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**HOUSEHOLD SAVING BEHAVIOR IN JIMMA ZONE OF OROMIA REGION, ETHIOPIA**

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**ABSTRACT**

*The objective of this study was to examine how saving habit is related to household characteristics. The study was mainly conducted using primary data collected using a questionnaire survey conducted with 346 samples selected household heads in Jimma Zone and employed a descriptive statics for data analysis. The result showed that household heads in Jimma zone maintain a saving in various forms. The saving habit showed a statically significant relationship with socio demographic characteristics, personal financial planning and homeownership.*

**KEYWORDS**

Household saving behaviour, saving habits, Jimma Zone.

**1. INTRODUCTION****1.1. BACKGROUND OF THE STUDY**

Ethiopia is the second-most populated country in Africa with more than 90 million people. It is among the low-income sub-Saharan African countries and has been known of poverty for a number of years.

The existing literature has increasingly showed the importance of savings in the livelihoods of households in rural sub Saharan Africa (Chowa, 2006). Saving is important in improving the well-being and serves as a security at the times of shocks for the households. Given the difference in economic, social, demographic and other reasons, there should be substantial variation in the households saving behavior. Therefore understanding the nature of household saving behavior is critical in designing policies to promote savings and investment.

Household savings as well as national savings are important to maintain high level of investment which is the key determinant of economic growth. Hailesellase, Abera and Baye (2013) state that saving is an important factor for the economy and for citizens of the country. The development in saving habits of a given society will have an impact on the economic development of a country in general and on the financial well-being of the individuals in particular. Countries having higher level of saving rates will reduce the burden of foreign debt and domestic investments will be financed by using the domestic saving. The saving made by the individuals will be channeled by the financial intermediaries to fund the investments to be made domestically. Those investments will benefit the nation by increasing productivity, creating employment opportunity and increase the economic growth at large.

The average saving rate of Ethiopia to GDP is 9.5% which is, the worst saving rate in the world as compared to newly industrialized Asian economies which have a better saving rate in the world Hailesellase, Abera and Baye (2013). The average saving rate of sub-Saharan African countries were 17% which is still higher than that of Ethiopia's saving rate. Tsegabirhan (2010), also stated that Ethiopia's rate of domestic saving was very low even compared to sub-Saharan Africa standard. Therefore Ethiopia's saving rate was the lowest from the rest of the world.

Hence developing countries like Ethiopia should take a lesson from successful Asian countries. According to (Tsegabirhan, 2010), the average saving rate in the newly industrialized Asian economies has remained greater than 30 percent, except during the recent crisis years when it decreased to about 29 percent. Compared with the newly industrialized Asian economies, Ethiopia has a long way to go to increase the saving and investment rates.

An improvement in the level saving was a key for the individuals' welfare and for the economic development of the nation. This will be achieved by designing appropriate strategies to increase the saving habits of the society. For the purpose of developing saving habits in the study area, the current saving behavior of the society must be known. The study tried to find out the peoples saving behavior, which will help policy makers and regulators to devise appropriate strategies in order to increase the level saving among population.

Therefore, the general objective of the study is to investigate the saving behavior of households in Ethiopia particularly in Jimma Zone. The research will extensively rely on primary data which was collected from the sample households of Jimma Zone.

**1.2. STATEMENT OF THE PROBLEM**

Understanding the nature of household savings behavior is critical in designing policies to promote savings and investment (Muradoglu and Taskin, 1996). Households' saving is important to insure financial security of households and serves as insurance at the time of shocks. But given the differences in the demographic, social, economic environment and other factors of the households, there should be substantial variation in the household saving behavior. Most of the empirical literature that analyzed household savings behavior concentrated on aggregate savings. Unlike the previous studies done in the rest of the world, the proposed study aims at examining the household savings behavior in Ethiopia particularly in Jimma Zone by conducting household survey.

Long-term economic growth requires capital investment in infrastructure, education and technology, for example, as well as in factories, business expansion, and so forth and the main domestic source of funds for capital investment is household savings. Consistently high savings rates over time in a particular country can translate into funds being available for this long-term growth. In addition, higher levels of household savings allow a larger portion of a country's overall debt to be financed internally.

Further the economic growth of a country is determined by the amount of household savings among other things. This can be evidenced by highly developing countries of south Asian countries in which their economic growth are fueled by highest saving rates.

The allocation of available income into spending and saving is one of the most important economic decisions made by a household. This decision might be affected due to demographic, social, economic and other factors. Even if low saving rates have been seen in Ethiopia, little attention is given to find the behaviors and determinants of saving. Therefore it is important to study the saving behavior of the households of Ethiopia particularly in Jimma Zone which have its own implication for policy makers.

After completion, the research gives answer for the following research questions.

1. Do households in Jimma zone have a saving habit?
2. What is the type of saving institutions used by the households?
3. Is there a relationship between socio demographic features of households and their saving habit?
4. Is there a relationship between saving habit and personal financial planning?
5. Is there a relationship between saving habit and access to credit?
6. Is there a relationship between saving habit and homeownership?

**1.3. OBJECTIVES OF THE STUDY****GENERAL OBJECTIVE**

The general objective of the study is to investigate the saving behavior of households in Jimma zone of Oromia Region, Ethiopia.

**SPECIFIC OBJECTIVES**

The specific objectives of the study are as follows:

- ✓ To find out whether households in Jimma zone have a saving habit.
- ✓ To identify the saving institutions used by the households.
- ✓ To examine the relationship between socio demographic features of households and their saving habit.
- ✓ To examine the relationship between saving habit and personal financial planning.
- ✓ To investigate the relationship between saving habit and access to credit.
- ✓ To investigate the relationship between saving habit and homeownership.
- ✓ To provide the necessary recommendations.

#### 1.4. SIGNIFICANCE OF THE STUDY

While conducting this survey research, the researcher believes that various stakeholders will benefit from its findings. This can be explained as follows. Doing research on household saving is important for policy makers and serves as an input for them. It is also important for banks and microfinance institutions to learn about the saving behavior of the households in the study area so that those institutions can mobilize deposits from those households as they will learn the saving behaviors of the households. In addition, the research will serve as a reference and gives a clue for other researchers. The recommendations given by the researcher is also important for the policy makers and financial institutions.

## 2. REVIEW OF RELATED LITERATURE

Study of saving and related topics has been subject of research by many researchers in the past. They have concluded several factors affecting saving behavior in different regions of the world based upon analysis of time series and cross sectional data. The findings from some of recent studies, so far, reviewed are presented hereunder.

**Muradoglu and Taskin (1996)** investigate the difference in household savings in industrial and developing countries by using household data from the U.N. System of National Accounts and supported the view that the household savings behavior of the industrial and developing countries is not identical. The study indicated that, in industrial countries, the saving rate of households increased with an increase in permanent income. Yet, as permanent income increases, households in developing countries tend to change their spending patterns in favor of consumption rather than increasing their saving rates.

**Cheng, Hisatoshi and Wenxing (2006)** have made analysis on saving behaviors in urban china. Empirical results based on household survey in Shangai from urban china analyzed using a regression analysis indicated that not only the transitional income, but also permanent income has a positive impact on savings. In addition, the propensity to save in single households was significantly lower than that of married ones. And household heads that are not married and live with their parents do have higher propensity to save. The study also identified that saving to providing for old age and providing for children educations were the most frequently cited reasons of saving.

**Chowa (2006)** investigated saving performance among participants in a matched – saving program in Uganda, modeled after the Individual Development Accounts (IDAs) in the United States. The study has taken a sample of 145 participants in the program. And the result from one way ANOVA revealed that saving performance was significantly different between men and women, married and unmarried, and between different levels of educational status.

**Kibet et.al (2009)** examined determinants of household savings of smallholder farmers, entrepreneurs and teachers in rural areas of Kenya. Data for the study were collected using a survey of 359 sample farmers, entrepreneurs and teachers using a multistage sampling technique from seven rural administrative divisions of Nakuru district. The result showed that household income, nature of businessmen occupation, gender, and education level of household head positively influenced the saving behavior of the rural households; whereas access to credit, age, and dependency ratio negatively influenced household saving. The study also indicated that interest on savings does not motivate saving amongst rural households of Nakuru district.

**Sabri and MacDonald (2010)** have made a study on Savings behavior and financial problems among college students: The role of financial literacy in Malaysia. The objective of their study was to identify and compare savings behavior and the financial problems of students and, to explore the influence of financial literacy on savings behavior and financial problems. Sample students were selected randomly from 11 universities and 2,519 students were completed the questionnaire. The result from ANOVA indicated that those students with higher financial knowledge were better in savings behavior, while those students with greater influence from socialization agents and late exposure in their childhood consumer experience were less likely to engage in savings behavior. The result of multiple regression also indicated that financial literacy has a positive effect on the saving behavior and female students are better in their saving behavior than those of male students.

**Basit, Bashir and Farooq (2010)** made investigation on how savings differ among various earner groups (labor class, job holder, business class and farmers' class households) in Pakistan. For the purpose data were collected from a sample of 376 respondents, from rural and urban areas of Multan district and employed a multiple regression analysis. The result of the study indicated that the age and income of all earner group has a positive relationship with saving; whereas the children's educational expenditure have negative relationship with saving for all earner groups. The result also revealed that education showed a positive impact on labor class savings; in contrast, it showed negative impact on the household savings among job holders, business class and farmers' class.

**K. Pailwaret. al (2010)** made a micro-level study on the impact of membership of financial institutions on rural households saving. The study was conducted based on the primary data collected from full scale sample survey conducted in five villages and two suburban areas of National Capital Region, India. The result of hierarchal regression analysis indicated that income, location and membership in some of the financial institutions like, banks, insurance, and membership of informal financial institutions have a significant positive influence on the saving; whereas dependency ratio have a significant negative influence on the saving.

**Rehman, Zahir and Bashir (2010)** studied on households saving behavior of Multan district in Pakistan. For the purpose data from a survey of 293 sample respondents were analyzed using a multivariate regression. The results of the study revealed the fact that educational status of the heads in the household, children's educational expenditures, family size, liabilities, marital status, and value of a house showed a significant negative influence on the household savings. Yet Spouse participation in economic activity, total dependency rate, total income of household, size of land holdings has a positive significant relationship with household savings. The result also showed that household savings positive but insignificant relationship with age and insignificant negative relationship with age squared.

**J. Turnham (2010)** conducted a study on the attitudes to savings and financial education among low-income populations by using data collected from 18 focus group discussions. And based on findings of the study, it was suggested that educating low-income and vulnerable populations about financial concepts is important to enhance saving behavior, for the fact that efforts should focus on behavioral changes, particularly strengthening discipline around savings and spending, may be more effective for promoting long-term financial well-being.

**Timerga, Gotu and Alem (2011)** examined the saving habits of employees at Debre Birhan Town in North Shoa of Ethiopia. The conclusions in the study were based on statistical analysis of data collected from a sample of 490 employees selected from private and government organizations in the town. The result of the study revealed that the number of dependent family member, the rate of inflation, distance from home to work place, recreation cost, housing expense (housing rent) and expenditure were found to have negative influence on saving habits; whereas, job satisfaction, the provision of transport service by employers, level of education, membership of saving association, and marital status showed a positive influence on saving habit of employees. The study also indicated that gender, religion, ethnicity, credit access in the sector, living at Debre Biriha town, income satisfaction, interest rate were not significant predictors of saving habits of employees

**Tesfamariam (2012)** investigates the determinants of saving behavior rural households in Tigray. For the purpose data was collected using a survey of 120 sample rural household savers from eight financial cooperatives in Tigray Regional state, Ethiopia. The result of regression analysis indicated that women save more than men. It was also found that income, amount of money borrowed and years of being in cooperative membership positively influence saving; whereas family size, educational status, age and interest charged on loan affected saving negatively. The study also identified accessing loan from cooperatives and having money for emergencies, planning to own a home are the dominate purpose of saving stated by rural household with membership in financial cooperatives.



**Gabriela (2012)** has made an empirical analysis on preferred saving instruments of the Romanian households. The study revealed that lack of financial education; residence area and absence of trust in the banking system determine the concentration of saving in cash. The educational level does not influence the decision of using modern saving instruments but financial education was one of the determinants for using modern saving instrument.

**Teshome et. al (2013)** made a study on the saving behaviors among rural household in East Hararghe Zone, Oromia Regional State, Ethiopia using a survey data collected generated from 700 sample households. The result of the tobit model, employed for data analysis, showed that household head education level, livestock holdings, access to credit service, income, investment, training participation, contact with extension agents, forms of savings and saving motives were found to have significant influence on the amount of households savings.

**Hailesellasie, Abera and Baye (2013)** have made assessment of saving culture among households in Ethiopia. 544 households were selected from Addis Ababa, Hawassa and Mekelle using non proportional quota sampling technique and employed chi square and other descriptive statistics for data analysis. The result revealed that females are better in saving than males, educational level affects saving positively, households who have not their own home saved more than house owners, increase in the level of income will also increase saving, saving of widowed and married households were better than unmarried ones, increase in the number of dependents will increase savings and age affects saving negatively. The study also found that the cause of poor saving include: lack of appropriate saving products, lack of incentive to save, low interest rate, high inflation and others.

**N.S. Mahdzan and S. Tabiani(2013)** have made an exploratory analysis on the impact of financial literacy on individual saving in the context of Malaysia. A total of 192 samples were taken conveniently. The Probit regression model employed to analyze data collected from a convenient sample of 192 respondents revealed that financial literacy, saving regularity, gender (being men), number of children (having more children would lead to feel more responsible for their children's future); income, increase in age, and educational level positively influenced the probability to have a saving

**Hagos and Michael (2014)** made a study on the determinants of household saving in North Gondar Zone, Amhara Regional State, Ethiopia. The study was based on data collected from a sample of 604 households elected from the districts of Gondar, Dembia and Dabat. A Tobit regression model used to analyze major determinants of household savings indicated that low income, inflation, low interest rate, cultural background, education, social affairs and unemployment are the major factors contributing for low household saving. In addition, the economic analysis shows that income, age, sex (being women), marital status, forms of institutions used for saving and frequency of getting money were found to be significant determinants of household savings in the study area.

**Gupta and Kaur (2014)** have conducted a study on the financial literacy among micro entrepreneurs in Kangra district of India. Descriptive research was conducted by taking 87 sample respondents randomly. The result of the study shows that micro entrepreneurs in the study area have low financial skills. This was concluded because of the respondents having deficient record keeping practices, poor cash management, improper saving habits and lower level of awareness regarding different financial products and instruments..

### 3. RESEARCH METHODOLOGY

#### 3.1. INTRODUCTION

This section presents the research methodology and methods employed to conduct the study. The section includes: the study area and period, target population, source of data, method of data collection, sampling technique and sample size, and method of data analysis.

#### 3.2. STUDY AREA AND PERIOD

The study was conducted in Jimma Zone of Oromia Regional State, Ethiopia. Jimma Zone is one of 13 zones in Oromia Region. Jimma Zone is bordered on the south by the southern nations, nationalities and peoples region, the northwest by Illubabor, on the north by East Welega and on the northeast by South Shewa; part of the boundary with East Shewa is defined by the Gibe River. The study was conducted from October, 2013 to September, 2014.

#### 3.3. TARGET POPULATION

The study was conducted on households saving behavior in Ethiopia particularly in Jimma Zone. And the target population of the study was the households heads found in Jimma Zone. The study focused on household heads for the fact that household heads are mostly responsible for the management of financial matters of the family, which makes the data more representative of the entire family. The primary data for the study was collected from the house hold heads.

#### 3.4. SAMPLE SIZE

Use of sampling can save time and money (economical) and enable the researcher to obtain detailed information as the number of sample unit is fairly small, these can be studied intensively and elaborately. For the purpose of the study, the sample size was taken based on the following formula.

$$n = \frac{(z)^2 * (p) (q)}{(d)^2}$$

Where

p = sample proportion, q = 1- p

z = the value of the standard variate at a given confidence level

n = sample size

d = acceptable margin of error for proportion being estimated

The value of p = 0.5 (q = 1-p) in which case the sample size will be the maximum and the sample will yield at least the desired precision. This will provide the most conservative sample size (Kothari, 2004). By allowing an error margin of 5% with 95% confidence interval, the required sample size was 384. Even though the total questionnaires were filled, only 346 were usable.

#### 3.5. SAMPLING TECHNIQUE

Obviously, if the population to be studied is large and infinite it is very difficult to undertake a census survey. Therefore, taking sample (sampling) is necessary. Sampling technique is a method by which the samples will be drawn from the total population. To make the samples representative of the total population, a multi-stage sampling was used. Firstly, 6 woredas were randomly selected out of 18 woredas in Jimma Zone. Then; equal numbers of household heads were randomly selected from each of the selected woredas.

#### 3.6. METHOD OF DATA COLLECTION

The study was mainly conducted using primary data. Basically in any field of research, selection of data collection method depends on the nature and type of research, the type of data. Accordingly, primary data was collected by using structured questionnaire from the sample household heads. Primarily, the questions were prepared in English language and converted to local languages (Afan Oromo and Amharic). To collect data from respondents a trained data collectors, who speak the three languages used in the data collection instrument, conducted a face to face interview with sampled household heads. Moreover, secondary data relevant to the study were collected through a review and analysis of documents and related literatures, including, journal articles, conferences papers and other materials.

#### 3.7. METHOD OF DATA ANALYSIS, PRESENTATION AND INTERPRETATION

After gathering the data from the respondents, the researcher classified and coded the data according to their similarity to make it suitable for analysis. Then, the data entered to computer software, SPSS version 20, used to perform the data analysis. The study followed descriptive statistics to univariately describe the study variables and inferential statistical techniques (Correlation coefficient and Pearson Chi Square) to explore the relationship saving habit having with explanatory variables of saving behavior identified based on the review of related literatures. , were used to achieve the research objectives.

### 4. RESULT AND DISCUSSION

This section presents the results of data analysis and discussion of findings made in light of the reviewed literatures.

#### 4.1. DESCRIPTION OF STUDY VARIABLES

The variables under study include respondents' characteristics and other factors relevant to explain household saving behavior, and indicators of saving behavior drawn from the review of related literatures. This subsection of the analysis used frequency tables to describe the variable one by one, and the relationship each having with saving behavior analyzed using a chi square statistical analysis of association will discussed under 4.2 to answer the basic research questions.

4.1.1. DEMOGRAPHIC CHARACTERISTICS

Table 1, below presented sample household in the study classified by gender, age, education, and marital status.

TABLE 1: DEMOGRAPHIC CHARACTERISTICS OF RESPONDENTS

Variables	Category	Frequency		Valid Percent
		Counts	Percentage	
Gender	Male	272	78.6	78.6
	Female	74	21.4	21.4
	Total	346	100.0	100.0
Age	20 – 24	16	4.6	4.6
	25 – 29	19	5.5	5.5
	30 – 34	26	7.5	7.5
	35 – 39	62	17.9	17.9
	40 – 44	117	33.8	33.8
	45 – 49	65	18.8	18.8
	Above 50	41	11.8	11.8
	Total	346	100.0	100.0
Educational Level	Illiterate	33	9.5	9.5
	Only reading and writing	185	53.5	53.5
	Up to grade 10	71	20.5	20.5
	Grade 10 and certificate	10	2.9	2.9
	Diploma	22	6.4	6.4
	Diploma & Certificates	14	4.0	4.0
	Bachelor Degree	5	1.4	1.4
	Masters and above	2	0.6	0.6
	Others	4	1.2	1.2
Total	346	100.0	100.0	
Marital Status	Married	286	82.7	82.7
	Single	36	10.4	10.4
	Widowed	6	1.7	1.7
	Divorced	18	5.2	5.2
	Total	346	100.0	100.0

Source: own computation from survey data

Table 1 showed that of the total sample 78.6% were male and the remaining 21.4% of them were female. Observations from table 1 also indicated that most of the respondents (70.5%) fall in the age category of 35 – 49, whereas 17.6% of the respondents were below the age of 35 and those aged above 50 accounted only 11.8 % of the sample. It was also shown on table 1, of the total sampled, household heads, 9.5% of the respondents were illiterate (they couldn't read and write), 53.5% have only reading and writing skills, 20.5% have learned up to grade 10, 2.9% of them completed grade 10 with certificate, 6.4% of them hold a diploma, 4% of them have diploma with certificate, 1.4% of them have first degree, 0.6% of them have master and above and the remaining 1.2% of them have other educational status. Finally we can conclude that the educational level of the sampled household heads were very low. The above table indicates the marital status of the respondents. For the purpose of the study, marital status was classified as married, single, widowed and divorced. From the total sampled household heads, 82.7% of the respondents were married, 10.4% of them were single, 5.2% were divorced and the remaining 1.7% was widowed. Thus from the table we can understand that most of the respondents are married.

4.1.2. FAMILY CHARACTERISTICS

'A household is composed of either a) a group of people (adults and/or children) living in the same dwelling space who each acknowledge the authority of the same person or couple as the head(s) of household or b) a lone individual.' (OECD, 2013: p.11) Family size and number of dependents family members are considered as household characteristics which could have a bearing on saving behavior. The frequency count in table 2 and 3 below presented the sample household classified by their household characteristics.

TABLE 2: FAMILY SIZE

Family Size	Frequency	Percent	Valid Percent
1	26	7.5	7.5
2	15	4.3	4.3
3	50	14.5	14.5
4	67	19.4	19.4
5	73	21.1	21.1
6	49	14.2	14.2
7	36	10.4	10.4
8	16	4.6	4.6
9	7	2.0	2.0
10	2	0.6	0.6
11	2	0.6	0.6
12	2	0.6	0.6
13	1	0.3	0.3
Total	346	100.0	100.0

Source: own computation from survey data

Table 2, above showed indicated that 7.5% of households were single size families. 1, 4.3% of them have 2, 14.5% have family size of 3, 19.4% have family size of 4, 21.1% have family size of 5, 14.2 have 6, 10.4% have 7, 4.6% have 8 and 4.1% of them have family size of above 8. Most of the respondents (79.6%) have the family size of 3 to 7. The average family size of the sampled respondents was 4.78 with the standard deviation of 2.11. The median and mode of the family size was 5 with the minimum family size of 1 and the maximum family size of 13.

TABLE 3: NUMBER OF DEPENDENTS

Number of Dependents	Frequency	Percent	Valid Percent
0	52	15.0	15.0
1	37	10.7	10.7
2	89	25.7	25.7
3	96	27.7	27.7
4	56	16.2	16.2
5	14	4.0	4.0
6	2	0.6	0.6
Total	346	100.0	100.0

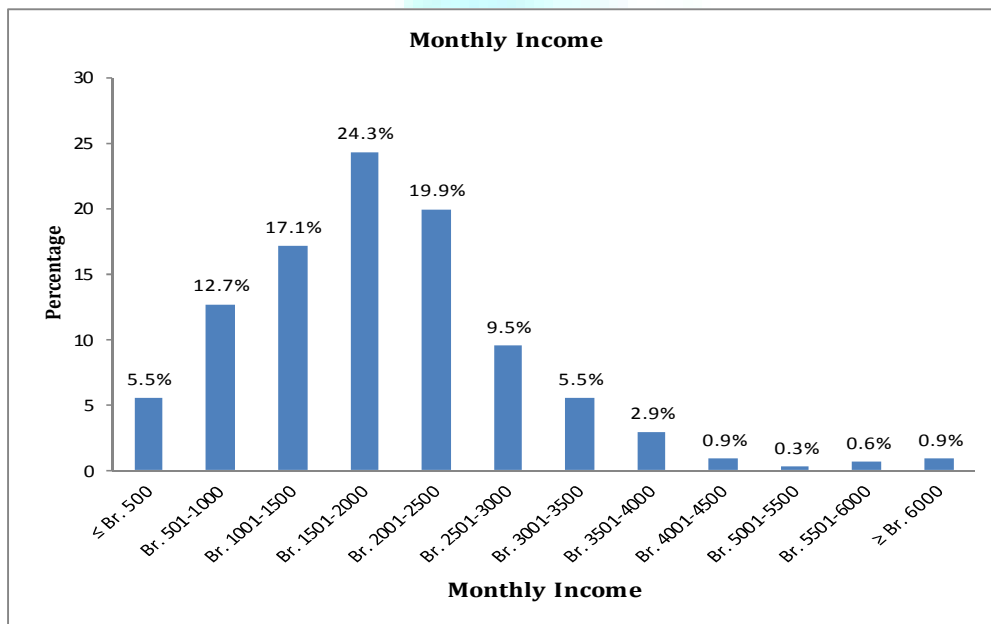
Source: own computation from survey data

The number of dependents in the sample households on table 3 showed that 15% have no dependent. Yet majority (53.4%) had 2 to 3 dependents. The mean number of dependents was 2.34 with the standard deviation of 1.4. The median and mode was 2 and 3 respectively with the maximum number of dependents of 6 and minimum of 0.

4.1.3. HOUSEHOLD INCOME AND EXPENDITURE

The level of household income measured in a categories scale ranging from the lowest amount of 500 Ethiopian Birr, which is equivalent to USD 25, to a maximum of 6000 Birr, which is equivalent to USD 300, per month and the regularity of income inflow as well as the item on which the household spends most in a month were taken as relevant variables. And the results are presented below.

FIG. 1



Source: own computation from survey data

The above figure showed the monthly income of the respondents. An observation on the bar chart revealed that only 5.5% and 0.9% of the sample respondents categorized under the lowest and highest income bracket respectively. And only 5.5% of the respondents fall under the monthly income of birr 3001 to 3500 category, which nearly represent household around the medium income earning groups. The chart also indicates respondents under 1501-2000 monthly income group accounted for the largest proportion of the sample (24.3%) followed by 19.9% of the respondents having a monthly income of birr 2001 to 2500, 17.1% of the respondents under a monthly income of birr 1001 to 1500, 12.7% of the respondents were found at lower income level. Most literatures, so far reviewed, evidenced the positive effect of income having on saving (Kibet et. al (2009), K. Pailwar et. al (2010), Basit, Bashir and Farooq (2010); thus the result in this respect appeared worrisome. In addition to level of income, earning a reliable and regular income also found to have positive influence on saving and the result with respect of this factor is summarized in table 4 below.

TABLE 4: REGULARITY OF INCOME

Income regularity	Frequency	Percent	Valid Percent
Regularly	77	22.3	22.3
Irregularly	269	77.7	77.7
Total	346	100.0	100.0

Source: own computation from survey data

Income regularity was intended to show whether the respondent earns income on a regular interval period or not. And the observation on table 4, identified majority (77.7%) as irregular income earners and only 23.3% were regular income earners.

Table 5, below, also indicated the items on which respondents spend most of their income.

TABLE 5: ITEMS FOR WHICH RESPONDENTS SPEND MOST OF THEIR INCOME

Items	Frequency	Percent	Valid Percent
Food items	327	94.5	94.5
Ceremonial purpose	1	0.3	0.3
Recreation	1	0.3	0.3
Farming inputs	5	1.4	1.4
Housing purpose	2	0.6	0.6
Other purpose	10	2.9	2.9
Total	346	100.0	100.0

Source: own computation from survey data

Table 5, showed the items on which most of their incomes were spent. From the total respondents, most of the respondents (94.5%) spend most of their income on the food items. 2.9% of them spend most of their income on other purposes, 1.4% of the respondents spend most of their income on farming inputs and the remaining 0.3%, 0.6% and 0.3% spend most of their income on ceremonial purpose, housing purpose and on recreation respectively.

**4.1.4. ACCESS TO CREDIT**

Respondents were asked whether they have taken credit or not previously. The respondents were also asked about the source and purpose of credit. If the purpose of credit were for consumption, it is expected to affect negatively but if the purpose were to generate income, it is expected to influence saving positively by keeping other factors constant. Other researchers like Timerga, Gotu and Alem (2011), Kibet. al (2009) and Teshome et. al (2013) have considered access to credit as one of the independent variable while studying about saving.

**TABLE 6: RESPONDENTS TAKEN CREDIT PREVIOUSLY OR NOT**

	Frequency	Percent	Valid Percent
Yes	78	22.54	22.54
No	268	77.46	77.46
Total	346	100.0	100.0

Source: own computation from survey data

The above table showed whether the respondents have taken credit or not previously. From the total respondents, 22.54% of them have taken credit previously whereas 77.46% of the respondents haven't taken credit previously.

**TABLE 7: SOURCES OF CREDIT**

Sources of Credit	Frequency	Percent	Valid Percent
From formal financial institutions	37	10.7	47.4
From informal ones	40	11.6	51.3
From both	1	.3	1.3
Total	78	22.5	100.0

Source: own computation from survey data

The above table shows the source of credit for those respondents who have taken credit previously. From those who have taken credit previously, 51.3% of the respondents have taken credit from the informal source of credit, 47.4% of them have taken from the formal source of credit and the remaining 1.3% of the have taken from both formal and informal source of credit.

**TABLE 8A: PURPOSE OF CREDIT**

Purpose of Credit	Frequency	Percent	Valid Percent
Consumption	7	2.0	9.0
Ceremonial purpose	8	2.3	10.3
Agricultural inputs	6	1.7	7.7
Other	57	16.5	73.1
Total	78	22.5	100.0

Source: own computation from survey data

The respondents who have taken credit were asked the purpose of credit. As it was shown on the table, from the respondents who have taken the credit, 9% of they have taken the credit for the purpose of consumption, 10.3% have taken for the purpose of ceremonial purpose, 7.7% have taken for the purpose of agricultural inputs and 73.1% of them have taken for other purposes

**4.1.5. PERSONAL FINANCIAL PLANNING**

Recent studies evidencing a positive relationship between financial literacy and financial behavior including, saving, has been increasing. Of the review in this paper, for example, N.S. Mahdzan and S. Tabiani (2013), Sabri and MacDonald (2010) and Fazli and Maurice (2010) identified financial literacy to have implication on saving of individuals. Though financial literacy is not directly measured in the current study, household personal financial planning practice, their knowledge of daily expenditures were considered, assuming the fact that those who plan their spending and track daily expenditure to have better financial literacy, which in turn would have positive association to saving habit. Moreover, household contact with extension agents in agriculture, and/or health that educate the community with management of resource in the household was used as a variable to represent household exposure to education related to financial planning and saving. The descriptive results of these three variables are presented in the following three tables.

**TABLE 8B: RESPONDENTS HAVING SPENDING PLAN**

	Frequency	Percent	Valid Percent
Yes	146	42.2	42.2
No	200	57.8	57.8
Total	346	100.0	100.0

Source: own computation from survey data

The above table shows whether the respondents have spending plan or not. Spending plan was assumed to have a relationship with the saving habits. From the total respondents, 57.8% of them have no spending plan, whereas the remaining 42.2% of the respondents have spending plan.

**TABLE 9: RESPONDENT'S KNOWLEDGE OF THEIR DAILY EXPENSES**

knowledge of their daily expenses	Frequency	Percent	Valid Percent
Yes	264	76.3	76.3
No	82	23.7	23.7
Total	346	100.0	100.0

Source: own computation from survey data

The above table shows whether the respondents know their daily expenses exactly at the end of the day or not. From the total respondents, 76.3% of the respondents exactly know their daily expenses at the end of the day whereas the remaining 23.7% of the respondents do not know exactly their daily expenses at the end of the day.

**TABLE 10: CONTACT WITH THE EXTENSION AGENTS**

	Frequency	Percent	Valid Percent
Yes	85	24.6	24.6
No	261	75.4	75.4
Total	346	100.0	100.0

Source: own computation from survey data

Contact with the extension agents was assumed to improve the living standard of the society. The above table shows that 24.6% of the respondents have contact with the extension workers whereas 75.4% of the respondents have no contact with the extension workers.

**4.2. SAVING BEHAVIOR**

The saving behavior of household heads is the dependent variable in the study, which was measured using several items taken from previous studies. The factors include: (1) saving habit, which quests respondents to self-report whether they feel that they have a saving habit, (2) Saving regularity, which intended to classify those having a saving habit in to five categories based on their saving regularity, (3) the purpose of saving which measure and classify savers based on why they maintain saving, and (4) which type of saving mechanism savers follow also used to classify respondents based upon usage of formal and informal saving product, as well as to identify proportion of those using only informal saving products and approaches.

**TABLE 11: SAVING HABITS**

Have saving habits or not	Frequency	Percent	Valid Percent
Yes	306	88.4	88.4
No	40	11.6	11.6
Total	346	100.0	100.0

Source: own computation from survey data

The above table shows the saving habits of the respondents from their income. Respondents were asked whether they have saving or not from their income. From the total sample household heads, 88.4% of them were savers from their income and the remaining 11.6% of them were non-savers. This suggested majority do have some form of saving which is a favorable finding compared to previous studies that reported that people in least developing countries in general and Ethiopia in particular hardly have savings. Further, the study tried to classify those households with savings based on the regularity of saving habit, as shown on table below.

**TABLE 12: SAVING REGULARITY**

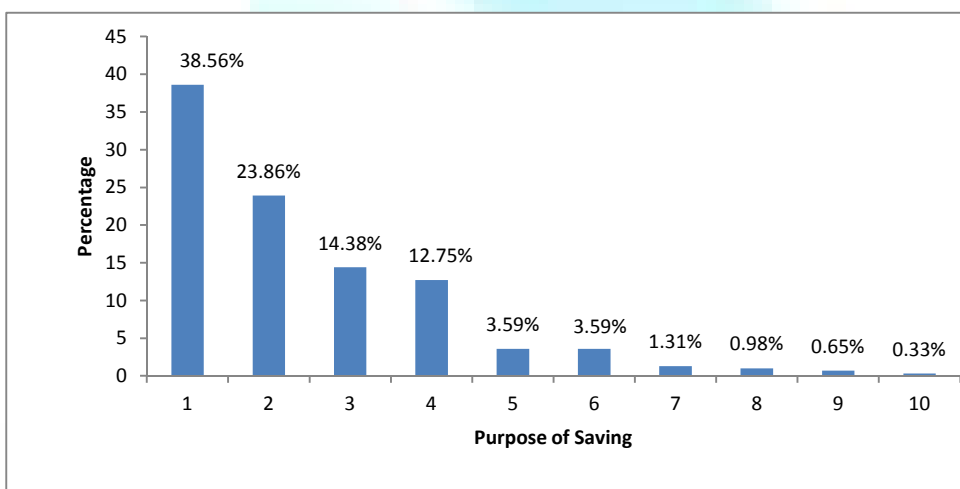
Items	Frequency	Percent
1 I save a fixed amount regularly in a savings account	26	7.5
2 I put something aside periodically, but decide on the amount according to the financial circumstances	139	40.2
3 I put something aside when I have something left over to save	141	40.8
4 I do not save because I do not have enough financial scope to do so	40	11.6
Total	346	100.0

Source: own computation from survey data

Observation from the above table indicted that, 7.5% of the respondents save a fixed amount regularly, 40.2% saves regularly but the amount to be saved depends up on the financial circumstances and the remaining 40.8% saves when something left over to save (those are irregular savers).

Saving could be maintained for various reasons. Mahdzan & Peter Victorian quoted various literatures that identified four main aspects of saving motives are “precautionary motives (Hubbard et al., 1995), life-cycle motives (Modigliani & Brumberg, 1954), bequest motives (Bernheim, Shleifer and Summers, 1985), and wealth accumulation or profit motives (Keynes, 1936)”. To assesses the saving motive of households in Jimma Zone, respondents were asked to identify their major motive for saving and the results are summarized in the bar chart below.

**FIGURE 2: PURPOSE OF SAVING**



1. For children education
2. To prepare for unexpected expense
3. To own a home
4. Others
5. Use after retirement
6. No specific purpose, to save for security
7. To leave as an inheritance
8. To purchase durable consumer goods
9. Holidays/vacation saving motive
10. To remodel a house

Source: own computation from survey data

The above figure shows the purpose of saving of the respondents. From the total savers, 38.56% of them save for the purpose of children education, 23.86% of them saves to prepare for unexpected expense, 12.75% of them saves for other purposes, 3.59% of them saves to use after retirement and 3.59% of them have no specific purpose for saving.

People save using various methods, such as saving product from formal or informal financial service providers, just by keeping cash at home or by converting money into a form of real asset. Having the most frequently responded purpose of saving in the sample, using a formal saving product in the financial institution which creates an opportunity to earn interest and ensure safety appeared commendable.

The saving product used by households in the study area presented on table 13, below.



TABLE 13: HAVING AN ACCOUNT FROM THE FINANCIAL INSTITUTIONS

Institutions	Frequency	Percent	Valid Percent
Bank	100	28.9	28.9
Insurance	1	0.3	0.3
Microfinance	19	5.5	5.5
Iquib (ROSC)	45	13.0	13.0
Iquib and others	70	20.2	20.2
I don't have	111	32.1	32.1
Total	346	100.0	100.0

Source: own computation from survey data

The respondents were asked about if they have an account from the above listed institution. From the total respondents, 32.1% of the respondents have no linkage with the above listed institutions, 28.9% of the respondents have an account from the bank, 20.2% of the respondents the respondents will use Iquib and others, 13% of the respondents use Iquib only and 5.5% of the respondents have a linkage with the microfinance only.

4.3. HOME OWNERSHIP

Ownership of home might have implication on saving in different ways. In one way home owners are expected to be savers because it was considered that the expenditure on the house rent will be directed to saving. In the other way non home owners are expected to save to have their own home. Hailesellase, Abera and Baye (2013) have considered home ownership as one variable while assessing saving culture of households in Ethiopia.

TABLE 14: OWNERSHIP OF HOME BY THE RESPONDENTS

	Frequency	Percent	Valid Percent
Yes	229	66.2	66.2
No	117	33.8	33.8
Total	346	100.0	100.0

Source: own computation from survey data

The respondents were asked about home ownership. From the total number of the respondents, 66.2% of them have their own home whereas the remaining 33.8% of the respondents have not.

4.8. RELATIONSHIP OF SAVING HABIT AND DEMOGRAPHIC CHARACTERISTICS

4.8.1. RELATIONSHIP BETWEEN SAVING HABIT AND DEMOGRAPHIC FEATURES

TABLE 15: ASSOCIATION OF GENDER WITH SAVING HABITS

Chi-Square Tests						
	Value	df	Asymp. Sig. (2-sided)	Exact Sig. (2-sided)	Exact Sig. (1-sided)	Point Probability
Pearson Chi-Square	1.005 <sup>a</sup>	1	.316	.412	.209	
Continuity Correction <sup>b</sup>	.636	1	.425			
Likelihood Ratio	.953	1	.329	.412	.209	
Fisher's Exact Test				.311	.209	
Linear-by-Linear Association	1.002 <sup>c</sup>	1	.317	.412	.209	.094
N of Valid Cases	346					

a. 0 cells (0.0%) have expected count less than 5. The minimum expected count is 8.55.

b. Computed only for a 2x2 table

c. The standardized statistic is 1.001.

Among the total sampled household heads, the proportion of male and female with savings was 89.3% and 85.1% respectively. This indicates that there is no difference in saving habits based on the gender of the respondent. The result of chi square test also revealed that there is no significant relationship of gender and saving habits.

TABLE 16: CORRELATION OF AGE WITH SAVING HABITS

		Age	Saving Habits
Spearman's rho	Age	Correlation Coefficient	1.000 .291**
		Sig. (2-tailed)	. .000
		N	346 346
	Saving Habits	Correlation Coefficient	.291** 1.000
		Sig. (2-tailed)	.000 .
		N	346 346

\*\* Correlation is significant at the 0.01 level (2-tailed).

Spearman's rho correlation was used to test the relationship between the age and saving habits of the respondent. It indicates that the age of the respondents was significantly related to the saving habits with spearman's rho correlation coefficient of  $r = 0.291$  and  $p\text{-value} < .001$ . The result indicates that as the age of the individual increase the probability of engaging themselves on saving will increase. The study conducted by Basit, Bashir and Farooq (2010) and N.S. Mahdzan and S. Tabiani (2013) also found that age has a positive relationship with that of saving habits.

TABLE 17: CORRELATION OF EDUCATIONAL LEVEL WITH SAVING HABITS

		Educational level	Saving habits
Spearman's rho	Educational Level	Correlation Coefficient	1.000 .082
		Sig. (2-tailed)	. .129
		N	346 346
	saving habits	Correlation Coefficient	.082 1.000
		Sig. (2-tailed)	.129 .
		N	346 346

The above table shows the association of educational level with the saving habits. The test of Spearman's rho correlation indicated that the correlation of educational level with saving habits was insignificant having correlation coefficient  $r = .082$  and  $p\text{-value} = .129$  (the  $p\text{-value}$  is far greater than 0.05). Hailesellase, Abera and Baye (2013), Kibet. al (2009) and Teshome et. al (2013) revealed that educational level have a positive impact on the saving habits whereas Rehman, Zahir and Bashir (2010) and Tesfamariam (2012) found that educational level have a negative influence on the saving habits.

**TABLE 18: CORRELATION OF SAVING HABITS WITH FAMILY SIZE**

			Saving Habits	Family Size
Spearman's rho	Saving Habits	Correlation Coefficient	1.000	.213**
		Sig. (2-tailed)	.	.000
		N	346	346
	Family Size	Correlation Coefficient	.213**	1.000
		Sig. (2-tailed)	.000	.
		N	346	346

**\*\*.** Correlation is significant at the 0.01 level (2-tailed).

The test result of spearman's correlation indicates that family size have a significant positive relationship with saving habits. But the relationship was weak having correlation coefficient of  $r = 0.213$  and  $p\text{-value} < .001$ . This shows that as the number of family member increases, households tend to engage themselves on savings. But the study conducted by Rehman, Zahir and Bashir (2010) and Tesfamariam (2012) found that family size will influence the saving habits negatively.

**TABLE 19: CORRELATION OF NUMBER OF DEPENDENTS WITH SAVING HABITS**

			saving habits	Number of dependents
Spearman's rho	saving habits	Correlation Coefficient	1.000	.194**
		Sig. (2-tailed)	.	.000
		N	346	346
	Number of dependents	Correlation Coefficient	.194**	1.000
		Sig. (2-tailed)	.000	.
		N	346	346

**\*\*.** Correlation is significant at the 0.01 level (2-tailed).

As it was shown on the above table there is a significant relationship between the saving habit and the number of dependents. The relationship was significant at 1% confidence level having Spearman's correlation coefficient of  $r = 0.194$  with the  $p\text{-value} < 0.001$ . This shows that as the number of dependents increases, households tend to engage themselves on savings. The study conducted by Haileellasia, Abera and Baye (2013) and Rehman, Zahir and Bashir (2010) also found that there is a significant positive relationship between number of dependents and saving. To the contrary, Timerga, Gotu and Alem (2011), Kibet. al (2009) and Pailwar et. al (2010) found that the number of dependents have negative relationship with the saving habits.

**TABLE 20: CORRELATION OF INCOME WITH SAVING HABITS**

			Saving Habits	Income
Spearman's rho	saving habits	Correlation Coefficient	1.000	.352**
		Sig. (2-tailed)	.	.000
		N	346	346
	income	Correlation Coefficient	.352**	1.000
		Sig. (2-tailed)	.000	.
		N	346	346

**\*\*.** Correlation is significant at the 0.01 level (2-tailed).

The relationship of income with the saving habits was tested by using Spearman's rho correlation coefficient. The test indicated that income was significantly related to saving habits of the respondents having correlation coefficient of  $r = 0.352$  and  $p\text{-value} < 0.001$ . This might show that as income increases, the households saving habits will increases. Many researchers (For Example: N.S. Mahdzan and S. Tabiani (2013), Rehman, Zahir and Bashir (2010), Tesfamariam (2012), Haileellasia, Abera and Baye (2013), Teshome et. al (2013), K. Pailwar et. al (2010) and Kibet et. al (2009)) revealed that households income have a significant positive impact on the households saving habits

**TABLE 21: THE RELATIONSHIP OF SPENDING PLAN WITH SAVING HABITS**

Chi-Square Tests						
	Value	Df	Asymp. Sig. (2-sided)	Exact Sig. (2-sided)	Exact Sig. (1-sided)	Point Probability
Pearson Chi-Square	33.017 <sup>a</sup>	1	.000	.000	.000	
Continuity Correction <sup>b</sup>	31.090	1	.000			
Likelihood Ratio	47.630	1	.000	.000	.000	
Fisher's Exact Test				.000	.000	
Linear-by-Linear Association	32.922 <sup>c</sup>	1	.000	.000	.000	.000
N of Valid Cases	346					

a. 0 cells (.0%) have expected count less than 5. The minimum expected count is 16.88.

b. Computed only for a 2x2 table

c. The standardized statistic is 5.738.

Among the total sampled household heads, the proportion of households having spending plan and not having spending plan with savings was 100% and 80% respectively. This indicates that household heads having spending plan were better in their saving status than household heads that have no spending plan. The chi-square test ( $\chi^2=33.017$ ,  $p\text{-value} < 0.001$ ) revealed that there is statistically significant difference between household heads having spending plan and household heads that have no spending plan in their saving.

**TABLE 22: THE RELATIONSHIP OF KNOWLEDGE OF DAILY EXPENSES WITH SAVING HABITS**

Chi-Square Tests						
	Value	df	Asymp. Sig. (2-sided)	Exact Sig. (2-sided)	Exact Sig. (1-sided)	Point Probability
Pearson Chi-Square	14.169 <sup>a</sup>	1	.000	.000	.000	
Continuity Correction <sup>b</sup>	12.719	1	.000			
Likelihood Ratio	12.410	1	.000	.001	.000	
Fisher's Exact Test				.001	.000	
Linear-by-Linear Association	14.128 <sup>c</sup>	1	.000	.000	.000	.000
N of Valid Cases	346					

a. 0 cells (.0%) have expected count less than 5. The minimum expected count is 9.48.

b. Computed only for a 2x2 table

c. The standardized statistic is 3.759.

Among the total sampled household heads, 92% of the household heads who have knowledge of their daily expenses at the end of the day have saving habits but from those households who have no knowledge of their daily expenses only 76.8% have saving habits. This indicates that household heads that have knowledge of their daily expense were relatively better in their saving status than household heads that have no knowledge of their daily expenses. The chi-square test ( $\chi^2=14.169$ ,  $p\text{-value} < 0.001$ ) revealed that there is statistically significant difference between household heads who have knowledge of their daily expenses and household heads who have no knowledge of their daily expenses in their saving status.

TABLE 22: CONTACT WITH THE EXTENSION AGENTS AND SAVING HABITS

			saving habits	contact with the extension agents
Spearman's rho	saving habits	Correlation Coefficient	1.000	.004
		Sig. (2-tailed)	.	.946
		N	346	346
	contact with the extension agents	Correlation Coefficient	.004	1.000
		Sig. (2-tailed)	.946	.
		N	346	346

The correlation of contacts with the extension agents and saving habits was shown on the above table. The result of Spearman's rho correlation indicated that there no relationship between contacts with the extension agents and saving habits with the correlation coefficient nearer to zero. But the study conducted by Teshome et. al (2013) on the saving behaviors among rural household in East Hararghe Zone, Oromia Regional State, Ethiopia showed that contact with the extension agents have a significant positive influence on the amount of households savings

TABLE 23: THE RELATIONSHIP OF CREDIT WITH SAVING HABITS

Chi-Square Tests						
	Value	df	Asymp. Sig. (2-sided)	Exact Sig. (2-sided)	Exact Sig. (1-sided)	Point Probability
Pearson Chi-Square	5.862 <sup>a</sup>	1	.015	.015	.008	
Continuity Correction <sup>b</sup>	4.928	1	.026			
Likelihood Ratio	7.195	1	.007	.011	.008	
Fisher's Exact Test				.015	.008	
Linear-by-Linear Association	5.845 <sup>c</sup>	1	.016	.015	.008	.007
N of Valid Cases	346					

a. 0 cells (.0%) have expected count less than 5. The minimum expected count is 9.02.

b. Computed only for a 2x2 table

c. The standardized statistic is 2.418.

Among the total sampled household, the proportion of households who have taken credit and not taken credit with savings was 96.2% and 86.2% respectively. This indicates that household heads that have taken credit previously were relatively better in their saving status than household heads that have not taken credit previously. The chi-square test ( $\chi^2=5.862$ ,  $p\text{-value} = 0.015$ ) revealed that there is statistically significant difference between household heads who have taken credit previously and household heads who haven't taken credit previously in their saving status.

TABLE 24: CORRELATION OF REGULARITY OF INCOME WITH SAVING HABITS

			Saving Habits	Income Regularity
Spearman's rho	saving habits	Correlation Coefficient	1.000	-.107 <sup>*</sup>
		Sig. (2-tailed)	.	.048
		N	346	346
	Income Regularity	Correlation Coefficient	-.107 <sup>*</sup>	1.000
		Sig. (2-tailed)	.048	.
		N	346	346

\*. Correlation is significant at the 0.05 level (2-tailed).

The relationship of regularity of income with the saving habits was tested by using Spearman's rho correlation coefficient. The test indicated that even though the relationship was weak, regularity of income was significantly related to saving habits of the respondents having Spearman's rho correlation coefficient of  $r = -0.107$  and  $p\text{-value} < 0.05$ . This revealed that non regular income earners are better in developing saving habits than that of the regular income earners.

TABLE 25: ASSOCIATION OF MARITAL STATUS WITH SAVING HABITS

	Value	df	Asymp. Sig. (2-sided)	Exact Sig. (2-sided)	Exact Sig. (1-sided)	Point Probability
Pearson Chi-Square	12.823 <sup>a</sup>	1	.000	.001	.001	
Continuity Correction <sup>b</sup>	11.282	1	.001			
Likelihood Ratio	10.707	1	.001	.001	.001	
Fisher's Exact Test				.001	.001	
Linear-by-Linear Association	12.786 <sup>c</sup>	1	.000	.001	.001	.001
N of Valid Cases	346					

a. 0 cells (0.0%) have expected count less than 5. The minimum expected count is 6.94.

b. Computed only for a 2x2 table

c. The standardized statistic is 3.576.

While feeding the data to SPSS, marital status have the category of married, single, divorced and widowed. But for the purpose of analysis, it was re-coded as married and other (single, divorced and widowed). Among the total sampled household, the proportion of married and non-married households with savings was 91.3% and 75% respectively. This shows that households who are married were better in saving habits than the other type of marital status. The chi square test ( $\chi^2=12.823$ ,  $p\text{-value} = 0.001$ ) revealed that there is statistically significant difference between married households heads and households having other type of marital status. Many researchers (For example: Cheng, Hisatoshi and Wenxing (2006), Hailesellase, Abera and Baye (2013), Hagos and Michael (2014) and Timerga, Chowa (2006), Gotu and Alem (2011)) confirmed that marital status have a positive impact on the saving habits of the households.

TABLE 26: RELATIONSHIP OF HOME OWNERSHIP WITH SAVING HABITS

	Value	df	Asymp. Sig. (2-sided)	Exact Sig. (2-sided)	Exact Sig. (1-sided)
Pearson Chi-Square	16.629 <sup>a</sup>	1	.000		
Continuity Correction <sup>b</sup>	15.211	1	.000		
Likelihood Ratio	15.630	1	.000		
Fisher's Exact Test				.000	.000
Linear-by-Linear Association	16.580	1	.000		
N of Valid Cases <sup>b</sup>	346				

a. 0 cells (.0%) have expected count less than 5. The minimum expected count is 13.53.

b. Computed only for a 2x2 table.

From the total sampled households that have their own home, 93.4% of them have saving habits whereas from those non home owners 78.6% of them have saving habits. This indicates that household heads that have their home are better in their saving status compared to those who haven't their own home. The chi-square test ( $\chi^2=16.629$ ,  $p$ -value < 0.001) revealed that there is statistically significant difference between household who have their own home and household who haven't their own home their saving status. To the contrary, the study made by Hailesellasiye, Abera and Baye (2013) revealed that households who have not their own home have better in their saving status than home owners. But Timerga, Gotu and Alem (2011) found that housing expense (housing rent) influence the saving habits negatively.

## 5. CONCLUSION

The study was conducted on household saving behavior of Jimma zone in Oromia regional state of Ethiopia. Even though the level of income was low, 88.4% of the respondents have saving habits. The major motives of saving in the study area were for children education, for unexpected expenses and to own a home. The result of the study revealed that age, family size, number of dependents, income, having spending plan, having knowledge of daily expenses at the end of the day, credit and marital status (being married) have a positive relationship with the saving habits whereas regularity of income and ownership of home have a negative relationship with the saving habits. Gender of the households and contact with the extension agents has no significant relationship with saving habits.

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