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Factors Affecting Rural Household Saving (In Case of Wolayita Zone Ofa Woreda)

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Abstract
Saving is considered as a important variables in the theory of economic growth determining, both individual and national wellbeing. However, saving in Ethiopia in rural is areas is very low and little as known empirically about its patterns and factors affecting .Therefore , this study try to assess the saving behavior among rural household in the study area using survey data gathered from 30 sample household heads. The study was aimed to analyze the main factor that affect rural household saving .Both primary and secondary date used for this study, primary data was collected from rural households using interview, questionnaire from farmers by using simple random sampling method. The secondary data was collected from different source like research report, books, magazines etc.The data were analyzed using both descriptive and inferential analysis. The result of the study shows there are different factors that affect rural household saving attitudes in study area; Such as land size of household, income level of household, marital status of household, education level of household, occupation of household, habit of drinking alcohol and some other were found to have significant influence on the amount of household saving the result of this study shows that rural household saves low proportion of their income due to the above factors so for the law level saving of rural household the responsible bodies should give attention.

1. INTRODUCTION

1.1. Background of the study

Saving has been considered as one of the factors affecting growth to lead the developing countries to the path of development. In developing countries savings are important factors of household's welfare, on the other hand, without saving, households have few other mechanisms to smooth out unexpected variations in their income. For individuals and households savings, provide a cushion of security against future contingencies where as for nation savings provide the funds needed in the developmental efforts (Gedela,2012).In addition, saving enable households to maintain a relative stable life time level of living. It is also likely that households refrain from current consumption to save for payment for children's education (Yao et al, 2011).

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

Rural households savings in developing countries particularly in Sub-saharan Africa remains limited and far behind from other parts of the world.Chain et al.(2009) combine a number of dat sources to estimate that only about 20% of households in Sub-saharan Africa saved their money in formal financial institutions. This is due to high levels of unemployment, low level of income, the engagement of a large proportion of the population in the informal sector and poor performance of the economy (Karim,2010). In developing countries, economic fluctuations and climate risk lead to important income variations and leave the households vulnerable to severe hardship. Moreover, their social coverage is restricted and the financial markets are not well developed. This, these countries often face saving allocation problems and have difficulties to develop productive investments (Tsega and Yemane, 2014).

Ofa Worade is one of the districts of Wolaita Zone, SNNPR state. It is one of the most productive areas especially in wheat and teff production; and most of the production is carried out by small holder farmers characterized be low income and having limited access for credit. Thus, mobilizing own saving could serve as a main source of finance for investment to the rural households in the study areas. There for the purpose of this study was to assess factors the affects household saving on the study area.The general objective of the study was to asses factors affecting rural household saving: In the case of wolayita zones Ofa Woreda.The specific objectives of the study are to identify factors that influence saving of rural household study area and to identify the household attitude on saving in the study area.

2. METHODOLOGY

Types and Sources of Data

Both qualitative and quantitative would be used in the study. The data would be collected from different sources. The questionnaire and interview would be design also prepares to distribute to the respondents in order to gather the necessary and appropriate information to undertake the study.Primary and secondary data used for this study. The study would be under taken for the purpose of gaining information about major household who save and data would be collected on primary information about factors affecting of household characteristics, saving performance, asset ownership, income and expenditure of rural household. The primary data collection would be conducted to interview rural household savers in the study area by using questionnaires, where as secondary data would be conducted from different sources like published documents, research reports, magazine, journals etc. About, the saving behavior and factors affecting the rural household saving.

Sample Size and Sampling Techniques

The population in the study area more or less homogenous interms of the activities life, income earning, production system and consumption. A result, of by simple random sampling methods; two kebele selected based on the population size and climatic condition, from twenty three kebele. For this study select 40 house hold selected from Busha and Kodo kebele.

Method of Data Analysis

In order to analyses the collected data both descriptive and inferential statstices would be employed. To collected data would be analyzed using descriptive statistical such as percent table mean, standard deviation and tables.

3. RESULT AND DISCUSSION

In this Chapter the finding from both descriptive and inferential analysis were presented and discussed.

3.1. Descriptive analysis

Sex is a major demographic feature used to characterize the saving behavior of rural household effects were made to account gender representation, the random sampling resulted in only 10 responsible female headed households from 30 samples of respondents. The men were often responsible for leading the house, run business and major responsibility to the owner of asset and major responsibility of women were reproductive task and household wife.

Table 1; Sex distribution of respondents

Sex of respondent	Frequency	Percentage
Female	10	33.3
Male	20	66.7
Total	30	100

Source, own survey data, 2017

As shown in table 1 out of 30 respondents 20 were male and 10 were female. This correspondent to 66.7 was male and 33.3 were female. As it has seen from the table above, most male household were empowered to lead the house and have the ownership of asset.

Distribution of respondents by the level of education

Education is one of the major factors in changing the behavior of rural household saving.

Table; 2, level of education of respondent

Education of respondent	Frequency	Percentage
Did not attended formal education	8	26.7
1-4grade	5	16.7
5-8grade	11	36.7
>8grade	6	20
Total	30	100

Sources: own survey data, 2017

According to the study most of the respondents were attended grade 5-8 that constitutes 36.7% of the respondeds, 26.7 of them did not attended formal education 16.7% were attended grade 1-4 and 20% were attended about grade 8. According to the about information, education was one of the major factor in changing the behavior of rural household saving. Educated respondents were saving in formal institutions than non-educated respondents. This is because as the education level of respondent increases, the saving habit of the household will be also increase.

Distribution of respondent by marital status

Table; 3, marital status of respondent

marital status of household	Frequency	Percentage
Married	22	73.3
Single	3	10
Divorced	2	6.7
Widowed	3	10
Total	30	100

Source, own survey data, 2017

As shown in the above table out of 30 respondents
Were single, 6.7% of the respondents were divorced and 10& of the respondent were widowed.
Most of the respondents were married.

Distribution of respondents on their occupation

Table 4, occupation of respondents/households

Occupation of household	Frequency	Percentage
Trader	6	20
Farmer	21	70
Student	2	6.7
Teacher	1	3.3
Total	30	100

Source, own survey data, 2017

When we see the distribution of the respondent in the above table, majority of them were engaged in farm worker which account to about 70% of the respondents, trader account to about 20% students accounts to about 6.7% and teacher accounts only 3.3%. This shows that the respondents were getting more income from form working and their livelihood depends more on farm while other activities were less practiced and they can get more income if they participate in the different sectors like trading and others to improve their living standards.

Distribution of respondents by religion

Table 5; religion of respondents/household

Religion of household	Frequency	Percentage
Muslim	2	6.7
Protestant	16	53.3
Orthodox	12	40
Total	30	100

Source; own survey data, 2017

As shown in the above table 53.3% of the respondents were Protestant, 40% were Orthodox and only 6.7% were Muslim. The result shows that most of the respondent were Protestant because of most of rural household in the study area were followers of this religion, Orthodox followers were found to be second and Muslim followers were found in small numbers in the study area.

Distribution of respondents by habit of drinking

Table 6; habit of drinking alcohol of households

habit of drinking alcohol	Frequency	Percentage
No	19	63.3
Yes	11	36.7
Total	30	100

Source of own survey data, 2017

As shown in the above table out of 30 respondents 63.3% of the respondents were did not drink the alcohol and the remaining 36.7% of the respondents did drink alcohol. This shows most of the respondents were not drink alcohol.

Table 7; Socio economic characteristics of respondents (continuous variable) descriptive Statistics

Variable	Minimum	Maximum	Mean	Standard deviation
Age of household	28	70	43.3	12.01
Family size of household	3	12	6.07	1.964
Income level of household	400	2000	858.67	383.64
Land size of household	0	4	1.2167	1.12329

Source; own survey data, 2017

As it can be observed from the above table the mean and standard deviation of age, family size, income level and land size of household were 43.6, 6.07, 858.67, 1.2167, and 12.01, 1.12329 respective and their

minimum and maximum values were 28, 3, 400.0 and 4 respectively.

3.2 Econometric Analysis

In this sub section the major factors that influence rural household saving were presented and discussed. Various variable were expected to influence rural household saving include, age of household, education level of household, income level of household, marital status of household, religion of household, occupation of household, habit of drinking alcohol and land size of household. Multiple linear regration models was employed to analyze the factors that affect household saving.

The econometric result in table shows among the ten hypothesized determinants of rural household saving, five variable were found to be significant these variables were education level of household, marital status of household, occupation of household and land size of household. The coefficient of multiple determinations (R2) was estimated 0.828. This means 82.8% of the variation of dependent variable is explained by the explanatory variables included in the model.

Table 8; determinant of rural household saving.

Variable model	Unstandardized coefficient		Stabdardized coefficient	t	Sign	Collinearity statistics	
	B	Std. error	Beta			Tolerance	VIF
Constant	137.248	71.785		1.912	0.071		
Age of household	-1.334	1.535	-0.145	-0.869	0.396	0.326	3.064
Sex of household	7.334	27.408	0.032	0.27	0.790	0.642	1.557
Family size of household	-5.005	6.692	-0.089	-0.748	0.464	0.642	1.557
Education level of (HH)	25.600	12.546	0.256	2.040	0.055	0.576	1.737
marital status of HH	-35.626	13.246	-0.324	-2.689	0.015	0.622	1.608
regional of HH	-58.085	27.084	-0.318	-2.1455	0.45	0.411	2.432
income level of HH	0.270	0.039	0.935	6.851	0.000	0.485	2.061
occupation of HH	44.607	21.951	0.258	2.032	0.056	0.563	1.777
habit of drinking alcohol	19.704	32.458	0.087	0.607	0.551	0.438	2.281
land size of HH	42.262	11.157	0.429	3.788	0.001	0.706	1.416

Source; own survey data, 2017

Education level of household; It is categorical variable measured in level or grade. As expected it had a positive relationship with the rural household saving and it was found it to be statistically significant at less than 10% level. The positive and significant relationship indicates that as education level of household increases, their habit of saving also increase. The education level of household increased by one grade their saving is also increased by 25.6 birr. From this result we understand that an educated household saves more than uneducated households.

Marital status of household, it is a dummy variable. It was expected as it had positive effect on the rural household saving. But the model result shows it had negative relationship with household saving and it found statistically highly significant at less than 1% level. The coefficient indicates that as household marriage saving habit of the household decreased by 35.626 birr less than that of unmarried individuals. And also the negative and significant relationship indicates as the household head become married, the number of family size increases and the increase family consumes more proportion of the household's income and this reduces or decrease the rural household saving.

Income level of household it was a continuous variable measured in birr. As expected, this variable had a positive relation with the rural household saving and it was found to be statistically significant at less than 1% level. The positive and significant relationship indicates as the income level of household increase, their habit of saving also increases. As the household income increased by 1 birr their saving is also increased by 0.270 birr.

Occupation of household, occupation is a categorical variable. As expected, it had a positive relationship with rural household saving and it was found to statistically significant at less than 10% level. The positive and significant relationship indicates that when the household had occupation, their habit of saving is increases. That means when the household occupation increases the saving of the household increased by 44.607 birr. This result shows that the person who had occupation gain more income than that of the person who had no occupation and also saves more than that of person who had not occupation.

Land size of household, it was a continuous variable measured by hectare. As expected this variable had a positive relation with the rural household saving and it was found to be statistically significant at less than 1% level. The positive and significant relationship indicates that as the land size of household increase by 1 hectare, the habit of rural household saving increased by 42.262 birr. Therefore the land size of household and

the household saving had high significant and positive relation.

T-test for the continuous variables

Table 9; Age of household, family size of household, land size of household, income level of household and saving habit of household.

Variables	Mean	Standard deviation	t-value	Significance
AGE hh	43.600	12.010	19.883	0.000
Family size of HH	6.00	1.964	16.918	0.000
Land size of HH	1.2167	1.12329	5.933	0.000
Income level of HH	858.67	386.907	12.251	0.000
Household saving	167.50	110.787	8.281	0.000

Source; own survey data, 2017

The above table 9 shows that the mean or average value of age, family size, land size, income level, and household saving were 43.6, 6.07, 1.2167, 858.50, respectively. The standard deviation of the age, family size, land size, income level and household saving were12.01, 1.964, 1.12329, 386.907 and 110.787 respectively and also all these factors significantly affect the household saving because their p-value highly less than 0.05 or less than 1% level. Also the result of the above table shows that the mean is greater than standard deviation that means there is no out lier problem of the explanatory variables.

Table 10, model summary

Model	R	R square	Adjusted R square	Standard error of the estimate
1	0.9102	0.828	0.738	56.718

Source; own survey data, 2017

R2(coefficient of determinant) is the measure of the amount of variation in the dependent variable that explained by the variation in the independent variable in this model summary result the value of R2=0.828 that means 82.8% of the regression of dependent variable is explained by independent variables. And also it indicates here was the better goodness of fit of the regression plan to sample observation.

4. CONCLUSION AND RECOMMANDATION

4.1. CONCLUSION

In this study the research attempted to investigate the factors that affect rural household saving in Ofa Woreda. Depending on the discussion and analysis the research has drawn the following conclusion.

From the model result it was concluded that marital status of household, education level of household, income level of household, occupation of household and land size of household have significant relationship with the dependent variable (rural household saving) because the p-valus of them were less than ($p<0.0$) and their coefficient shows that the direction of their relationship.

The coefficient of determination (R2) values also shows that the dependent variable (rural household saving) was 82.8% explained by independent variables. That means there is strong relationship between dependent variable and independent variables.

4.2. RECOMMENDATION

Based on the finding of the researcher made the following recommendations:

Saving is the major factor or way to develop or increase household wealth as national income of the country. But most the household who live in Ofa Woreda were farmers and main source of income is depending on the farming activity or production of different types of crops. Their production activity is seasonal based or depending on rainfall and their land size is very small to get enough income.

Here the researcher would recommend that:

- Even if the size of their land is small, they have to use different types of agricultural inputs which increase their production and also they have to use different types of production method like, inter-cropping and other types to increase their production in order to get more income.
- The household have diversified their means of income to improve their income level because high income household is more saver than household with low income.
- The rural household has to reduce the habit of drinking alcohol to increase their level of saving and wealth.
- The government should give more attentions to the household how to save some Proportion of their income which uses them in the future and also educate them to save in the formal institution. Because it has more guarantee as well as interest rate.

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