sufficient income of individuals. It is obvious that currently the food inflation is much higher compared to non-food inflation, in Ethiopia; hence, as long as much of the income of the individuals is spent on food, it is expected to have adverse effect on the rate of saving of individuals.

The study also pointed out that marriage, use of planning for consumption, and higher income earning can significantly enhance the rate of individuals saving. Also, becoming responsible person was found to be a significant factor to improve individuals' rate of saving. In addition to these elderly workers can significantly save more than the youth. The study also indicates that there is significant number of complaints on the services delivered by the banks which may retard the motivation of the people to use banks. These complaints include network (internet) connection problem, lack of online services, lack of understanding about the core banking system by both the customers and employees of the banks, lower rate of interest and absence of negotiation on interest, longer period of services, lack of incentives, and lack of advanced technologies.

A study by Emebet Goshu (2017) on Determinants of Deposit in Commercial Bank of Ethiopia revealed that disposable income and real GDP have a significant impact on saving deposits of Banks in Ethiopia.

Yemane Michael and Tsega Hagos (2014) study on Determinants of household saving in Ethiopia also revealed that low income, inflation, low interest rate, cultural background, education, social affairs, unemployment, age, sex, marital status, forms of institutions used for saving and frequency of getting money are significant determinants of household savings.

According to a study conducted by Aron Hailesellasie, Nigus Abera and Getnet Baye (2013) on Saving Culture among Households in Ethiopia, the critical economic factors that affects saving culture includes; low interest rate of saving, lack of incentives to savers and high inflation rates prevailing in the country. The single most determinant of poor saving habit is attitude of the societies towards consumption than saving.

Table 2.1- Empirical Studies on the relationship between Savings and Salary

No	Author	Title	Main Finding	Data	Limitation
	Million Assefa and Dr. Durga Rao	determinants of saving behavior of the salaried employees in Ethiopia	There is a significant impact of income level on saving decision of the salaried employees.	Primary and secondary	Majority of the salaried employees in Ethiopia save money at lower rate
	Hassen Beshir	Factors Affecting Savings as Means of Economic Growth in Ethiopia	There is a high correlation between growth and savings.	Primary and secondary	
	G/kiristos G/silassie and Yonas Abera	Utilization of and Factors Affecting Individuals Saving in Ethiopia	Inflation is ranked as the first factor to retard the individuals' saving which is followed by lack of sufficient income of individuals.	Primary and secondary	

	Emebet Goshu	Determinants of Deposit in Ethiopian Private Commercial Banks	disposable income and real GDP have a significant impact on saving deposits of Banks in Ethiopia	Secondary	Variables like Deposit rate, population growth, capital adequacy and return asset have no statistically significant impact
	Yemane Michael and Tsega Hagos	Determinants of household saving in Ethiopia	Income, inflation, low interest rate, cultural background, education, social affairs, unemployment, age, sex, marital status, forms of institutions used for saving and frequency of getting money are significant determinants of household savings.	Primary and secondary	
	Haile Ademe	Determinants of domestic saving in Ethiopia	growth rate of income play a stronger positive role in determining both the short run and long run behavior of domestic saving in Ethiopia	Secondary	
	Aron Hailesellasie, Nigus Abera and Getnet Baye	Saving Culture among Households in Ethiopia	Saving culture is influenced by low interest rate of saving, lack of incentives to savers and high inflation rates prevailing in the country. Determinant of poor saving habit is attitude of the societies towards consumption than saving.	Primary and secondary	Ethiopia's saving rate is the worst rate in the world and SSA countries.

2.4. Conceptual framework

Based on theoretical and empirical discussions it is appropriate to provide a diagrammatic representation of conceptual framework that links those variables that are employed for this study. The conceptual frame work in Figure 2.1 indicates employees' savings deposit is dependent on the bank wise factors Salary amount and loan repayment amounts.
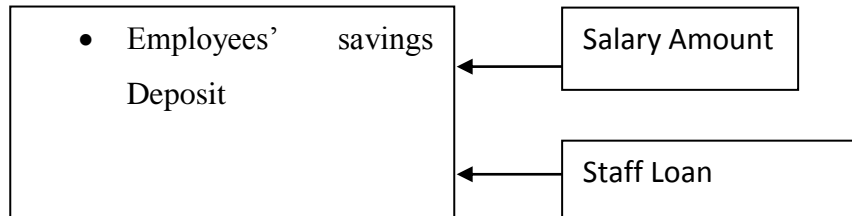

Figure: Conceptual frame work of the study

Source: Own graphic presentation

CHAPTER THREE

3. RESEARCH DESIGN AND METHODOLOGY

The research design and methodology includes five sub-sections. These are; research Approach and design, Data source, population and sampling techniques, methods of data analysis and presentation and estimated model.

3.1. Research design

The study is explanatory which mainly aims to examine the relationship between Savings deposit, Staff loan and Salary amount. The study relied on both qualitative and quantitative approach methods to examine causal relationship between Savings deposit with staff loan and Salary amount. Therefore, explanatory research design was employed in the study to achieve the objective of the study, which was to examine whether there is a cause and effect relationship between variables.

3.2. Source of data and variables

A quantitative data on Salary and staff loan amounts of 96 randomly selected sample populations were collected from Oromia International Bank. Additionally, a qualitative data on monthly savings deposit amount of sample population was collected using questionnaires.

3.3. Methods of data analysis and presentation

The specific analytical tool of the data analysis is Multiple Regression Analysis using SPSS. The relevant information is presented in a standard form using tables, charts and graphs to analyze and interpret the information.

3.4. Variable description and hypotheses

Private Banks in Ethiopia usually give annual salary increments to their employees to retain skilled man power, attract new recruits, enhance living standard of their employees and due to

many other reasons. When we see the economy, it has been showing growth for more than ten years. The economic growth has been accompanied by strong inflation rates. Bank Employees have an opportunity to borrow various kinds of loans like, Mortgage loan, personal loan, consumer loan, Automobile loan and emergency staff loan. Hence, here employees' savings from their salary comes in to question. Do they save more as their salary increases? Is there any relationship between savings deposit and salary amounts?

This study aims to identify the relationship between salary and staff loan amount with employees saving deposit, carried out on OIB employees, which is believed to reflect the cases of all other commercial Banks found in Ethiopia. The main variables in the analysis for which data collected are dependent and Independent variables. Independent variables are expected to affect dependent Variable. Dependent variable of this study is Employees' saving deposit status and independent variables are Salary and staff Loan.

Table 3.1 Description of the variables and their expected relationship

Variable	Symbol	Definition	Expected sign
Employees' Saving Deposit	ESAV	Natural logarithm of employees' Saving deposit	N/A
Salary (Income)	SAL	Salary amount	+
Staff Loan	SL	Monthly staff Loan amount	-

3.5. Estimated model

Regression analysis is usually conducted in qualitative and quantitative analysis to show the statistical significance and dependencies. Similarly, statistical methods are used to test the association between the dependent variable and other independent variables. Multiple regression model approach including all of its assumptions is also utilized in conducting this study.

Assumptions are used to see the applicability of the regression models developed first to test the impact of salary and staff loan amount with savings status.

Model for this study is specified using the variables identified by permanent income hypothesis with some additional and deduction variables suggested by other studies, which might be

important in determining impact of salary and staff loan amount on saving deposit. The model is presented as follows:

ESAVt = f (Salary + staff Loan)

ESAVt = $\beta_0 + \beta_1 SAL + \beta_2 SLt + \mu$ ……… equation 1.

Where,

ESAV = Natural logarithm of employees' Savings deposit,

SAL = Salary amount

SL = Staff Loan amount

β_1 and β_2, are Parameters to be estimated

μ is Disturbance (error) term

CHAPTER FOUR

4. DATA ANALYSIS AND DISCUSSION OF FINDINGS

This chapter consists of the analysis of quantitative data identified in the previous chapter. It has five sections. The first section presents descriptive analysis of the dependent and independent variables using graphs and tables. Section two presents the multiple regression model assumptions diagnostic test results. Section three presents the correlation analysis result of dependent and independent variables. The Fourth section presents the results of the regression analysis and finally discussion of the regression results are presented under section five.

The collected data was examined and coded by the researcher and the data were analyzed using different statistical techniques and tools depending on the nature of the data collected from the sources. Inferential statistics such as F- test and T-statistics test analysis were applied. The data collected were processed using IBM SPSS statistics 21.

4.1. Descriptive analysis

4.1.1. Trend of OIB's saving deposit

The data collected from OIB on status of saving deposit from 2013 to 2019 depicts there has been a continues growth of saving in the Bank. The growth rate is presented in the graph below.
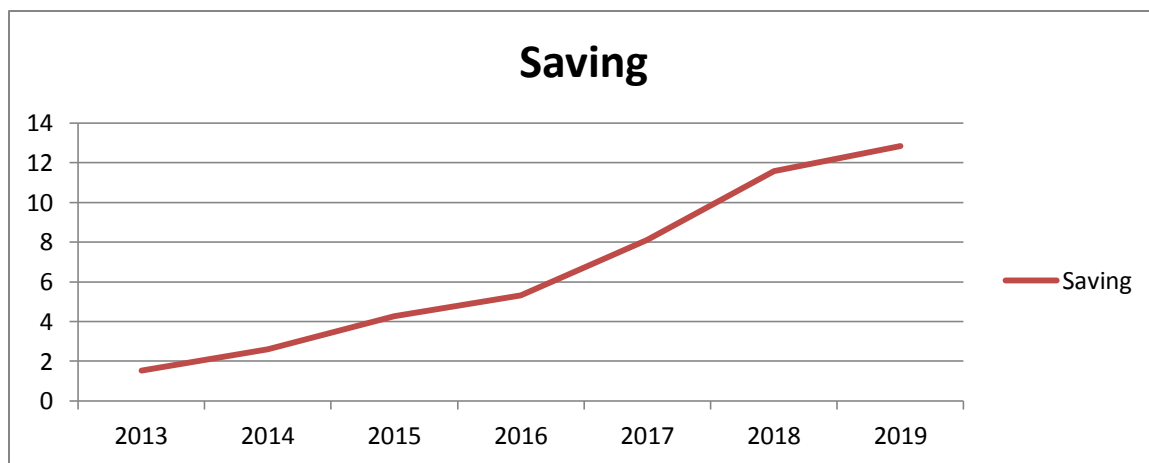

Figure-4.1 Trend of OIB's saving deposit

Source: Author's computation based on data from OIB

As we can see from the above table, saving deposit has been increasing since 2013 to 2019. There has been an increase at increasing rate.

4.1.2. Trend of OIB's staff loan

Staff loan provision for OIB employees has also been increasing over the years. The graph below depicts the fact that staff borrowing has been increasing similar to savings deposit of the bank.
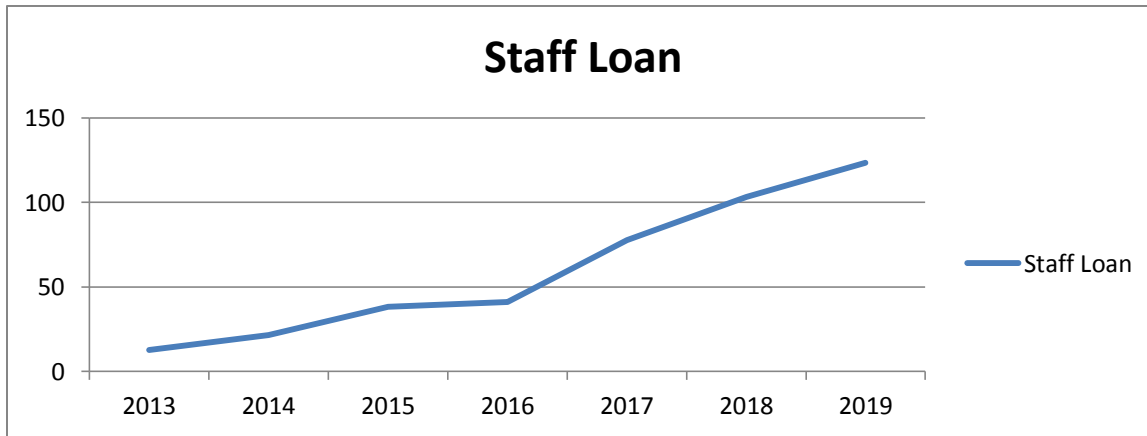
Source: Author's computation based on data from OIB

Figure 4.2- Trend of OIB's staff loan

4.1.3. Trend of OIB's salary

Salary of employees of OIB has been increasing at a minimum of 14% to a maximum of 21% per annum irrespective of the increase caused by additional recruitments.

Source: Author's computation based on data from OIB
Figure 4.3- Trend of OIB's salary amount

4.1.4. Descriptive analysis of independent variables and dependent variable
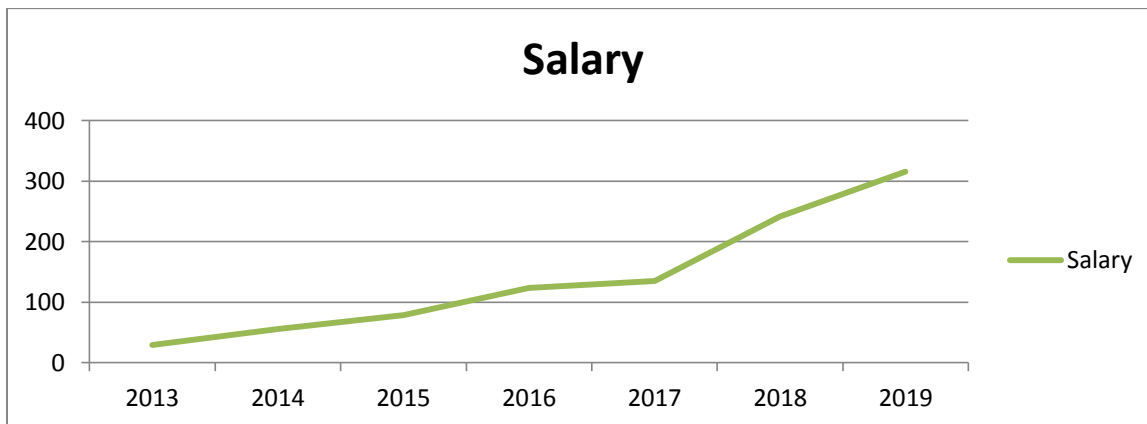
In this part, the summary statistics of each variables of the study has been discussed. The variables included the dependent and independent variables. The dependent variable used in this study is saving deposit, whereas the explanatory variables are Income (Salary), Inflation rate and staff loan which are discussed here under.

Table 4.1 Annual growth rate of Saving deposit, salary and staff Loan in OIB

year	Saving Deposit amount (in million birr)	Income (Salary)growth rate (in millions)	Staff Loan growth rate (in millions)
2013	1525	29.14	12.6
2014	2611	55.67	21.49
2015	4278	78.63	38.34
2016	5322	123.94	41.02
2017	8115	135.44	77.87
2018	11577	241.10	103.32
2019	12830	315.6	123.53

Source: OIB

4.2. Summary of Descriptive Statistic

Table 4.2 demonstrates the summary descriptive statistics which contains different characteristics of data used in the analysis. The summary of descriptive statistics includes the mean, standard deviation, minimum and maximum of one dependent variable (SAV) and Two explanatory variables salary and staff loan (SAL, and SLN)

Table 4.2 Summary Statistics

Variables	Observations	Mean	Std. Deviation	Maximum	Minimum
Savings	96	682.29	751.41	0	5000
Salary	96	12,844.25	9185.06	2926	39991
Staff Loan	96	1869.40	1624.77	0	7690

Table 4.2 shows the summary descriptive statistics which contains different characteristics of the analysis. The standard deviation shows how much dispersion exists from the average value. A low standard deviation indicates that the data point tends to be very close to the mean, whereas high standard deviation indicates that the data point is spread out over a large range of values. As shown in the summary statistics, all have low standard deviation except Savings. As shown in the above Table, the average saving is 682.29 per month. The standard deviation of Savings accounts 751.41.

With regard to explanatory variables, the mean of salary is found to be 12844.25, indicating that on average employees salary is greater than average savings and staff loan. Regarding staff loan, the mean value is 1869.40 per month. The Standard deviation value showed 1624.77. This shows that the average staff borrowing is greater than average monthly savings of employees.

This descriptive analysis supports the regression result that on average employees' monthly savings is less than the average monthly staff loan repayment amount. If the average amount of a deduction from monthly salary payments is greater than the average monthly saving amount, a negative impact of staff loan would be anticipated as indicated by the regression result.

4.3. Testing the Multiple Regression Model Assumptions

In undertaking the regression analysis, the researcher collected the monthly saving amounts of sample employees. Then log of monthly saving deposit of sample, which is the dependent variable, is regressed against two independent variables (monthly Salary amount and monthly staff loan repayment amount). The regression analysis is used to test if independent variables influence a dependent variable and whether this effect is positive or negative. For that to be applied and being practical, diagnostic testing has to be done. The econometric estimation technique that is used by this study is multiple regression models.

There are five assumptions test made in relation to the multiple regression models. The researcher has tested if violation of these assumptions exists. The method used to test these assumptions is described as follows:

4.3.1. The Assumption of Homoscedasticity

If the variance of the errors is constant, this is known as the assumption of homoscedasticity. The results of the scatter plot shows all independent variables have the influence on the dependent variable irrespective of the variation on the magnitudes of influence each independent variables have. Since the ANOVA statistic's p-values are considerably lower than 0.05. It can be concluded that the errors have a constant variance.

Table 4.4 ANOVA Test

ANOVA[a]

	Model	Sum of Squares	df	Mean Square	F	Sig.
1	Regression	40568431.371	2	20284215.685	144.317	.000[b]
	Residual	13071464.462	93	140553.381		
	Total	53639895.833	95			

a. Dependent Variable: Monthly savings

b. Predictors: (Constant), Monthly Loan repayment, Monthly salary amount

4.3.2. The Assumption of Autocorrelation

It is assumed that the errors are uncorrelated with one another. If the errors are not uncorrelated with one another, it would be stated that they are serially correlated. A test of this assumption is therefore required to ensure that the error terms are independent of each other. Durbin Watson (DW) statistic is 1.80. This manifests the absence of serial correlation among the errors. Moreover, the Observed R-squared is 75%, which is far from 5%. As a result, the null hypothesis of no autocorrelation is not rejected. So, the model has qualified the test comfortably that makes the estimation of the coefficients valid.

Table 4.5 Durbin Watson statistic test

Model Summary[b]

| Model | R | R Square | Adjusted R-Square | Std. Error of the Estimate | Change Statistics | | | | | Durbin-Watson |
					R Square Change	F Change	df 1	df 2	Sig. F Change	
1	.870[a]	.756	.751	374.90	.756	144.31	2	93	.000	1.80

a. Predictors: (Constant), Monthly Loan repayment, Monthly salary amount

b. Dependent Variable: Monthly savings

4.3.3. The Assumption of Independent Variables are Non Stochastic

According to Brooks (2008), the p-value given at the bottom of the normality test screen should be greater than 0.05 to support the null hypothesis of presence of normal distribution at the 5 percent level. Theoretically, if the test is not significant, then the data are normal, so any value above 0.05 indicates normality. On the other hand, if the test is less than 0.05 which proves significance, then the data are non-normal.

Results from the Histogram and the scatter plot depicts that the errors are normally distributed around the mean. Therefore, it is possible to generalize that the residuals are normally distributed and do not have potential problems on the specified model.
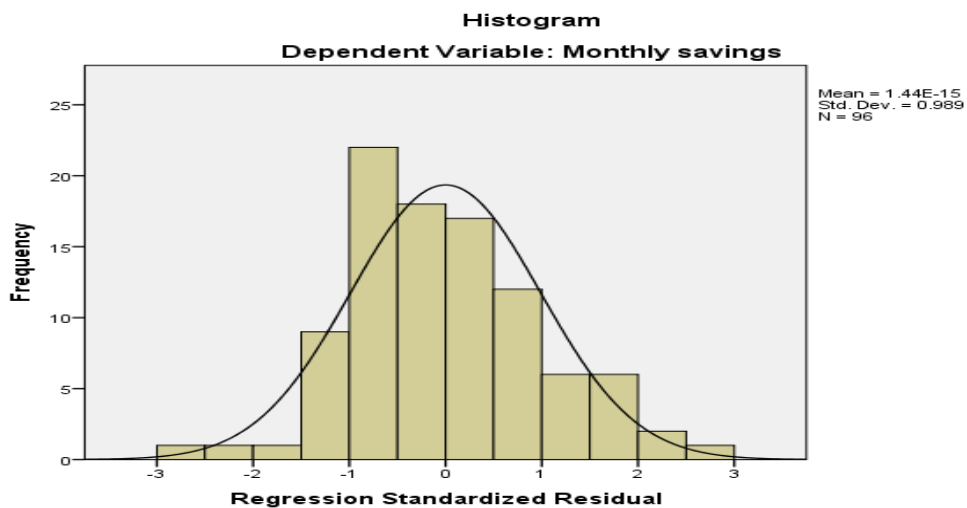

Figure- 4.4 Histogram test for normality

Figure- 4.5 Scatter plot test for Normality

4.3.4. Test of Multicollinearity

Test for multicollinearity describes the relationship between explanatory variables. Raykov and Marcoulides (2006) states that in a regression analysis the presence of multicollinearity implies that one is using redundant information in the model, which can easily lead to unstable regression coefficient estimates. The p-value of correlation analysis shows that the correlation between our predictors is less than 0.05, which implies there is no multicollinearity problem in our study. Multicollinearity means that there is linear relationship between explanatory variables which may cause the regression model biased. If the explanatory variables are perfectly linearly correlated, the parameters become indeterminate, (Gujarati, 2008).

Table 4.6 Variance Inflation Factor

Variable	Coefficient
	VIF
Salary	2.819
Staff Loan	2.819

The fact that if VIF is significantly greater than 5percent (i.e., the common rule of thumb value stated), would suggest that exhibits multicollinearity. In the above table results, it can be seen

that there is no multicollinearity between the explanatory variables. Hence no VIF scored above 5percent.

4.3.5. Test of the hypothesis

The hypotheses are generally stated in the null and alternate form and presented by the below table following the detail analysis.

Table- 4.7 Hypothesis test result

Null Hypothesis	Result
HO1: Salary amount does not have any significant impact on savings status.	The null hypothesis is rejected at 5% percent level of significance (95% level of confidence)
HO2: Staff loan amount does not have any significant impact on saving status.	The null hypothesis is rejected at 5% percent level of significance (95% level of confidence)

4.3. Results of Regression Analysis

This regression analysis is based on the data collected from Oromia International Bank and sample respondents. The relationship between one dependent variable and two independent variables is regressed using software called IBM, SPSS statistics data editor. Thus, the model used to examine the relationship between employees' Savings Deposit status and salary income amount and staff Loan repayment amount.

Employees' Saving deposit is measured by

$ESAVt = \beta 0 + \beta 1 SAL + \beta 2 SLRt + \mu$

The purpose of regression analysis in this study was to examine the importance of each independent variable in explaining the variation of Employees' saving deposit status. Accordingly, as shown in table 4.5, the R-squared statistics and the adjusted-R squared statistics of the model were 75.6% and 75.1 % respectively. The adjusted- R2 of this study indicates that, 75.1 % of the variation on the dependent variable (Employees' saving deposit) was explained by

the changes in the independent variables. Thus it can be concluded that, all the independent variables used in this study collectively, were good explanatory variables of Employees' saving deposit status. Hence the p-value of F-statistics is zero, the null hypothesis is rejected and the model is significant at 5% significant level, which enhanced the reliability and validity of the model.

As it is shown on table 4.5, salary amount (Income) and Staff Loan are statistically significant at 5% significant level. The independent variables are significantly related with Savings Deposit.

4.4. Discussion of the Regression Results

Here in this section, the relationship between the dependent variable and each independent variable are discussed on the basis of the findings on this study. The dependent variable is Employees' Savings deposit status and independent variables are salary Income amount (salary), and Staff Loan repayment amount.

Salary (Income) Growth and saving deposit

The result of the study implies that an increase on Savings deposit by one unit requires a 10.7 % increase on salary (income). In another expression, a one unit increase on Savings deposit means a 10.7% increase on salary.

Staff Loan and saving deposit

To increase Savings deposit by one unit, a staff Loan has to be reduced by 31.2 %. This result agrees with findings by other researchers those who examined that Loan has a negative impact on Savings Deposit.

CHAPTER FIVE

5.   SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

This chapter deals with the major conclusions and recommendations based on the findings of the study. The chapter is organized in to two sub-sections, the first section presents the major conclusions of the study and the second section deals with the recommendation drawn from the study.

5.1.   Summary and Conclusions

The study empirically investigates the impact of salary amount on employees' saving status, the case study of Oromia International Bank, by using qualitative and quantitative data of randomly selected sample respondents. To do this the researcher employs multiple regression analysis. Because literature suggests that regression analysis is more convenient for such studies. The study has used employees' monthly salary amount and monthly staff loan amount as explanatory variables.

The result of the study revealed that there is no evidence of serial correlation, no Multi co linearity, the residual is normally distributed and no evidence of hetroscedasticity problem. In addition to this the null hypothesis is proved to be rejected at 95% confidence interval.

Empirical results of the study provide evidence that there is a long run significant positive relationship between employees' savings status and Salary amount. Additionally, the impact of staff loan is also found to be significant in determining employees' saving status. This result is quite similar to the researcher's prior expectation.

An increase in Salary by 10.7% will increase employees' saving deposit by one unit. While a decrease in staff loan repayment by 31.2% will increase saving deposit by one unit. This explains that there is a positive relationship between salary (Income) and savings as many economics scholars suggested. Similarly, there is a negative relationship between staff loan repayments, which reduces the income of employees, and saving.

Generally, Regression results revealed that among the two independent variables salary amount is the most important factor that positively and significantly influences Employees' saving deposit status.

5.2.   Recommendations

The findings of the study provide evidence that Employees' saving deposit is affected by salary Income amount and other macroeconomic variables. The empirical evidence however has certain important policy implications, and in view of that recommendations have also been provided. In the model of the study salary amount has a positive relation with Employees' saving deposit status. While staff loan has a negative impact on employees' savings deposit status.

The very crucial point is to enhance employees' saving status, Banks shall increase salary of employees significantly, with due consideration of employee borrowing, demographic determinants and other macro economic factors which are believed to reduce saving capacity of employees. Employees shall be encouraged to save some portion of their income to enhance saving culture in our country. Employees shall also understand the negative impact of loan on savings while borrowing various loans. Employers shall also arrange a proper repayment schedule for their employees while providing staff loans in order to enhance saving capacity of their employees and help them have a better living standard.

Eventually, this research helps for other researchers as a source of reference and as a stepping stone for those who want to make further study on the area afterwards, since this research couldn't incorporate all variables both at macro level and Bank specific. Future research work could take consideration to the impact of other loan provisions and Income sources at country level.

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