



**ST. MARY'S UNIVERSITY
SCHOOL OF GRADUATE STUDIES**

**FACTORS AFFECTING SAVING PRACTICES OF MEMBERS
OF RURAL SAVING AND CREDIT COOPERATIVES (THE
CASE OF ADA'A WORED A, EAST SHEWA ZONE, OROMIA,
ETHIOPIA).**

**BY
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ID NO: - SGS/0311/2012A**

**JUNE, 2021
ADDIS ABABA, ETHIOPIA**

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**A THESIS SUBMITTED TO ST.MARY'S UNIVERSITY, SCHOOL
OF GRADUATE STUDIES IN PARTIAL FULFILLMENT OF THE
REQUIREMENTS FOR THE DEGRE OF MASTERS IN
ACCOUNTING AND FINANCE**

JUNE, 2021

ADDIS ABABA, ETHIOPIA

SAINT MERY'S UNIVERSITY
SCHOOL OF GRADUATE STUDIES
FACULTY OF BUSINESS

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Declaration

I, the undersigned, declare that this thesis is my original work, prepared under the guidance of Dr. Misraku Molla. All sources of materials used for the thesis have been duly acknowledged. I further confirm that the thesis has not been submitted either in part or in full to any other higher learning institution for the purpose of earning any degree.

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June 2021

Approval from the Advisor's

The Undersigned certifies that, He has read and hereby recommends for acceptance by the St Mary's University a thesis entitled: "*Factors Affecting Saving Practices of Members of Rural Saving and Credit Cooperatives (The Case Of Ada'a Woreda, East Shewa Zone, Oromia, Ethiopia).*", in partial fulfillment of the requirements for the MBA in Accounting and Finance of the St Mary's University

Misraku Molla (PhD)

Supervisor

June 2021

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Acknowledgments

It was the grace of God that helped me to finish this thesis work successfully, let my deepest gratitude and respect for the Almighty God.

My great appreciation and acknowledgment goes to my major advisor Dr. Misraku Molla for his advice, valuable comments and beneficial guidance throughout the preparation of this thesis.

I am also very thankful to my family especially my brother Israel Tomas and my office head Major Solomon Nigusie for their moral help all the time. I have to thank the East Shewa zone Ada'a Woreda Bishoftu Cooperative Development office and multipurpose promoters for their help in data collection.

List of Abbreviations/Acronyms

CBE- Commercial Bank of Ethiopia
LI – level of members annual income
CA – Access to credit
TP – training participation by members
SB – saving before membership
FC – Family members’ contribution for livelihood
Ag - Age of the member
ED – Education status of the member
DR - Dependency ratio
CSA- Central Statistical Agency
DBE- Development Bank of Ethiopia
EC -European Commission
FCA- Federal Cooperative Agency
FDRE- Federal Democratic Republic of Ethiopia
FIs- Financial Institutions
GoE- Government of Ethiopia
HABP- Household Asset Building Program
HHs- Households
LH- Livelihood
MFIs- Microfinance Institutions
NBE- National Bank of Ethiopia
NFSP- National Food Security Program
RCA- Regional Cooperative Agency
RUFIP- Rural Financial Intermediation Program
RuSACCOs -Rural Saving and Credit Cooperatives
SACCCDO- Saving and credit cooperative development office
SACCOs- Saving and Credit Cooperatives
SME -Small and medium enterprises
USD -United States dollar
PSNP- Productive Safety Net Program me

WOCCU- World Council of Credit Unions

WoFED- Woreda finance and economic development

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Abstract

The purpose of this study was to determine the factors that affect the savings habits of members of rural saving and credit cooperatives (RuSACCOs) in the Ada'a Woreda Bishoftu Oromia Region's East Shewa zone. The study data was collected from 390 sample respondents. The simple random sampling method is used. The data were collected using questionnaires. A 99.5% response rate was achieved. To identify the effect of correlations between the dependent and independent variables in the study, and data was analyzed using multiple linear regression models. The dependent variable is saving practice of SACCOs members and while annual income, training participation, credit received from SACCOs, age of the respondent, dependency ratio, family size, education status, savings before joining the SACCO and contribution of family members to their livelihood are the independent variables. As a result, the following significant variable were made: when the independent variables is Significant on the saving, as based on the result age, family size, saving before joining, and dependency ratio shows that there is no statistically significant. On the other hand training, education status, credit access, and income are significant and positive effect on the level of saving. As a conclusion, based on the result the government, NGOs, and other stakeholders focused on the variables that significantly and positively effect, and work together to develop SACCOs' capacity. And the recommendation of the paper mainly focused on give individualized training to their members, appropriate credit services; such as increasing the amount of credit they provide through partnerships with other financial institutions and arranging for financing injections and also activities that can increase the level and diversification of their members' income in order to mobilize savings effectively.

Key words: credit, Micro finance institutions (MFIs), Poverty, SACCOs, Saving practices.

CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

Savings refers to the portion of income that is not spend on current expenses or income that does not immediately consumed by purchasing goods and services. Because no one knows what the future holds, money should be set aside to cover unexpected events or crises. Unexpected events can quickly turn into large financial burdens if you do not have any savings. Therefore, savings helps an individual or an organization has financially secured (Lisa and Jeffers, 2009). Saving might one through either formal financial institutions or informal financial institutions. Formal financial institutions are banks, microfinance, saving and credit cooperatives, insurance company, pension fund and else. There are also some informal financial institutions; those are Mahiber, Iddir and Iqqub (Dejene, 1998).

Saving and credit cooperatives (SACCOs) are also one of the formal financial institutions which can help providing financial services to the poor societies in rural areas. Hence, (SACCOs) were established based on this premise to serve the interest of economically neglected segment of society. Saving and credit cooperatives were members owned financial institutions in which membership was opened and voluntary. They are regulated by the National Bank of Ethiopia (NBE) which was the central bank in Ethiopia. They could be established and operated in rural areas. However, society's access to financial services is influenced by a number of factors, including the country's financial development, individual income levels, geographic location, and country growth, among others. That means even though financial service was vital to the society, it was not equally available to all members of the society. In Ethiopia, since their emergence saving and credit cooperatives had been serving as financial intermediaries especially for the financially excluded rural poor households, even though, their capacity to serve these huge part of the population was very limited (Teka, 2008).

According to Munyiri (2006) cited in Ofei, (2001) SACCOs), which were started locally, were more attractive to customers thus deeply entrenching themselves in the financial sectors of many countries. In fact, they had solid bases of small saving accounts constituting a stable and relatively low-cost source of funding and low administrative costs. SACCOs were also able to advance loans at interest rates lower than those charged by other financial providers. Furthermore, SACCOs have

the potential and chance to contact clients in regions where banks are not interested, such as rural or impoverished communities. The core objective of SACCOs was to ensure members empowerment through mobilization of saving and disbursement of credit. Although rural savings and credit cooperatives (RuSACCOs) are relatively new organizations, the majority of them have begun to offer their members' savings and then credit services.

To this end, it is critical to focus on the creation of new rural saving and credit cooperatives as well as the strengthening of existing ones. Savings and credit cooperatives are open and voluntary membership financial institutions owned by its members. They are not regulated by Ethiopia's central bank, the National Bank of Ethiopia (NBE).

They can be established and operate in urban or rural areas. In Ethiopia, since their emergence saving and credit cooperatives have been serving as financial intermediaries especially for the financially excluded rural poor households, even though, their capacity to serve these huge part of the population is very limited (Teka, 2008).

In order to finance different projects, developmental plans, and other capital requiring activities, a country should mobilize domestic saving through formulating suitable policies, and regulations; also should establish and strength appropriate financial institutions. Understanding the nature of household savings behavior was critical in designing policies to promote savings and investment (Muradoglu, and Taskin, 1996).

1.2. Statement of the problem

Savings provide the essential resources for investment, which is the foundation for economic progress. People save for a variety of reasons, including investment, consumption, and emergency needs, as well as for social reasons. Better savings alternatives assist the poor build themselves up and invest in their future, as well as make them less vulnerable to being knocked back down when they experience a medical emergency, lose a job, or lose their home suffer through a drought (Kendall, 2010).

Cooperatives are important grassroots groups that play an important role in achieving the goals of numerous development programs such as the Rural Development Strategy, Poverty Reduction Programs, and Food Security Programs. SACCOS (together with other organizations such as MFIs) arose to fill a financial service gap that existed when the poor were unable to access the banking system (Muluneh, 2012).

Savings rates in Ethiopia are extremely low, particularly in rural areas, and little is known experimentally about their patterns and drivers. Savings in rural Ethiopia are mainly made out of the income from agricultural activities. It is also characterized as seasonal and irregular as the cash flow through sale of agricultural product and availability of work is seasonal. This reduces their financial capacity to save or poorly respond for incentives that promote savings in the country because of those reason, people are saving less from their own income. (Teshome, Kassa et al., 2013).

Inefficient credit opportunity from the formal financial sectors in Ethiopia lead the members to rely on informal finance like Iqqub, Self-help group, family Support, friend Support, Trade credit. Formal financing has a higher interest rate than informal finance. According to (Michael & Cesare studies, 2018)

Financial institutions use a variety of methods to mobilize savings from their customers. The majority of financial institutions, such as banks, provide financial products that are suitable for a high- or moderate-income community. These financial products, on the other hand, are not ideal for rural poor people due to high transaction costs, credit collateral, a lack of diverse saving products fit for poor folks such as saving in kind and small amounts of saving at cheap cost, and accessibility concerns. Saving and Credit cooperatives, particularly SCCOs, were likely to been the most viable and sustainable institutions to provide accessible and affordable financial services to the vast majority of the rural poor (Aregawi, 2017).

Despite these benefits, SACCOs do not mobilize funds from their members as effectively as they could. Their poor membership status compared to the number of the people in a Kebele was one of the causes for low saving mobilization. In addition, SACCOs are unable to deliver diversified saving and loan products to its members based on their interests due to a lack of regular training and financial education for members to encourage them to expand their savings in the SACCO. Low and irregular income pattern of rural people also created inconsistency in their saving conditions (Federal Cooperative Agency, 2020).

They mobilize poor saving mobilization performance because of these and other restraints, resulting in a lack of own source of loan able cash to lend to their members. This, in turn, will prevent members from obtaining credit and, as a result, will prevent them from investing and earning money, so limiting their savings (Oromia Marketing and Cooperative bureau report, 2013).

Furthermore, these cooperatives have received no help from any other organization, despite the fact that they require aid to enable them to take use of their particular location in rural areas to encourage thrift among its members and mobilize savings for investment objectives. (Cheruiyot et al, 2012).

As the best knowledge of the researcher, no research work has been done empirically about factors affecting saving practices of members of SACCOs in the study area. Hence, this study tried to fill this gap and assess the factors that affect the saving practices of members of SACCOs from both members and cooperatives perspective.

Hence, the purpose of this paper was to assess the main factors that affect saving practices of members of SACCOs in Oromia region of Ethiopia particularly in East Shewa zone Ada'a Woreda and propose possible recommendations so that these institutions as well as the government body and other government projects like livelihood and rural financial intermediate program me (RuFIP)working with them could employ efficient strategies to mobilize saving from the rural society, the study was focused on factors affecting saving performances of rural saving and credit cooperatives (RuSACCOs) and their members.

1.3. Objectives of the study

1.3.1. General objective

The main aim of this study is to identify factors that affect members of rural saving and credit cooperatives (RuSACCOs) (in the case of Ada'a Woreda, East Shewa zone, Bishoftu, Oromia, Ethiopia).

1.3.2. Specific objectives

The study has also the following specific objectives:

1. To identify the relationship between income and saving practices.
2. To investigate the relationship between credit access and members' saving habits.
3. To determine the relationship between age and saving practices.
4. To examine the effect of dependency SACCO members' saving practices.
5. To identify the relationship between education status and saving practices.
6. To investigate the relationship between family size and members' saving habits.
7. To determine the relationship between saving before joining and saving practices.
8. To examine the effect of Training and saving practices.

1.4. Research Questions

This study tried to assess factors affecting saving practices of members of SACCOs by answering the following questions:

1. Does the level of annual income of individual members, credit access, and training participation, affect their saving practice?
2. What is the relationship between saving before membership and family members' contribution for their livelihood and saving practices of members?
3. What is the relationship between demographic variables like age, family size, education status, and dependency ratio and saving practice of members of SACCOs?

1.5. Hypotheses of the study

In order to achieve the objectives of the study and to answer clearly on the problem statement, the following null hypotheses was developed to estimate the sign relationship of saving and other independent determinants of saving, based on empirical evidence reviewed in the literature parts in a way that were tested to arrive at reliable scientific results and generalize them. The following hypotheses were tested:

Hypotheses-1(h1): There is a significant positive relationship between income and saving practice.

Hypotheses-2(h2): There is a significant positive relationship between credit access and saving practice.

Hypotheses-3(h3): There is a significant positive relationship between training and saving practice.

Hypotheses-4(h4): There is a significant positive relationship between education status and saving practice.

Hypotheses-5(h5): There is no significant positive or not relationship between saving before members and saving practice.

Hypotheses-6(h6): There is no significant positive or not relationship between family members and saving practice.

Hypotheses-7(h7): There is no significant positive or negative relationship between age and saving practice.

Hypotheses-8(h8): There is no significant positive relationship between dependency ratio and saving practice.

1.5.1. Dependent Variable

Savings is money or other resources put aside by an individual or household for use in the future. It is a key to good money management. Individuals and households can use savings to control risk, deal with emergencies, steady income, accumulate assets, and achieve financial goals. Most of the peoples save for the purpose of unexpected future events (sickness, emergency, theft), for expected future events (weddings, old age, education and holiday), for building asset and for optional purposes. You have the option of saving through formal or informal institutions, and in cash or non-monetary form. Assets such as jewels or livestock that can be converted to cash quickly and readily and preserve their value are examples of non-monetary modes of saving (Kostoglou, 2010). Saving cash at home is an example of informal saves, as it keeps your money close at hand and avoids the transaction expenses involved with saving at a formal savings organization. You'll need a lot of self-control to avoid squandering your savings and to refuse demands from other family members; also, money kept at home does not collect interest, so it may lose value over time. Iqqubs, Mahiber, and Iddirs savings techniques are examples of informal savings (Mwakajumilo, 2011).

1.5.2. Independent variables

Income

(i) There is direct relationship between income and saving, i.e., if income increases, saving also increases It means as income increases, proportion of income saved increases (because proportion of income consumed decreases).

(ii) At lower level of income, saving is negative. In the initial stages when there is very low level of income, consumption expenditure is more than income leading to zero saving.

The Keynesian savings function and the permanent income hypothesis both show that income has a positive influence on savings (Keynes, 1936). According to the Keynesian model, saving is motivated by a desire to leave a legacy. Individual savings are mostly determined by disposable income, with persons with low incomes being unable to save (Schultz, 2005; and Rijckeghem, 2010).

H1: income has positive significant impact on “saving“

Credit access

No genuinely new savings can be made without a preceding credit creation.

However, the amount of saving in the economy determines whether a given time and therefore contributes to the expansion of credit.

SACCO credit provision capabilities, both in terms of amount and conditions of credit, should be strengthened. SACCOs and other financial institutions, such as microfinance institutions and savings and credit cooperative unions, can be linked. Credit availability can be made efficient and productive for both parties. SACCOs can distribute credit with low administrative costs because they are close to their members, which is beneficial to both SACCO members and micro finance institutions. Further outside money injections from various sources, such as NGOs, will result in an increase in loanable funds.

H2: credit access has positive significant impact on “saving“

Training

Continuously educate members on how savings can be made on regular basis and the wise use their savings, Provide service to its members such as financial counseling so that the members can solve most of their financial problems, and the risk of management service to ensure the safety of members’ savings and loans.

To encourage SACCO members to save more, there is a need to improve training on various issues and mobilize them about saving. SACCO members were all rural people with a low literacy rate; therefore training is the greatest approach to educate them about saving and its benefits.

H3: Training has a positive significant impact on saving

Education status

Education may affect savings and financial decisions through a number of channels. First, increased education may increase the earnings capacity. This may empower certain individuals to save, such as those who would otherwise have financial resources just enough to cover their consumption expenditures. Education may also change financial decisions by improving people’s cognitive skills. Each day, people face financial decisions that are increasingly complicated, and education equips them with the necessary quantitative and analytical skills.

H5: education status has positive significant impact on “saving“

Family size

With increase in the size of the household, the income is diverted away from the savings and consequently the saving income ratio of the individual is lowered. However, because of the

presence of relatively large number of economically active members, there is a possibility of average savings of large sized families being more than that of the low member family groups. Nevertheless, the empirical findings of majority of studies suggest that family size has a negative effect on savings, as increased number of family members draw down the savings, thereby resulting in reduced propensity to save of an individual (Bendig et al., 2009).

H6: family size has negative or positive no significant impact on “saving“

Age

The age structure of the population affects aggregate saving, which affects growth through investment. Growth in turn is influenced by other age structure effects and feeds back into aggregate saving by well-known life cycle mechanisms. Some of these feedbacks are generally ignored in empirical work.

H7: age has a positive or negative impact on “saving“

The reliance ratio, on the other hand, has a negative association with savings. The composition of the Ada’a population is changed over the previous few years and the more concentration is toward the increase in the dependence of the old people on the young ones.

Increased numbers of people are entering the working age groups in the country which can act as a double-edged sword if they do not enter the labor force. The very common sense of “demographic dividend” is challenged, but if they do become economically active it poses a big challenge to the country’s economy to provide them gainful employment.

H8: dependency has positive no significant impact on “saving“

1.6. Significance of the study

This study aims to determine the factors that influence SACCO members' saving behavior, which is defined as the level of annual members' income, participation in financial literacy training, access to credit, saving prior to membership, family members' contribution to livelihood, and other demographic variables such as the member's age, family size, education status, and dependency ratio. Understanding the relationship between the dependent variable, saving level, and independent variables mentioned above, as well as drawing the necessary conclusions and recommendations, might aided by assessing these factors. It could aid decision-makers by displaying which variable or factor has the greatest positive or negative impact on the process of saving mobilization at the organizational level. Finally, other researchers or practitioners may use

this data as a starting point for further research into additional characteristics that may influence saving habits.

1.7. Scope of the study

The scope of this study was limited to a few SACCOs and their members in Ada'a Woreda, Oromia Region's East Shewa zone. Some sample rural SACCO members have chosen from the Woreda, and the data has collected and evaluated for those samples exclusively.

1.8. Limitation of the study

The study has several limitations. First, since it is impossible to capture all possible variables that influence saving behavior, the study does not include all variables that may influence SACCO members' saving behavior. The association between some specific variables and the dependent variable, saving level, has investigated. The study's generalizability would be limited due to the small number of explanatory variables. Second, the data is cross-sectional in nature where such data has often limitations in providing strong evidence like panel data does. Third, the sample might be relatively small which possibly adversely affect the general inference. Finally, the data was obtained using questioners where high degree of response biased likely to be due to respondents personnel behavior.

1.9. Organization of the Study

The studies were divided in to five chapters. Accordingly; the first chapter is introductory which consists of background of the study, statement of the problem, objectives of the study, research hypothesis, Significance of the study, scope and limitation of the study. The second chapter presented review of the related literatures and empirical evidence on factors affecting saving practice of rural people. The third chapter presented the socioeconomic and demographic characteristics of the study area (population), research design, sampling design, and research methodology. The fourth chapter is results and discussion. Finally, chapter five concluded the result of the study and forward relevant recommendations based on the findings

CHAPTER TWO

LITERATURE REVIEW

2.1. Theoretical Literature Review

2.1.1. Saving

One of the most important things you can do to improve your financial situation is to save your money. Savings can help you achieve your goals while minimizing risks, whether you just want to smooth your consumption, be prepared for emergencies, or establish your own business. Savings are funds set aside in the present to be used in the future. Savings are assets such as jewelry or animals that can be sold when money is needed. Savings is a method of accumulating assets that can be sold for cash if necessary. Savings are an important aspect of financial management. Savings can take numerous forms and can help you achieve a variety of financial goals, such as being able to better handle unexpected events such as a family sickness or expanding your business (Pail war V.K, 2010).

Savings is money or other resources put aside by an individual or household for use in the future. It is a key to good money management. Individuals and households can use savings to control risk, deal with emergencies, steady income, accumulate assets, and achieve financial goals. Most of the peoples save for the purpose of unexpected future events (sickness, emergency, theft), for expected future events (weddings, old age, education and holiday), for building asset and for optional purposes. You have the option of saving through formal or informal institutions, and in cash or non-monetary form. Assets such as jewels or livestock that can be converted to cash quickly and readily and preserve their value are examples of non-monetary modes of saving (Kostoglou, 2010). Saving cash at home is an example of informal saves, as it keeps your money close at hand and avoids the transaction expenses involved with saving at a formal savings organization. You'll need a lot of self-control to avoid squandering your savings and to refuse demands from other family members; also, money kept at home does not collect interest, so it may lose value over time. Iqqubs, Mahiber, and Iddirs savings techniques are examples of informal savings (Mwakajumilo, 2011).

2.2 Saving and credit cooperatives

2.2.1. Definition of SACCOs

SACCOs are member-owned financial cooperatives that provide both savings and credit to their members. These financial institutions' members might be net savers as well as net borrowers. SACCOs may be allowed to mobilize both member and non-member savings, or exclusively member savings, depending on a country's legislative structure. SACCO is a financial cooperative association founded by volunteers with the goal of establishing a self-help society or "people assisting people." Members own, operate, and regulate the SACCO society. Members have the opportunity to vote on issues that affect them, and they have the right to use its services. SACCO societies were originally established to give financial services to the poor, such as a safe place to save and easy access to loans. SACCO Society is a not-for-profit organization that loans is returned back to members in the form of dividend on savings, share or both (Getachew, In SACCO Society member's savings form a good pool of money, from which loans are made to members with fair lending interest rate is decided by members. And also in SACCO Society once overhead and other expenses are paid, and the reserve for cushion against any loss, and for expansion of services set aside, the remaining income 2006).serves its members at a reasonable profit margin.

There are a different characteristic that makes SACCOs different from other cooperatives and financial. There institutions are that SACCO's operations are concentrated within their own membership and a person must be a member in order to save, borrow or receive other services from the SACCO repay mainly. SACCOs' make loans to members, emphasizing primarily the character and ability to.

SACCOs' a significant rely to extent efforts of upon the volunteer the members In developing SACCOs, working funds are comprised mostly of shares; in mature SACCOs, working funds are; the key element in the development of SACCOs' is volunteerism members. SACCOs' societies were established to provide disadvantaged people with financial services such as a safe place to save and easy access to loans. Members of the SACCO Society benefit from a profit margin that is "not for profit or charity.". Dividends on shares and interest on savings/deposits are distributed to members. SACCOs provide loans to members who may be unable to obtain credit elsewhere and who cannot afford the high interest rates offered by the informal sector or other forms of financial institutions (Dejene, 1993).

The provision of financial services (e.g., financial counseling to members), the principle of 'pay him first' (i.e., understanding that saving for tomorrow is preferable to borrowing for tomorrow), and the development of members' leadership potential, initiative, and capabilities to improve their outlook on life are the second characteristics of SACCOs. In addition, it should be noted that SACCOs are based on the principles of voluntary entry and withdrawal; democratic control; political, racial and religious neutrality (ibid). SACCOs are different from banks in that they are owned by all members who have a voice in their operations, whereas banks are owned by shareholders and are generally interested in big loans to rich people. Banks always ask for security, while credit unions consider good character and ability to pay in granting loans (ibid). SACCOs are promoted not only for money; they contribute to the promotion of total human development. SACCOs help people develop their brains by motivating them, inspiring them to take action, encouraging self-development and self-reliance, and offering leadership. They also improve members' material well-being by boosting their living standards, enabling regular saves and intelligent money management, providing low-interest loans, and enabling members' economic emancipation (Dejene, 1993).

The 3rd characteristics between a SACCO and other forms of co-operatives is that the SACCO can accept deposits from its members as savings and also issue out loans to qualifying members of the SACCOs (Henama, 2012).

2.2.2. History of SACCOs

SACCOs were originally used in Africa by English-speaking countries. The first entrants into SACCOs' community include Ghana, Uganda, Nigeria, Tanzania, and Kenya. In Ghana, for example, the first SACCO Society was established in 1959. Most non-English speaking African countries began to appreciate SACCOs in the 1960s, with a significant influx into the SACCO community in the 1970s (Mwakajumilo, 2011).

According to Alila and Obado (1990), the concept of savings and credit societies was first debated in Africa in 1955 at Jirapa, a tiny town in Ghana's Gold Coast at the time. The idea was brought by a Roman Catholic priest, Father John McNulty, an Irish priest. He learned about SACCOs while studying in Canada. Father McNulty made the decision to help the inhabitants of Jirapa organize a savings and credit cooperative. The cooperative had a specific aim of assisting the members to address their financial problems which they could hardly do individually.

The number of SACCOs in Africa increased dramatically, to the point where in 1965 the African countries founded the Africa Confederation of Cooperative Society Savings and Credit Network (ACCOSSCA), a continental association of SACCOs (Olando, Mbewa and Jagongo, 2012). Savings and credit cooperative societies were first established in Ethiopia in the mid-1960s. There were 28 saving and credit cooperative societies in Ethiopia between 1964 and 1973, and these societies formed their own national apex body, Ethiopian Thrift and Cooperative Societies Limited (Muluneh, 2012).

According to the Federal Cooperative Agency (FCA), there were 32 different kinds of cooperatives operating in all regional states of Ethiopia as of May 2014, with a total membership of 9,165,267 (6,949,589 males and 2,215,678 females) and capital of 8.8 billion birr. The regional distribution of primary cooperatives shows that Oromia 29.3 %, SNNP 20.9%, Addis Ababa 21.6%, Amhara 13% and Tigray 8%. The remaining five regions (Somalia, Afar, Gambella, Beneshangul and Harare) and Dire Dawa city collectively accounted for 6.8% of the number of cooperatives in the country. Primary SACCOs account for 14,453 (25.8%) of these various types of primary cooperatives, with 1.7 million members and a capital of 5.2 billion birr. Rural SACCOs account for 8,383 (52%) and urban SACCOs account for 6,070 (42%) of these SACCOs, respectively. SACCOs are currently the second most prevalent type of cooperative in the country (after multipurpose cooperatives) in terms of number, membership, and capital.

2.2.3. Types of SACCOs

According to Bwana and Mwakujonga (2013), various types of SACCOs exist, depending on the membership profile and the products extended to the SACCO members differ accordingly. In essence, there are three broad categories of SACCOs:

SACCOs with a community focus: These SACCOs can be found in cities or regional towns, but they are most common in villages. There are a range of group and individual loans available, such as loans for women's solidarity, business loans for individual members, and loans for small and micro businesses.

Employee-based SACCOs. These has SACCOs with all of their members coming from the same workplace, and they are usually found in urban or regional locations. Specific salary-based loans are made available, which are frequently backed by the company. Until now, these have mostly been small-scale cane growers in rural areas. The SACCO can serve both individual farmers and farmer associations. Agricultural productivity is one of the reasons why loans are given out.

Agricultural SACCOs. To date these represent primarily small-scale cane growers in areas such as the rural region. Both individual farmers and farmers' associations can be clients of the SACCO. Loans are extended for various purposes, including agricultural production loans.

2.2.4. Role of SACCOs

SACCOs' access to capital has an impact on the growth of youth entrepreneurship. SACCOs have aided the development of young businesses. as a result of several elements used by SACCOs to expand access to finance, but the primary difficulty for traders is a lack of working capital, and SACCOs, particularly SACCOs of merchants, could be very valuable (Mwangi and Wanjau, 2013).Micro-businesses have been established in both rural and urban regions, raising people's living standards and providing financial services to all vulnerable groups, including women, youth, and the disabled. This has aided in the advancement of their social position through economic and social empowerment. Instilling a savings culture in people's lives and discouraging non-productive spending, providing direct employment to SACCO members and staff, and indirectly affecting the lives of many households who rely on the SACCO's members and staff. Many rural micro projects i.e. Restaurants, taxis, hairdressers, handicrafts, shops, and kiosks have all sprung up as a result of SACCO's loans. SACCOs have given people the ability to build low-cost, high-quality housing units, purchase essential household products, and send their children to a cheap education system (Wolday 2004).SACCOs have enabled members to invest a portion of their loans in agricultural development, consequently increasing agricultural production and improving food security (Okoye, 2009).

Members of SACCOs can obtain micro and macro credit to start or expand small companies. Credit is a primary service available to SACCO members. Within the cooperatives, SACCO members have an equal opportunity to obtain credit. Within the SACCOs, almost all male and female members had access to credit. As a result, both men and women had a high rate of success in obtaining loans through SACCOs. SACCOs also provide loans to all members, regardless of gender (Dessalew, 2014).

The main objectives of any SACCO are to encourage and promote the development of a thrift culture among members and the community by teaching wise use of money and efficient management of limited resources, teaching people how to create an asset that serves as a guarantee and collateral for future loan access, making finance more accessible for members when they need it, and creating an asset that serves as a guarantee and collateral for future loan access, and

developing a linkage between the rural people and urban banks in order to bring more money into the community and provide a safe shelter for rural people's funds A SACCO Society's two primary functions are financial intermediation and investing. A SACCO Society's two primary functions are financial intermediation and investing. That is, bringing savers and borrowers together in a structure that allows them to pool their money as savings and shares, and then convert those funds into loans by calculating all of the costs of doing business to make it profitable/useful to both sides (the SACCO society and its members(Getachew, 2006).

2.3. Domestic Saving in Ethiopia

According to Deaton (2005), the savings and investment gap is a severe concern for poor countries like Ethiopia. As a result of this disparity, these countries are finding it difficult to fund growth-related investments from domestic savings. These countries frequently finance their investments in the near term partly through domestic government borrowings and/or international loans and grants; however this would greatly raise the country's debt burden and would not be a long-term answer.

The level of domestic saving in Ethiopia has been quite low, leaving the sustainability of the recent encouraging growth episodes vulnerable to the availability, access and conditionality of external resources. One of the major factors that have been hindering full mobilization of domestic saving in general and private saving in particular is the embryonic stage of the financial sector, both the banking and non-banking sectors. Ethiopia remains one of the world's most under banked countries, having the potential to stifle economic growth and company development due to inadequate access to financial services for the general populace. Ethiopia has one of the lowest bank per capita rates in Africa, with around 5.7 million people per bank. This shows that, even by Sub-Saharan Africa's standards, financial services are still in their infancy. The population per bank branch, which is around 43,912.00, supports this result.

Banking is the most common method of funding economic activity in the country. Other sources of funding are still to be discovered. Trends for the last ten to fifteen years suggest that of the banking sector services is growing from year to year, albeit from a modest base. To comfortably situate themselves in the business, private commercial banks are growing at a quicker rate than public banks. In terms of deposits, loans, assets, and capital, private banks have grown at a rate in the range of 45 to 55% in contrast to the less than 35% of the public banks. However, it is not possible to conclude that the advent of private banks has resulted in a broadening of the banking

system's reach. When contrast to public banks, which have a more evenly distributed branch network across the country, private banks are more focused on metropolitan areas. 549 private bank branches were located in Addis Ababa city in 2013/14, out of a total network of 1205 private bank branches (45 percent). In comparison, just roughly 204 of the 1003 total branches that state banks possessed this year were in Addis Ababa (20 %).

The scale of the financial services market is difficult to estimate, but it is usually thought to be vast. The number and growth of the population would be one source of demand for financial services. Lastly, the Ethiopian population is estimated at over 96.9 million, and was expected to reach about 100 million by 2017. To maintain the present bank branch–population ratio of 43,912 from about 2208 in 2014/15, the number of commercial banks must expand to over 19 and the number of bank branches must expand to over 2278. These, on the other hand, are intended to keep the current unacceptably low state of banking development from deteriorating further.

Ethiopia needs to double the number of commercial banks in order to reduce the population bank ratio from roughly 5.7 million to roughly 2.85 million, which is still quite high when compared to Ghana, which has less than 1 million people per bank.

It also requires more than 2007 bank branches to reduce its population per bank branch to roughly 23,726.00 (Ghana) people, which is still quite high by African standards. The projection of the CSA also suggest that Ethiopia's population would be reached 100 million by 2017, and nearly 130 million by 2030, indicating that the long term demand prospect for banking services would continue to grow.

For a long time, the question of whether finance should come before economic growth or growth should come before financial services expansion has been a point of contention (Levine, 1997). Better economic development forecasts, in any event, could increase demand for financial services. The macro economic forecast of the government for the next five years indicates GDP will grow by about 11% per annum; the investment rate will increase to about 41.3% from about 36.3% in 2014/15, and the Millennium Development Goals will be scaled up suggesting large public investment programs in the area of economic and social infrastructures will be carried out. These trends indicate that demand for banking services such as credit, transfer services, and deposit mobilization will continue to expand across the country in order to keep up with the expected economic expansion.

In addition, there is a large unmet need for financial services. Rural households, which account for around 85% of the total and small-scale urban-based operators, are largely outside the official banking system's radar. The MFIs, largely focusing on the rural households have so far succeeded to cover about 10% of the rural households. The few urban-focused MFIs that exist have yet to have a visible influence on small business owners in the city. According to studies, capital shortages and credit access are two of the top three constraints to the expansion of micro and small-scale enterprise (MSE) operators in urban areas (Gebrehiwot Ageba and Wolday Amaha 2006), which are the most important enterprises in terms of employment and poverty reduction. According to a research by IFAD (2012), the number of MFI clients, all of whom are rural households, could easily be increased to around 5.5 million, to 4.4 billion birr or USD 515 million. The unmet gap is large when compared to the existing level of 1.2 million homes served by MFIs.

2.4. Role of Financial Institutions in Saving Mobilizations

Saving is a foundational pillar in an inclusive financial system. At the consumer, microfinance institution (MFI), and industry levels, savings contribute to financial inclusion. Saving services strengthen the finances of low-income households; savings deposits strengthen the funding base of MFIs, and are the basis for a competitive, efficient and sound microfinance industry (Alliance for Financial Inclusion, 2018).

By causing changes in the sorts of asset holders, financial institutions can support effective allocation of the stock of tangible wealth. Second, by acting as a middleman between savers and entrepreneur investors, financial institutions can promote effective allocation of new investment. Third, they can boost the rate of capital accumulation by increasing the incentives to save, invest, and labor. Financial institutions can help small farmers and micro-enterprises to save, invest in profitable ventures and increase accumulation of capital for overall rural development and poverty reduction (Mwakajumilo, 2011).

If financial markets play a positive role in resolution of the rural poverty, fundamental changes in financial policies in most developing countries will be necessary. Some rules and regulations may need to be changed in order for local financial institutions to integrate with traditional financial institutions such as banks. (Adams, 1977).

The economics literature assumes that people have access to formal savings instruments. However, in poor nations, these devices are not universally available to low-income people. Opening a bank account in these nations usually entails somewhat high transaction expenses as well as fees and

commissions for this segment of the population. These savings barriers or limits must have an impact on an individual's behavior (Aportela, 1999).

The majority of the population lives in rural areas, where access to financial institutions is at best limited. In addition to the recently developed microfinance institutions, institutional innovation is required to mobilize savings from the bulk of small farmers and urban poor. The financial sector has to develop saving instruments which are effective to reach the poor farmer but with low transaction costs (Tsegabirhan, 2010).

2.5. Financial Sector and Financial Policy in Ethiopia

Banks, insurance firms, and microfinance institutions are the country's key financial institutions today. In 2014/15, the banking sector mobilized a total of Birr138.76 billion in resources from deposits, loan collections, and borrowing. This is more than twice as much as was raised in 2009/10. By 2014/15, public banks had mobilized 58% of the resources — aggressive branch growth and the government policy of granting low-cost home loans contingent on having a minimum savings at the CBE explains this spike in deposit mobilization. Similarly, in terms of loans and advances, all banks combined disbursed a total of Birr 75.5 billion to various economic sectors by 2014/15. The public banks, the dominant being CBE, dominate this disbursement of loans, accounting for about 55.5 percent of the total -this averages to about 60 percent in the last five years (NBE, 2015).

In conclusion, inflation, the government's primary monetary policy goal, has become a policy issue over the last five years. However, using official data, inflation has decreased from a high of 34% in 2011/12 to 8.5 percent in June 2015. The government's recent strict monetary policy is mostly to blame for this drop. Broad money growth declined from the period's high of 39 percent in 2010/11 to 26.5 percent in 2013/14. Similarly, the base money has decreased dramatically in the last three years, with only a 19 percent increase in 2013/14, owing primarily to sterilization. Domestic lending, particularly to non-central government, has expanded dramatically in the recent five years, rising from a low of 11% in 2008/09 to 39.5 percent in 2011/12 before settling at a lower rate of 28.4 percent in 2013/14. This is mostly due to government borrowing to fund public and semi-public sector activities.

The banking and external industries were both affected by loose monetary policy and the resulting inflation. Inflation must be in the single digits or below to maintain a competitive real exchange

rate and to reverse the existing negative deposit and lending rates, which range from -31.9 to -24.2 percent.

As previously said, the banking sector, both public and private, has grown significantly in the last five years. This has manifested itself in massive domestic resource mobilization and loan and advance provision. However, public banks, particularly the CBE, continue to dominate this development. This must be accompanied by a similar expansion of the private sector to solve the financial system's shallowness, as seen by the M2/GDP ratio of about 28 percent in 2015, compared to over 50 percent in Kenya, for example. With a return on assets of 3.1 percent and a return on equity of 44.6 percent, the company performed admirably. Asset quality has also improved, with nonperforming loans accounting for fewer than 3% of overall loan portfolios at banks. Given the financial sector's lack of financial depth and sophistication, the NBE should have little trouble overseeing and regulating it, according to the IMF. The IMF research, on the other hand, raises concerns about the CBE's systemic importance and its concentration of operations through high exposures to single entities - the public sector. From the standpoint of systemic risk, the DBE is especially worth considering because it has traditionally and currently disobeyed sound financial and regulatory practices. This was the situation during the Derg era, when the government financed loss-making state firms, particularly state farms, and wrote off their debts - including DBE arrears. On average 75% of total principal outstanding before the 1992 reform (Alemayehu, 2011).

2.6. Saving Mobilization of Poor People

In many developing countries, the informal economy holds more capital than the formal economy. Those living close or below the poverty line have a big portion of this capital in modest sums. Developing countries can integrate these numerous small capital holdings into the formal sector by offering impoverished families savings services that are tailored to their requirements and easily accessible. This assertion provides the impetus for the establishment of saving and credit cooperatives. (SACCOs), such that access to savings services could be enhanced (Mwakajumilo, 2011).

Poor individuals save in a variety of ways, for a variety of reasons and objectives unique to their circumstances, and entrust their monetary savings to diverse people or locations (neighbors, financial institutions, under the mattress, etc.) (2007 Nga).Wright (n.d.) mentions that many emergencies or opportunities necessitate instant access to cash, and this explains why almost

allow-income and poor families keep some amount of emergency savings in the home. Rutherford (1996) also found many scenarios (when, where, and how) in which low-income people save.

It was found that they save when:

1. They feel their savings are secure.
2. The amount of their savings is kept secret to others.
3. They can access all or part of their savings when needed.
4. They have the possibility to save often and easily.
5. They are entitled to obtain a credit (reciprocity).
6. They feel they own their saving (their savings are not owned by a group).
7. They feel the savings are growing and protected from inflation.
8. They feel under some social pressure to save.
9. They know at any time how much they have.

2.7 Rural Micro-Finances

The range of operations offered by financial markets has been expanded to include loans, deposits, and insurance services for rural populations. Although credit continues to dominate the rural finance agenda, there is a better understanding now that rural people demand (and can afford) savings and other financial services.

The success of these new rural finance initiatives requires, among other things, investments in institution building, focusing on client demand, controlling costs, developing strong management and information systems and implementing strong governance. Much of the emphasis in microfinance has been on poverty reduction (and to a lesser extent food security) (Pederson, 2003)

2.8. Determinants of saving performance

The determinants of saves in general, as well as the specific influence of government policies on savings, are the forces that drive investment and economic growth. The amount of savings is determined by the actors in the economy's marginal propensity to save; this is the proportion of a minor change in disposable income that would be saved rather than spent on consumption. It's computed by dividing the difference in savings by the difference in discretionary income. Individual and corporate willingness and ability to save are other important considerations when it comes to saving (Laurine, et al. 2013).

In the literature, there are certain theoretical models that explain various factors of savings and asset accumulations. The following are some of the factors that influence saving.

Lack of awareness

Members are under-informed about core cooperative ideas and ideals, which inspires them to mobilize around their community-based financial service organizations. People look upon these institutions as means for obtaining loans from the government and NGOs. The SACCO unions established are based on the weak primary SACCOs that were established mainly to access loan fund from rural financial intermediation program.

Lack of Financial Literacy

The concept of financial literacy is not new, as attempts were already being made in the United States at the beginning of this century to increase the public's knowledge of financial matters – albeit with the primary goal of creating and expanding the market for financial products. To put it simply, it was necessary to explain to people which financial products (e.g. bank deposits, credit, etc.) might best be used and how. However, since the turn of the century, there has been substantial innovation not only in the area of specific commodities, but also in financial sector products. Various research studies date the start of the major wave of innovation in the area of financial products to the 1980s. In all likelihood the financial products in use until then had reached the limits of their inherent possibilities and, shadowing processes in the real economy, it was at this time that sufficient pressure came to bear on the financial sector to renew its offering of financial products and services in response to demand. This process continues to this day in parallel with the acceleration and increasing sophistication of economic processes.” (Béres, 2013)

Income

The Keynesian savings function and the permanent income hypothesis both show that income has a positive influence on savings (Keynes, 1936). According to the Keynesian model, saving is motivated by a desire to leave a legacy. Individual savings are mostly determined by disposable income, with persons with low incomes being unable to save (Schultz, 2005; and Rijckeghem, 2010).

Individuals and households are worried about long-term consumption prospects, according to both the life cycle hypothesis and the permanent income hypothesis, which explains saving and

consumption in terms of predicted future income. The LCH's core premise is that working individuals save, whereas children and retirees do not. As a result, age inequalities between households are blamed for inequalities in spending and saving. Households primarily spend permanent income, while temporary or transitory income is funneled into savings; and households have the freedom to save and borrow to smooth out their consumption (Friedman, 1957). Savings is primarily viewed as a function of income in both economic theories.

The rate of interest is thought to have a significant impact on household savings.

A rise in rates of return, according to inter-temporal consumption decisions, boosts saves, but the real income effect of higher rates of return might have a negative impact on saves (Muradoglu, and Taskin, 1996). Saving is inelastic to interest rate increases due to the net effect of income, substitution, and wealth. However, a significant increase in interest rates may cause changes in the level of savings. Higher interest rates, according to the classical theory of interest rates, encourage households to save. Because of the higher interest rate, they are replacing current expenditure with savings.

When we look at research that compares the industrialized and developing economies, however, these ideas have different implications.

Domestic real interest rates had a negative influence on industrial countries, as Muradoglu and Taskin (1996) discussed. The findings for developing countries backed the conclusions from a slew of recent studies that found no clear link between real returns and savings rates. This finding suggests that the presence of well-developed and effective financial markets, as well as greater household income levels, makes savings more responsive to changes in the economy's real returns.

Inflation

Inflation expectations, according to the inter-temporal consumption argument, may increase spending on durable goods at the expense of savings. Inflation, on the other hand, is thought to depreciate the real value of financial wealth held in nominal terms, causing households seeking to reclaim their wealth-income position to increase their savings (Gary R. Evans, 2013).

Inflation has varied effects in established and emerging economies, according to Muradoglu and Taskin (2007). In the industrialized world, inflation is found to have a detrimental impact on saving because of the money illusion it produces. In the developing world, no major influence is noticed, such as in the case of interest rates.

Employment

This is an important determinant of savings because the more people employed, the greater their ability to generate income that could be saved if not fully consumed. On the other hand, if there are more people employed at one household, this means that one person's income is not exhausted in consumption but can be partially consumed while the remainder is saved (Laurine, et al, 2013).

Demographic Factors

According to Muradoglu and Taskin, the dependence ratio is the most widely employed demographic variable in savings research. It is defined as the percent of the population under the age of fifteen or above sixty-five (2007). People of working age are expected to save, whereas the young and old are expected to squander their prior savings.

Both income and savings are affected by one's level of education. On the one hand, it defines the type of employment and earning ability of an individual, which impacts the amount of money saved in the end. On the other hand, it redesigns the value system and fondness of individuals that effects his decision to save. Finally, it is assumed that savings per household will increase as the number of working members' increases; alternatively, the average inclination to save grows as the number of earning members grows (Pate and Shome, 2011).

According to neoclassical economic theories, age, particularly the age of the head of home and other household members, is a key determinant of saving (Chowa, et al. 2012).

2.9. Review of Empirical Studies

A study conducted on determinants of saving in Zimbabwe shows income level is the most significant variable among other predictors like age, marital status, religion, education, position in the household, household size, type of accommodation, place of accommodation, employment status, and number of people employed in the household, and expenditure per month. Religion, household size accommodation type, place of accommodation and income increases the household head's probability of saving. Gender, age, marital status, household status, education level, employment status; number of individuals employed in the family; and bank account type owned all diminish the likelihood of the household head saving (Laurine, et al. 2013).

Savings are an important part of poor people's financial management techniques. Deposit facilities make it easier for low-income consumers to convert tiny sums of money into "useful lump sums,"

allowing them to level out their spending and lessen the impacts of economic downturns. Shocks (Rutherford, 2016).

(Mark et al., 2015) stated the determinants of household savings in Australia. They also found out that interest rate has no significant effect on household savings. However, income level, age and household asset were found to have positive significant effect on savings.

Formal microfinance institutions are regulated by the financial authorities of a country with special microfinance windows, semi-formal microfinance institutions (savings and credit cooperatives, village banks, etc.) are under the control of non-financial authorities and informal micro financial institutions are controlled by customary law and peer pressure (Rajaram, 2014).

(Annmaria, 2017), in gaining insights into household savings behavior and in explaining the differences in patterns of accumulation in United States of America found the following benefits of household savings; pension and social security, accumulate wealth, past economic circumstances, expectations about the future and preferences.

Household size was also found to have negative significant effect on savings. Gedela, (2012) reviewed the determinants of rural households' savings and the result revealed that the age of the head of the household, sex, income and expenditure are significantly influencing the rural household saving. He found that expenditure has severely affected household savings. Income is the most crucial factor of the saving behavior in the entire study.

(Kelly and Williamson, 2014) in their research into Indonesian household savings behavior. They also found out that age of household head is an important determinant of household savings thus, the marginal propensity to save rose as the household heads grow older because current and prospective income from employment declines as a share of total resources. However, (Schulz, 2015) who studied into demographic determinants of savings in Asia found no significant impact of age composition on savings.

Rural people are rational in their approach to financial matters and they do take advantage of attractive interest incomes on deposits. Accessibility to the financial institutions is an important factor in the promotion of savings. When financial institutions/banks are opened near market centers and operate at convenient hours, rural people to institutionalize their surpluses. When they are confident as in its liquidity, they would prefer to earn something on the surplus other than keeping it idle. Financial services such as money transfer from one location to another might entice depositors. Similarly, no financial services like payment for purchase of crops, payment of bills,

etc. can increase deposits. Payment for crops presents an opportunity for intermediation because the buyer could establish an account payable in favor of the farmer.

When there is a linkage between savings and lending, rural households will be prompted to hold deposits with a view to availing a loan when needed (Padmanabhan, 1987). Savings strategies are classified as cash saves, bond holding savings, agricultural product savings, and livestock savings, according to the report. It has dual impact on the household economy, firstly, as a source of extra income and, secondly, by acting as cash which is always available at 32 home. There are four categories of factors that determine the type and extent of saving. These are: economical, psychological, socio-cultural, and institutional factors Azhar (1995).

A study conducted by (Girma et al., 2014) showed that the determinants of rural households' savings in East Hararge Zone, Oromia Regional State, Ethiopia. Nine significant determinant explanatory variables of rural households' savings were identified which includes household head's education level, livestock holdings, access to credit 18 service, income, investment, training participation, contact with extension, forms of savings and saving motives.

There are studies conducted in Ethiopia concerning determinants of household saving especially in rural areas and there are some variables found significant affecting the saving behavior of households. A study conducted in Eastern Hararge zone of Oromia state showed nine variables significant namely, household head education level, live stockholdings, access to credit service, income, investment, training participation, contact with extension Contacts, savings methods, and saving motivations Changes in sample households' educational levels raise the intensity of savings by 275.74 Birr among saver families. In the same manner, the change in livestock holdings, access to credit, training participation, contact with extension agents, choosing saving institution and saving motives increases the level of household savings by 1044.47, 2631.3, 1,388.83,109.29, 2,538.88, and 4,463.67 Birr among the savers household, respectively (Girma, et al 2013).

A study conducted in Tigray region shows some significant variables that affect saving behavior of SACCOs members, namely the members' age distribution($b = -2.441$),members' land holdings size($b = 48.297$), members livestock holding ($b = 5.443$), distance to SACCOs from the residence of the members in Km($b = -17.657$), on-farm income of the sample respondents in Birr($b = 0.007$), amount of loan from RUSACCOS($b = -0.013$),total annual expenditure on social/religious ceremonies ($b = -0.037$) and training, information and education given to the members of

RUSACCOS($b = 23.564$) have significant effect on the magnitude of SACCOs members' annual savings (Teka, 2008).

In a study conducted in Nairobi Kenya, a regression analysis was done with saving mobilization as the dependent variable and the rest of the variables as the independent variables. Overall, the study discovered a substantial link between saving mobilization and mechanisms such as financial services, investment possibilities, training, and intervening factors. The positive Pearson product moment of correlation $R=.760$ demonstrates this. The $R\text{-square}=.578$ indicates that the factors under discussion influenced up to 57.8% of the variance in saving mobilization among the firms surveyed. Further, the adjusted $R\text{-square}=.559$ shows that, the factors accounted for 55.9% of the variance in saving mobilization (Cheruiyot, et al. 2012).

Using three theoretical perspectives on saving and asset accumulation, a study conducted in Uganda examines the broader determinants of saving and asset accumulation among low income individuals in rural Uganda. Institutional theory, as opposed to individual-oriented and sociological viewpoints, explains a major portion of the variation in saving outcomes among rural, low-income households. Higher saving performance is linked to wealth, proximity to financial institutions, financial education, and financial incentives. The finding suggests that poor people can and do save, particularly when institutional barriers to saving are removed (Chowa, et al. 2012).

As we have seen before, the theories of saving and their determinants have been extensively used in the empirical studies focusing on the household saving behavior in developed and developing countries. The conclusions found for developing nations have frequently differed from assumptions drawn from studies based on developed country analysis. As it is explained by Pailwar, et al. (2010), the micro-macro studies focused on the saving behavior of households in developed countries are based on the premises of perfect capital markets and the absence of risk aversion. As a result, these theories are found to be inadequate in explaining household saving behavior in developing nations, where the majority of families are poor, risk averse, and operate in an unpredictable and imperfect financial market environment.

2.10. Summary and Knowledge Gap

As the reviewed literature showed there are different factors that affect Savings behavior of SACCOs' members. Many researchers identified various determinants which contribute to the failure of SACCOs. Savings is money or other resources put aside by an individual or household for use in the future. It is a key to good money management. Individuals and households can use

savings to control risk, deal with emergencies, steady income, accumulate assets, and achieve financial goals.

The main objectives of any SACCO are to encourage and promote the development of a thrift culture among members and the community by teaching wise use of money and efficient management of limited resources, teaching people how to create an asset that serves as a guarantee and collateral for future loan access, making finance more accessible for members when they need it, and creating an asset that serves as a guarantee and collateral for future loan access, and developing a linkage between the rural people and urban banks in order to bring more financing into the community and provide a safe shelter for rural society.

A SACCO Society's has two primary functions those are financial intermediation and investing, That bringing depositors and borrowers together in a structure that allows them to pool their money as savings and shares, and then convert those funds into loans by calculating all of the costs of doing business to make it profitable/useful to both sides (the SACCO and its society (Getachew, 2006).

SACCOs help people develop their brains by motivating them, inspiring them to take action, encouraging self-development and self-reliance, and offering leadership. They also improve members' material well-being by boosting their living standards, enabling regular saves and intelligent money management, providing low-interest loans, and enabling members' economic emancipation.

Moreover, the study conducted on the factors affecting saving behavior of rural savings and credit cooperative members based on a combination of the variables considered in this study. As a result, this study tried to close the gap by determining the factors that determine the size of RUSACCOs members' savings. This study will add more independent variable and on this study include the unique study area. The current literature and could be utilized as a guide for RUSACCOs policy formulation for the country's and members' benefit.

2.11. Conceptual Framework and Research Hypothesis

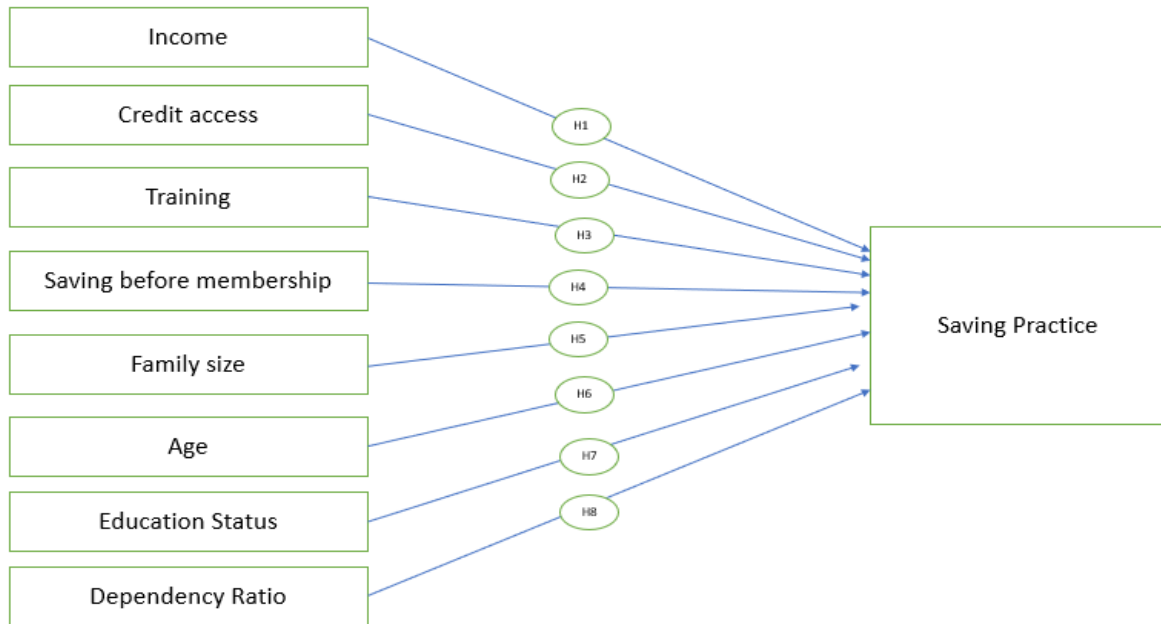


Fig 2.1 Conceptual Framework

Source= researchers own framework

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This chapter presents research methodology, research design, research approach, area of the study, population of the study, sample size and data collection method would be tends to get results from my research questions.

3.2 Research Design

The research design is the overall plan for the study that demonstrates how the research question will be answered. The goal of this study was to find out what factors influence members of saving and credit cooperatives (SACCOs) in the East Shewa zone of Ada'a Woreda. When a sample size needs to be taken from a population, a survey design is acceptable, and the data is then gathered and processed for inferential purposes (quantitative).

Explanatory research design: the first type of correlational design and conducted when researchers want to explore the extents to which two or more variables co-vary, that is, where changes in one variable are reflected in changes in the other (Creswell, 2008). The purpose of the study is to explore a new universe, one that has not been studied earlier and research is mainly concerned with causes (why) or factor about some phenomenon. Thus, Explanatory research design is best suited to this study.

3.3. Research Approach

Qualitative Research Approach: the type by which are depending on human observations and descriptions. It is descriptive, no facts, highly subjective and designed to look beyond the percentages to gain an understanding of feelings, impressions and viewpoints.. This kind of method is used to assess knowledge's, attitudes, behaviours, opinions of people depending on the topic of research and experiences which are not allowed to be used in quantitative method at all. Qualitative research implies an emphasis on the qualities of entities and on processes and meanings that are not experimentally examined or measured (Denzin& Lincoln, 2005).

Quantitative research Approach: according to Vander Merwe (1996), is a research approach aimed at testing theories, determining facts, demonstrating relationships between variables, and predicting outcomes. Quantitative research uses methods from the natural sciences that are

designed to ensure objectivity, generalizability, reliability and reality that exists independent of human perception, the investigator and investigated are independent entities. Therefore, the investigator is capable of studying a phenomenon without influencing it or being influenced by it and concerned with the collection & analysis of data in numeric form (Guba and Lincoln, 1994). So both quantitative and qualitative approach (mixed research approach) is used to investigate factors affecting saving practice of members of saving and credit cooperatives (SACCOs) in East Shewa zone Ada'a Woreda.

3.4 Area of the Study

The research has carried out in the Ada'a Woreda zone of East Shewa. Dugda Bora borders the study area on the south, the West Shewa Zone on the west, Akaki on the northwest, Gimbichu on the north, and Lome on the east. According to WoFED (Ada'a Woreda finance and economic development office) basic socioeconomic data base document (2015), the total population of the Woreda is about 355,343 from 212,477 or 59.79% of its population were rural and 138, 147, of households. Lakes such as Lake Bishoftu, Lake Hora, Lake Bishoftu Guda, Lake Koriftu, the seasonal Lake Cheleklaka, and the Air Force Officers Swimming Pool Entertainment have found in this area, which is suitable for tourists. Ada'a Woreda is a cash crop growing area, particularly for agricultural products such as Teef, Wheat, Barley, pulses, and many types of fruit spices, root crops, and cereal crops (Ada'a Woreda agricultural and natural resource development office, 2020).

3.5. Population of the Study

There are 53 Rural SACCOs in the research region that provide saving and credit services to 16,053 members. There are 27 rural Kebeles in Ada'a Woreda. There are multiple SACCOs in each Kebele, including women's saving and credit cooperatives, which have created in compliance with Proclamation Number 147/91 for the aim of women's economic empowerment and to encourage saving practices (Oromia Marketing and Cooperative bureau report, 2020).

3.5.1. Sample Size

Using the formula suggested by Yamane (1967), only 390 members have chosen from totally of 16, 053 members, and data would be collected and examined. The following formula has used to calculate the sample size:

$$n = N / (1 + N (e)^2)$$

Where:

n – Sample size

N – Population

e – Error - 5%

$$n = 16,053 / (1 + 16,053 (0.05)^2)$$

$$n = 390 \text{ members}$$

3.5.2. Sampling Techniques

There were 53 SACCOs with a total membership of 16,053 at the Ada'a Woreda cooperative development office. Due to time and money constraints, 390 members have selected for this study using a random sample procedure, Simple random sampling is a type of probability sampling in which the researcher randomly selects a subset of participants from a population. Each member of the population has an equal chance of being selected. Data is then collected from as large a percentage as possible of this random subset. Out of 390 respondents, 388 respondents' questionnaire was collected and used for the data entry and analysis purpose.

3. 6. Data Collection Methods

The aim of this study was factors affecting saving practices of members of SACCOs, based on collection and analysis of primary data. The primary data would be collected from 390 (respondents) selected SACCO's members through questionnaire and the questionnaire would be prepared by local languages to rural peoples (whether Oromiffa or Amharic) with the help of enumerator. Questionnaires are set of questions that are used to collect data from respondents. In this research the descriptive research would be applied since it was used of opinions.

Questionnaires are standard for the response to understand well and reply and also to provide proper comparison from one SACCOS to another SACCOS that ends on providing answers of research questions. Questionnaires are advantageous because, increased speed of data collection, low or no cost requirement and higher levels of objectivity compared too many alternative methods of primary data collection. Additionally the instrument enabled the researcher to clarify responses obtained through other methods such as the questionnaires, the questionnaires that used is the

previous studies with a little amendment, studying abstract factors like attitudes, reactions and emotions. According to Kidder (2005).

3.7. Variables and Measurement

The average annual birr amount of savings in the SACCO, which is collected from the respondents through questionnaires from selected 390 respondents from 53 SACCOs members for consecutive five years data, is used to measure the level of saving of members, which is the dependent variable in this study (from 2015- 2019).The amount of money saved by members would be mentioned in the survey. The member's level of income has determined by the average yearly income they have received from the sale of agricultural products, petty trade, or any other source of permanent income received from employment over the previous five years. The presence or absence of members participating in any sort of training on the topic of saving or attending any financial literacy event has used to determine training participation. Access to credit is measured by the amount of credit taken by members of SACCOs. For the sake of analysis, the average amount of credit for the last five years has been used. The member's age at the time of data collection might define as his or her age at the time of data collection. Finally, dependence ratio would be defined as the ratio of the number of family members under the age of 15 to the number of family members above the age of 47 to the number of family members at the time of data collection.

Table 3.1 summary of variables and measurement with expected sign

Name of the variables	Definition	Measurement	Expected sign
Saving	The average amount of birr saved for five years(dependent)	Continues	
Income	The average amount of income birr earned for five years	Continues	+
Credit access	The average amount of credit(birr) received for five years	Continues	+
Training	Financial literacy training participation by members	Continues	+
Saving before joining	Saving practice of the member before membership	Continues	+/-
Family member	Family member contribution for livelihood	Continues	+/-
Age	Age of the member(age of saver)	Continues	+/-
Education status	Grades attended	Continues	+
Dependency ratio	Ratio of dependents with age of below 15and above 60	Continues	+

3.8. Validity and Reliability of Data

3.8.1 Validity

(Ghuri & Grnhaug, 2005) The term validity refers to whether the research method employed in the study measures what the researcher wanted it to measure. For example, if respondents to a questionnaire do not comprehend the questions as the researcher intended, the responses do not provide answers to the original study questions. The research will not be valid if he or she continues with the analysis as originally anticipated and incorporates these misconstrued answers while analyzing (Hirsjarvi et al, 2007).

3.8.2. Reliability

According to Ghauri & Grnhaug (2005), the term "reliability" relates to the measure's consistency. The term "research reliability" refers to how similar the results would be if a different researcher did the same study at a different location and time. The dependability of this investigation has guaranteed by the use of a pilot study. Because they are a true depiction of time and circumstance, findings from questionnaires do not need to repeat. (Marhall and Rossman, 2006).

3.9. Data Analysis and Presentation

The relationship between members' savings (dependent variable) and the independent variables: annual income, credit access, saving before membership, family members' livelihood, training participation, and other demographic variables: age, education status, and dependency ratio of individual members has investigated using a multiple linear regression model. For socioeconomic and demographic data, descriptive statistics such as percentages and frequency tables have constructed, taking into account the relationship between the study's independent and dependent variables. To test the assumptions the researcher used EVIEWS statistical analyzing software result of the primary data collections has used to enter and analyze data, and linear functions were created to help assess the impact of the independent factors on the dependent variable and answer the study objectives. The regression model that used on the study is linear regression model, which has specified to analyses the data, is as follows:

$$Y = \alpha + \beta x_1 + \beta x_2 + \beta x_3 + \beta x_4 + \beta x_5 + \beta x_6 + \beta x_7 + \beta x_8 + e$$
$$LS = \alpha + \beta LI + \beta AC + \beta TP + \beta SB + \beta FC + \beta Ag + \beta DR + \beta ED + e$$

Where,

LS – Level of annual Savings of members α Constant

LI – level of members annual income

CA – Access to credit

TP – training participation by members

SB – saving before membership

FC – Family members' contribution for livelihood

Ag - Age of the member

ED – Education status of the member

DR - Dependency ratio

Savings = f (income, credit access, training, saving before membership, family members' contribution to livelihood, age, family size, education status, and dependence ratio) is implicitly supplied in the model. These error terms, which have used to account for any confounding variables that have not considered in the model? The intercept is the calculated regression coefficients, and these have the regression coefficients.

In all of the analyses, the confidence level was set at 95 %, and the significance level was set at P0.05.

3.10. Diagnostic Tests

3.10.1. Testing the Classical Linear Regression Model (CLRM) Assumptions

To maintain the data validity and robustness of the regressed result of the research, the basic classical linear regression model (CRLM) assumptions must be tested for identifying any misspecification and correcting them so as to augment the research quality (Brooks, 2008). There are different CLRM assumptions that need to be satisfied and that are tested in this study, which are: errors equal zero mean test, normality, heteroskedasticity, autocorrelation, and multicollinearity.

3.11. Ethical Considerations

It is vital to analyze a number of ethical factors and establish what criteria may apply to doing research at any time during the project. All cited research papers by other authors have been correctly acknowledged both in the text and in the reference list in this regard.

CHAPTER FOUR

RESULTS AND DISCUSSION

4.1. Introduction

This chapter primarily focuses on the study's data presentation, analysis, and discussion of findings. These findings have been organized into two major categories: descriptive results and multiple linear regression analysis results, each with subheadings

4.1.1. Descriptive Results

Descriptive analysis has been utilized to explain and understand the demographic, socioeconomic, and institutional characteristics of the sampled members of the rural study area's SACCOs.

4.1.1.1. Socio-Demographic Characteristics

Table 4.1 shows that out of 390 respondents, 265 (67.9%) were males and 125 (32.1%) were females when it came to saving. This suggests that men saved more than women.

About 386 (98.98%) of the 390 respondents were married, while 4 (1.1%) were single. As a result, nearly all of the people who responded were married.

In terms of respondents' ages, 348 (89.2%) of the 390 respondents were between the ages of 37-47, with the remaining 390 respondents being between the ages of 15-25. 3(0.8%). Others between the ages of 26-37 accounted for around 12(3.1%) of the total, while those over 47 accounted for 27 (6.9%). As a result, respondents aged 37 to 47 saved more than the other groups.

In terms of educational standing, 307 (78.8%) of the 390 respondents were illiterate, while 17 (4.3%) of the respondents had attended primary school. 13 (3.3%) of those polled said they went to secondary school. Diploma holders accounted for 17 (4.3%) of the respondents, while degree holders accounted for 36 (9.3%). As a result, it's possible that the biggest savers were illiterates, while the lowest savers were illiterates only secondary school students (grades 9-12) are eligible. More information was received from rural SACCO members, according to this study.

Table 4.1: Socio Demographic Characteristics of Respondents

Variables		Frequency	Percent
Male		265	67.9
Female		125	32.1
Married		386	98.9
Single(unmarried)		4	1.1
Age	15-25 years	3	0.8
	26-36 years	12	3.1
	37-47 years	348	89.2
	Above 47 years	27	6.9
Total		390	100
Educational status	Illiterate	307	78.8
	Primary school(1-8)	17	4.3
	Secondary school(9-12)	13	3.3
	Diploma	17	4.3
	First degree	36	9.3
	Total	390	100

Source: survey data (2021)

4.1.1.2 Major Economic Activities

In table 4.2, the majority of respondents said their economy was based on agriculture (revenue from crop production and income from animals), whereas the remaining 82 respondents said their economy was based on employment (involved in public service).As a result of this research, it was discovered that the majority of SACCO members were farmers, and their economy was dependent on agriculture.

Table 4.2.current economic activity of respondents

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Agriculture	308	78.9	78.9	78.9
	Employed	82	21.1	21.1	21.1
	Total	390	100	100	100

Source: survey data (2021)

4.1.1.3. Members Saving Practices before Joining SACCOs

As shown in Table 4.3, the bulk of SACCO members 353 (90.5%) did not save in any sort of financial institution prior to joining the SACCO. Around 37 (9.5%) of the respondents said they started saving after joining the SACCO. About 22 (5.6%) of the respondents put their money in a microfinance institution, whereas 16 (4.1%) put their money in an Ethiopian commercial bank.

Table 4.3: saving and place of saving before joining the SACCOs

Valid		Frequency	Percent
Respondents did not saving before SACCOs membership		353	90.5
Respondents saving before SACCOs membership		37	9.5
What financial institution (place where they were saving)	Banks(commercial bank)	16	4.1
	Oromia credit and saving share company	22	5.6
	Total		100

Source: survey data (2021)

4.1.1.4. Reasons for Saving

Keynes defined eight different types of saving motives. Individuals save aside money for one or more of the following reasons. Members of SACCOs saved for a variety of reasons, as shown in table 4.4.

According to the findings, the majority of SACCO members (approximately 201 (51.5%) respondents saved for the future. According to the data in table 4.4, approximately 28 (7.1%) of respondents saved for an emergency, 136 (35%) saved for wealth building, 18(4.6%) saved for social and religious commitments, and 7 (1.8%) saved for smoothing consumptions.

Table 4.4: Reasons of saving in SACCOs

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Saved for an emergency	28	7.1	7.1	7.1
	Smoothens Consumptions	7	1.8	1.8	1.8
	Accumulation of wealth	136	35	35	35
	Save for future	201	51.5	51.5	51.5
	social and religions obligations	18	4.6	4.6	4.6
	Total	390	100	100	100

Source: survey data (2021)

4.1.1.5. Family Member Contribution for Households' Livelihood

In one way or another, the majority of the respondents receive financial assistance from their family members. Their family members contributed through agricultural pursuits in the rural area.

Table 4.5: Family member contribution for livelihood

Do the family members contribute to the livelihood?		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Yes	139	35.6	35.6	35.6
	No	248	63.6	63.6	63.6
	Total	387	99.2	99.2	99.2
	Missing system	3	8	8	8
	Total	390	100	100	100

Source: survey data (2021)

In table 4.5, over 139 (35.6 %) of respondents said they had family members who helped them financially, whereas 248 (63.6 %) of total respondents said their family members did not help them financially.

4.1.1.6. How often do Members Save?

The most essential aspects in increasing individual savings were flexibility and accessibility. When people believe they may save and withdraw their money at any time, as well as acquire credit (loan), they are more likely to save. When the specified members were present, all SACCOs had the same saving interval. All of the people who responded said they save money on a monthly basis. Members of rural communities are required to visit the SACCO office in person on a certain date within a month, as they receive their paycheck at the end of the month. On the one hand, establishing a set deadline for saving had the benefit of instilling a stringent saving culture in members by instilling a sense of obligation, but on the other hand, it created inflexibility in the supply of saving services to members.

4.1.1.7. Financial Literacy Trainings Provided by SACCOs

The researcher discovered that out of 390 respondents, around 186 (47.7%) have received training on any finance topic, whereas 204 (52.3%) have not got training on any financial literacy topic.

Table 4.6: Respondents Financial Literacy Training participation and need

Variables	Frequency	Percent
Received training	186	47.7
Not received training	204	52.3
Total	390	100
Organizer/providers of training/		
SACCOs	68	17.4
NGOs	40	10.2
Cooperative office	131	33.4
House Hold Asset Building Program me(HABP)	151	39
Total	390	100
Anyone who need training and not need training		
Need training	388	99.5
Not need training	2	0.5
Total	390	100

Source: survey data (2021)

As shown in table 4.6, the organizers (providers) of trainings for members are also summarized. In terms of training providers, the Household Asset Building Program organized about 151 (39%), while cooperative development offices organized about 131(33.4%), SACCOs themselves organized about 68 (17.4%), and NGOs organized about 40 (10.2%).The above table also showed that, 389(99.5%) of respondents said they were need trainings, including those who have received training before and who have not. Only 2 (0.5%) of respondents replied that they didn't need trainings. Therefore, training were very important factors that encouraging saving cultures of the respondents.

Table 4.7: Training Topics to SACCO Members

Required topics for training		Responses	
		N	Percent
Training topics	SACCOs organization	93	24
	Book keeping	78	19.9
	Credit management	1	0.3
	Business plan preparation	95	24.3
	Saving concept	123	31.5
	All concept	83	21.2
Total		473	100

Source: survey data (2021)

According to table 4.7, out of 473 respondents who needed training, 123 (31.5%) wanted the topic of the training to be giving on saving meaning and benefits, 95 (24.3%) wanted training on business plan preparations, about 1 (0.3%) needed training on credit management, and about 93 (24%) needed training on SACCO management, 78(19.9%) of respondents needs training on bookkeeping. The remaining 83 (21.2%) responders need instruction on a variety of topics.

4.1.1.8. Mechanisms to Increase Members Savings

According to table 4.8, 230 (59%) of respondents intended to grow their savings by engaging in income-generating activities, 36 (9.2%) of respondents wanted to reduce their spending, and 118 (30.3%) of respondents wanted to work longer hours to boost their savings. This data revealed that members' participation in money-generating activities boosted their income, implying that their savings rose as well.

Table 4.8: Mechanisms to increase savings

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Cutting expenditure	36	9.2	9.2	9.2
	working extra time	118	30.3	30.3	30.3
	income generating activities	230	59	59	59
	Missing system	6	1.5	1.5	1.5
	Total	390	100	100	100

Source: survey data (2021)

4.1.1.9. Members income and saving

Members had a minimum yearly income of Birr 2,160 and a maximum income of Birr 92,100. The average annual saving ranged from birr 63 to birr 3, 112.00 in the survey, with a mean of 281.82. SACCO members saved an average of Birr 3,780.00 per year, according to Table 4.9, while their yearly income was Birr 48,210. It was discovered that, on average, each Sacco member saved a very small amount in comparison to their annual salary. As a result, government agencies and other organizations focused their efforts and mobilized the community to emphasize the need of conservation.

Table 4.9: Members’ income and saving

Saving/income	N	Minimum	Maximum
monthly saving	390	30	300
Annual saving	390	360	3,600.00
Monthly income	390	180	7,675.00
Annual income	390	2,160.00	92,100.00

Source: survey data (2021)

4.1.1.10. Saving and Credit Services

The primary goal of creating SACCOs in rural areas was to make basic financial services (savings and credit) available to the underserved. In this manner, SACCOs were required to provide their members with the best possible saving and credit services, as their name implied. The goal of the study was to learn about members' saving habits in relation to credit availability. The quantity of credit received by the members from the SACCOs was used to determine credit access in this case. As shown in table 4.10, about 275 (70.5%) of SACCO members have gotten credit, whereas about 115 (29.5%) of respondents have not gotten credit. This revealed that the vast majority of members have used credit.

Table 4.10: Did you receive credit?

Have you received Credit?	Frequency	Percent	Valid Percent
Yes	275	70.5	70.5
No	115	29.5	29.5
Total	390	100	100

Source: survey data (2021)

4.2. Regression model tests

For valid hypothesis testing and to make data available for reliable results, the test of assumption of regression model is required. Accordingly, the study has gone through the most critical regression diagnostic tests consisting of errors equal zero mean test, heteroskedasticity, normality, autocorrelation, multicollinearity and model specification accordingly.

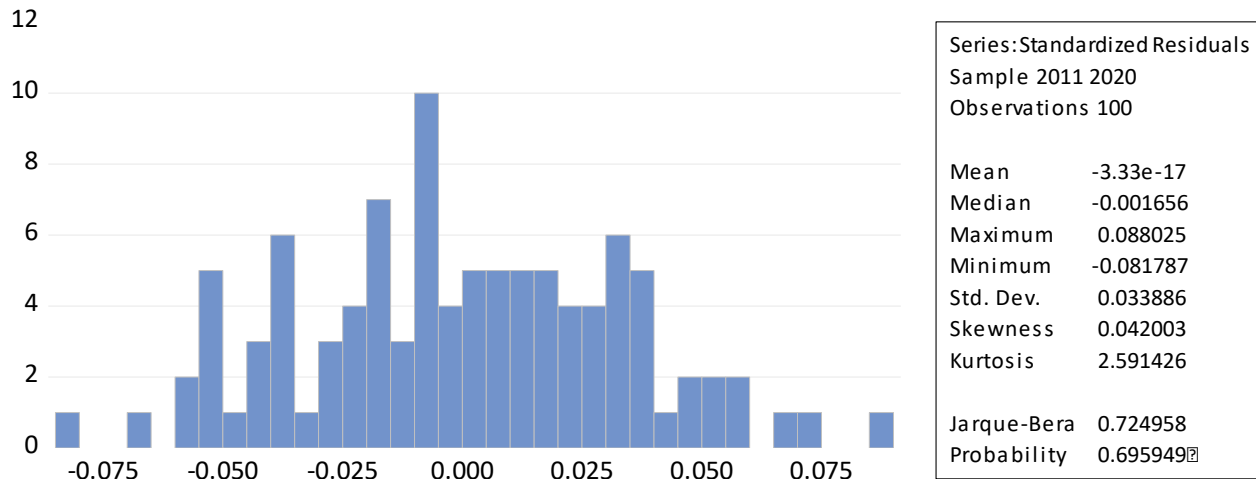
4.2.1. Testing the Classical Linear Regression Model (CLRM) Assumptions

To maintain the data validity and robustness of the regressed result of the research, the basic classical linear regression model (CRLM) assumptions must be tested for identifying any misspecification and correcting them so as to augment the research quality (Brooks, 2008). There are different CLRM assumptions that need to be satisfied and that are tested in this study, which are: errors equal zero mean test, normality, heteroskedasticity, autocorrelation, and multicollinearity.

4.2.2. Test of normality ($ut \sim N(0, \sigma^2)$)

This study also relies on the Jarque-Bera test where a null hypothesis of normality is tested against the alternative hypothesis of non-normal distribution. A normal distribution is not skewed and is defined to have a kurtosis coefficient of 3. Bera-Jarque formalizes this by testing the residuals for normality and testing whether the coefficient of Skewness and kurtosis are zero and three respectively. Skewness refers to how symmetric the residuals are around zero. Perfectly symmetric residuals will have a skewness of zero. Skewness measures the extent to which a distribution is not symmetric about its mean value. Kurtosis refers to the ‘peakedness’ of the distribution. For a normal distribution the kurtosis value is 3. Kurtosis measures how fat the tails of the distribution are, the Jarque–Bera test for normality is based on two measures, skewness and kurtosis. For normal distribution the JB statistic is expected to be statistically indifferent from zero. The Bera-Jarque probability statistics/P-value is also expected not to be significant even at 10% significant level (Brooks, 2008). According to (Gujarati, 2004), the BJ is a large sample test and our sample of 90 was equal to the frame was large; the study considered the BJ test also. If the residuals are normally distributed, the histogram should be bell-shaped and BJ statistic would not be significant. The p-value of the normality test should be bigger than 0.05 to not reject the null of normality at 5% level.

Figure 4.1: Normality test for residuals



Source: Own estimation of research data through E-views (2021)

As shown in the histogram in the above skewness and kurtosis approaches to zero (i.e. -0.0803) and Three (i.e. 2.5914) and the Jarque-Bera statistics (i.e. 0.7249) was not significant even at 5% level of significance as per the P-values shown in the histogram in the appendix was 0.95949. Hence, the null hypothesis that the error term is normally distributed should not be rejected. Therefore it is possible to say that error terms follow normal distribution.

4.2.3. Test for heteroskedasticity assumption ($\text{var}(ut) = \sigma^2 < \infty$)

It has been assumed thus far that the variance of the errors is constant, σ^2 -- this is known as the assumption of homoscedasticity. If the errors do not have a constant variance, they are said to be heteroskedasticity. To check this assumption White test was conducted for the models.

Table 4.11: Heteroskedasticity Test for LOS

Heteroskedasticity Test: White

Table 4.11: Did you receive credit?

F-statistic	1.973597	Prob. F(33,126)	0.2048*
Obs*R-squared	54.52134 Prob.	Chi-Square(33)	0.2704*
Scaled explained SS	41.90158 Prob.	Chi-Square(33)	0.6343*

Source; Computed from Eviews result

Note: * indicates that it is not rejected

The above table 4.11 indicated that, both χ^2 and F-test versions fail to reject the null hypothesis even at 10% significant level, this indicates that the variance of the errors is constant (i.e there is no the problem of homoscedasticity in the model).

Table 4.12: Heteroskedasticity Test for MEMB

Heteroskedasticity Test: White

F-statistic	6.719689	Prob. F(42,117)	0.2231*
Obs*R-squared	113.1094	Prob. Chi-Square(42)	0.3312*
Scaled explained SS	58.00122	Prob. Chi-Square(42)	0.6511*

Source; Computed from Eviews result

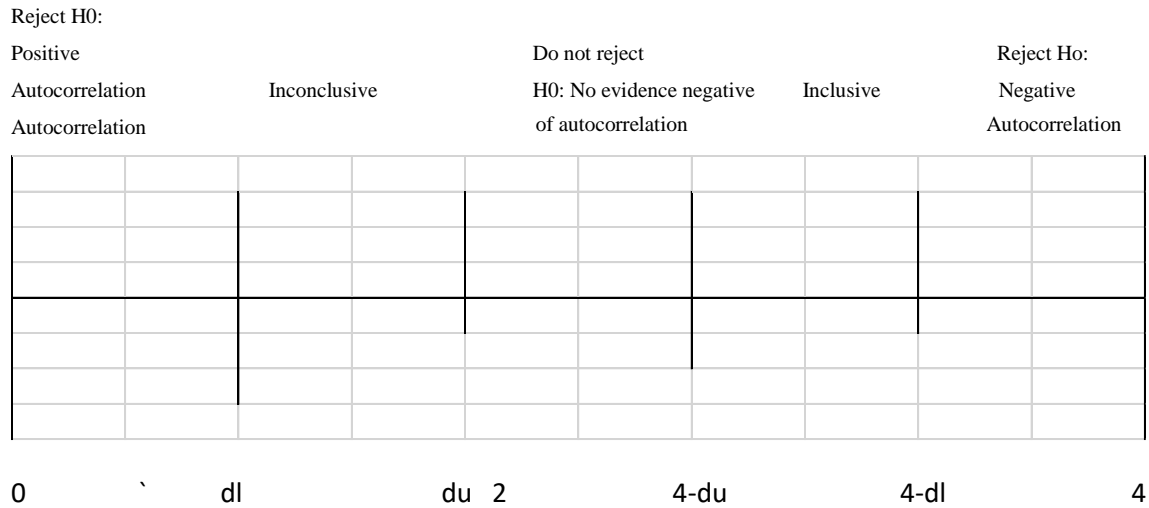
Note: * indicates that it is not rejected

The above table 4.12 also indicated that, both χ^2 and F-test versions fail to reject the null hypothesis even at 10% significant level, this indicates that the variance of the errors is constant (i.e. there is no problem of homoscedasticity in the model).

4.2.4. Test for Autocorrelation

Assumption 3 that is made of the CLRM's disturbance terms is that the covariance between the error terms over time (or cross-sectional, for that type of data) is zero. In other words, it is assumed that the errors are uncorrelated with one another. If the errors are not uncorrelated with one another, it would be stated that they are 'autocorrelated' or that they are 'serially correlated'. Durbin--Watson (DW) is a test for first order autocorrelation i.e. it tests only for a relationship between an error and its immediately previous value. DW has two critical values: an upper critical value (dU) and a lower critical value (dL), and there is also an intermediate region where the null hypothesis of no autocorrelation can neither be rejected nor not rejected! The rejection, non-rejection, and inconclusive regions are shown on the number line in figure. So, to reiterate, the null hypothesis is rejected and the existence of positive autocorrelation presumed if DW is less than the lower critical value; the null hypothesis is rejected and the existence of negative autocorrelation presumed if DW is greater than 4 minus the lower critical value; the null hypothesis is not rejected and no significant residual autocorrelation is presumed if DW is between the upper and 4 minus the upper limits. As per this test the values of Durbin--Watson for both models, the null hypothesis is not auto correlated since DW from the regression is 1.80 and 1.78 which is between the upper and 4 minus the upper limits by using DW table.

Figure 4.2: DW autocorrelation test limit



Source; Computed from Eviews result

4.2.5. Test for multicollinearity

Multicollinearity is a test that evaluates whether the independent variables are highly correlated. Its condition exists where there is high, but not perfect, correlation between two or more explanatory variables leading to unreliable and unstable estimates of regression coefficients hence causing strange results when attempting to study how well individual independent variables constitute to an understanding of the dependent variable (Cameron and Trivedi 2009; Wooldridge 2006) The consequences of Multicollinearity are increased Standard error of Beta estimates, implying lower reliability and frequently perplexing and misleading results. How much correlation causes multicollinearity however, is not clearly defined. Though, there is no consistent argument on the level of correlation that causes multicollinearity, Hair et al 2006(cited in Habtamu 2012) argues that correlation coefficient below 0.9 may not cause serious multicollinearity problems. According to Hair et al (2006), the results in the table blow correlation matrix table 4.11 shows that the highest correlation of +ve0.963127 and -ve0.652267 which is between family size, and age, and dependency ratio, there is correlation coefficient that exceeds 0.95. Thus, in this study there is no problem of multicollinearity, hence all the variables were retained for use in the estimations.

Table 4.11: multicollinearity matrix of explanatory variables

	AGE	CREDIT	DEPE	EDUCATION	SAV-EXP	TRAINING	FAM-SIZE	INCOME
AGE	1.000000	0.208578	0.208578	1.000000	-0.566410	-0.304069	-0.577482	-0.610028
CREDIT	0.208578	1.000000	1.000000	0.208578	-0.029919	-0.046173	-0.014359	-0.112965
DEPE	0.208578	1.000000	1.000000	0.208578	-0.029919	-0.046173	-0.014359	-0.112966
EDUCATION	1.000000	0.208578	0.208578	1.000000	-0.566410	-0.304069	0.577482	-0.610028
SAV-EXP	-0.566410	-0.029919	-0.029919	-0.566410	1.000000	0.598937	0.929399	0.661525
TRAINING	-0.304069	-0.046173	-0.046173	-0.304069	0.598937	1.000000	0.580655	0.357321
FAM-SIZE	-0.577482	-0.014359	-0.014359	-0.577482	0.929399	0.580655	1.000000	0.687461
INCOME	-0.610028	-0.112965	-0.112965	-0.610028	0.661525	0.357321	0.687461	1.000000

Source; Computed from Eviews result

4.3. Correlation analysis

Correlation between two variables measures the degree of linear association between them. To find the association of the independent variables with dependent variables Pearson Product Moment of Correlation Coefficient was used in this study. It measures/calculates the correlation coefficient between 1 and -1. This further predicts presence or absence of multicollinearity which is considered to exist when there is perfect linear relationship between the variables under the study; +1 (i.e. perfect positive relationship) to -1 (i.e. perfect negative relationship) and a correlation coefficient of zero, indicates that there is no linear relationship between the two variables. The correlation matrix was used to determine if any pair of independent variables was highly collinear through the magnitude of the correlation coefficient of the pairs of variables established. This bias arises when one or more pairs of independent variables are perfectly correlated to each other. Most pairs were found to be highly correlated leading multicollinearity. The sample size is the factor to determine whether or not the correlation coefficient is different from zero i.e. statistically significant. As a sample approaches to 100, the correlation coefficient of about or above 0.20 is significant at 5% level of significance (Meyers et al. 2006). The sample size of the study was 10*10 matrixes of 100 observations which was around 100 hence the study used the above justification for significance of the correlation coefficient.

Table 4.12: Correlation Matrix of Dependent and Independent Variables

	SAVING	AGE	CREDIT	DEPENDENCY	EDU_STATUS	SAV_EXP	TRAINING	FAM_SIZ	INCOME
SAVING	1.000000	-0.652267	-0.029881	-0.029881	-0.652267	0.928370	0.670021	0.963127	0.709979
AGE	-0.652267	1.000000	0.208578	0.208578	1.000000	-0.566410	-0.304069	-0.577482	-0.610028
CREDIT	-0.029881	0.208578	1.000000	1.000000	0.208578	-0.029919	-0.046173	-0.014259	-0.112965
DEPE...	-0.029881	0.208578	1.000000	1.000000	0.208578	-0.029919	-0.046173	-0.014259	-0.112965
EDU_...	-0.652267	1.000000	0.208578	0.208578	1.000000	-0.566410	-0.304069	-0.577482	-0.610028
SAV_EXP	0.928370	-0.566410	-0.029919	-0.029919	-0.566410	1.000000	0.598937	0.929399	0.661525
TRAINING	0.670021	-0.304069	-0.046173	-0.046173	-0.304069	0.598937	1.000000	0.580655	0.357321
FAM_SIZ	0.963127	-0.577482	-0.014259	-0.014259	-0.577482	0.929399	0.580655	1.000000	0.687461
INCOME	0.709979	-0.610028	-0.112965	-0.112965	-0.610028	0.661525	0.357321	0.687461	1.000000

Source: Own estimation of research data through E-views (2021)

4.4. Multiple Regression Analysis Results

The goal of the study was to see if there was a link between incomes, credit availability, saving before joining SACCOs, family member contribution for livelihood, and member individual training participation and their SACCO saving level. Another goal was to look into the impact of demographic parameters such as the members' age, family size, education level, and dependency ratio on their saving habits. The researcher collected survey data from the sample members in East Shewa zone of Oromia region, Ethiopia, to accomplish these objectives and to answer the question presented along with the objectives. Another goal was to look into the impact of demographic parameters such as the members' age, family size, education level, and dependency ratio on their saving habits. The researcher collected survey data from the sample members in East Shewa zone of Oromia region, Ethiopia, to accomplish these objectives and to answer the question presented along with the objectives. Multiple regression analysis was used to enter and process the data, and the results of the multiple regression analysis was presented and explained in this part.

Operational model:

The empirical model used in this study to identify the statistically significant determinants of Ethiopian private commercial bank's lending measured by log of total loan and advance was:

$$LS = +\beta_1 (LI) + \beta_2 (AC) + \beta_3 (TP) + \beta_4 (SB) + \beta_5 (FC) + \beta_6 (Ag) + \beta_7 (DR) + \beta_8(ED)$$

The findings of multiple regression analysis were provided in Table 4.13 below. The results showed that the independent factors in the model explained a large amount of variance in the dependent variable. The multiple regression analysis includes seven independent or explanatory variables. Four of the eight variables were shown to be statistically significant (p.05) in influencing the saving behavior of SACCO members, as evaluated by the average yearly savings amount.

Table 4.13: Multiple regression analysis results on savings

Model	Unstandardized Coefficients		Standardized Coefficients	T	Sig.
	B	Std.Error	Beta		
Constant	270	0.441		-0.612	0.541
Income	0.0025	0.045	0.118	1.878	0.000
Credit	0.0497	0.067	0.332	7.369	0.034
Training	54.124	0.063	0.090	1.949	0.000
Education status	0.0243	0.456	0.456	7.084	0.000
Family size	-0.441	0.88	0.88	-0.114	0.91
Saving before joined the SACCOs	0.034	0.273	0.273	6.074	0.062
Age	0.0233	0.113	0.113	2.490	0.0521
Family member contrbn. for Livelihood	36.487	0.276	0.276	1.818	0.07

SACCOs, 2015-2019, 1950 observation.

Source; Computed from Eviews result

4.5. Discussion

The study discovered four statistically significant variables as factors influencing SACCO members' saving practices. Training, members' educational status, credit, and income had beta coefficients of 54.124, 0.0243, 0.0497, and 0.0025, respectively, in order of level of coefficients. Training was determined to be the most powerful factor influencing SACCO members' savings levels in the research area. This matched the findings of studies undertaken in both emerging and developed economies. Financial education (one means of giving financial information) was positively connected with higher savings in a research conducted among rural low-income individuals in Uganda. In other words, as research on low-income individuals' financial behaviors has shown, providing financial education to low-income individuals in developing nations can lead to favorable consequences (Chowa, et al. 2012).

With a beta coefficient of 0.0243 at a 5% significance level, education status demonstrated a good explanatory power in explaining or predicting member savings in this study. Members' savings were predicted to increase by Birr 2.43 when their education level climbed by one grade, assuming all other factors remained unchanged. This countered the findings of certain research conducted in underdeveloped nations, which found that people with a greater level of education were more likely to save in traditional banks since they were aware of their offerings. For example, a research in Uganda found that schooling had only a minimal relationship with saving among rural low-income people (Chowa et al. 2012).

SACCO credit was also found to be a significant factor in predicting members' savings levels. It exhibited a coefficient of 0.0497, meaning that an increase in one Birr credit amount would result in an increase in savings of Birr 4.97 provided all other variables were held constant at the 5% significance level. SACCO members tended to save more as they received greater credit.

This statistically significant association was also confirmed by studies conducted in other nations. According to a study conducted in Ethiopia's Eastern Hararge Zone, there is a clear positive association between rural households' access to credit and their savings (Girma, et al. 2013).

SACCOs were, by definition, closely linked to saving and credit services, as their name suggested. As a result, the majority of SACCO members joined in order to obtain credit and engage in income-generating activities in order to raise their income levels, as they were low-income cultures. There was a clear link between credit provision and member savings in this regard. Members were more likely to save if they believed they could receive credit from the SACCOs. This research also

discovered a strong link between credit availability and members' savings levels. In most studies, income was regarded as a significant factor in determining an individual's level of savings. According to a study conducted in Zimbabwe on the drivers of saving, income level was the most significant predictor in predicting individual savings in developing nations (Laurine, et al. 2013). A substantial link between income and savings of SACCO members was discovered in this study. Members' savings levels in the SACCO increased by Birr 0.0025 for every one Birr rise in their income. Although the income beta coefficient was not as strong as the other three factors, it still revealed a meaningful association. This abysmal link between member savings and income demonstrated that SACCOs were not doing a good job of maximizing their members' income by diversifying their saving products to meet their needs.

Some demographic characteristics, such as age, family size, saving before joined the SACCOs and dependency ratio, were shown to have no statistically significant link with members' saving levels in this specific study area, as shown in the results section. It was determined that there was a statistically significant association between four independent factors and the dependent variable in the research region based on the regression analysis results. As a result, the null hypothesis was rejected for training, education status, credit obtained, and income. The null hypotheses foraging, family size, dependence ratio, family contribution for members' subsistence, and saving before to joining SACCOs, on the other hand, were not rejected.

CHAPTER FIVE

CONCLUSION, SUMMARY AND RECOMMENDATION

5.1. Introduction

This chapter wraps up the research summary, draws a conclusion, and offers some recommendations based on the findings.

5.2. Conclusion

The study's findings provided preliminary data on the factors that influenced the savings habits of rural saving and credit cooperative members. Some of the study's factors had a strong significant association with the dependent variable savings, whereas others did not.

Participation in training was shown to be the most important independent variable, followed by respondents' educational status, credit received, and income level in a sample of SACCO members selected in the study area. It was discovered that rural poor people could save if they were given training or financial education, and appropriate financial instruments such as credit were made available to them according to their needs, and that their income level and educational status had an impact on their saving level.

In the study area, there were a number of NGOs working with SACCOs and other financial institutions, and these NGOs provided training on a variety of themes. However, the majority of the time, only the SACCOs' management was invited to the trainings; they were unable to invite the SACCOs' ordinary members. SACCO members were left out of trainings as a result, affecting their comprehension of saving and credit services. This study tried to answer the research objectives established at the outset of the study by exposing statistically significant connections between the dependent variable saving and the independent variables: training, education level, credit, and income of SACCO members.

5.3. Recommendations

Based on the findings of the study, the following recommendations are provided.

- ❖ To encourage SACCO members to save more, there is a need to improve training on various issues and mobilize them about saving. SACCO members were all rural people with a low literacy rate; therefore training is the greatest approach to educate them about saving and its benefits. As a result of the study's findings, there is a need to focus on giving training to members in order to effectively mobilize savings.
- ❖ Research works are important for determining a specific solution to a specific problem, examining the relationship between two or more problems, and inferring about the population based on the results of a selected sample. Members of SACCOs may find the findings of this study valuable in this regard. SACCOs as financial institutions, government entities, non-governmental organizations, and other stakeholders collaborating with SACCOs in the study region to mobilize saving over all from the results the researcher also saw that the major determinants of saving practices of members of SACCOs were financial literacy training.
- ❖ As a result, SACCOs should focus on attracting members to boost their savings by raising knowledge about the benefits of joining SACCOs through various social media platforms, conducting training programs, and distributing brochures to clients, among other things. SACCOs should attract members to save by setting compatible interest rates that incentivize members to save over compelled savings at banks in order to be sustainable financial institutions. If members' savings were substantial, SACCOs should encourage them to take out loans, which would better their lives and raise their investment culture, as well as raise dividend payments to members. This could be accomplished by including entrepreneurial skills training as part of their service package.

Finally, the Federal cooperatives agency should continue to monitor SACCOs because they assisted many people in saving and credit services and they were one of the financial service providers who made a significant contribution to the country's financial services expansion.

The researcher would recommend the following points based on the findings of the analysis conducted utilizing survey data acquired from sample members of SACCOs:

1. SACCO members should be well provided with trainings, particularly financial ones, because training is an important element that has a substantial association with saving.

2. SACCO credit provision capabilities, both in terms of amount and conditions of credit, should be strengthened. SACCOs and other financial institutions, such as microfinance institutions and savings and credit cooperative unions, can be linked. Credit availability can be made efficient and productive for both parties. SACCOs can distribute credit with low administrative costs because they are close to their members, which is beneficial to both SACCO members and micro finance institutions. Further outside money injections from various sources, such as NGOs, will result in an increase in loanable funds.

3. SACCOs should focus on members' income by providing credit to enable members to engage in revenue-generating activities, allowing them to diversify their sources of income and enhance their income level. SACCOs shall provide training and credit services for various income-generating activities appropriate for rural people in collaboration with other involved governmental parties and NGOs

4. As the regression results suggest, education status should be enhancing individual members' saving performance by engaging in various forms of income-generating activities.

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APPENDIXES

Questionnaires

St. Mary's University

School of Graduate Studies

M.B.A. in Accounting and Finance

Dear respondent,

I am as partial fulfillment for the degree of Master of MBA in Accounting and finance.

Therefore, wish to request you kindly to spare some time and answer the questions below as honestly as possible by ticking or filling in the spaces provided. The information given will be purely for educational fulfillment and will be treated confidentially. Ultimately, the findings of the study will enhance the development of SACCOs and will be useful for all stakeholders on directing effective savings mobilization from members particularly in rural areas.

Thank you for your cooperation.

Zekariyas Tomas

Tick /circle or write answers in full where applicable.

A) Background

1. Location: Woreda _____ Kebele _____ Name of SACCO _____
2. Agro-Ecology: Highland Low land Midland
3. Major crops in the area: Teff Maize Chick Pea pulse
Barely ground nut wheat others
4. Code of Respondent _____
5. Sex of respondent: Male Female
6. Marital status: Single Married Divorced unmarried
7. Age: 15-25 26-36 37- 46 Above 47
8. Name of enumerator _____

B) Demographic factors

1. Education (Grade completed) : primary school(1-8) secondary school(9-12)
Certificate Diploma 1st Degree 2nd Degree 3rd Degree
2. How many family members do you have? _____

Total no. of family numbers	Sex			Age Group		
	Male	Female	Total	1-15(1)	16-64(2)	Above 64

3. Do they contribute to your livelihood? Yes No

C) Social and Economic Status

1. When did you join the SACCOs?
.....
2. Did you saved before you joined the SACCOs? –Yes No
3. If yes, where were you saving?
 - A. With friends, relatives
 - B. Secret place at home

- C. Save with banks
 - A. MFIs
 - B. Save with informal groups like VSLAs, Iqqub and Iddir
 - C. Others (please specify) _____
- 4. If your answer for question number 2 is yes, when did you start to save?
 - A. before 1-5 years ago
 - B. before 6-10 years ago
 - C. before 11- 15 years ago
 - D. above 15 years ago
- 5. If no, why? _____
- 6. In which forms did you save before you joining the SACCOs?
 - A. Domestic animals
 - B. Crops
 - C. Cash
 - D. gold
 - E. Other(please specify) _____
- 7. What is your current major economic activity?
 - A. Agriculture B. Daily laborer C. Trade D. Employed E. weave ring
 - F. Others (please Specify)_____
- 8. How much do you earn per year?

8.1 Income from crop production and sales

Year	Crop Type	Amount of Product(Qty)	Amount of sold(quintal)	Price	Total Amount Of sale
2007					
2008					
2009					

2010					
2011					

8.2 Income from Livestock production and sales

Year	Crop Type	Amount of Product(Qty)	Amount of sold(quintal)	Price	Total Amount Of sale
2007					
2008					
2009					
2010					
2011					

8.3 Income from employment

Year	Monthly salary	Annual salary
2007		
2008		

2009		
2010		
2011		

8.4 Income from other sources

Year	Type of activities	Annual amount of income
2007		
2008		
2009		
2010		
2011		

9. What kind of savings products does your SACCOs offer? /multiple responses possible/

- a) Regular/compulsory
- b) Voluntary
- c) Time deposits
- d) Child savings
- e) In kind saving
- f) Others (please specify) _____

10. How much do you save with SACCOs per year in all types of saving products?

Year	Type of saving	Annual amount in birr
2007		
2008		
2009		
2010		
2011		

11. Why do you save in SACCOs? /multiple responses possible/

- A. Emergency-burial, medical etc...
- B. Smoothens consumption
- C. Accumulation of wealth
- D. Save for future engagement in IGAs
- E. Meet social and religious obligations
- F. Education
- G. Expand business
- H. Leave something for my children

I. Debt repayment

J. Others (please specify) _____

12. How often do you save in SACCOs?

A. Daily B. Weekly C. Monthly D. Quarterly E. Yearly

F. Other (please specify) _____

13. What do you do to increase your savings?

A. Cutting expenditures

B. Working extra time

C. Engaging in income generating activities

D. Others(please specify) _____

14. Have you ever received credit from SACCOs? Yes No

15. How many times and how much credit did you get from SACCOs in these five years?

Year	Frequency	Annual in birr
2007		
2008		
2009		
2010		
2011		

16. Have you ever received any training on saving?

Yes No

17. If yes, who organized the training? /multiple responses possible/

A. SACCOs

B. NGO

C. Cooperative office/department/bureau

D. MFIs

E. Any other (please specify) _____

18. Did the training course make improvement on your saving practice? Yes No

19. Would you require more training from your SACCOs or any other institutions?

Yes No

20. If yes, in what fields _____

- A. SACCOs organization and management
- B. Business Plan preparation
- C. Savings meaning and its importance.
- D. Credit management
- E. Bookkeeping
- F. Entrepreneurship
- G. All the above
- H. Others (specially) _____

Thank you for your cooperation