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ANALYSIS OF HOUSEHOLD SAVING IN
DILLA TOWN OF GEDEO ZONE, SNNP, ETHIOPIA

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ANALYSIS OF HOUSEHOLD SAVING:
THE CASE STUDY IN DILLA TOWN, SNNP, ETHIOPIA

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Declaration

I, the signatories, declare that this study entitled “*Analysis of household saving, the case of Dilla Town, SNNP Ethiopia*” is my own work. I have undertaken the research work independently with the guidance and support of the research advisor. This study has not been submitted for any degree or diploma program in this or any other institutions and that all sources of materials used for the thesis have been duly acknowledged.

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Place: Addis Ababa, Ethiopia

Endorsement

This is to certify that YORDANOS SISAY has done the study on the topic “*Analysis of Household Saving, the case of Dilla Town, SNNP Ethiopia*” This study is authentic and has not been done before by any other researcher.

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Lists of Acronyms

DTAOFED	Dilla Town Administration Office of Finance and Economic Development
DTPOSEMD	Dilla Town Plan office and socio-economic management directories
EPRDF	Ethiopian People’s Revolutionary Democratic Front
GC	Gregorian calendar
GDI	Gross Domestic Investment
GDP	Gross Domestic Product,
GDS	Gross Domestic Saving
GTP	Growth and Transformation Plan
MLE	Maximum Likelihood Estimator
MoFED	Ministry of Finance and Economic Development
OECD	Organization for Economic Co-operation and Development
PPS	Probability Proportion to Size
SSA	Sub Saharan African
SNNP	Southern Nations, Nationalities, and People's
SPSS	Statistical Package for the Social Sciences
UNDP	United Nations Development Program

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Abstract

Domestic savings in Ethiopia are subject by household savings that are not sufficiently routed into productive use and also there is a saving and investment gap. The objective of the study was to identify the determinants of the household saving behavior in Dilla Town of southern Ethiopia. It employed descriptive statistics and double hurdle model to analyze the data collected from a sample of 120 households in the study area. Primary data collected using a random sampling method employing self-administered using structured questionnaires. The descriptive result showed that about 45% percent of sampled households involved in saving of which 75% percent use formal financial institutions and the remaining use for alternative saving options. The overall saving performance of the household is poor. The findings revealed that there is positive and significant causal relationship between amount of saving and income, personal saving habit, level of education, additional income generating activity and home owner of the respondents. Variables such as family size, age, and expenditure and dependency ratio were found to have negative influences on respondent's decision to save. The findings implied the need for designing strategies that could improve the saving behavior, mobilization and diversification of saving by household. Furthermore, the need for government and other concerned organs involvement in building the capacity and incentives that in terms of households increasing saving behavior; by reduce rate of inflation and improve deposit interest rate and increasing service quality, crating awareness of the society that discouraging bad culture or norm and encourage household saving.

Key words: Savings, Ikub, Edir, Maheber Zeker, Double hurdle, Household, Dilla, Ethiopia

CHAPTER ONE

1. INTRODUCTION

1.1. Background of the Study

Saving has been considered as one of the aspects and growth to lead the developing countries to the pathway of development. Saving is a key factor of households' welfare in developing countries. Instead, without savings, households have few other tools to adjust unforeseen variations in their income. For individuals and households savings provide a cushion of security against future contingencies whereas for nation savings provide the funds needed in the developmental efforts (Abebe, 2017).

Saving rates around the world vary widely; on average East Asia saves more than 30% while SSA saves less than 15% (Loayza et al., 2000). The level of domestic saving in Ethiopia is very low hence; it is experiencing a severe resource gap. According to Tsegabirhan (2010), Gross Domestic Saving/Gross Domestic Product ratio of Ethiopia from 1997 to 2002 was 6.6% which was lower than from the low income SSA which is 7.1%. However, the problem becomes severe recently. According to this study, the domestic saving of Ethiopia in 2007, 2008, 2009 and 2010 was 5.6%, 0.6%, 2.1% and 0.3% respectively. On the other hand, the domestic saving of the low income SSA was 9.6%, 7.3%, 7.8% and 8.6% respectively in the same years.

In many developing economies predominantly Africa, saving and investment are necessary engines for capital formation hence economic growth. It has been argued that saving constitutes the basis for capital formation and capital formation constitutes a critical factor of economic growth. Available statistics however indicate low saving mobilization base and investment in this part of the world (Kinde, 2018)

Low domestic savings creates constraints for private investors who need finance to support the huge demand of private investment required for the country's accelerating growth and development. Cash on the hand of individuals, potentially feeds the shadow economy. An economy system must be able to produce capital in order to satisfy the wants and needs of its people. If there is enough saving in a country, it leads to reduce lending rate and increase financial accessibility (Ethiopian Business Review Magazine, 2020).

For the developing countries as well as Ethiopian, the household savings rate is a major reason for the highs or lows economic development and prompting the overall economic

circumstances. Countries having higher level of saving rates have achieved to reduce the burden of external debt and thus domestic investments will be financed by domestic saving especially household sectors (Tadele, 2015).

The average gross domestic saving and gross capital formation (investment) of Ethiopia as percentage of GDP for the 1997/98-2006/07 period stood at 6.6 and 24 percent, respectively. This has further increased to 16.7 and 39 percent, respectively, during 2010/11-2017/18 period, resulting in significant saving and investment gap (Alemayehu Geda, 2020).

According to National Bank of Ethiopia survey study, Ethiopian's saving culture is still regarded as poor despite the performance improvement from 11.1% in 2006 to 19 % in 2021 G.C. Currently in Ethiopia from the total population only six millions household saves money in financial institutions on average 875 Birr per year. (Douglas et al, 2014)

Saving mobilization and development of saving practices of a certain society will have an impact on capital accumulation and thus on economic growth of a country in general and on the financial well-being of the individuals in particular (Mengesh, 2015). In our country Ethiopia, in general and Dilla town particularly the smallholders' income is characterized as seasonal and irregular, in this situations savings are usually less considered. This paper was mainly assessed level of household saving and the constraints its core determinants in case of Dilla Town.

1.2. Statement of problem

Refining mobilization of household saving might free up substantial amounts of resources for investments that can promote economic progress. Definitely, domestic savings in Africa are subject by household savings that are not sufficiently routed into productive use. Understanding why and by what means households save, anything determines their saving behavior of households can assistance find suitable policies that increase the amount of resources open for development (UNDP, 2014).

economic policy-making purposes, it is important that economic planners or policy makers have to accurate and rational decision about the importance of saving and investment, the behavior of people towards investment and saving and the method by which saving can be improved for investment. Economic planners would also need to know about the intentions of saving and investment in order to setting demands accordingly (Assefa, 2021).

Serious problem challenging poor countries including Ethiopia is the savings and investment gap. It is also shared to see these countries to finance their investment in the short run partway from side to side domestic government borrowings otherwise foreign loan and grants but this would considerably increase the country's debt burden and would not be a solution in the long run (Girma et al., 2013).

In Ethiopia, saving is low and saving-investment gap is high. During the last eleven years of the Derg regime (1981-1991), GDS as a percentage of GDP was nearly 10 % while GDI as a percentage of GDP was on average 15%. The resource gap was, therefore, 5%. The GDS for Ethiopia during 1981-2009 was on average 8.6% while the GDI was 18.4% and hence the resource gap was nearly 9.8%. During the first eighteen years of Ethiopian People's Revolutionary Democratic Front (EPRDF), 1992-2009, GDS was on average 7.7% while GDI was 20.4% widening the gap to 12.7%. The gap is even worse when compared to the average resource gap for the Sub-Saharan African (SSA) countries, 2%, during the same period (Alema, 2015, as cited in Tewodros, 2021)

Subsequently, the Ethiopian government focuses on the financial sectors to effectively exploit domestic saving potential, it has planned to increase financial sector accessibility and diversify services that are provided by financial sectors. It is also among those very important variables to the economic growth of any country; developing or developed. The saving culture of a nation determines its growth. Evidences show that countries with high rate of household saving have high potential to growth. Economically grown countries are found to have good culture of saving. An increase in national saving has a substantial effect on investment. National saving is the sum of the weighted average of the three principal sectors of the economy: private household, business and general government (Touhami et al., 2009). However, most researches were done by using secondary data especially macro-economic variables but the shadow economy is supported by house saving.

Zegeye Paulo (2018) examines the determinants household of saving in Bodit town and analyzes forms of savings used by urban households in the study area. Involving cross-sectional data set and, by using binary logit Regression model, found that income and interest rate has a positive impact whereas the family size has adverse impact on household saving.

Abate Tadesse (2020) found that age of household head, occupation of the household, knowing interest rate of formal financial institution, income of the household and family size were significantly influence saving status of the household while education level of

household head, and distance from the financial institution were not significantly influence the saving status of the households and it employed binary regression model.

(Girma et al., 2013) analyzed the determinants of the saving behaviors among rural households in East Hararghe Zone and (Bealu Tukela, 2016) examine the determinants of Savings Behavior among Rural Households in Case of Boricha Woreda, Sidama Zone.

(Bogale et al., 2017) examined the factors that affect saving behavior of rural households in Benishangul Gumuz Regional Sate and found that 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 extent of saving; income of household head, level of education, landholding size and involvement in petty trade has a positive significant impact on amount of saving; whereas household size, employment status and distance to formal financial institutions significantly reduced the amount of saving by households and employed double hurdle model.

(Tewodros S, 2021) analyzed the determinants of the saving behavior of daily laborers in Sebeta Town. The findings revealed that there is positive and significant causal relationship between amount of saving and income, financial literacy, level of education, and socialization of the respondents. Variables such as family size, and peer influence were found to have negative influences on respondent's decision to save.

As far as my knowledge most of empirical studies is applying single equation tobit model however some empirical studies applying double hurdle model but not enough good, while this research filled the previous literatures gap by employing different methodological approaches (double hurdle model) to analyze the households' decision to save and to identify the determinants of household saving in the study area. Further, these study incorporate more independents variables that affect household saving status, the previous most studies are incorporating six or seven variables that determine saving behavior however there is so many variable that affect saving in theoretical and empirical studies. Moreover, it is the only study conducted in our research area, Dilla, which will help broaden our understanding of factors hindering household saving in Dilla town.

Furthermore, according to Dilla Town Plan Office and Socio- Economic Management Directorates (2020), Dilla is a market town and highly business activity are done by the residents and a one of coffee growing town in Ethiopia and has important income generation potentials but their contribution to livelihood of households is very limited. Most income generation activities are directly towards filling daily wants.

In connection with this problems and considerations, it is key to analyse the saving behavior of households through identifying the determinants of household's decision to save and constraints thus as to recommend practical policy related solutions to problems of saving mobilization by households.

1.3.Objectives of the Study

1.3.1. General Objective

The general objective of this study was to asses house hold saving status in Dilla Town.

1.3.2. Specific Objectives

The Specific objectives of this study are:

- To identify the main determinants of household decision to save
- To assess the level of household saving in the study area
- To assess the Constraints of household saving in the study area

1.4 Research Questions

The study concentrates on the following main questions:

- What are the main determinants of household decision to save?
- How is the level of household saving in the study area?
- What are the constraints and challenges of household in the study area?

1.5. Significance of the study

The findings of the study will benefit the government of Ethiopia in general and the Dilla town administration in particular to promote household saving. It will also benefit non-governmental organizations and institutions, which work in the areas of saving and credit (micro finance institutions). In addition, this study will contributes empirical analyses which help for policy makers to make informed decisions on the area especially domestic saving mobilization.

1.6. Scope or delimitation of the study

As designated in the objective, the study was primarily to identify the determinants of saving behavior of household in the Dilla town. Therefore the study was demarcated in Dilla Town. Hence this study mainly focused on selected variables, family size, income,

education, employment status, age, gender, marital status, deposit interest rate, expenditure, personal saving habit, dependency ratio, additional income generating activity and home ownership. Furthermore the researches was employed a cross-sectional data type. This study is limited on identifying the determinants of the house hold saving behaviour in case Dilla Town. Therefore, the study doesn't argue to provide conclusive findings on saving behavior of household in the entire Regional state. The study will be conducted in the above Town cannot be generalized to other parts of Gedeo zone in particular and Ethiopia in general. Despite the limitations of the study mentioned above, the findings of this research will be much use in finding the opportunities for development and designing possible intervention strategies specifically to the study areas.

1.7 Limitation of the study

The limitation of this study is that shortage of time to gather data, insufficient finance, lack of sufficient material sources, lack of sufficient data, unavailability of respondents, and unreliable data by respondent, the respondents were reluctant to give their consent.

1.8. Organization of the study

The paper was organized into five main chapters. The first chapter focused mainly on the background, statement of the problem, objectives, significance and scope and limitation of the study. Relevant literatures related to the study were reviewed in chapter two. Chapter three was deals with materials and methods, description of study areas, with sampling design, methods of data collection and analytical techniques. Chapter four present results and discussion. Finally chapter five present conclusions and recommendation.

CHAPTER TWO

2. REVIEW OF LITERATURE

The present chapter would contained the review of various related studies and the theoretical frame work. Saving has been considered as one of the factors affecting growth to lead the developing countries to the path of development. Saving is an important factor of households' welfare in developing countries. For this reason saving occupies a central place in modern macro theory. Consequently the subject had been widely discussed in the literature survey. These chapters would reviews briefly the various developments in saving theories for better understanding.

2.1.Theoretical Literature Review

2.1.1. Definition and concepts of saving

Saving refers to the fraction of income not instantly consumed but kept for future investment, consumption or for unforeseen contingencies in the future. It is important in improving the well-being of individuals and serve as a security at the times of shocks for the households. Saving is being seen as a method of diminishing the risk resulting from the inability to predict the future and thus acting as precaution. According to Popovici (2012) unexpected events in the life-cycle of individuals make saving an important element in fulfilling the financial gap. Household savings could be intended to address household expenditure but rural households are constrained due to seasonality of cash flows, work culture and income; as a result of which saving is seasonal and irregular, too. Saving mobilization is also critical for individual welfare in that, at individual level it helps households' smoothen their consumption and finance productive investments in human and business capital (Karlan et al, 2013).

Saving has a multidimensional benefit both for the saver himself, and for the nation at large. Individuals get benefited from saving in case of emergency funds, retirement benefits, payment for house, buying new car, entitlements of sinking funds, and education. Also states that savings not only allow for growth in income and increases in consumption, but also for the smoothing of consumption in the presence of various uncertainties. Saving behavior can only be understood fully after the sources of uncertainty facing decision-makers and their opportunities for responding to them are specified (Melaku, 2017).

It is also among those very important variables to the economic growth of any country; developing or developed. The saving culture of a nation determines its growth. Evidences show that countries with high rate of household saving have high potential to growth. Economically grown countries are found to have good culture of saving. An increase in national saving has a substantial effect on investment. National saving is the sum of the weighted average of the three principal sectors of the economy: private household, business and general government. However despite this fact the vast majority of studies on saving behavior concentrate household saving because of the high importance of household saving in the determination of national saving (Touhami,et al., 2009).

Girma at al., (2013) also noted that saving constitute the basis for capital formation, investment and economic growth. A sufficiently strong saving performance is an important precondition for achieving economic growth, macroeconomic balance, and financial and price instability (Adeolu et al., 2006). To lead the underdeveloped countries to the path of development, rate of savings must be enhanced. However the fact is, in many poor countries including Ethiopia there is a wide gap between national investment need and the amount of national saving that goes to finance investment (Girma et al, 2013).

If a nation doesn't have enough national saving to finance its investment it took national/domestic government borrowing and/or foreign loan and grants. But this will lead to huge debt burden and can't sustainably lead the country to grow economically. East African saving rate is one of the lowest among African regions and being part of East African countries the saving rate in Ethiopia is low. Very little is known empirically about its pattern and determinants (Girma et al., 2013).

Low income individuals are denied access to the basic service, information and resource which help them to build asset and save. For the institutional theorists institutional level factors most important which encourage individual and households save more or less. The main hypothesis of the institutional theory is that institutional factors like access, information, incentives and expectation determine the household or individual saving than any other (Gina et al., 2012).

2.1.2. Classical, Keynesian and neoclassical determinants of household saving

In general, according to Delafrooz and Laily (2012) summarized that saving is crucial to a growing economy because it makes resources available for the production of physical capital, for the research and development needed to fuel economic growth, and enhance our standard of living. Coupling this important role of saving with the anxiety of policymakers, it is not surprising that legislators have backed tax reforms aimed at eliminating perceived anti-saving biases in the code. Based on the definition of saving as a behavior or a practice different author's use the term saving behavior, saving propensity, saving practice, saving likelihood and saving habit interchangeably. For instance, (Fisher et al, 2012) used the term saving likelihood to indicate savers the intensity where people are willing to save some portion of income; used the term propensity to save to refer the intensity of setting aside a portion of income as saving, or an inclination to save, use saving habit to express the regularity of saving over periods.

Classical economic theory postulates that households save a portion of their disposable income according to their preference for private profit – a gradual increase of income over time and their time preference (Smith, 1789). In order to maximize their total profit, households save in time t in order to consume more in $t + 1$. The main determinant of their saving behavior is the real interest rate. Given a rising real interest rate, the opportunity cost of current consumption rises and households save more (Smith, 1789; Ricardo, 1821). As household savings depend positively on the real interest rate it holds that $S=S(r)$,

Where S represents household savings, r represents the real rate of interest, and $\frac{ds}{dr} > 0$ so that S is an increasing function of r . Keynesian economic theory suggests that a household's propensity to save depends on one or multiple saving motives. Keynes (1936) identifies eight motives, including the classical preference for private profit (*improvement motive*) and time preference (*inter temporal substitution motive*). Moreover, households safeguard themselves against expected labor income decreases after retirement (*life-cycle motive*), or unexpected future income losses (*Precautionary motive*). They may strive for (financial) independence (*independence motive*) or participation in potential business projects (*enterprise motive*), leave bequests (*bequest motive*), or save out of greed (*avarice motive*). Keynes (1936) assumes that saving motives change only slowly so that the propensity to save is relatively stable over time. Keynes (1936) suggests that a household's ability to save depends positively on the level of current disposable income. Thus, the

impact of saving ability and saving motive on total household savings can be approximated by the linear relationship

$$S_t = a + bY_t + \varepsilon$$

Where $a < 0$, $0 < b < 1$ and ε is the residual. S_t Represents the saving level in period t , and Y_t represents the disposable income in the same period. The negative intercept indicates that households dis save when their level of disposable income is zero. The marginal propensity to save (b) represents a household's motivation to save, indicating that an increasing income corresponds to increasing household savings. The average propensity to save ($\frac{a}{Y_t} + b$) indicates that household savings rise with the level of disposable income.

A household's preference for liquidity affects the way that households save (Keynes, 1936). Households with a high preference for liquidity hoard cash, those with a low preference deposits their savings at a bank. The liquidity preference depends on the degree of precaution and preference for private profit (Keynes, 1936). At times of great economic uncertainty, precautionous households may have a high liquidity preference. At times of economic certainty, rising real interest rates encourage households to deposit their savings at a bank due to the interest profit. Thus, Keynes (1936) acknowledges that household savings also depend on the real rate of interest as households strive for private profit (*improvement motive*).

Neoclassical economic models treat household savings exogenously or endogenously. In the Solow growth model, households save a portion of their disposable income according to an exogenously imposed, fixed saving rate s (Solow, 1956 and 1957; Swan, 1956). Lacking a behavioral component to household savings, the model does not permit conclusions regarding a household's savings motives and ability. Economic policies, such as tax policies, are the only possible determinant of S . If policy makers know that there is a saving rate S^* ($0 < S^* < 1$) that maximizes steady-state consumption (golden rule savings), they may introduce tax incentives for household savings at S^* to maximize savings and investment.

In neoclassical models that endogenize household savings, households face an inter temporal optimization problem. Households save to maximize their lifetime utility, subject to their constraints (Ramsey, 1928; Cass, 1965; Koopmans, 1965). Their savings preferences correspond to the life-cycle and permanent income hypotheses (Modigliani and Brumberg, 1954; Friedman, 1957). Both resemble Keynes' (1936) life-cycle motive of

saving, according to which households bridge income differences over their life-cycles. In contrast to Keynes, however, the hypotheses postulate that households also consider their expected life-time income growth for their savings decisions.

When households know their point of retirement, they save according to their finite lifecycle so that consumption is stable, but not smooth (Modigliani and Brumberg, 1954). Assuming a constant real interest rate, individual household savings depend on the current life stage, the initial wealth endowment, and lifetime income. Households borrow when young (given their initially low income), repay their debts and save during their working age, but dis save and run down their assets after retirement (Ando and Modigliani, 1963). Thus, population growth pushes the aggregate saving rate up if there are relatively more working-age households than retired households in society. However, households may also save to leave bequests, so that retired households may still have a high saving rate (Modigliani, 1970, 1986). An initially low wealth endowment also affects the household saving rate positively as households save more to accumulate wealth for their retirement (Ando and Modigliani, 1963).

The effect of lifetime income on household savings is twofold since total household income consists of two observable components: labor income and the value of assets. On the one hand, household savings depend positively on the life-time labor income, defined as the current level and the expected growth rate of labor income (Ando and Modigliani, 1963). A household's labor income rises with growing labor productivity. Owing to the wage bargaining involved in this increase, the household anticipates the rising income and expects future consumption to rise along with it. In order to accommodate for this, household savings increase (Ando and Modigliani, 1963). On the other hand, household savings depend on the value of assets. Similar to an initially low level of wealth endowment, a currently low asset value encourages households to increase their savings for retirement (Ando and Modigliani, 1963). However, the effect of lifetime income on household saving is ambiguous if the real interest rate changes. For example, a falling interest rate decreases the opportunity cost of current consumption relative to future consumption so that current saving is less profitable than future saving. Thus, households would want to save less at a given labor income (*substitution effect*). In contrast, the present discounted value of expected future consumption rises, making future consumption more expensive and encouraging households to save more (*income effect*). An interest-rate decrease also changes the present discounted value of assets. Accordingly, future income,

such as pension earnings or capital income, rises, encouraging households to currently save less (*wealth effect*) (Ando and Modigliani, 1963; Elmendorf, 1996).

In contrast to the life-cycle hypothesis, the permanent income hypothesis suggests that households save according to an infinite life-cycle (Friedman, 1957). Since they do not know their time of death, households wish to smooth their consumption pattern in a stable manner over time. Assuming a constant real interest rate, they consume according to their average lifetime income, which is based on the moving average of their previous income (permanent income). One-off income fluctuations (transitory income), such as bonus payments, are saved (Friedman, 1957). Changes in the real interest rate alter the permanent part of household lifetime income and thus do not affect household saving behavior (Friedman, 1957).

In the presence of uncertainty, neoclassical models predict that household savings diverge from the predictions of the life-cycle as well as permanent income hypotheses, and that households save out of precaution. If inflation in an economy is unstable, rational households become uncertain about their job security and future income. This induces precautionary household saving against unexpected income losses (Leland, 1968).

Precautious households do not borrow when faced with income uncertainty (Carroll, 1997).

2.2. Empirical Literature Review

Econometric research on the determinants of household saving based on micro data drawn from the less developed countries has lagged far behind the pace set in advanced nations. It would appear that there has been limited hypothesis testing in the least developed countries beyond macro formulations of the consumption function. Furthermore, very little of the development literature attempts to isolate the impact of structural change on aggregate personal saving, since few studies provide meaningful disaggregation (Kelley, and Williamson, 2010) This state of affairs seems paradoxical, given the currency of W. A. Lewis's remark that the central problem in development theory is to explain an increase in domestic saving from 4 or 5 percent of national income to 12 or 15 percent.

Schultz (2005) analyzed the demographic determinants of saving in a group of Asian countries by using econometric methods and found that dependence ratio has a significant negative effect on saving across counties. Kibet et.al (2009) analyzed determinants of saving by smallholder farmers and entrepreneurs in Keyna by using multiple regression

analysis. One of his findings indicated that interest rate on deposits has some positive influence on the saving of farmers. Increase in interest rates is expected to motivate farmers to save since it implies that they get better returns on their saving. According to Woldemichael (2010) access to deposit services in financial institutions enables the poor to efficiently manage their financial resources. It helps in consumption smoothing during economic shocks and provide an opportunity to accumulate large sums of money for future investment and household outlays.

Family structure and composition is another important factor at influencing saving of households. Families with higher number of active working members involved in economic activities save much more than others (Popovici, 2012). The sex parameter of the household head indicated that male headed households are more likely to save money more as they are more frequently involved in different occupations (Nayak, 2013). According to Raba (2013) growth in income, degree of financial depth, and saving interest rate have significant positive impact on savings mobilization whereas age, dependency ratio and real interest rate have significant negative impact on savings in Ethiopia.

Michael (2013) conducted study using multivariate regression analysis (binary logistic and Ordinary regression least method) and found that savings habit of households are versatile and are influenced by demographic and economic factors based largely on income. The findings showed that the main predictors of the probability of an individual to have savings account were income, locality, and national health insurance registration, place of accommodation, sex, age and education. On the other hand, the main determinants of the level of savings were namely income, locality, and sector of employment, national health insurance registration, age, education, household size and marital status. The rate of interest determines the saving rate of the individuals on a view to encourage people towards saving (Nayak, 2013). Workineh (2013) empirically investigated the significance of some macroeconomic variables in determining domestic saving in Ethiopia by using times series data from 1970/71 to 2010/11. The results shows 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. The saving decision may depends on income, wealth, real interest rate and other potential factors such as individuals habit, such as preferences for spending now, or postpone their consumption, so that they can have a greater consumption in the future period (Ahmad, 2013).

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 positively. 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.

Niguse (2013) conduct Assessment of Saving Culture; Household composition, individual characteristics, demographic, economic and social features of households affect saving pattern and behavior of households in a given society. The variations in such factors lead to variations in national saving rate over time. In Ethiopia reports indicated that about six million households save money in financial institutions with average of 875 Birr per year. The saving rate as percentage of GDP is 9.5 which are very low as compared to that of China, Bangladesh and South Africa (Niguse et al, 2013)

According to Raba (2013) growth in income, degree of financial depth, and saving interest rate have significant positive impact on savings mobilization whereas age, dependency ratio and real interest rate have significant negative impact on savings in Ethiopia. Obi-Egbedi et al. (2014) analyzed determinants of saving using multiple regression analysis and they found out that education, occupation, income of household head and household size affect rural household savings significantly.

Egwu and Nwibo (2014) investigated the determinants of saving capacity of rural women farmers in Ebonyi State of Nigeria using multi-regression analysis. They found that lack of access to productive resources and low returns to agricultural production has been identified as a bane to the saving capacity of the rural women.

In Ethiopia, for centuries, partly due to inaccessibility of commercial bank branches, absence of postal saving services and lack of strong cooperative movement, deposit services to the poor has been largely dominated by widely accepted and practiced informal mechanisms such as 'Iqub', 'Iddir', buying livestock and jewelry and hiding cash at home. The aim of the financial institutions during the GTP period has been establishing an accessible, efficient and competitive financial system. In relation to this, emphasis has been given to strengthening modern payment and settlement system, developing access to financial services, supporting the bank system with modern technology and extending the information exchange system to microfinance institutions, among others (MoFED, 2014).

Obi-Egbedi et al. (2014) analyzed determinants of saving using multiple regression analysis and they found out that education, occupation, income of household head and household size affect rural household savings significantly.

The mean saving of middle age, early and old age household heads is about Birr 360.6, 206.2 and 244.6 per month respectively and also the mean saving of illiterate household heads is Birr 58.57 whereas household heads with primary education, secondary education and tertiary education on average saves Birr 261.8, Birr 269.93 and 546.65 per month respectively. Hence, as the educational level increases saving also increase (Halefom, 2015).

Most people in Ethiopia make little or no use of the formal savings and lending institutions. Some use informal institutions that occur within the informal sector of the economy. We know that saving in the informal institutions did not yield interest for the depositors and so could not help for mobilizing resource. As a result it is not used for investment to yield income and, of course, most of the time depositors have expected to pay for saving service to their changing financial needs. In developing countries we observe a variety of informal institutions that enable transactions which are particular to the poor (Birhanu, 2015).

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Formal financial institutions that were engaged in saving and credit/loan service deliveries for both rural and urban communities include private and government banks and Micro finance Institutions. Such institutions are formal in that they possess modern accounting and reporting systems that could help evaluate their performances every time. The banks have been considered as main type of formal institutions that have involved in saving mobilization in Africa. However, the main problems of such institutions to handle the poorer households' saving needs and mobilizing issues particularly that of the poor in rural

areas of developing countries is constrained by limited access to the rural poor, lack of trust due to awareness problems by households and inadequacy of formal institutions (Birhanu, 2015).

The saving mobilization and development of saving habits of a given society will have an impact on capital accumulation and thus on economic growth of a country in general and on the financial well-being of the individuals in particular. Countries having higher level of saving rates have managed to reduce the burden of foreign debt and thus domestic investments will be financed by domestic saving especially household sectors (Toddle, 2015).

(Tarekegn and Geremew, 2017) examine major determinants of households saving behavior in East Gojjam Zone, Ethiopia used binary logit regression model. Results of the study indicate that the desire of household to save was significantly determined by the personal saving habits of the household head; existence of financial planning; and annual income of the household. Household head with positive personal saving habits has more probability to save than household head with negative personal saving habits.

(Abate Tadesse, 2020) examine household behavior and determinant of saving in financial institution in Derra oromia region. Results of the study indicate that by used the logit model it identified that the variables such as age of household head, main occupation of the household and knowing interest rate of formal financial institution, income of the household and family size were significant determinants of saving status of the household.

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 and most micro studies applying single equation tobit model however some empirical studies applying double hurdle model but not enough good while this research filled the previous literatures gap by employing different methodological approaches (double hurdle model) to analyse the households' decision to save and to identify the determinants of household saving in the study area. Besides, there is no study conducted on microeconomic level on the analysis of household saving in Dilla town and 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.

2.3 Conceptual Framework

The framework is adopted and modified by review some theoretical and empirical studies and also it explain the relationship of the independent variables (family size, income, and Educational level, Age, Sex, Marital Status and Deposit Rate, Employment status, Expenditure, Dependency ratio, Personal saving habit, additional income generating activity and home ownership) and dependent variable (saving behavior).

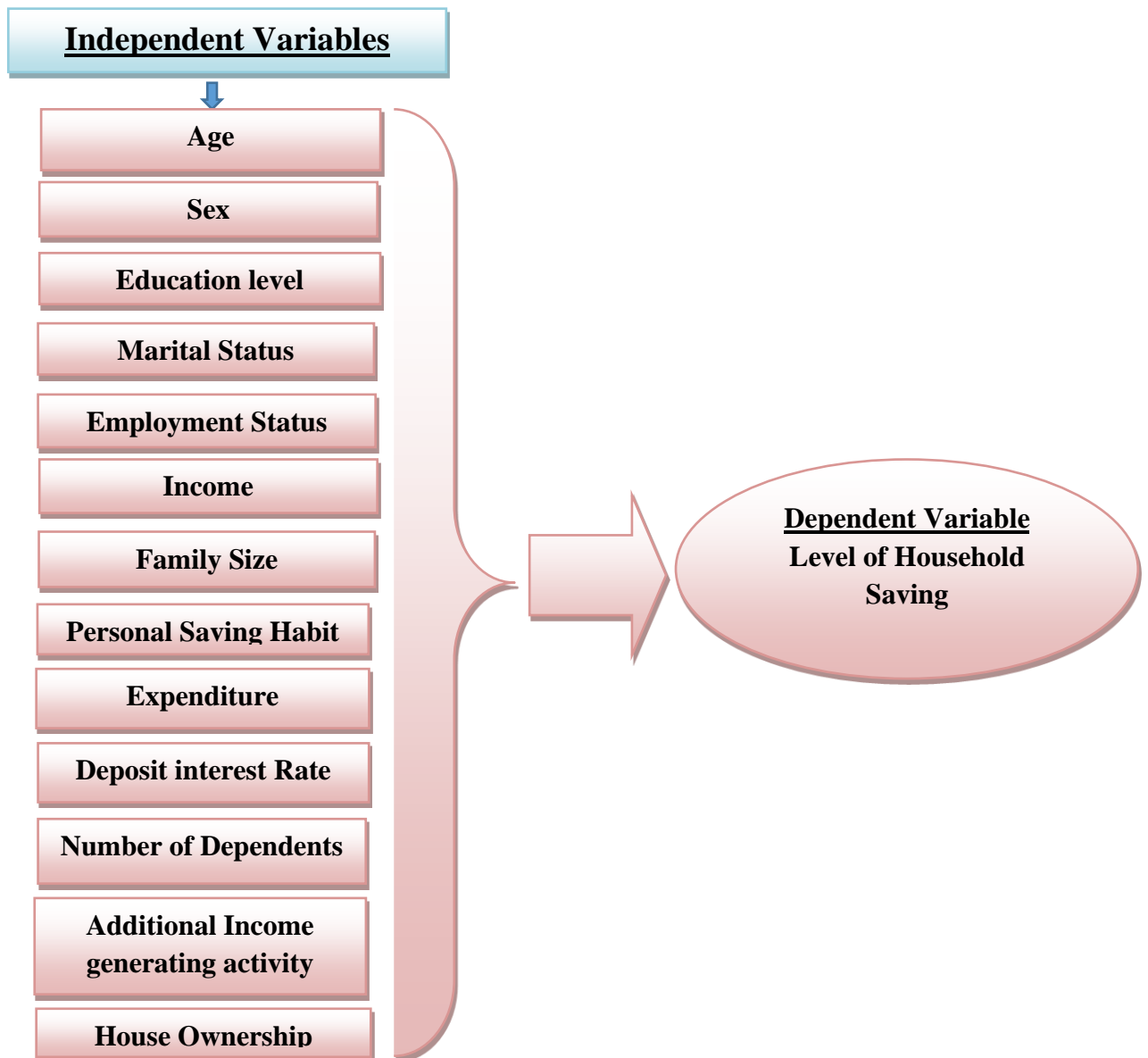


Figure 2.1 Conceptual Framework

Source: adopted and modified (2022)

CHAPTER THREE

3. RESEARCH METHODOLOGY

In this chapter, researcher were discussed about the data that researcher would used for this paper. Research methodology were discussed the Research Design and approach, Data Collection Method, and Interpretation to achieve the aim of the study.

3.1. Description of the study Area

Dilla is a market town and separate woreda in southern Ethiopia. The administrative centre of the Gedeo Zone in the Southern Nations, Nationalities, and Peoples Region (SNNPR), it is located on the main road from Addis Ababa, Ethiopia to Nairobi, Kenya, and is the administrative center of Gedeo Zone in the Southern Nations, Nationalities, and Peoples (SNNP) Region. Dilla town is located 365 Kilometers from Addis Ababa, the capital city of Ethiopia and 90 kilometers from Hawassa, the capital city of the SNNP Region. The town has an area of 2,741.27 hectares that accounts for about 0.75 percent of the total area of the zone. The town is found in Kolla agro-ecological zone with an altitude ranging from 1500 - 2000 meters above sea level, an average annual rainfall ranging from 1400 - 1600 millimetres (mm) and the mean annual temperature ranging from 20.1 - 22.5 degree Celsius (°C). The town is bounded by Legedara River in the north, Chichu River in the south, Gola peasant association in the east and Oromia Region in the southwest (DTAOFED, 2019).

Geographically, the town is located at 6 °20' to 6 °24'N latitude and 38°17' to 38°20'E longitude. According to DTPOSEMD (2019/20), the total population of the town in 2019/20 is 134,295, of which 70,091 are males and 64,204 are females. The projected number of households living in the town in 2019/20 is 29,843, and the average family size per household is 4.5. Currently, the town has five kebele namely Sesa, Oda'aya, Harowelabu, Aroresa and Chichu and has 15 ketena. The Sesa, Oda'aya, Harowelabu, Aroresa and Chichu kebele of the town have 29,487, 32,132, 26,859, 24,231, and 21,586 total populations respectively.

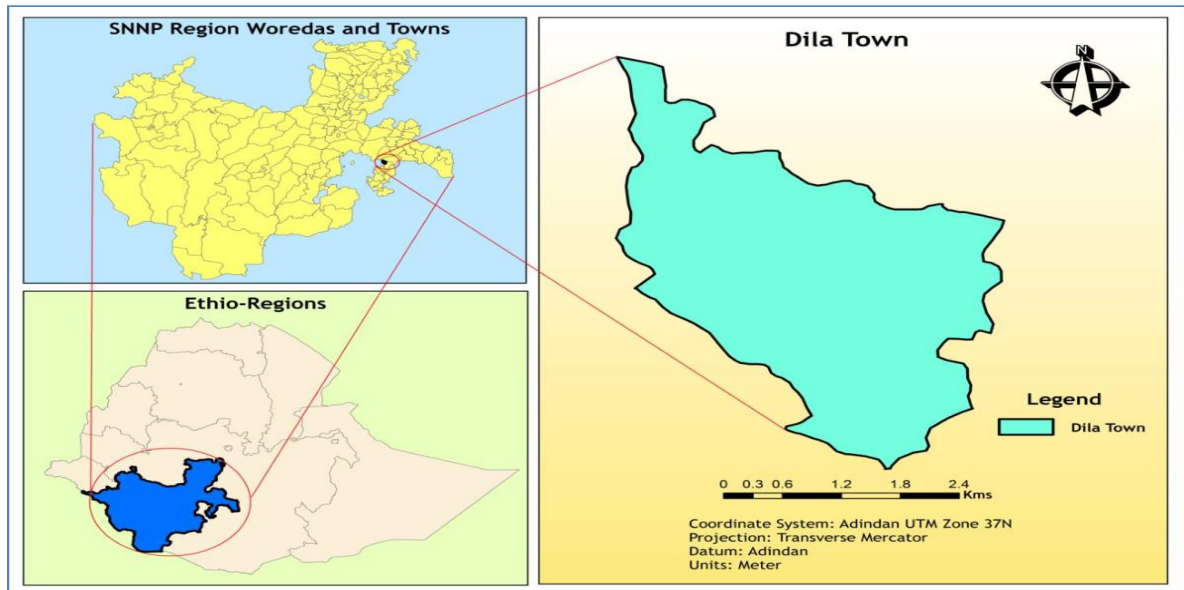


Figure 3.1 Map of the Study Area

Source : <https://www.google.com/search?q=dilla+town+map>

3.2. Research Design and Approach

The researcher investigated the determinant of household saving in Dilla Town; therefore the researcher employed quantitative approaches. Considering the research objective and problem along with the perspective of the different research approaches quantitative research approach is found to be appropriate for this study. Quantitative research is a logical and scientific investigation of quantitative properties and phenomena and their relationships (C.R. Kothari, 2004).

Explanatory research design is concerned with determining the cause and effect relationships. Also this study used an explanatory research design that explains the underlying causal relationship between independent and dependent variables that pertains to the research problem. Since the intention of this study is to identify the effect of independent variables over the dependent variable, the method is suitable and helpful in examining the relationship and concludes from the findings.

This study also were used cross-sectional study; it is a type of research design in which you collect from many different individuals at a single point in time under this design data from house hold respondents were collected at single point in time without repetition from the representative population. The reason for preferring a cross-sectional study is due to the vast nature of the study and economical to conduct in term of time and obtaining

information from cross-section of the population at a single point in time is a reasonable strategy for many researches (Janet, 2006; Barley1997)

3.3.Types and Sources of Data

The study were used both primary and secondary sources of data. The Primary data were collected from a household who is residents of Dilla town, the data were collected through from sample households using structured questionnaire. While the secondary data were gatherd from Dilla town administration offices, research papers, different journals, internet and different unpublished materials.

3.4. Sampling Design

The target population for this study is the households of Dilla Town, SNNP Regional State. The total population of the study area is 134,295 during 2019/20 (DTPOSEMD). Due to the inaccessibility of data for the number of households in each Ketena, the household number of each ketena was calculated by dividing the total population of each ketena by the average family size of the town that is 4.5. Based on this total number of projected household heads is to be 29,843.

3.5.Sample size Determination

In order to collect reliable and representative sample out of the target population (9,176) and the sample size were decided or determined by applying the scientific formula (Yemane, 1967) as shown below

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

N = the number of total households in the town

n = sample size

e = level of precision which is equal to 0.09

The researcher has decided to take the true margin of error 9% with confidence level 91%.

$$n = \frac{9,176}{1 + 9,176(0.09)^2} = 120$$

$$1+9,176(0.09)^2$$

Table 3. 1 SAMPLE SIZE DETERMINATION

Kebele	Ketena	Population	Household Number	Percentage (%) of Total Household (P)	Selected Sample Size
					= (120×P/100%)
SESA	Haroke	8,290	1,842	20.1%	24
	Bereda	4,523	1,005	11.0%	13
ODAYA	Michile	9,734	2,163	23.6%	28
	Buno	5,631	1,251	13.6%	16
HARO WELABO	Hase Dela	7,426	1,650	18.0%	22
	Harsu	5,687	1,264	13.8%	17
	Total	41,291	9,176	100%	120

Source: Own construction (2022)

3.6. Sampling Technique

In this study households were the basic sampling units in order to get quantitative and qualitative data on the determinants of household saving in the study area. A three-stage sampling technique were employed to get the required primary data, At the first stage were selected randomly three kebeles from five kebeles, in the second stage, from sampled three kebeles each has three ketene; from this were selected two keten from each three selected kebeles, at the third stage in order to take representative sample households from the total household a probability proportion to size (PPS) were employed to determine sample size from each district (ketena). Accordingly 120 households were selected through simple random sampling techniques. This study take 24 households, 13 households, 28 households, 16 households and 22 households and 17 households from Haroke, Bereda, Michile, Buno, Hase Dela, and Harsu ketene (districts) respectively.

3.7. Method of Data Analysis

The study used both descriptive and econometrics method of data analysis by using STATA. From descriptive statistics such as percentages, means, tabulation, charts and to analyze the determinants and to estimate values of slope and intercept coefficients the Double Hurdle econometric model were employed.

3.8. Econometric Model specification

This study used Double Hurdle Model; in a double-hurdle model the determinants of households' decision to save and the extent (amount of) household saving are estimated independently. In the first hurdle, the decision whether or not to save is identified, and if she/he decides to save, hurdle two considered the level of household savings. The

maximum likelihood estimator (MLE) in the hurdle 1 can be obtained using a binary probit regression and the likelihood estimator (MLE) for hurdle 2 can be estimated from truncated normal regression model (Cragg, 1971). Double hurdle specification is advantageous in that it permits the joint modeling of the decision to save and extent of saving. Accordingly, individuals should pass through two-step decision processes; first they have to decide to save and then they need to put some amount of money (should save).

Double hurdle specification requires two latent variables; Y_1 related with binary choice model determining decision to save (which is probit model) and Y_2 referring to the level (amount of saving) that is a truncated regression in nature. These latent variables are expressed as linear functions of the first and second hurdle regressors, X_1 and X_2 , respectively, where X_1 represents the regressors used to explain the decision to save and X_2 shows those variables used to explain the decision regarding the amount to save.

However, Tobit specification is based on a restrictive assumption that both the decision to save and level (amount) of saving given that decision are determined by the same set of variables which implies that a variable that increases the likelihood of household to save will also increase the extent of saving. Therefore, double hurdle model is used as better alternative over Tobit specification. In a double-hurdle model the determinants of household decision to save and the extent (amount of) saving is estimated independently.

The heckit and the double-hurdle models are similar in identifying the rules governing the discrete (zero or positive) outcomes. Both models recognize that these outcomes are determined by the selection and level of use decisions. They also permit the possibility of estimating the first- and second-stage equations using different sets of explanatory variables.

However, the heckit, as opposed to the double-hurdle, assumes that there will be no zero Observations in the second stage once the first-stage selection is passed. In contrast, the Double-hurdle considers the possibility of zero realizations (outcomes) in the second-hurdle arising from the individuals' deliberate choices or random circumstances. This is the advantageous of double-hurdle models.

According to Cragg (1971) the double hurdle model specified as the following:

Choice model:

$$D_i = 1 \text{ if } Z_i\delta + u_i > 0$$

$$D_i = 0 \text{ if } Z_i\delta + u_i \leq 0$$

Outcome model:

$$Y_i^* = X_i\beta + \varepsilon_i$$

$$Y_i = Y_i^* \quad \text{if } D_i = 1 \text{ and } Y_i^* > 0$$

$$u_i \approx N(0, 1); \varepsilon_i \approx N(0, \sigma^2)$$

$$D_i = \beta_0 + \beta_1 x_i + \dots + \beta_n x_n + u_i \quad \text{Where } n=1, 2, 3, \dots$$

Following,

$$D_i = \beta_1 \text{FS} + \beta_2 \text{IN} + \beta_3 \text{Educ} + \beta_4 \text{AGE} + \beta_5 \text{SEX} + \beta_6 \text{MS} + \beta_7 \text{DIR} + \beta_8 \text{ES} + \beta_9 \text{EXP} + \beta_{10} \text{PSH} + \beta_{11} \text{DR} + \beta_{12} \text{AIGA} + \beta_{13} \text{HO} + U_i$$

Where,

FS= Family size of the household

IN=Income of household per month

EDU=Education Level of household

AGE=Household head age,

SEX=Sex of household

MS=Marital status household

DIR=Deposit interest rate

ES= Employment status

EXP=Expenditure

PSH=Personal saving habit of household head

DR=Number of dependents

AIGA=Additional income generating activities

HO=Home ownership

3.9 Variables Description, Measurements and Hypothesis

Dependent variable: - There are two components for dependent variable; the first is the decision to save. It has a dichotomous nature measuring households' decision to save which takes a value of 1 if the household decides to save and 0 otherwise. The second dependent variable is the extent or amount of saving by households on the decision to save and is of truncated regression.

Independent Variables: After the analytical procedures will clearly defined, it is necessary to identify the potential explanatory variables that will influence savings behavior. Based on review of literatures, past research findings thirteen explanatory variables is identified and included in the model. The variables include family size of the household, income of household, education level of household, age of household, sex of household, marital status of household and deposit interest rate, employment status of household, expenditure of household, number of dependents of household, personal saving habit of household, additional income generating activities and home ownership.

Family size (FS): This is a continuous variable measured by numbers and in this study; family size refers to the number of individual living together in the same roof and shares everything within the household. (Zegeye, 2018) The size of household found that significantly and negatively affect household saving. This implies a household have a larger family size due to additional household member shares the limited resources that lead the household to save less.

Income (IN): income is continuous variable expressed in terms of birr and saving is generally assumed to come from what is left from consumption. Household income is expected to have positive relationship with saving. Income has significant and positive effect on saving (Halefom, 2015).

Education Level (EDU): It indicates the years of schooling achieved by household head. It is one of the control variable included in the model. In fact, the household saving is different with different educational level of household. Formal education of the household is selected due to its effect on saving behavior. According to Bogale et al. (2017), they have found that better educated people tend to save more. 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.

Household Head Age (AGE): It is continuous variable and measured in years and also it can be defined as the number of completed years from the time of birth till the time when the survey will be conducted. According to (Bogale Y. et al, 2017; Abate, 2020) as the ages of the households age increase, the saving behaviors of the also increase, However, Kidest A. (2019) is inconsistent with those study as the ages of the households age increase the saving behaviors of the household decrease.

Sex of household (SEX): is a dummy variable (which taken 1 value if the household is male and 0 if the household is female). Women and men have differing propensities to save

due to variations in perceived risks and interests and in gender-related external factors that affect savings behavior. Saving behavior of women was better than men. Studies show that women are more conservative in their investment decisions than men. (Tsega H. et al, 2014: Abate 2020)

Marital status household (MS): is a dummy variable which indicates whether the household head is married or unmarried. It included in the model to control for the household saving of differences of household who are married and unmarried. It is a dummy variable which assumed a value of one if the household head is married, zero otherwise. According to (Tsega H. et al, 2014: Abate 2020) being married was a negative impact on saving; the main reason for the finding might be the fact that most female partners are spouses that makes their liquid money contribution very less. Furthermore, there are also social and others costs added most of the time for married individuals.

Deposit interest rate (DIR): is a dummy variable (which taken 1 value if the household is satisfied with the existing deposit interest rate and 0 if the household is unsatisfied). The deposit interest rate is the rate of interest that investors pay to borrow money, (Mankiw, 2010:63). Deposit interest rate is the price at which present and future income can be exchanged. According to classical economists, saving is the direct function of interest rate. Consequently, savings tend to rise with an increase in the rate of interest as present consumption is being shifted to the future and vice versa. Therefore, it is expected that there is a positive relationship between interest rate and savings.

Employment status (ES): It referring to the relationship between an employee and their current or former employer. It is one of the control variable included in the model. In fact, the household saving is different with different employment status of household. According to (Haile M.et al, 2017) the saving habits of businessmen participants were 1.74 times higher as compared to government employees.

Expenditure (Exp): It is a continuous variable that refers to the sum of household expenses on food item, clothing, health, education etc. It includes not only expenditure on consumption but also different expenditures on social and religious ceremonies celebrated occasionally such as, wedding, funeral, circumcision and others. The expenses related to these ceremonies are sometimes too large relative to household income levels.

According to (Bealu. T, 2016) Expenditure on social issues is inversely related to the savings.

Personal saving habit of household head (PSH): is a dummy variable (which taken 1 value if the household is positive and 0 if the household is negative saving habits). Savings

habits were defined as frequently practiced behavior, done without a particular sense of awareness, with the goal of freeing up funds for saving or debt reduction. According to (Tarekegn T. et al, 2015) There is positive relationship between personal saving habit and saving practices of household. The probability of household head with positive personal saving habit is very high (0.84) to save than with negative personal saving habit. Lack of positive personal saving habit significantly harms the desire of households to save by engaging them in extravagant events. Because household head with positive personality regularly manages income, spends reasonably through planning, rigorously manages unexpected expenditures, thinks about family future, and protects him/her from adductions.

Number of dependants (DR): It is the number of people of non-working age, compared with the number of those of working age. Higher number of active working members involved in economic activities saves much more than others (Popovici, 2012). The elderly and young are expected to consume out of post saving while those within the working age are expected to accumulate saving (Quartey & Blankson, 2008). A higher number of dependents implies a greater burden of consumption expenditure and hence, the more the allocation of household budget towards consumption expenditure leads to lower saving and it is expected to negative affect saving rate.

Additional income generating activities (AIGA): It is an activity that a person engaged in supplementary to what is already present or permanent income generating activity. According to (Haile M et al, 2017) a person who engaged in additional income generating activities than that of who only working a one work or permanent income it is better to save due to it increases their capacity to save by increasing their income.

Home ownership (HO): It indicates whether a household own a house or not. It is a dummy variable which represent the value one if the household owns house and zero otherwise. Home-ownership includes in the model as a control independent variable and household who own a house have different level of saving from household who lived rent house. According to (kidist A, 2019) it is a positive relationship between owning a house and saving and It will have expected a positive effect on household saving status.

Table 3.2 Explanatory variables and direction of influence on dependent variables

Variable	Unit of measurement	Expected sign
Household Saving Behavior (Dummy)	1 if saving 0 not saving	
Amount of saving	In Ethiopian Birr	
Family size (FS)	Number	Either negative nor positive
Income (IN)	In Ethiopian Birr	Positive
Education Level (EDU)	Years	Positive
Household Head Age (AGE)	Years	Either Negative or positive
Sex of household (SEX)	Discrete (Male=1, Female=0)	Either Negative or positive
Marital status household (MS):	Discrete (Married=1, unmarried=0)	Either Negative or positive
Expenditure (EXP)	In Ethiopian Birr	Negative
Personal saving habit of household head (PSH)	Discrete (Postive=1, Negative=0)	Positive
Number of dependents (DR)	Number	Negative
Additional income generating activity (AIGA)	Discrete (Yes=1, No=0)	Positive
Employment status (ES)	Discrete (Government) =1, other =0)	Negative
Home Ownership (HO)	Discrete (house owns =1, other =0)	Positive
Deposit interest rate (DIR)	Discrete (satisfied=1, unsatisfied=0)	Positive

3.10. Ethical Considerations

In terms of ethical consideration, the researcher first requested permission from respondents. The data collections were starts after introduced the objectives and proceeds when informal agreement were reach between researcher and respondent. Respondents invite to comfortable environment to ensure their privacy and confidentiality. Hence, the researcher had guaranteed to ask and secure the respondents privacy and does not expect to mention their name. In addition, the researchers were collected original data, keep data for a reasonable period of time, and provide accurate account of the information. In general, the researcher kept the dignity of the respondent; promote moral questions and develop intimacy with the respondents of the study. In addition, all covid protocols are applied like wearing mask, reasonable distance from the respondents.

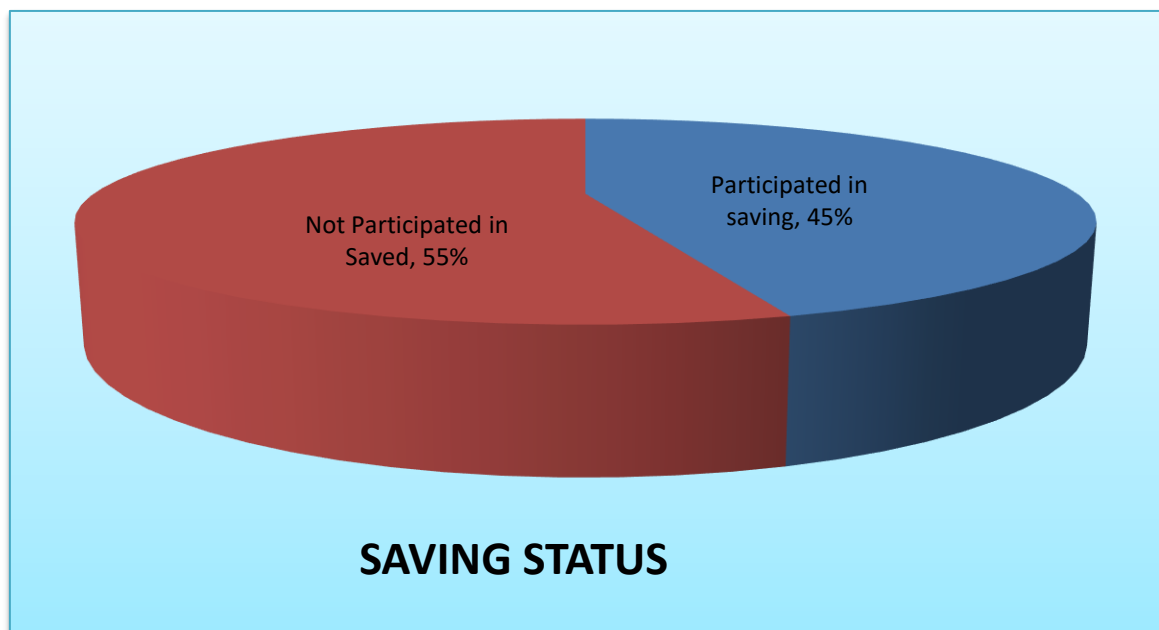
CHAPTER FOUR

4. RESULT AND DISCUSSIONS

In this chapter, results and discussion of this study are presented, the findings of the study are revealed, and the interpretations and significance of the findings are discussed. The chapter presents the study findings, starting with descriptive statistics followed by the correlation and regression results econometric model made possible with the help of using STATA.

4.1 Household Characteristics of the Sampled Respondents participated

In this sub section, the general demographic and household characteristics of the sample respondents are discussed vis-à-vis other descriptive statistics. Tables and figures are presented to present relevant data of the household involved in the sample survey.



Source: Own computation from survey data (2022)

Figure 4.1 Saving status of the households

The data for this study contains 120 conveniently selected household of which only 45% involved in saving (saving be it the formal or informal institutions) and the remaining not participate in saving practice of any type. The respondents saved amount in birr (Ethiopian

currency) runs between 0 to 18,000 birr with standard deviation 4,083.7 birr and mean monthly saved birr 2,640.8.

The possible causes identified for poor saving include high consumption expenditure, lack of incentive to save, low income level, low current level of deposit interest rate, high inflation, and having a negative personal saving habit and others.

Table 4.1 Age and sex of the household head

Variables	Age of the household head in yrs			Sex of Household Head		
	25-35	36-64	>65	Female	Male	
Number of household head	32	71	17	51	69	
Percentage (%)	26.67	59.17	14.17	42.50	57.50	
Saving	Yes	26 (81.25%)	27 (38.03%)	6 (35.29 %)	33 (64.71%)	21 (30.43%)
	No	6 (18.75%)	44 (61.97%)	11 (64.71%)	18 (35.29%)	48 (69.57%)
		MEAN=47.1,STDEV.=13.9,MIN=25,MAX=81				

Source: Own computation from survey data (2022)

As it was indicated in table 4.1 above, 32 (26.67%) of respondents were under age category 25 to 35, and their response to saving was higher than the rest of age category. It is due to youth are more productive and have a new energy to do work and getting more income than the older, 71 (59.17%) of respondents under age category 36 to 64 and 17 (14.7%) of the respondents age greater than 65. and also the average age of a household head is 47.1 years old with a standard deviation of the 13.9 years. The respondent's age distribution had a range from the youngest (25 yrs) to the oldest (81 yrs) incorporating household heads having significant difference in age. Also table 4.1 reveals 69 (57.50 %) sampled household was headed by a male while the rest 51 (42.50%) was headed a female household head. This data indicates that the majority of the sampled households were led by male household heads signifying that male has still a dominant role in household decision making than female in the city.

In addition, from the total sample respondents, 42 household heads (35.0 %) were married, 44 (36.7%) were unmarried, 15(12.5%) were divorced and the rest 19 (15.8%) were widowed. This data showed that the majority of the sampled household heads were unmarried and their response to saving was higher than the rest of marital category.

Table 4. 2 Family size and dependents of the household

Variables	Family size			No. of dependents			
	1-4	5-6	>7	0-1	2-4	>5	
Number of household head	53	48	19	54	50	16	
Percentage (%)	44.17	40.00	15.83	45.00	41.67	13.33	
Saving	Yes	39 (81.3%)	21 (43.8%)	7 (36.8%)	46 (85.19%)	24 (48%)	6 (37.5%)
	No	14 (18.8 %)	27 (56.3%)	12 (63.2%)	8 (14.81%)	26 (52%)	10 (62.5%)
	MEAN=5.4,STDEV.=2.1,MIN=1,MAX=9			MEAN=2.3,STDEV.=2.0,MIN=0,MAX=6			

Source: Own computation from survey data (2022)

Family size is one of factors affecting saving status of households in the study area. 53 (44.17%) respondents were having family size 1 to 4 (out of these 81.3% of were saving and 18.8 % were not saving), 48 (40%) households with family size 5 to 6 out of these respondents 43.8% are saving and 56.3% were not saving and the remaining respondents 19 (15.83%) with family size greater than 7 (out of these 63.2% were not saving and 36.8% were saving. As it was clearly indicated by table 4.2 above Households with large family save less whereas households with lower family size save more. Potential explanation for the finding is for large family size, it is difficult to feed by one household head and their consumption level is greater than saving. Typically, large family size has the significant relationship with lower saving, an increase in the household size; the demand for household consumption increases and at the same time saving decreases. Further the average family size of the sampled respondents was 5.4 with the standard deviation of 2.1. The minimum household size was one and maximum was nine.

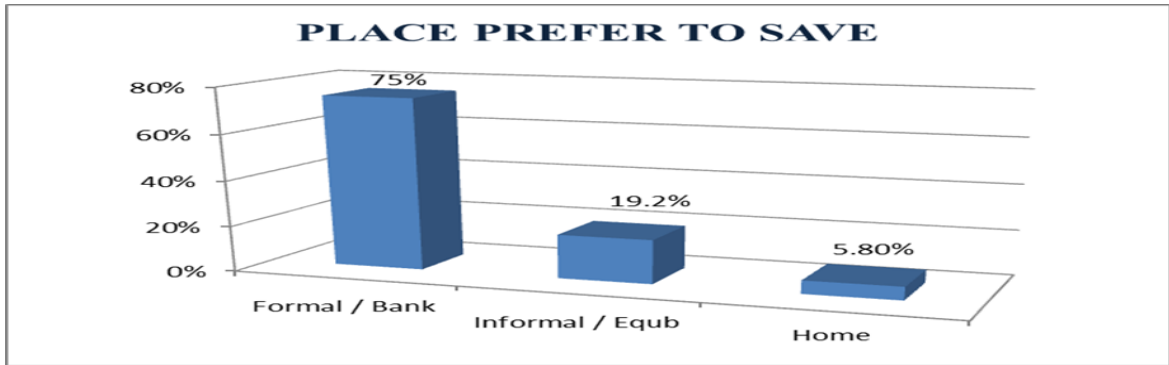
Number of dependents is other factor affecting saving status of households in the study area. The average number of dependent living in a household was 2.3 with standard deviation of 2.0. The maximum number of dependents in the sampled household was found to be six per household and the minimum was zero. 54 (45.0%) respondents were having dependents 0 to 1 (out of these 85.19% of were saving and 14.81 % were not saving), 50 (41.67%) households with a dependent family of 2 to 4 out of these respondents 48% are saving and 52% were not saving and the remaining respondents 16 (13.33%) with a dependent family that greater than 5(out of these 62.5% were not saving and 37.5 % were saving. As it was clearly indicated by table 4.2 above Households with large number of dependents save less however households with lower number of dependents save more. This means it increase to the dependents, it is tough to fulfil the

need of the family by single household head and their consumption level is greater than saving.

In addition, the education figures reveal that 116 (96%) had some formal education and some 4 respondents were illiterate (can't write or read). The average educational level of household heads was 10th grade, and the range was from zero years of schooling to a maximum of 18 years. On employment, 80 (66.6%) of the total 120 sampled households were engaged in salaried work, of which 41 (34.17%) were in government organizations, 20 (16.7%) in Non- Government Organizations and 19 (15.83%) in private organizations. The rest 40 (33.3%) were engaged in non-salary activities, with 35 (29.7%) respondents running their own businesses, and 5 (4.1%) unemployed.

Regarding disposable income and saving performances, the average monthly income of sampled respondents was Birr 10,676 per month and saved 2,640.8 with a minimum monthly income of Birr 3000.00 and a maximum of Birr 36,000.00. This indicates that an average household saves 24.7% of its disposal income. This implies that the overall saving performance of the sampled household is poor. In addition the average monthly expenditure of sampled respondents was Birr 7,186.5 per month with a minimum monthly expenditure of Birr 3000.00 and a maximum of Birr 20,000. Data for the wealth of the households showed that 49 (40.8%) of the respondents owned the house they lived in. Of the remaining 71(59.2%) were living in houses rented from the government or the private house.

From this result we can infer that about 30% of the surveyed households were engaged in supplementary to what is already present or permanent income generating activity and average income from additional income generating activities were 4,569 and saved 860, which means that an average household saved were 18.8 % from additional income and the remains 70% of the respondents were not engaged in additional income generating activity.

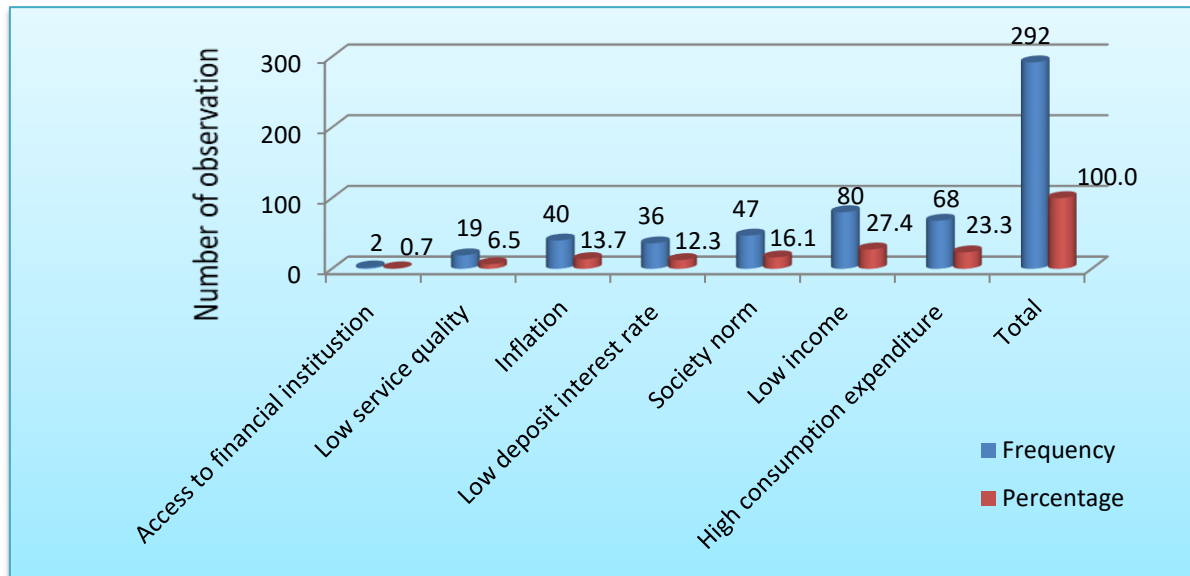


Source: Own computation from survey data (2022)

Figure 4.2 Place to Prefer to Save Money

As showed in the above figure the most frequently observed category where the respondent preferred to save their money was at the bank (90, 75%). This indicates the respondents have the knowhow about the importance of a bank service regarding saving. Of the remaining 23 (19.2%), 7(5.8%) were did not prefer to save at bank rather in the informal institution (Equb) and at home. The reason is that received lower monthly income, preferred traditional saving mechanisms (such as Equb) and at home than banks further they held that the bank and other formal institutions are hard to use them with their low income experiences, but the informal institution like daily, and weekly Equb are easy to use, and saving at home is easy to access any time. Hence a majority number of the household prefer to save their money at the bank.

Regarding to access to financial institutions, almost all sample household heads reported that they had access to modern financial institutions for saving. Furthermore the respondents were asked to indicate whether they have information that they can earn interest on their saving account on Bank/ Micro Finance. The survey result showed that majority of the respondent doesn't have known that their deposit brings the opportunity to earn interest. The result showed that only 39.2% of the respondent have the information about the interest they can earn from their saving. The remaining 60.8% have no information about the bank interest from their saving. Related with these; from the respondents which have information about the interest rate only 57% of the respondents are satisfied with the existing level of deposit interest rate.



Source: Own computation from survey data (2022)

Figure 4. 3 constraint and challenges of household saving

There are internal and external factors which affect household saving behavior or culture. The survey results show that in the above figure showed that 27.4% of the respondents are constrained their saving habit because of having low income and the rest 23.3% are because of having high consumption expenditure (it's predict due to large number of family members or extravagancy including different social ceremonies such as wedding).

Compared to internal factors only 0.7% of the respondents are doesn't saved due to access to financial institution which is too low, it indicate almost all respondents are having an access implies that the number of banks' and Micro finance institutions' branches increase from time to time leads to increase access of financial institution for the public even in far remote areas or outskirts of the country which encourage the saving habit of that particular society.

From the respondents 6.5%, 12.3% didn't save due to low service quality of the banks/micro finance institution and low deposit interest rate of the banks and the rest 13.7% respondents it's prefers to consumed than saved because of higher inflation and the remaining 47 (16.1%) respondents not saved because of society norm or culture that discourage the saving habit of the households or it decrease the capability of saving and it increase consumption. Maheber, Ziker, Teskar, Wedding and different yearly ceremonies are considered as obstacle for saving. However, there are a good society norms or encouraging saving practice of the society from that (equb and edir).

4.2. Econometric Model Result

The double hurdle model was used to identify the factors influencing the status and level of household saving, as described in the methodology section. By using the maximum likelihood method of estimate, the model examined the household's decision to save and the extent to which they saved in the study area.

According to Gujarati (2004) Hurdle models are applied to situations in which target data has relatively many of one value, usually zero, to go along with the other observed values. They are two-part models, a probit model for whether an observation is zero or not, and a count model for the other part.

The factors of household's decision to save and the amount of their saving are estimated separately in a double-hurdle model. The decision to save or not to save is identified in the first hurdle, and if the household decides to save, the level of their savings is assessed in the second hurdle.

Before directly proceed to analysing the finding scholars (Kothari, 2004) point out that testing the reliability as well as the validity of data is mandatory. Therefore this study conducted two basic tests and they found valid. The two tests were Wald Test and Likelihood Ratio.

The Wald test (also called the Wald Chi-Squared Test) is a way to find out if explanatory variables in a model are significant. "Significant" means that they add something to the model; variables that add nothing can be deleted without affecting the model in any meaningful way.

Table 4.3 Test of Double hurdle Estimation

Type of Test	LR chi2(13)	Prob > chi2	Decision
Wald Test	3.05	0.2176	Model Accepted
Likelihood Ratio (lr test)	14.14	0.0002	Model Accepted

Source: Survey Result, 2022

The above table shows that the result of the first hurdle has chi2 (3.05) and the critical value (0.2176). In the Z table the value of chi2 were significant (p value < 0.001) and the

second hurdle which tested by the Lr test showed that chi2 14.14 and the critical value 0.002. Thus two tests revealed the acceptance of the model.

After checking the Wald Test and Likelihood Ratio (lr test) the estimation of variables were conducted. The following table showed the estimation of variables.

Table 4.4 Estimations of Probit model and Marginal effect

	Probit model		Marginal effect	
	Coefficient	Std	Coefficient	Std
Family size	-.35**	.158	-.01	.003
Income of household	.00**	.000	.00	6.82e
Education Level of household	.25**	.107	.00	.002
Household head age,	-.13**	.059	-.00	.001
Sex of household	-2.51**	1.147	-.07	.027
Marital status household	.189	.478	.00	.014
Deposit interest rate	3.91	2.796	.12	.079
Employment status	-.11	.420	-.00	.013
Expenditure	-.00**	.000	-.00	.000
Personal saving habit of household head	1.98**	.901	.13	.048
Number of dependents	-1.02***	.327	-.07	.011
Additional income generating activities	2.93**	1.412	.20	.081
Home ownership	2.41**	.963	.16	.048
	Number of obs=120		Number of obs=120	
	LRchi2(13)151.3		LRchi2(13)151.3	
	Prob > chi2 =0.0000		Prob > chi2 =0.0000	
	Pseudo R2 = 0.9166		Pseudo R2 = 0.9166	

Source: Survey Result, 2022

***significant at 1%, **significant at 5%, *significant at 10%

As described above, to estimate the first hurdle a binary probit regression was used, the coefficients of the Probit model only give the significance and the direction of the effects of each explanatory variable on saving. The marginal effect measures the impact of the impact that an immediate unit change in one variable has on the outcome variable while all other variables are held constant. This implies that the rate and level of saving will change whenever the variable factors are change. Both the coefficients and marginal effects of the probit model are given in above Table 4.4.

The result showed that, family size, age of the household, sex, expenditure and number of dependents were found negative and significant effect on decision to save. This indicted that the increment of those variables in the household has a negative impact on saving decision of households in the study area others were found positive.

As the above table showed that Family size, which is significant at 5% level, when household family size increase by one individual, probability of households saves decrease by 1%, other things remaining constant.

This result is due to the fact that when family size increases, households are expected to allocate more of their income on consumption expenditure and thus there will be no income left for saving. A study done by Melkamu, B et al., (2017) and Zegeye, P. (2018) found out that large family size reduces the saving rate of a household.

Income is one of the factors that determine households saving level. As it was expected the monthly income of the respondents has a positive significant effect on the decision to save and coefficient is statistically significant at 5% level. Income of household suggests that a thousand birr increase in the income of the household increases the probability of household saving by 1.74%, other things being equal. Studies Abate,.T. (2020) and Abebe, A. (2017) confirmed that an increase in income was found to increase saving significantly. Furthermore they point out that Income and saving have a straight relationship, which means that when income rises, so does saving, but by a smaller amount. Because the proportion of income consumed drops as income rises, the proportion of income saved rises. Savings is negative at lower income levels.

As the above table showed that household income is positive and it showed that an increase in incomes of respondents increases their tendency to participate in saving and the amount they save. This is because such respondents will have income left for saving after paying for consumption expenditure.

Similarly, Personal saving habit of household head has statistically significant at 5% level. Therefore, the marginal effect of this variable implies that having a household personal saving habit have 198% more probability of saved than a household doesn't have a saving habit, *ceteris paribus*. This suggest that personal saving habit of household head increases, which may be related with the desired of respondents to produce more and get more incomes for saving. The study conducted by Tarekegn T. et al, (2015) point out that lack of positive personal saving habit significantly harms the desire of households to save by engaging them in extravagant events.

Education level of the respondent is another important variable at influencing decision to save and statistically significant at 5% level, which implies that years of schooling increase by one year, increase the probability of saving by 0.79%, other variables being constant. This is due to a more educated person have an awareness to life style, awareness to Saving, involvement in other income generation activity. This finding is in line with theoretically justification that education has the probability to increase the awareness to saving and also their capacity to save as more educated has wider possibilities of earning more income than not educated ones (Fisher et al, 2012).

Researchers such as Hussein, A. (2007), Girma,T. et al.,(2013) and Gina, A., et al., (2012) asserted that education is found to be significant to determine the level of saving and those researcher were conform with this study but on the contrary Rehman et al (2010) states this variable to have a negative effect on household saving due to the fact that educated households' tend to spend more on the living standard and Children's educational advancement. Another indicator in the inconsistency of the estimation the results is the one presented by Beckman et al (2013) it indicated that individuals university degrees or medium education are more likely to save due to income effects of better education and increased financial literacy.

As shown in the above table, the age of household head has negative significant effect on the decision of household to save, statistically significant at 5% level, that is as the household head gets older his productivity decreased and going to be a retired period as a result decision to save will decreasing, this may be because his possibility of getting more income will decrease as age increases. Kidest A. (2019) was conforming to this study.

Researchers such as Bogale et al., (2017): Tewodros, S. (2021) stated that the age of respondent has positive significant effect on the decision to save, That is, as the individuals

get older their decision to save will increase; this may be because awareness about saving will increase as age increases inconsistently with this study.

The dummy variable, sex of the respondent, has a negative sign and it is also statistically significant at 5%, therefore, the marginal effect of this variable implies that females have 7% more probability than males to save, *ceteris paribus*. Female and male have differing propensities to save due to variations in perceived risks and interests and in gender-related external factors that affect savings behavior. Suggesting that female respondents are saving more than their male counterparts. This may be true because females are more conservative in their investment decisions than men.

The result is consistent with the study Tsega H. et al, 2014; Abate 2020. However According to Zegeye P. (2018) female headed households in general have more dependents and thus have higher non-workers to workers ratio compared to other households, they work for lower wages and have less access to assets and productive resources compared to men, Therefore, Male headed households are expected to have better chance of earning income and when income increases saving level of the household increases.

Home ownership of the household also has statistically significant at 5% level and positive effect on the decision to save. Therefore, the marginal effect of variable implies that having a home have 16% more probability than a household that doesn't have a home to save, *ceteris paribus*. The reason that a household having a home it's could be decreasing a rental expense of the house and it's tends to shift to saving. (According to Kidest A, 2019: Ricardo B. et al, 2015) homeownership is associated with a higher saving rate.

Household engaged in additional income generating activities has statistically significant at 5% level and positive effect on the decision to save. Therefore, a household engaged in additional income generating activity have 20% more probability of saving than that doesn't engaged in additional income generating activity. This implies a household engaged in additional income generating activities it increase the income base of the household and it increase the ability of saving of the households.

According to (Haile M et al, 2017) a person who engaged in additional income generating activities than that of who only working a one work or permanent income it is better to save due to it increases their capacity to save by increasing their income.

Number of dependants of the household also has statistically significant at 1% level and negative effect on decision to save. When number of dependents increase by one individual, probability of households saves decrease by 7 %, other things remaining

constants. This is a result of a greater burden of consumption expenditure and hence, the more the allocation of household budget towards consumption expenditure leads to lower saving. Higher number of active working members involved in economic activities saves much more than others (Popovici, 2012). The elderly and young are expected to consume out of post saving while those within the working age are expected to accumulate saving (Quartey & Blankson, 2008), those studies are aligned to the study.

Expenditure of the household is another significant variable at 5% level and negative effect on decision to save. Expenditure of the household put forward that a thousand birr increase in the expenditure of the household decrease the probability of household saving by 2.14%, other things remaining constant. This implies a higher expenditure of household's decreases saving decision. According to (Bealu. T 2016) not only expenditure on consumption but also different expenditures on social and religious ceremonies celebrated occasionally such as, wedding, funeral, circumcision and expenditure on social issues is inversely related to the savings.

Table 4.5 Truncated regression model and Marginal Effect

	Tobit		Marginal effect	
	Coefficient	Std	Coefficient	Std
Family size	-8.66	141.968	-2.65	43.444
Income of household	.50***	0.090	0.15	0.026
Education Level of household	75.79	323.687	23.20	98.933
Household head age,	-0.26	44.809	-0.08	13.715
Sex of household	-1559.16	1080.009	-620.80	346.409
Marital status household	890.98	600.950	272.72	181.234
Deposit interest rate	1478.49	2001.207	452.55	606.025
Employment status	-219.03	427.094	-67.04	130.432
Expenditure	-.00**	.000	-1103.23	477.768
Personal saving habit of household	.92**	0.488	243.56	170.616
Number of dependents	-.78***	0.153	-207.61	36.967
Additional income generating	1.74**	0.696	459.69	130.084
Home ownership	3604.27**	1594.356	1103.23	477.768

Number of obs=120	Number of obs=120
LRchi2(13)151.3	LRchi2(13)151.3
Prob > chi2 =0.0000	Prob > chi2 =0.0000
Pseudo R2 = 0.9166	Pseudo R2 = 0.9166

Source: Survey Result, 2022

As mentioned in the above, to estimate the second hurdle or to estimates the amount of saving truncated regression was used. Since the marginal effect measures the impact of the impact that an immediate unit change in one variable has on the outcome variable while all other variables are held constant. In the second hurdle, according to this study the variables that affect the amount of saving in the household are Income of household, expenditure, personal saving habit of household head, number of dependents, additional income generating activities and home ownership respectively.

The marginal effect analysis implies that the number of dependents and expenditure of the household have negative relation with saving rate. According to the marginal effect analysis result showed that when the number of dependents increases by one individual over a household it will decrease the level of saving by 207 birr and similarly expenditure of the household increased by one birr the household saving decreased by 1103.23 of birr.

Other variables such as Income of household, home ownership, additional income generating activities and Personal saving habit of household head are positively related with saving. More specifically, being home ownership helps to increase saving by 1103.228 birr, engaged in additional income generating activities increase saving by 459.685 birr, having Personal saving habit of household head increase saving by 243.556 birr and lastly an increment in Income of household helps to increase saving by .154662 birr.

CHAPTER FIVE

5. CONCLUSIONS AND RECOMMENDATION

In this chapter conclusions and recommendations are discussed. For clarity purpose, the conclusions are based on the research objectives of the study. Based on the findings of the study recommendations are made to government bodies, to banks and financial institutions and suggestion for other researchers.

5.1 Conclusion

The study was conducted to identify the determinant of household saving in Dilla town. The study used descriptive and econometric analysis to identify the effect of explanatory variables on dependent variable. With descriptive percentages, graphs, charts and tables were used to present factors affecting household saving and also the study particularly address the household decision to save and their level of saving using the double hurdle process.

The conclusion drawn based on the findings is that only 45% of the respondents were found to have saving habit, while most 55 % of them were not savers at the time of the study period, this implies that the overall saving performance of the sampled household is poor.

The finding of the study indicate that income, expenditure, personal saving habit, dependency ratio, additional income generating activity and home ownership of the respondents at influencing both the decision to save and their amount of saving which due attention the all concerned organs to enhance household savings. Furthermore, majority of the respondents prefer to use formal institution for saving.

In addition, there are constraints which affect household saving behavior or culture in the study area, from that having low income is the main constrained of that household's do not save. Further, all respondents are having an access to banks and micro finance implies that the number of banks' and Micro finance institutions' branches increase from time to time. Further, it has society norm or culture that challenges the household saving or it decrease the ability of saving and it increase consumption Such as, Maheber, Ziker, Teskar, Wedding and different yearly ceremonies are considered as obstacle for saving.

5.2 Recommendation

On the basis of the study findings the following possible course of action are recommended to policy makers to enhance household saving in the study area.

- ❖ The family sizes affect households saving negatively, the households size must be managed through using family planning and the government should designed strong policies related family planning and disseminate by different means to create awareness, the government and any other concerned body like Non-Governmental organization which are working related to females and children strongly work on it and educated societies through extension program or others.
- ❖ Since education has affect households savings positively this may help them to save their money income in the formal financial institutions, so priority should be given to adult education by all concerned bodies (Governmental and Non-Governmental organization which are working on youth development) to enhance the analytical capacity and awareness of households towards saving culture.
- ❖ The study showed that age of households is negatively related with households saving, thus, the households should save more portion of their disposable income during their productive age. So each young must participate on different legal income generation activities to save more for retired age, different policies should designed to make fertile ground for youth and increase productivity; like skill development and standard labour export policy since the domestic economy is unable to absorb this huge labor force.
- ❖ The study result showed that female headed households are saving more compared to their counter parts, so female-oriented policies like affirmative action which contain packages related to income generation, credit access, and leadership development for women are important recommendations to empower women. When women are economically empowered, the saving performance of the country could be developed as a direct result.
- ❖ Expenditure is considered to be one of the major variables which can significantly affect individuals 'saving capacity; awareness creation and trainings should be given to the society about consumption planning by surrounding financial institution such as microfinance institution, saving and credit association by linking with community leaders and others which are near and live within the society.

- ❖ Personal saving has positive impact household savings which encouraging, to make more relevant support those who've saving habit and make them exemplary to that particular society and advise them and collaborate or link them with others institutions to share their experience to others societies who have less saving habit compared to them
- ❖ As the study result indicate dependency ratio of the household was shown it has negative and significant influence on household saving decisions, meaning the number of dependency increases the saving performance of households is reduced. So to reduce dependency number educates households to have families that are sized based on their household income level. This could be achieved implemented by designing and delivering short-term training for households related with income-oriented family planning by community leaders and development agencies. In addition, if dependent family members are not children, elderly, or disabled, should have to participate in some income generating activities in order to support the income of the household.
- ❖ Increasing earning capacity of the people is expected to enhance individuals' capacity of saving; hence, employees should be encouraged to look for additional jobs without jeopardizing their permanent job. In order to participate more income generating activates should be more skills especially in technical and vocational trainings b/c most of par time work are basically need technical knowledge this is because the setup of economic activates in that particular environment. Those employers of some institutions that rigidly prohibit their employees to have additional jobs should take this into account, the government also make also follow and those organizations who prohibit their employee to do other jobs and make discussion make common understanding since government is the last authority to protects the right of its citizen.
- ❖ Home ownership has a positive impact on saving that means those who has house are save more than who has no house, this because those who have no house are forced to pay more of their disposable income to house rent. To reduce this load the governed should built and supply house in the form of rent bay equivalent price for middle and lower income holders in the short run. In the long run the government design policy related to housing programme: such as public partnership, cooperatives and real estate owners how built and supply for lower

and middle income holders and link them with financial institution to supply or provide mortgage loan for long period of time of and the government supply land.

- ❖ Income is the most important determinant of saving so priorities should be given to diversify income sources of household in the study area it may achieved by reduce tax.

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Appendixes



St. Mary's University
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Committed to Excellence

Dear Respondent:

First, I would like to say thank you for your willingness to participate in this research in titled with *“The Determinants of Household Saving: A Case Study in Dilla Town, southern, Ethiopia”*. This questionnaire is designed for academic purpose towards partial fulfilment of Masters of Development Economics at St. Mary’s university to collect Valuable ideas and comments from you. It is also intended as a high-level diagnostic tool to highlight opportunities for possible solution to the problems. I would like to express my sincere appreciation and deepest thanks in advance for your willingness, effort and cooperation in completing this questionnaire.

General guidelines

- ✓ Please put a tick “” mark for those questions on the space provided.
- ✓ You are not required to write your name.
- ✓ I ask you in all due respect, to fill the questionnaire carefully and at your best knowledge.

Basic Information

1. Sex: - Male Female

2. Age: -

3. Educational Background: Year of schooling.....?

4. Marital Status

A. Married B. Unmarried C. Divorced D. Widowed

5. Employment status

A. Government B. Self-employed C. Unemployed

D. NGO employee E. Private company

6. Family size of the household.....

7. Is there anyone who is under the age of 15 and above 65 years in your house who is dependent on your income?

Yes No

8. If your answer is yes for Q 7, how many people are dependent on you?

9. Do you have your own home?

Yes No

10. What is the average monthly income of the family.....?

11. Do you engaged in any other additional income generating activities?

Yes No

12. If your Answer is yes for Question number 11 how much birr do you earn per month?
.....

13. Do you save money from your earnings?

Yes No

14. If your Answer is yes for Question number 13? How much birr do
save.....?

15. If your answer is no for Question number 13 why?

A. High consumption expenditure

B. Low income

C. Low current level of deposit interest rate

D. lack of incentive to save

E. other

16. What is your personal saving habit?

Positive Negative

17. How much birr do you spend per month?

18. Do you have saving access in your area?

Yes No

19. Where do you prefer to save your money?

A. Bank/Micro Finance B. Informal Institution (Equb) C. at home

20. If your answer for question number 19 is Informal/ at home please justify your reason.....
.....
.....
.....

21. If your answer for question number 19 is Bank/ micro finance please justify your reason.....
.....
.....
.....

22. Do you have information that you can earn interest on your saving account on Bank/ Micro Finance?

Yes No

23. Generally, are you satisfied with the existing level of deposit interest rate?

Yes No

24.... Do you think that households are facing problems and challenges that are negatively affecting their saving behavior?

Yes No

25.... If yes what are the major constraints and challenges that are affecting household saving in the town?

- A. Access to financial institution
- B. Low service quality
- C. Inflation
- D. Low income
- E. Higher consumption expenditure
- F. Low deposit interest rate
- G. Society norm
- H. Other.....

26. Is there any culture/norm that discouraging saving habit in your society? Please specify
.....
.....
.....
.....

27. Is there any culture/norm that encouraging saving habit in your society? Please specify
.....
.....
.....
.....

28.....Finally, Would you like to give any additional suggestion/s or opinion?

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