

Factors Affecting Private Saving: A Case Study on Anasora Woreda, Oromia Regional State, Ethiopia

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ABSTRACT

In developing countries like Ethiopia, where there is low foreign direct investment and low capital inflow from remittance and export, local saving has a significant effect on investment and national economic development as a source of finance. Though this is the case with the saving from some parts of the country, Ethiopia is beyond the expectation from them. Hence, this study is made by targeting an assessment of factors affecting private saving in Anasora Woreda, using a stratified sampling of 268 samples from salaried employees, traders and farmers. The researcher used exploratory type of research conducting as it needs the descriptive statistics to analyse the data. With this research result, low income and poor saving culture of the society, seasonality of business, large family size, saving awareness and inaccessibility to financial institutions have greatly impacted the private saving of the Woreda. Based on the study findings, we recommend that all the economic stakeholders which include the concerned Woreda administrators at each level, the financial institutions and the society at large have the responsibility to change the current saving situation of the Woreda people.

Keywords: *Saving; Private saving, Investment; Private investment; Economic growth and development.*

1.0 Introduction

1.1 Background of the study

The importance of saving can be seen both at the micro and macro level. For a house hold, it helps in maintaining the precautionary balances against shocks, keeps smooth consumption in the face of volatile income, and supports investment and physical capital, builds up cash collateral, and serves as a track record to allow them easier access to credit.

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At the macro level, high saving rate could increase the amount of creditable capital which will push up the investment, and then the economic development and economic growth rate (CBE, 2015). In an open economy with access to foreign capital, funds will flow to investment projects with the highest expected rates of returns and domestic saving doesn't constrain investment and growth. But, with the inefficiency of the world economy and the different constraints to foreign capital, foreign capital could not be a reliable source of finance. Hence, it is clear that the economic development of a country depends largely on its ability to mobilize the necessary savings to finance capital formation in order to raise the nation's productive capacity. Low saving rate remains a typical characteristic of developing countries, and the sub-saharan countries are the lowest of the developing countries. The Ethiopian case is worse than the sub-Saharan and between 2005 and 2011; the average gross domestic saving was 6.42% of GDP (CBE, 2012). Low domestic savings coupled with the unpredictability of aid have compounded the challenge of financing the development of the country Ethiopia (MOFED, 2013), justifying that to sustain the rapid economic growth of the country, increasing the domestic saving rate is unquestionable.

Low saving rate of the country as determined above is the summation of the low saving rate of the different regions, zones, districts and localities, even though their contribution to the total saving is different and can be relatively ranked from low to high. Hence, in this research, I try to investigate the extent of saving, and the potential available with its challenges.

1.2 Statement of the problem

According to Rogg (2006), a serious problem confronting poor countries including Ethiopia is the savings and investment gap. Because of this gap, these countries find it difficult to finance investments needed for growth from domestic saving. It is also common to see these countries finance their investment in the short run partly through domestic government borrowings and/or foreign loan and grants but this would significantly increase the country's debt burden and would not be a solution in the long run.

However, both economic variables are not emphasized as a major variable for interventions for overall development in Africa in general, and Ethiopia in particular. This is the case mainly, because of, first, most of the studies carried out in the field have focused on developed economies and are unable to show the ground reality in poor developing countries. Second, most of these studies adopted a macroeconomic approach yet the behavior of economic units on the aggregate level may not

necessarily be the same as on an individual or household level. And third, even the existing limited empirical research results in Africa related to rural household savings and investment are varied and inconclusive Zhu (2004).

The saving level in Ethiopia, particularly in the rural areas, is very low and little is known empirically about its patterns and determinants. Saving in rural Ethiopia is mainly made out of the income from agricultural activities. It is also characterized as seasonal and irregular as the cash flow through the sale of agricultural produce and availability of work is seasonal. This reduces their financial capacity to save or poorly respond to incentives that promote savings in the country Aron (2013); EEA (2009). However, rural households do indeed save in the form of tangible assets and/or in financial forms which can be potentially utilized by savings institutions and for investments which are very essential for both households and the national wellbeing Girma (2013); Karlan & Morduch (2010). Therefore, this study tries to analyze the major determinants of the saving behavior of rural households which has been less addressed in Ethiopia.

There was a marketing research done by the commercial bank of Ethiopia, Erba Muda branch in September 2015 on the assessment of the saving potential of the area using solely secondary data sources from the Woreda office. The study result shows that there is a significant potential for the peoples to save for their investment and future life. However, though the only bank in the area cited above has encouraged the society to save at the bank, there is no significant improvement in their saving habit. Besides this, the area is known for a variety of mineral resources aside from the agricultural productivity. Hence, in this research, the researcher is encouraged to find the gap between the research conducted by the bank and the actual savings seen at the bank branch. Hence, the objective of this study is to assess the factors that affect the saving conditions of the Anasora Woreda households & businesses.

2.0 Research Methodology

2.1 Description of the study area

The area where the research is conducted is Anasora Woreda, Guji zone. It has a distance of 410 km from Finfinne/Addis Ababa and 180km from Negelle (capital city of Guji zone). It has an area of 47,523 hek or 475.23 km². It is an area where mixed farming economic activities are the livelihood of the people. The life of the society largely depends on producing crops like maize, bean, barley and the like. They also breed animals like cattle, horse, goat & sheep as their main occupation. The area is also known for animal products like butter and honey. Part of the society living there

are farmers, government employees, workers under private employer, self-employed, small & medium scale traders. Most of the productions like crops & honey are seasonal, usually from February to June. The rest of the time of the year is the rainy season in which businesses culminate. There are almost no large commercial activities and big manufacturing industries in the area except one kaolin factory which produces raw material for ceramic production. The elevation of Woreda ranges from 1450-2900 meters, having an annual rainfall of nearly 122.7 mm and the annual temperature of the area ranges from 10.1-20 c (Guji zone FEDO). Regarding trade, there are no known local cash crops in Woreda.

2.2 Research design

The researcher used both exploratory and descriptive types of research designs (Qualitative) in which the researcher wants to explore the reason behind the problem on private saving & investment in the Woreda area, and describe it using simple statistical tools like percentage analysis, graphs & charts, interpret the results/findings and reach general conclusions.

2.3 Population & sampling technique

The total population of the Woreda households is estimated to be 24,278 as to the 2007 E.C data from the Woreda health office. The sampling technique employed was stratified random sampling by basing their occupation and then using the simple random sampling technique so as to get fair (average) data, and to make the sample fair and representative of the population, the sample size was determined using a formula based on the Raostat sample size calculator. At 90% confidence level, a margin of error (e) 5%, and with 50% response distribution using the above Raostat sample size calculator $n = 268$, where n is required sample size

2.4 Data collection methods

The main data source used in the research was primary data collected from respondents using a questionnaire in person, directly approaching the individual households or respondents from which the researcher hoped to get information that is reliable & valid and helps to identify the problem, and a purposive semi-structured interview for issues that require clarification from concerned individuals like the Woreda administrator, finance & economic development head, selected farmer households and community leaders (like Aba Geda) who understand the socioeconomic conditions of the society in which they live and the study purpose, and

then justify more than others. To some extent, secondary data like demographic, socio-economic, geographic and climatic data are used from the concerned Woreda office like labor and social security office for the employment and income status of households, agricultural office for the width and productivity of crops & animals in the area as the place is a rural town, a trade office for the rate of trade at the chosen research area, the commercial bank of Ethiopia (Erba muda branch) and the Oromia credit & saving share company (Anasora Branch) to get data concerning private saving at the available financial institutions in the area.

2.5 Methods of data analysis

After sorting and checking the data collected using questionnaires and interviews from the respondents for its correctness and completeness, it was prepared in the form of tables. The data analysis methods used were descriptive statistics, percentage and other related methods in the case of qualitative analysis of the respondents' data, and then presented in different charts and graphs as necessary for evaluation and comparison purpose, and then interpreting the findings.

3.0 Data Analysis and Interpretation

According to the Raostat sample size calculator, the sample size, $n=268$, at 90% confidence level, margin of error (e)=5%, and with 50% response distribution was used by the researcher. And the response rate was 230 out of the 268-questionnaires distributed, and hence, the response rate was 85.82%. From the questions provided to the respondents which include both demographic information and questions related to the research topic, the following data were obtained:

Table 3.1: Sex Ratio of Respondents

Sex	Number of Respondents	Percentage
Male	192	83.48
Female	38	16.52
Total	230	100

The researcher observed that a higher part of the Woreda people educated, able to read, understand and respond to the questionnaire is male. As Wolday & Tekie cited on CBE 2015, male headed households are expected to save more than the female households, as they have a higher income than the female households. On the other hand, it is argued that female headed households have the tendency to consume less. They also discussed that there is no general agreement on the empirical results that have been done.

Table 3.2: Age Category of the Respondents

Age (in years)	Number of Respondents	Percentage
15-20	14	6
21-40	148	64.35
41-60	65	28.26
>60	3	1.39
Total	230	100

The above table 2 clearly indicates that the majority of the respondents are between 21-40 years of age and it is the high productive life cycle for an individual in any occupation. According to the Life Cycle Hypothesis by Franco Modigliani and Richard Blumberg, the age of households affects saving behaviors. It says, as the household's age increases, their savings will decrease. On the basis of the Life Cycle Hypothesis, Agrawal (2001) also noted that individuals will have negative savings when young and have low or no income, positive savings during their productive years and again negative savings when they are old and retired. Hence, the major respondents' age is the age within the life cycle to work hard and be able to save for the future investment and personal growth.

Table 3.3: Education Qualification

Level	Number of Respondents	Percentage
Illiterate	14	6
Able to read & write	16	7
1-4	5	2.2
5-10	56	24.3
Diploma	55	24
First degree	79	34.3
Second degree and above	5	2.2
Total	230	100

The table above indicates that about 60.5% of the respondents have at least a diploma in their education. But this percentage may not represent the education level of the total population and it is from those who were able to respond to the questionnaire. As Wolday & Tekie cited on CBE 2015, as households' level of education increases, they will be better aware of financial institutions and financial products, which in turn will improve their saving behavior and use of formal sectors. In this regard, the major respondent can easily understand the benefits of saving, different forms of saving, and how to enhance saving.

Table 3.4: Occupation of Respondents

Occupation	Number of Respondents	Percentage
Government employee	47	20.4
Private org. employee	11	4.8
Farmer	98	42.6
Trader	60	26.1
Other	14	6.1
Total	230	100

The table above clearly explains that the majority of the respondents base their life on agriculture (farming), small scale trade, and government employees respectively. Occupations of the respondents categorized under other category are those respondents who are engaged in church leading, carpenter & clinic owners. Wolday & Tekie cited on CBE 2015, clearly indicating that the main livelihood activities or work status of people or households determine individual saving behaviors. As to them, households may have different saving motives based on their engagement in economic activities. The self-employed households, for instance, are expected to save more, because of the uncertain nature of their income. Conversely, salaried employees being certain on the flow of their income, are expected to save less.

Table 3.5: Response Related to the Estimated Annual Revenue of Respondents

Estimated Annual revenue of respondents (in birr)	Number of Respondents	Percentage
0-10,000	63	27.4
11,000-30,000	71	31.0
31,000-70,000	74	32.1
71,000-100,000	16	7.1
>100,000	6	2.4
Total	230	100

As indicated by the respondents, 90.5% of the respondents gain estimated annual revenue less than 70,000 birr. This may indicate that income is their main challenge to save after settling their consumption expenditure. Wolday & Tekie cited on CBE 2015, noted that Income households' disposable income is probably the most important variable determining the level of saving. As income rises, the proportion of household assets in a financial form is expected to rise which enables them to have a surplus fund to save. But it depends on more of the other variables like dependency

ratio and personal life style. People with the same income will not save equally as their consumption pattern and expenditure varies. The above literature also indicates other things being the same, the higher the proportion of household members that consume more than they produce, the lower will be the household saving. Thus, the distribution of population will affect the savings rate. However, it is argued that among rural families, even children can contribute significantly to the household's production and income. Other researchers empirical result like Dejene (2003) indicate that at the household level, irrespective of small size, rural households in Ethiopia do save in many ways, as individuals or in a group. They usually save in kind mainly in food-grains or in livestock. This in turn shows individuals who adopted a good saving culture, do save a certain percentage of their income, whatever their income will be.

Table 3. 6: Saving Awareness level of Respondents

Saving Awareness Level	Number of Respondent	Percentage
Excellent	17	7.2
Very good	31	13.5
Good	74	32.2
Low	108	47.0
Total	230	100

As shown in the above table 6, the majority of the respondents have got less awareness on the benefits of saving.

Table 3.7: Annual Saving of Respondents

Average Annual Saving (in birr)	Number of respondents	Percentage
0-5,000	49	21.4
5,000-15,000	74	32.1
15,000-50,000	33	14.3
50,000-100,000	11	4.8
>100,000	5	2.4
No Response	58	25
Total	230	100

The table shows that more than half (53.5%) of the respondents have an average annual saving of birr less than 15,000. This confirms the research done by Girma *et al.*, (2013) stating in its findings that the saving level in Ethiopia, particularly in rural areas, is very low. According to MOFED (2012), the average gross saving rate

as a percentage of the GDP of Ethiopia is 21%. It was also supported by Dejene, 2003 that low saving has been a dominant feature of the Ethiopian economy. According to his research, the average share of gross domestic savings and investment from GDP was 12.4 and 18.5 percent which is very low even to the standard of developing countries, respectively.

Table 3.8: Forms of Saving Being Used by the Respondents

Forms of Saving Used	Number of Respondents	Percentage
Bank saving	60	26.3
Ocssco	36	15.8
Livestock	34	14.7
House building & furniture	10	4.2
Commodity purchase for future sale & consumption	15	6.3
Money kept at home 'kazina'	29	12.6
Ekub	29	12.6
Credit & saving institution	5	2.2
Other	12	5.3
Total	230	100

As from the table shown above about 26.3% of the respondents use bank saving and most of them are salaried government employees. About 15.8% of the respondents save at the Oromiya saving & credit share company (Ocscsco), of which, almost all are borrowers of the institution to finance their business and the institution encourages them borrowing through depositing or saving initial which is tied with the government chain of organizing unemployment or the poor people, especially women & the young through the Woreda micro & small enterprises agency cooperation. 14.7% of the respondents save through buying livestock when they are cheap and sell when they are expensive or breed them to get higher profit. There are also many people who purchase commodities (like cereals) and other precious materials like gold & tantalum to use for the same purpose. Money kept at home like in 'kazina' and under mattress as well as used as 'Ekub,' are almost equal and each are 12.6% of the total respondent. People of the area keeping money at home and in 'Ekub' form use it immediately when required urgently (this may be linked with bank inaccessibility and Ocscsco liquidity problems) and to get huge amount of money at a time without interest to run their business, respectively. Other types of savers are those who use the different saving combination of the above forms (like bank deposit, buy and keep different products and Ekub).

Table 3.9: Respondents Reason for Choice of Financial Institution

Reason for Choice of Financial Institution	Number of Respondents	Percentage
Easy to use the service	38	16.5
Accessibility	19	8.2
Helps me to grow my business	76	32.9
Loan facility	11	4.7
Liquidity (easiness to withdraw)	65	28.2
Gain huge money at once without interest	21	9.3
Total	230	100

As shown above, the large percentage of respondents' choice of their financial institution is either based on the fact that it will help their business to grow (32.9%) or the ease in liquidity (to easily use when urgently needed for a purpose) (28.2%). They are concerned with the loan facility and the accessibility of the financial institution respectively.

The decision to choose financial institution is based on the ease to transact with or the service delivery available like speed and technology usage of the financial institution (16.5%). Rural people save at their home in different places in kazina or under mattress because of their far distance from formal financial institutions to use their money when urgently needed for their business.

Table 3.10: Respondents Saving Habit

Saving Behavior of Respondent	Number of Respondents	Percentage
High	51	22
Medium	92	40
Low	87	38
Total	230	100

From the table above, the large percentage of the respondents gave their response on their saving behavior from medium to low (40% and 38% respectively). And those who confirmed that their low saving habit is justified by the next question provided to them blaming low income, lack of nearby financial institution, and their poor expenditure management among other factors.

Table 3.11: Extent of Saving Compared to their Income

Is your saving in any form enough as compared to your income?	Number	Percentage
Yes	103	44.7
No	127	55.3
Total	230	100

It shows that more than half (55.3%) of the respondents believed that they have a poor saving culture when compared to the income they gain, and the reason they gave for their poor saving was awareness, high expense as compared to income, large family size, low bank saving interest rate, daily business run for the sake of higher profit rather than saving in any form is their main reason for not saving as expected from their income.

Table 3. 12: Frequency of Bank Usage

Are you making your financial transactions regularly through bank?	Number of respondents	Percentage
Yes	148	64.3
No	82	35.7
Total	230	100

Those who have frequent contact with the bank are traders, government employees, and few rural households like farmers who have got awareness about the bank products & bank service.

Table 3.13: Respondents Challenge to use Bank Regularly as they need

What is your main reason for not using bank regularly?	Number of Respondents	Percentage
Awareness	14	17.2
Distance from bank	20	24.1
Use Ocscso	6	6.9
Fear to use bank	5	6.0
Poor bank service	14	17.2
Ekub	20	24.1
Local credit & saving	3	3.4
Total	82	100

A large number of respondents blamed distance from the bank (accessibility) and choice of the local rotated credit among groups (Ekub) for not frequently using

banks, followed by an awareness problem and poor bank service. As shown by the table above, there are also people who fear bank usage because of their perception of losing their money by not having confidence in the bank, thinking it passes information to tax authorities or court when needed. But this is not true and they misunderstand the bank business activity and the other government organization authorities with their responsibility. On the other hand, their genuine property is their own, it can't be of another and cannot be taken by government or any other body established legally.

Table 3.14: Challenges to Improve Saving Practice

What is your real challenge to improve your saving practice?	Number of Respondents	Percentage
Income	77	33.3
Awareness	42	18.4
Large family size	29	12.6
Seasonality of Business/work	37	16.1
Lack of credit facility	8	3.4
Absence of bank online Service	32	13.8
Other (inflation)	5	2.3
Total	230	100

The large part of the respondents blamed income, saving tools and benefit awareness gap, and seasonality of business/work which is followed by poor bank service and large family size of the people for not being able to improve their saving practice. The other factor that challenged them is inflation, which made prices of food and other commodity prices increase, negatively impacting their saving.

Table 3.15: Respondents' Opinion on the Reason for the Low Investment Condition of the Woreda Region

What do you think the reason for the low investment condition of the Woreda area?	Number of Respondents	Percentage
Low income of individuals	98	42.7
Low saving culture of individuals	26	11.4
Fear of investment risk	14	6.2
Lack of investment opportunities	29	12.5
Lack of investment opportunities	60	26.0
Other	3	1.3
Total	230	100

According to the response from respondents, what largely affected the private investment condition in the Woreda area is low income of individuals, and according to them those who have income, have lost investment information on the investment opportunities available to the Woreda area to invest, which is hoped to increase the saving and economic progress of the area. Though their numbers are comparatively small, there are also respondents who suggested as there is no investment opportunity in the Woreda area, and those who have fear of investment risks like security of their business in connection with political instability. The other factors which affected their investment is low or lack of investment loan facility to individuals.

Table 3.16: Relationship of Private Saving and Private Investment

Do you think that private saving and private investment have direct relationship?	Number of Respondent	Percentage
Yes	181	78.6
No	49	21.4
Total	230	100

From the result, it is indicated that the large portion of the respondents knew that private investment results from individual saving to accumulate wealth. To them, no investment is possible without prior hardworking on any interested work or business to oneself and save money. Others who are low percentage respondents believe that one makes investment only if there is credit facility, donation or high source of income, and they think that private saving and private investment have no relationship. But, according to Schmidt-Hebbel *et al.*, (1996), Bisat *et al.*, (1997) and Sinha (1999), long-term economic growth requires capital-investment in infrastructure, education and technology, business expansion, and so forth, and the main source of funds for capital investment is household savings.

3.1 Analysis of open questions presented to respondents

In these open type questions, the researcher wanted the full feelings and understanding of the respondents on what has to be done and by whom to improve the current saving and investment condition of the Woreda area.

Analysis for the questions asked, saying ‘what do you think the society must practice to improve the current saving and investment condition of the Woreda?’

For this question presented to the respondents, most of them responded saying that the society needed to improve its consumption and expenditure pattern; make

saving the basis of their future good life; practice investment as they can by watching the investment opportunities available to them rather than only waiting for the government to come and invest. For this, they recognized that the need of improving the saving culture by the general society of the Woreda dwellers is vital to enhance the economic progress of Woreda and then contribute to the economic growth of the nation as a whole.

Analysis for the question asked as ‘what do you think the concerned government body at each level must perform in order to improve the current private saving and investment in the Woreda?’

The respondents respond that the local government body like the Woreda and kebele administrators, and their different sector heads represent the society of Woreda, and hence, each concerned government body, at each level, must always consider the shortfalls of the society they lead; create a smooth working atmosphere for the people to work and get income; provide investment opportunities and information; do public investment which is the basis for private investment improvement; create awareness and motivate people to save and invest; bring and connect different saving and lending financial institutions and investors to the area.

Analysis for the questions asked as ‘what shall be done by the financial institutions for the private saving and investment on the Woreda to grow up?’

For the private saving and investment in Woreda to grow, the respondents replied that microfinance institutions like banks and ocssco have to increase their accessibility to every corner of the Woreda region, create awareness aggressively on saving and investment benefits as well as the products and services available by them, encourage them through different mechanisms; provide loans to help them in their business; increase their service by using up-to-date technologies to speed up customer service and minimize transaction cost; improve loan/credit process and saving deposit interest rate.

Hence, from the above three questions presented to respondents and their analysis, it was determined that it is the responsibility of the concerned government body, the financial institutions working in Woreda, and the general society to improve the current saving and investment condition in the Woreda.

3.2 Analysis of the semi-structured interview conducted with the Anasora Woreda administrator

In this semi-structured interview, the researcher wanted to understand and diagnose the actual potential of the Woreda area on saving and investment, and at the

same time to stimulate them on the issue by each of their concerned sub-sectors to enhance saving and investment by the sequentially presented questions to him by the researcher personally and directly accordingly.

Analysis on the questions asked as ‘What are the main revenue sources of the Woreda?’ For this question presented from the researcher to the administrator of the Woreda, he replied as the main revenue sources of the Woreda are primarily from the sale of agricultural products of crop production and cattle breeding. The main crop products produced with in the Woreda area in order are maize, wheat, barley, bean and the others in small scales. The cattle breeding practiced there by the farmers individually are livestock as cows, goat and sheep. As the area is of high altitude and rainfall, and the area is characterized as ‘Dega’ region, horses breeding are common and they are usually used for transportation and sale for income generation. According to the administrator, there are no such locally known cash crops as coffee and ‘chatt’. But there is hope and a start to produce the above-mentioned products in the area as the climate changing in to warmer condition (‘woina dega’) as the general global climatic change trend. There are also small-scale trade and hotel business activities within the Woreda towns but there is a need to be improved with these sectors to ensure the welfare of the society.

Analysis for the questions asked as ‘what are the investment opportunities available within the Woreda region?’ The Woreda is known for so many investment opportunities but not utilized and changed the welfare of its people. As from the administrator, the main investment opportunities in the area are the fertile land that can be used for production of different crops like coffee, chatt and other cash crops as mentioned above. The second investment opportunity in the localities are the large part of the Woreda area can be used for irrigation and produce different agricultural products for consumption and sale to generate revenue, which may be exported and bring foreign currency for the country. The other and the most important investment opportunity here is the availability of valuable and precious minerals like gold, tantalum, and others which are not yet changed in to investment but have the potential to change the current economic condition of the area.

Analysis for the question asked as ‘how do you explain the benefit of private saving to an individual, a family and country?’

Saving is mandatory for a person to teach and support his/her children with their basic needs; to live a better life tomorrow or during his/her retirement age, and ensure the welfare of his family in general. And by doing so, he/she contributes to the national economic growth in one or the other. According to the word from the administrator, if one has to work hard and get a certain amount of money from his/her

income generated, then beyond supporting his/her family the person may invest on something he/she can and interested to do with the help of government policies to create employment opportunities for the citizens. Beyond this, what is then produced from the business operation may be very useful to the society or country in either form that may be exported and generate hard currency for the nation to support different development projects within the country. It may also create many business opportunities for others through backward and forward integrations.

Analysis on the question presented ‘How much of the Woreda population are aware of the benefits of saving and how much of them are practicing saving as their life principle?’

The administrator recognized that financial institutions like the commercial bank of Ethiopia and the oromiya saving and credit share company working on the Woreda region continuously give awareness to the society at different places like in public meetings, market places, school, door to door at their home and other places to teach and motivate the people to save at their own nearby branches of the respective institutions. And according to him, the local government must support the efforts of the financial institutions (CBE and OCSSCO) which has not been done to the expected level, and he added that the Woreda government doesn’t have the exact figure for how aware and also how many are practicing saving and simply estimated that about 25% of the people do save from the income they get from any source, but this figure is too far from the general sub-Saharan countries presented by other researchers and MOFED (2012) report which it says the saving culture in rural Ethiopia was less than 6.42%.

Regarding the impact of both saving and investment, he responded that if both private savings and private investment amount are very low, it greatly affects the economic growth of the Woreda by which it is left behind in many of the growth measures. Hence, he pointed out that people must work hard, save their income and invest in their localities rather than simply waiting for the government or others to come and invest.

Analysis to the question asked as ‘what means do you suggest for the savings to grow in the Woreda?’

For the above questions presented to the administrator, he replied saying that for the Woreda to grow, the saving culture of the society must be changed, to do so there are tasks to be done in the short run as well as in the long run by different stake holders as a strategy tool. One thing is that, in the short run, as they already started it, financial institutions must strengthen their awareness creation to the society from corner to corner. They also have to provide credit facilities in order to motivate their

efforts and help their business; increase their accessibility and quality of their service in general. Undeniably equivalent, in the long run, the concept of saving and investment must be given to children at school. There must also be tasks to be done by the government to decrease the dependency ratio by creating job opportunities for the young through small and micro-enterprises; teach family planning and how to minimize their expenditure to the society at large.

4.0 Conclusion and Recommendation

4.1 Conclusion

From the research conducted using sample respondents and semi-structured interview conducted with the Anasora Woreda administrator, and its analysis made with the help of the theoretical and empirical literature review, the following conclusions can be drawn:

- The actual saving potential of the Anasora Woreda is low in contrast to the Woreda sectors offices report data because of the low-income sources of the people.
- Though their income is low, the saving culture of the Woreda society is very poor
- The challenges of the households and businesses of the study area to saving are income, seasonality of business, high dependency ratio, awareness and inaccessibility of the financial institutions
- The saving deposits of the commercial bank of Ethiopia, Erba muda branch, become low because of the low-income level and poor saving culture of the society, bank inaccessibility to most of the remote areas from the bank branch, low awareness created, and low investments made in the area. Besides these, the poor bank service has also contributed to the branch ineffectiveness. Above all, the area is not known with local cash crops and high commercial works.

As they have a casual relationships from the theoretical and empirical literature, the factors mentioned above have negatively affected saving from the Woreda revenue generated; low saving in turn affected investment, and investment also slow down the economic growth of the Woreda

- Salaried and slightly higher income earner people choose bank saving, whereas the small-scale traders choose either micro-finance or 'Ekub' to finance their business. On the other hand, those who have bank inaccessibility problems make their income to purchase livestock or put it in a 'Kazina' to get higher

profit and keep safety of cash liquidity problems during emergency case, respectively.

- The poor private saving condition of the Woreda society has a negative impact on the Woreda investment and economic progress, and then on the national economic development.

4.2 Recommendations

- It is the responsibility of the concerned Woreda administrators at each level, the financial institutions and the society at large to change the current saving situation of the Woreda people. Besides these, other institutions like church leaders, community leaders ('Aba Gadas'), NGOs and others can have their own impact on the overall solving of the general socio-economic problems identified by the research and ensure the welfare of the society, and then they will be able to contribute their share in national economic development.
- Financial institutions like the commercial bank of Ethiopia and the Oromiya credit & saving institution have to increase their accessibility so people at every corner of the Woreda can easily access them with little time and low transportation cost. In addition to these they have to improve their service quality like able to deliver fast service with low transaction cost by using up-to-date financial and information technologies. They must also provide society-oriented products like credit facility and saving schemes.

Public (government) investments like road, electric power, telecommunication, big factories based on the local resource (minerals) targeting social benefit in its business package and other establishments may encourage savings, private investment and economic progress of the area. This is because it minimizes unemployment, enhance income status of individuals, and it also creates many investment opportunities for the others as a result of public investment. Specially, the telecommunication infrastructure (broad band) directly related with the financial institution and the society saving service.

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