# Saving and Investment Practice of Bank Workers:  Case of Commercial Bank of Ethiopia Wolaita Sodo Branch Workers

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**Abstract**
The study is conducted on the title 'determinants of saving and investment of bank workers case of commercial bank of Ethiopia wolaita sodo branch workers' with the general objective of assessing determinants of saving and investment of bank workers. From a total of 72 target populations, sample size of 50 is selected using simple random sampling technique. The finding indicates that 86% of the respondents save from their monthly income for the  purpose of saving is payment of educational fee, purchase of residence, investing the money in income generating activities and purchase of home facilities. This shows that only very few (11.63 %) of them save for investment activities. slightly more than half of the respondents save more than 10% of their monthly income for the mentioned purposes. Bank, microfinance institutions and credit and saving associations are the financial institutions where they save. Majority of the respondents saving experience is 1 to five year. Salary amount, number of dependent family members, interest rate on saving account and holidays are major determinants of saving for the bank workers. Awareness creation, additional jobs, family planning, making incentives as encouragements, trainings, and proper use of resources were recommended as solutions.
**Keywords:** Commercial bank, Employees, Saving habits, Wolaita Sodo
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## 1. INTRODUCTION
Personal saving has two primary functions. First, savings provide the economic security of a safety net. By transferring resources from the present to the future via savings, individuals are prepared to face unexpected and irregular financial circumstances. Second, saving leads to accumulation of wealth that enables individuals to improve their living standard and to respond to new opportunities (Gokhale, 2000). Everyone agrees that starting to save early has merit in it and "Money grows on the tree of patience" and there are benefits of "power of compounding", but few actually practice it. When it comes to saving, people in general and the poor in particular might not be completely rational and completely knowledgeable (Karim, 2010).The goal of promoting financial saving habit is to make people more aware of financial opportunities, choices, and possible consequences. There is a growing recognition of the importance of financial education as it relates to saving (Greenwald et al., 2001; Gill, 2004). Financial education is one way of increasing savings and asset accumulation. Sherraden et al., (2007) say that the extent to which an individual understands the process and benefits of asset accumulation is likely to affect their willingness to save.

## 1.2. Statement of the problem and Research problem
Most of the developing countries have low rate of saving habits and investment practice, so that improving saving habit is a primary goal for people living in this part of the world (Michael et al., 2001). Improving saving habit of individuals is given attention to look at a variety of savings services used by people/customer in the community. Improving this depends not only on attending of government provider but also on appropriate execution of recommended components of saving in household of the community and institutions or sectors. However, most of the studies focus on descriptive statistics produce hard-to-generalize on a wider perspective.
**Objective of the Study**
The general objective of the study is to assess determinants of saving habits and investment practices of bank employee case of commercial bank of Ethiopia wolaita sodo branch employees.

## 2. Brief review of literature
Net Savings may be more appropriate than gross savings when concern is growth rates and development, since net saving indicates domestic resources available for additions to the capital accumulation (Collins, 1991). The role of savings in the development process is well documented in the literature of economic growth. Low level of domestic savings is said to be one of the reasons for slow and stagnant economic growth in the developing countries (Agrawal et al., 2010 and Bordoloi and John, 2011). Thus, the revival of growth in emerging economies can be expected to require more investable resources for sustainable growth. Though international capital flows (foreign savings) are encouraged for the additional resources, the primary contribution for investment in developing countries like Ethiopia comes from their own savings. There are some recent studies (see Loayza et al., 2000; Elbadawi and Mwega, 2000; Aryeetey and Udry, 2000; Sinha, 1998; Schmidt-Hebbel et

al., 1996; and Collins, 1991) on the determinants of savings behavior in pooled time series cross-section data on a large number of countries. However, saving behavior shows considerable variation across countries depending on their socio-economic structure.

Therefore, it is important to study the determinants of savings and the direction of causality between household savings and growth as these have important implications for development policy

The study of saving has a contribution to change personal behavior and economical growth in the country. Dedebit Credit and Saving Institution (DECSI) and Amhara Credit and Saving Institutions (ACSI) take more than 65% share in serving clients in the market (Befekadu, 2007). Higher Gross Domestic Savings (GDS) has improved the saving income function of employees. The major determinants of GDS are demographic aspect, interest rate, tax, broad money, stage and duration of disease, association of infectious disease, export, etc. The result of his study shows export has high value to saving habit; tax has a significant positive effect when it regresses on private saving. The impact assessment of micro finance records positive results of saving habits in the country by different researchers. Mengistu (1997) shows that increase in the number of program beneficiaries is one indicator of the contribution of assistance program to employment creation and income generation. Kassa (1998) shows in South Ethiopia in the area of education, consumption expenditure, medical expenditure, family assistance, employment creation, income generation are very important to saving habits. In addition, Kassa (1998) reported a 30.82%, 10.5% and 19.7% annual growth in consumption expenditure of the first, second and third credit cycle beneficiaries, respectively. About 7%, 8.03% and 2.07% growth in first, second and third saving cycle beneficiaries' case, respectively. Using Wilcoxon grouped pair's nonparametric test, he did not accept the null hypothesis of average income before and after saving are the same at 5% level of significance implying that the average income after saving is greater than before saving in the first, second and third credit cycle.

## 3. METHODOLOGY

**Description of Study area**

This study was conducted at Wolaita Sodo town, the administrative center of the Wolaita Zone of the Southern Nations, Nationalities, and Peoples Region of Ethiopia. It has a latitude and longitude of 6°54'N 37°45' / 6.900°N 37.750°E. According to CSA (2012) report, the estimated population size of Wolaita Sodo town was 86,050.

**Study population**

The target population consists of all the 72 employees working at commercial bank of Ethiopia Sodo branch.

**Sampling method**

The probabilistic simple random sampling technique was used because of homogeneous characteristics of the population.

**Sample size**

The sample size of 50 employees were selected using simple random sampling technique

**Methods of data collection**

The primary data was collected from the employees through self-administered questionnaire. Both close-ended and open-ended questions were used to allow deep investigation.


## 4. Result and discussion

All the 50 questioner distributed has been collected (100% response rate).

**Demographic characteristics of respondents**

The personal information includes sex, age, marital status and educational level of the sample employees.

**Table 1: Sex of respondents**

| characteristics | Item | Respondents | |
|---|---|---|---|
| | | **Number** | **Percentage** |
| **Sex** | Male | 31 | 62% |
| | Female | 19 | 38% |
| | **Total** | **50** | **100%** |

**Source**: **Owen survey (2018)**

As we can see from the above table 1, 31 (62%) of the sample respondents are males and the remaining 19 (38%) were females. This indicates that number of male employees in the bank is more than females.

**Table 2: Age of respondents**

| characteristics | Item | Respondents | |
|---|---|---|---|
| | | Number | Percentage |
| **Age** | 21-30 Years | 38 | 76% |
| | 31-40 years | 9 | 18% |
| | greater than 40 years | 3 | 6% |
| | **Total** | **50** | **100%** |

**Source**: **Owen survey (2018)**

Age distribution of the sample employees is also indicated on the above table 2. 38 (76%) of the sample respondents were between the age of 21 and 30 followed by 9 (18%) and 3 (6%) of the age 31-40 and greater than 41 respectively. This distribution of age shows that the greatest percentage of respondents are in the productive age which helps to accelerate the potential of the bank using young generation through proper human resource development to help deposit the employees and the bank attractive amount of money.

**Table 3: Marital status of respondents**

| characteristics | Item | Respondents | |
|---|---|---|---|
| | | Number | Percentage |
| **Marital status** | Single | 30 | 60% |
| | Married | 18 | 36% |
| | Divorced | 1 | 2% |
| | Widowed | 1 | 2% |
| | **Total** | **50** | **100%** |

**Source**: **Owen survey (2018)**

Based on the above table 3, about 30 (60%) of the respondents were single, 18 (36%) are married but number of divorced and widowed is equal 1 (2%). This indicates that more than half of the respondents are single.

**Table 4: Family number of respondents**

| characteristics | Item | Respondents | |
|---|---|---|---|
| | | Number | Percentage |
| **Family number** | 1-4 | 28 | 56% |
| | 5-10 | 20 | 40% |
| | More than 10 | 2 | 4% |
| | **Total** | **50** | **100%** |

**Source**: **Owen survey (2018)**

As shown on table 4 above, 28 (56%) of respondents have 1- 4 family members, 20 (40%) of them are having 5-10 family members where as 2 (4%) of them have more than ten family members. More than half of the respondents have one to four family members to be managed by their income.

**Table 5**: **Job position of respondents**

| characteristics | Item | Respondents | |
|---|---|---|---|
| | | Number | Percentage |
| **Job position** | Manager | 1 | 2% |
| | Secretary | 3 | 6% |
| | Guard | 4 | 8% |
| | Accountant (auditors and customer service officers) | 42 | 84% |
| | **Total** | **50** | **100%** |

**Source**: **Owen survey (2018)**

As shown on table 5 above, there is 1(2%) manager, 3 (6%) secretaries, 4(8%) guards and 42 (84%) accountant that include auditors and customer service officers, are the respondents. Accountants take the lion share of the respondents in job position.

**Table 5**: **monthly income of respondents**

| characteristics | Item | Respondents | |
|---|---|---|---|
| | | Number | Percentage |
| **Monthly income (ETB)** | 1000-5000 **ETB** | 16 | 32 % |
| | 5000-10,000 **ETB** | 31 | 62 % |
| | More than 10,000 **ETB** | 3 | 6 % |
| | **Total** | **50** | **100%** |

**Source**: **Owen survey (2018)**

The table result above indicates that 16 (32 %) of the respondents earn monthly salary ranging 1000-5000 **ETB, 31 (**62 %) of them monthly salary lies with the range of 5000-10,000 ETB mean while the remaining 3 (6 %) earn more than 10,000 ETB monthly. More than half of the respondents monthly income ranges 5000-10,000 **ETB.**

**Table 6**: **Saving habit**

| Characteristics | Item | Respondents | |
|---|---|---|---|
| | | Number | Percentage |
| **Saving habit** | Yes | 43 | 86% |
| | No | 7 | 14% |
| | **Total** | **50** | **100%** |

**Source**: **Owen survey (2018)**

Table 6 above shows that 43(86%) of the respondents save from their monthly income, but the remaining 7(14%) do not save. This indicates that majority of the bank workers save from their monthly income.

**Table 7**: **Saving purpose**

| Characteristics | Item | Respondents | |
|---|---|---|---|
| | | Number | Percentage |
| **Purpose of saving** | Pay school fees | 22 | 51.16 % |
| | purchase residence | 12 | 28 % |
| | Investment | 5 | 11.63 % |
| | Purchase home facilities | 4 | 9.21 % |
| | **Total** | **43** | **100 %** |

**Source**: **Owen survey (2018)**

As shown on table 7 above, 22 (51.16%) of respondents saving purpose is payment of educational fee, 12(28%) of them save for purchase of residence, 5(11.63%) of them save to investing the money in income generating activities and the remaining 4(9.21 %) save to purchase home facilities.

Due to young staff dominance slightly more than half of the respondents primary saving purpose is paying educational fee.

**Table 8**: **reason for not saving**

| Characteristics | Item | Respondents | |
|---|---|---|---|
| | | Number | Percentage |
| **reason for not saving** | Low income | 5 | 71.43 % |
| | Number of dependents | 2 | 28.57 % |
| | **Total** | **7** | **100 %** |

**Source**: **Owen survey (2018)**

The result depicted in table 8 above shows that 5 (71.43 %) of the respondents do not save due to their low monthly income followed by 2 (28.57 %) of them who do not save due to large number of dependent family members. Hence, low income level is the main reason for not saving.

**Table 9**: **saving amount**

| Characteristics | Item | Respondents | |
|---|---|---|---|
| | | Number | Percentage |
| Average saving in percentage of monthly income | Less than 5 % | 12 | 28% |
| | 5% to 10% | 9 | 21% |
| | More than 10% | 22 | 51% |
| | **Total** | **43** | **100 %** |

**Source**: **Owen survey (2018)**

The result above indicates that 12 (28%) of the respondents saving amount is below 5 % of their monthly income, 9 (21%) of them save 5% to 10% of their monthly income and the remaining 22(51%) save more than 10% of their monthly income. It can be concluded that slightly more than half of the respondents save more than 10% of their monthly income.

**Table 10**: **Place of saving**

| Characteristics | Item | Respondents | |
|---|---|---|---|
| | | Number | Percentage |
| **Place of saving** | Bank | 39 | 90.69 % |
| | Microfinance institution | 3 | 6.97 % |
| | Credit and saving associations | 1 | 2.34 % |
| | **Total** | **43** | **100 %** |

**Source**: **Owen survey (2018)**

As shown above 39 (90.69 %) of the respondents save I n the bank, 3 (6.97 %) of them saving choice is microfinance institution where as 1 (2.34 %) of them saves at credit and saving associations.

**Table 11**: **Saving experience**

| Characteristics | Item | Respondents | |
|---|---|---|---|
| | | Number | Percentage |
| **Saving experience** | 1 to 5 years | 37 | 86.1% |
| | 6 to 10 years | 4 | 9.3% |
| | More than 10 | 2 | 4.6% |
| | **Total** | **43** | **100 %** |

**Source**: **Owen survey (2018)**

The result above indicates that 37 (86.1%) of the respondents have saving experience of 1 to 5 years followed by 4(9.3%) and 2 (4.6%) having saving experience of 6 to 10 years and more than 10 respectively. This shows that majority of the respondents saving experience is 1 to five year.

**Table 12** : **Saving Challenges**

| Characteristics | Item | Respondents | |
|---|---|---|---|
| | | Number | Percentage |
| **Saving challenges** | Low salary | 19 | 44.18 % |
| | Low interest rate | 17 | 39.53 % |
| | Holidays | 7 | 16.29 % |
| | **Total** | **43** | **100 %** |

**Source**: **Owen survey (2018)**

The result above indicates that 19 (44.18 %) of the respondents saving challenge is low salary, followed by 17 (39.53 %) low interest rate and 7 (16.29 %) holidays. These shows that low salary and low interest rate are the main challenges for saving.


**5. CONCLUSION AND RECOMMENDATION**

In this part the researcher tries to conclude about the outcome of the research, and give some recommendation,

**Conclusion**
- ❖ in the branch number of male employees is more than females
- ❖ This distribution of age shows that the greatest percentage of respondents are in the productive age of 21 to 30
- ❖ more than half of the respondents are single
- ❖ More than half of the respondents have one to four dependent family members to be managed by their income.
- ❖ More than half of the respondents' monthly income ranges 5000-10,000 **ETB.**
- ❖ Majority of the respondents save more than 10% of their monthly income regularly but their basic saving purpose is not investment rather payment of educational fee and purchase of residence.
- ❖ Majority of the respondents saving experience is 1 to five year.
- ❖ Salary amount, number of dependent family members, interest rate on saving account and holidays are major determinants of saving for the bank workers.

**Recommendation**

Based on the above conclusion, the following recommendations are forwarded:
- ➢ Awareness creation on the importance of saving and its management is better to undertake
- ➢ Awareness creation on the importance of investment is necessary.
- ➢ Training and empowering women is necessary.
- ➢ Teachings on how better plan family than before is better to take place.
- ➢ Participation in other means of income-generating activities is necessary to avoid dependency on one job and one person.

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