RESEARCH ARTICLE

DETERMINANTS OF SAVING BEHAVIOR OF THE SALARIED EMPLOYEES IN ETHIOPIA: A CASE STUDY OF WOLAITA SODO TOWN.

Mr. Million Assefa[1] and Dr. Durga Rao P. V[2].

1. Lecturer in the Department of Accounting and Finance, College of Business and Economics, Wolaita Sodo University, Wolaita Sodo, Ethiopia.
2. Associate Professor in the Department of Accounting and Finance, College of Business and Economics, Wolaita Sodo University, Wolaita Sodo, Ethiopia.

……………………………………………………………………………………………………....

Manuscript Info	*Abstract*
……………………..	………………………………………………………………

Saving is considered as an important variable in the theory of economic growth determining both national and individual wellbeing. However, saving level in Ethiopia is very low and little is known empirically about its determinants. This study was conducted with the objectives of assessing the saving habits and identifying the demographic variables that significantly influence saving decision of salaried employees in Wolaita Sodo town, Ethiopia. In order to meet these objectives, primary data were obtained by distributing self-administered questionnaires to a sample of 209 respondents. The data were distributed to the respondents using covenant sampling technique. Logistic regression model was used to analyze the effect of explanatory variables, like gender, age, educational level, field study, marital status, working experiences and income level on the dependent variable which is saving decision. A total of seven explanatory variables were included in the regression. The results obtained from the analyses conclude that only field study and income level of the salaried employees have a significant impact on saving decision of the salaried employees. Moreover, the results of the study conclude that gender, age, field study, experience and income level have a strong relationship with saving rate of the respondents, but educational level and marital status do not have a strong relationship with saving rate of the respondents. Finally, it is recommended that the responsible bodies to create wide range of awareness in urban and rural areas through financial education and training relating to saving and finance.

……....

Introduction:-
Background of the Study:-
Saving is considered as an important variable in the theory of economic growth determining both national and individual wellbeing. A nation's productive capacity depends on a healthy capital formation. Saving constitutes the basis for capital formation, investment, macro-economic stability and growth of a country (Nga, 2007; Nwachukwu & Odigie, 2009). Saving is about income that is not consumed by immediately buying goods and services (Prinsloo,

Corresponding Author:- Million Assefa.
Address:- Lecturer in the Department of Accounting and Finance, College of Business and Economics, Wolaita Sodo University, Wolaita Sodo, Ethiopia.

2000; Mayama, 2007). A nation's savings and investment propensities play a key role in achieving dynamic stability in the capital market. Strong saving performance is crucial for macroeconomic balance and for the maintenance of inflation and price stability. Sekgobela (2004) and Prinsloo (2000) states that, the low level of savings retains the country's rate of investment and economic growth that make the country more vulnerable to international capital shifts. The issue of low levels of domestic savings is a major problem in developing countries because of high levels of unemployment, low wages, engagement of a large proportion of the population in the informal sector and poor performance of the economy (Reddy, Naidu & Vosikdata, n.d.).

Therefore, saving is important variable that influence economic growth of any country as it enables to convert resources into capital. Hence, this study identifies the saving habits and demographic factors that determine the saving decision and saving rate of the salaried employees in Wolaita Sodo town, Ethiopia.

Statement of the Problem:-
The role of savings in the development process is well documented in the literature of economic growth. Most of the developing countries have low saving rate, so that improving saving habits is a primary goal for people living in this part of the world (Michael, Mark, Margaret, Lissa, Jami, Michal, Min, & Sondra, 2001). Africa has been identified as having low saving rate, which slows down capital accumulation. Low level of domestic saving rate influences the ability of financial institutions including banks to lend to small and medium enterprises due to the limited availability of capital. It is said to be one of the reasons for slow and stagnant economic growth in the developing countries (Agrawal, Sahoo & Dash, 2010; Bordoloi & John, 2011). Hence a serious problem confronting poor countries is the savings and investment gap. Because of this gap, these countries find it difficult to finance investments from domestic savings needed for growth. Sub-Saharan countries are facing low saving rate problem, so Ethiopia is not unique to the region.

Aron, Nigus, & Getnet (2013) assessed the saving culture among households in Ethiopia. The results of their study indicated that saving culture of the society is poor despite the performance improvement of saving rate. Lack of appropriate saving products, lack of incentive to save, low income level, high level of debt, low interest rate, high inflation and other factors were identified by the households as cause for poor saving in the study area that was included Addis Ababa, Mekelle and Hawassa. National Bank of Ethiopia (NBE, 2011), survey results also concluded that Ethiopian's saving rate is characterized by poor saving cultures which result in very low domestic savings available for investment. Ethiopia has implemented a first Growth and Transformation Plan (GTP-I) which covered five years starting from 2010/11 to 2014/15 and it was planned to increase savings rate from 9.5% in 2009/10 to 15% in 2014/15 of the GDP. Fortunitly, at the end of the GTP-I, 2014/15, the share of gross domestic saving in GDP increased to 21.8 percent in 2014/15. However, the gap between domestic saving and investment has been widening in the country during GTP-I implementation period. Currently, the country has been also implementing another five years strategic plan which is called GTP-II (2015/16 - 2019/20). The objective of GTP-II is to serve as a spring board towards realizing the national vision of becoming a low middle-income country by 2025, through sustaining the rapid, broad based and inclusive economic growth, which accelerates economic transformation and the journey towards the country's renascence. Hence, to promote saving habit among citizens so as to mobilize adequate savings, it has planned to increase saving rate from 21.8% in 2014/15 to 29.6% in 2019/20 of the GDP. According to World Bank, the gross domestic saving (% of GDP) in Ethiopia was reported at 20.06% in 2016. Therefore, to achieve the government growth strategy, there is a need for research to investigate the root cause of the problem and know how Ethiopia can promote a culture of saving to ensure success in its economic growth.

On the other hand, while studies conducted in Ethiopia on the savings and investment impact among rural and urban people by different researchers and organization such as Central Statistical Agency (CSA), little effort has been made to study the effect of micro level factors on saving habits of salaried employees. In addition, most of the studies on saving habit of the people are depend on secondary data which sometimes does not prove to be adequate and serve the needs of specific area, like Wolaita Sodo town. Moreover, little is known empirically about determines of saving habits. Therefore, an in depth knowledge of the salaried employees about their demographic variables such as geneder, age, educational level, field study, income level and marital status, organization become mandatory to predict the economic growth of a particular geographical area. As a result, the current study was undertaken to identify the saving habit and its demographic determinants of the salaried employees in Ethiopia. With this perspective the salaried employees in Wolaita Sodo town of the regional state of Southern Nation, Nationalities and People (SNNP), Ethiopia, was taken as study area to conduct the research.

Objectives of the Study:-
General Objective:
The general objective of the study is to analysis the determinants of saving behavior of salaried employees working in formal organizations (private, NGOs and public sector) in Wolaita Sodo town, SNNP regional state, Ethiopia.

Specific objectives:
To explore and support the above general objective, the study has pursued the following specific objectives:
1. To assess the saving habits of the salaried employees in Wolaita Sodo town.
2. To identify the impact of socio-economic factors like gender, age, educational level, field study and marital status, experience and income level on saving decision.
3. To identify the impact of socio-economic factors like gender, age, educational level, field study and marital status, experience and income level on saving rate.
4. To suggest some measures to improve the savings of salaried employees.

Significance of the Study:
Assessing saving habits is very important for implementation of saving programms that benefit and improve the life of the salaried employees. It is hoped that results of this study would improve policy makers', planners' and researchers' understanding of the determinants of saving habits of employees in the study area and may serve as an important tool for any possible information towards improving saving habits. Therefore, in general, this research is essential as it contributes to the efforts of the country in improving saving habits of employees.

Operational Definitions:
Savings: The share of disposable income not spent on consumption of consumer goods but accumulated.

Salaried Employee: The respondents of this study were people who earn their money as salary, popularly referred as salaried employees. Salary is a remuneration payable by an employer to his employee in consideration of his services rendered. It is a form of periodic payment from an employer to an employee, which may be specified in an employment contract executed between employer and employee. The person who receives salary or entitled to receive salary in different names is called salaried person.

Formal Organization: For the purpose of the study formal organizations are operationally defined as government organizations, large private business and Non-Governmental Organizations (NGOs). NGOs are organizations which are operated not-for-profit.

Literature Review:-
Theoretical Review:
The problem of savings behaviour can be studied both at the micro and macro level and it has short run and long run impact on the economy and well-being of the households. To explain the determinants of saving habits the following three theories are established. These are: the Life Cycle Hypothesis by Ando and Modigliani (1963), the Relative Income Hypothesis by Duesenberry (1949), and the Permanent Income Hypothesis by Friedman (1957).

The Life-Cycle Hypothesis (LCH): The LCH is an economic theory that developed by Franco Modigliani and his student Richard Brumberg. The theory is pertains to the spending and saving habits of people over the course of a lifetime. LCH presumes that individuals base consumption on a constant percentage of their anticipated life income. An example supporting the hypothesis is that when people earn a regular income they save for retirement rather than spending it all. This theory leads to important and non-obvious predictions about the economy as a whole, that national saving depends on the rate of growth of national income, not its level. The level of wealth in the economy allows a simple relation to the length of the retirement span. The life-cycle hypothesis remains an essential part of economists' thinking. With population growth, there are more young people than old, saver people increase than non-savers, so that the total non-saver of the old will be less than the total saver of the young, and there will be net positive saving. If incomes are growing, the young will be saving on a larger scale than the old so that economic growth causes positive saving, and the faster the growth, the higher the saving rate. So, saving is much influenced by the rate of growth of total income. It is not much influenced by population growth or growth in per capita incomes. Currently the topic of debate shifted to the relationship between saving and the age-structure of the population. Cross-country regressions result regularly show that aggregate saving rates are lower if elder and children population is high. Predictions that are in accord with the life-cycle theory if saving takes place in middle-age when

earnings are high, after the child-rearing ages, but prior to retirement. The life-cycle hypothesis provides a direct theoretical relationship between aging and saving behaviour (Modigliani & Brumberg 1954). The life-cycle hypothesis is age-related consumer heterogeneity and the prediction that saving follows a hump-shaped pattern (that is, high at middle age and low at young and old ages). The saving profile across age groups for different countries shows the obvious increase in savings for middle-age groups compared to younger age people. The life-cycle pattern is not nearly so clear when it comes to the middle-age and older age. Even now, almost all countries people age of sixty or older do save at a lower interest rate than those in the immediately younger age groups. Research has shown that this hypothesis is not problem-free when it comes to interpreting actual saving habits. Life-cycle saving is not sufficient to account for the high level of aggregate wealth in industrial economies (Kotlikoff & Summers, 1981). Elderly people save or at least do not save as much as predicted by the life-cycle hypothesis (Deaton & Paxson, 1994 & Poterba, 1995), and consumers appear to value bequests (Menchik and David, 1983).

$$C = \left(\frac{1}{T}\right)W + \left(\frac{R}{T}\right)Y$$

Relative Income Hypothesis (RIH): RIH is economic theory that attributed to James Duesenberry, who investigated the implications of this idea for consumption behavior in his book (1949) titled Income, Saving and the Theory of Consumer Behavior. The theory states that the satisfaction (or utility) an individual derives from a given consumption level depends on its relative magnitude in the society (e.g., relative to the average consumption) rather than its absolute level. It is based on a postulate that has long been acknowledged by psychologists and sociologists, namely that individuals care about status.

At the time when Duesenberry wrote his book the dominant theory of consumption was the one developed by the English economist John Maynard Keynes, which was based on the hypothesis that individuals consume a decreasing, and save an increasing, percentage of their income as their income increases. This was indeed the pattern observed in cross-sectional consumption data, at a given point in time the rich in the population saved a higher fraction of their income than the poor did. However, Keynesian theory was contradicted by another empirical regularity: Aggregate saving rate did not grow over time as aggregate income grew.

Keynes (1936) developed the absolute income hypothesis. The theory explains positive relationship between absolute income and saving. Such proposition is supported by much empirical evidence. This finding is consistent with the view that saving rise after income exceeds subsistence consumption. This finding challenges the recent revolution of microfinance institutions to mobilize micro-saving from the poor. The implication of this finding is for Financial Institutions to target the middle and high income groups for saving mobilization and reduce the pressure to mobilize micro saving from the poor.

Duessenberry argued that relative income hypothesis could account for both the cross-sectional and time series evidence. Duessenberry claimed that an individual's utility index depended on the ratio of his or her consumption to a weighted average of the consumption of the others. From this he drew two conclusions: (1) aggregate saving rate is independent of aggregate income, which is consistent with the time series evidence; and (2) the propensity to save of an individual is an increasing function of his or her percentile position in the income distribution, which is consistent with the cross sectional evidence. Relative income hypothesis has also found some corroboration from indirect macroeconomic evidence. One of these is the observation that higher growth rates lead to higher saving rates, which is inconsistent with the lifecycle/permanent-income theory since the lifetime resources of an individual increases as growth rate increases. The RIH is formulated as:

$$\frac{C_t}{Y_t} = a - b\left(\frac{Y_t}{Y_0}\right)$$

The Permanent Income Hypothesis (PIH): The PIH was formulated by the Nobel Prize winning economist Milton Friedman in 1957. The hypothesis implies that changes in consumption behaviour are not predictable, because they are based on individual expectations. This has broad implications concerning economic policy. Under this theory, even if economic policies are successful in increasing income in the economy, the policies may not kick off a multiplier effect from increased consumer spending. Rather, the theory predicts there will not be an uptick in consumer spending until workers reform expectations about their future incomes. A theory of consumer spending which states that people will spend money at a level consistent with their expected long term average income. The level of expected long term income then becomes thought of as the level of "permanent" income that can be safely spent. A worker will save only if his or her current income is higher than the anticipated level of permanent income,

in order to guard against future declines in income. PIH divides income into permanent income and transitory income:

$$Y = YP + YT$$

Empirical Review:-
There are recent studies that have been done on a large number of countries to identify the determinants of savings behaviour in pooled time series and cross-sectional data (forexample see Loayza, Schmidt-Hebbel & Serven, 2000; Elbadawi & Mwega, 2000; Aryeetey & Udry, 2000; Sinha, 1998; Schmidt-Hebbel, Serven, & Solomano, 1996; Collins, 1991). However, saving behaviour shows considerable variation across countries depending on their socio-economic structure. In this section the variables that can affect saving behavior are discussed.

Age and saving behaviour: Some research studies states that the higher the old aged population in the nation the lower is the saving rate in the economy (Bovenberg & Evant, 1990). Ashok, Kumar, and Jagadeshwara (1985) found that savings was low for younger and old groups and high for middle age groups. Aron et al. (2013) in their study found age as a significant and negative factor for the saving behavior of households that the higher the age of households, the lower is the saving of the households. However, a study by Rehman, Chaudry, Faridi and Bashir (2011) found insignificant relationship between lower income group age and saving levels. Odoemenem, Ezihe, & Akerele (2013) study also revealed that age composition did not have significant influence on saving.

Gender and saving behaviour: There are some empirical studies in Netherlands by kalwij (2003), Canada by Gagnon, Gagnon, and Khoury (2006), Uganda by Kiiza and Pederson (2002) and Ethiopia by Aron et al. (2013) which revealed that female individuals had better saving behaviour than males because of the life developed style by the community and they are expected to cover the principal household consumption and costs in any social interaction. Whereas empirical study in Philippines by Bersales & Mapa (2006) showed that male individuals were better saver because female had no power to control income even for their own income. According to study of Odoemenem et al. (2013), sex had significant influence on saving whereas, Rehman, et al. (2011) found that female to male ratio was insignificantly affect saving levels.

Education level and saving behaviour: Education has been included as a proxy for human development which increases the human productivity and capabilities, thereby increasing personal income as well as savings (Zhang, Zhang, & Lee, 2003). This is the indirect positive effect of education on saving through increased income. Aron et al. (2013) found a positive relationship between educational level and saving behavior of households. On the other hand, Kulikov, Paabut, and Staehr (2007) found that education as a human wealth ensures employability and stability of income and, hence, it can have negative impact on saving. Odoemenem et al. (2013) found that education level did not have significant influence on saving.

Marital status and saving behaviour: Marriage is proxy for saving performance since marriage is morally and socially responsible for collective interest, it is important factor for financial planning.There are some empirical studies done by Collins (1991) and Sinha (1998), Aron et al. (2013), which showed the family value plays an important role in the saving behaviour of individuals and economic development. The married households save more than singles due to their multiple source of income. However, a study by Rehman, Bashir and Faridi (2011) found that marital status insignificantly affect saving levels.

Income level and saving behaviour: Aron et al., (2013) study showed that income level is a significant factor for the saving behavior of households. The study revealed that when the income level of households increase the saving rate also increase by some percent. Similarly, Modngliani (1995) noted that for poor and developing countries the saving ratio tends to raise with income, while in developed countries there is no significant, systematic relationship between income and saving.

Work Experience and saving behaviour: The number of years of work experience is positively related to saving, because through their career people have dealt with numerous financial decisions, and they can assumed to have greater realization of the importance of savings. The longer life expectancy can change life cycle behavior which leads to the longer working life and possible higher saving for retirement (Sinha, 1998 and Mosk, 2010). Some empirical studies such as Sinha (1998), Muradoglu and Taskin (1996) shows that employed people have consistent saving because they have fear of work uncertainty in the future whereas other studies such as Mosk (2010) show that

the employed people have consistent saving because of their constant income. Therefore, work experience is directly affected saving behaviour in terms of income certainty.

Field study and saving behaviour: Vellumoni and Raju (2015) found a positive impact of field study (Education in Business & Economics or in Non Business & Economics) on investment culture that educational qualification enhances the knowledge of investment which in turn increases the level of risk bearing capacity in financial market.

Research Design:-
The current study adopted a descriptive field survey design and the nature of the data is qualitative in nature. Mugenda and Mugenda (1999) notes that a survey research attempts to collect data from members of a population and describes existing phenomena by asking individuals about their opinion, attitudes, behavior or values. It is often used to study the general condition of people and organizations as it investigates the behavior and opinion of people usually through questioning them (Cooper and Schindler, 2003).

Target Population:-
The target population of this study included those who were earning fixed income in the form of salary and employed in private, public and NGOs sectors. Target population of this study was 72,900 salaried employees working in Wolaita Sodo town. The information obtained from Social Security Agency of Wolaita Sodo town. In wolaita Sodo town around 23,400 employees and 49,500 employees registered in Social Security Agency.

Sample Size and Sampling Technique:-
In view of the fact that the target population of the study was large, a representative sample of the population was used. Yamane (1967, pp. 886) provides a simplified formula to calculate sample sizes. This formula assumed a 95% confidence level and margin of error (e) 0.05. The sample size of the study was determined using the formula:

$$n = \frac{N}{1 + N(e)^2}$$

Where n is the sample size, N is the population size, and e is the level of precision.

$$n = \frac{72,900}{1 + 72,900(0.05)^2} = 398$$

Therefore, the sample size of the study was 398 respondents. To collect these 398 respondents, the researchers used convenient sampling techniques and distributed questionnaires to the respondents.

Type, Sources and Instrument of Data:-
The study was applied qualitative type of data and primary source of data was used as methods of data collection. The primary data were derived using mail questionnaires that administered personally by the respondents. The questionnaires were translated from English to Amharic versions to help in reducing the impact of language barriers. Respondents were informed about the purpose of the study as well as the confidentiality of their response. The questionnaires were distributed to 398 respondents and enough time was given to fill out the questionnaires.

Pilot Study:-
Before the actual data collection performed, pilot testing of the questionnaires was done. Galloway (1997) suggests that a population of 5 - 10% of the final sample size is a considerably appropriate in any pilot study. Therefore, a pilot study was conducted among 40 salaried employees. The reliability of variables in each construct was confirmed through the pilot study. The improvements suggested by the respondents on the questions and variables were incorporated in the final questionnaires and the final questionnaires were prepared and field work was conducted.

Hypotheses:-
1. Ho 1: There is no significant impact of demographic variables on saving decision of the salaried employees in Wolaita Sodo town.
2. Ho 2: There is no significant impact of demographic variables on saving rate of the salaried employees in Wolaita Sodo town.

Data Analysis and Presentation:-
The collected data was examined and coded personally by the researchers and the data were analyzed using different statistical techniques and tools depending on the nature of the data collected from the respondents and the objectives of the study. Descriptive statistics like mean, percentages analysis and frequency distribution and inferential statistics such as Logistic Regression and chi-square test analysis were applied. The data collected was processed using SPSS (version 20.0).

Results and Discussions:-
Descriptive Analysis:-
Response Rate:
Total 398 questionnaires were distributed and collected from the respondents, who were working in government and private sectors in Wolaita Sodo town during the period of August to September, 2017. Out of which only 250 questionnaires were received back from the respondents. After analyzing the questionnaires, 41 were found incomplete and not properly filled. Finally, total 209 questionnaires were used for analyzing purpose. Although the response rate was low, it considered to be adequate to analyses the data. The response variable considered in this study was the saving habits of the salaried employees (either save or not save).

Respondents Profile:
As can be seen in Table 4.1, of the total sample, 28.7% were female employees and 71.3% were male employees. The age distribution indicates that 24.9% of the respondents were in the age category between 18 − 25 years, 57.9% in 26 − 35 years, 14.4% in 36 − 45 and the reaming 2.9% respondents were above 45 years old. Educational level of the respondents' showed that 2.9% of the respondents were between grade 9 and grade 12. 9.6% of the respondents had college diploma, 67.9% had first degree and the remaining 19.6% respondents completed either second degree or above. Regarding field study, 51.2% respondents were not graduated in the field of business and economics but the remaining 48.8% respondents had business and economics background. In case of marital status, 52.6% of the respondents were single and the remaining 47.4% were married. It can be observed from the table, among the respondents, 10.0% of them had working experience below 1 year, 34.4% had 1 − 5 years, 37.3% had 6 − 10 years, 11.5% had 11 − 15 years, and 6.7% had above 15 years working experience. Considering income level, about 3.3% of the respondents reported that their income per month during the survey period was below 600 birr, 21.5% of the respondents their monthly income found between birr 601 and birr 3,200, 44.5% in 3201 − 7,800, and the remaining 30.7% of the respondents earned income above birr 7,800.

As Table 4.1 shows, out of 209 sample size of salaried employees considered in the analysis, 23.4% employees had no saving habits (i.e., they did not practice saving) and 76.6% had saving habits at the time of data collection. This shows that majority of the salaried employees save money. However, significant parts of the respondents, 20.6%, were saving only 1 − 5 percent of their monthly income. The remaining, 17.4% were saving 6 − 10 percent, 12.4% were saving 11 − 15 percent, 18.2% were saving 16 − 30 percent, and 7.7% were saving more than 30% of their monthly gross income. Those respondents who were not saving money from their gross income identified that low level of income and lack of incentives and encouragements from financial institutions as major reason for not saving. As cross-tabulation of Table 4.1 shows, females (80%), who were graduated in Business and Economics field (84.6%) with second or above degree (87.8%), married (79.1%), with more than 15-year experience (100%), and who were in the income level above birr 7,800 (92.2) practiced saving higher than other groups.

Table 4.1:- Results of demographic characteristics of the respondents

Explanatory Variable	Category	Current Status of Saving Decision at Wolaita Sodo town in 2016				Total	
		No Saving Decision		Saving Decision		Count	%
		Count	%	Count	%		
Saving Habit		49	23.4	160	76.6	209	100
Gender	Female	12	20	48	80	60	28.7
	Male	37	24.8	112	75.2	149	71.3
Age	18 – 25	13	25	39	75	52	24.9
	26 35	29	23.9	92	76.1	121	57.9
	36 – 45	7	23.3	23	76.7	30	14.4
	Over 45	0	0	6	100	6	2.9

Educational Level	1 – 12	2	33.3	4	66.7	6	2.9
	College Diploma	8	40	12	60	20	9.6
	1st Degree	34	23.9	108	76.1	142	67.9
	2nd Degree & above	5	12.2	36	87.8	41	19.6
Field Study	Non-Business & Economics	33	30.8	74	69.2	107	51.2
	Business & Economics	16	15.7	86	84.6	102	48.8
Marital Status	Single	28	25.4	82	74.6	110	52.6
	Married	21	21.4	77	79.1	98	47.4
Experience	Below 1	3	14.3	18	85.7	21	10.0
	1 – 5	22	30.6	50	69.4	72	34.4
	6 – 10	18	23.1	60	76.9	78	37.3
	11 – 15	6	25	18	75	24	11.5
	Above 15	0	0	14	100	14	6.7
Income Level	600 & below	2	28.6	5	71.4	7	3.3
	601 – 3200	15	33.3	30	66.7	45	21.5
	3201 – 7800	27	29	66	71	93	44.5
	Above 7,800	5	7.8	59	92.2	64	30.7

Source: SPSS output from survey data, 2017

Inferential Analysis:-
Binary Logistic Regression:
A binary logistic regression analysis was conducted to predict the saving habit for 209 sample size of salaried employees in the study area, Wolaita Sodo town, using gender, age, educational level, field study, marital status, experience and income level as predictors. Therefore, the regression model includes a total of seven independent variables. A test of the full model against a constant only model was statistically significant, indicating that the predictors as a set reliably distinguished between save or not save (chi square = 17.985, p = .012 with df = 7). Nagelkerke's R^2 of .129 indicates a moderately strong relationship between prediction and grouping. Prediction success overall was 76.6% (0% for not save and 100% for save). The Wald criterion demonstrate that field study and income level made a significant contribution to prediction (p = .018 and p = .031 respectively). These variables are found to be significantly influence the savings decision of the respondents. EXP(B) value for field study indicates that when the field study of business and economics was raised by one person the odds ratio was 2.4 times as large and therefore salaried employees were 2.4 more times likely decided to save money. EXP(B) value for income level indicates that when the income level is raised by one unit the odds ratio was 1.73 times as large and therefore salaried employees were 1.73 more times likely decide to save money. Therefore, the researchers rejected the null hypothesis that there is no significant impact of field study as well as income level on saving decision of the salaried employees in the study area. Hence researchers accepted the alternative hypothesis that there are significant impacts of field study as well as income level on saving decision of the salaried employees in the study area.

However, gender, age, educational level, marital status and experiences as predictors were not a significant predictor. Therefore, according to the logistic regression results the demographic variables such as gender, age, education level, marital status and experience had not showing a significant effect on saving decision of the salaried employees in the study area as it shows significance level of 0.231, 0.901, 0.457, 0.737, and 0.773, respectively, which more than the standard significance level 0.05. Therefore, the researchers accepted the null hypothesis that there are no significant impact of gender, age, educational level, marital status and experience on saving decision of the salaried employees in the study area.

Classification Table[a,b]					
Observed			Predicted		
			Do you save from your income or salary monthly		Percentage Correct
			No	Yes	
Step 0	Do you save from your income/salary monthly?	No	0	49	.0
		Yes	0	160	100.0

				76.6
Overall Percentage				76.6
a. Constant is included in the model.				
b. The cut value is .500				

Source: SPSS output from survey data, 2017

Omnibus Tests of Model Coefficients				
		Chi-square	Df	Sig.
Step 1	Step	18.660	7	.009
	Block	18.660	7	.009
	Model	18.660	7	.009

Source: SPSS output from survey data, 2017

Model Summary			
Step	-2 Log likelihood	Cox & Snell R Square	Nagelkerke R Square
1	208.982[a]	.085	.129
a. Estimation terminated at iteration number 5 because parameter estimates changed by less than .001.			

Source: SPSS output from survey data, 2017

Variables in the Equation							
		B	S.E.	Wald	Df	Sig.	Exp(B)
Step 1[a]	Gender	-.500	.417	1.433	1	.231	.607
	Age	.043	.346	.016	1	.901	1.044
	Edu_level	.231	.311	.552	1	.457	1.260
	Field_study	.878	.370	5.624	1	.018	2.405
	Marital_s	.133	.397	.113	1	.737	1.143
	Expriance	.070	.243	.083	1	.773	1.072
	Income_Level	.550	.255	4.649	1	.031	1.733
	Constant	-2.423	1.580	2.352	1	.125	.089
a. Variable(s) entered on step 1: Gender, Age, Edu_level, Field_study, Marital_s, Expriance, Income_Level.							

Source: SPSS output from survey data, 2017

Chi-square Test:-
To analyses the relationship of demographic factors with saving rate, chi-square test was used. Results of the study revealed that there is strong evidence of a relationship between gender and saving rate (chi-square = 11.942, df = 4, p = 0.018), between age and saving rate (chi-square = 23.185, df = 12, p = 0.026), between field study and saving rate (chi-square = 9.566, df = 4, p = 0.048), between working experience and saving rate (chi-square = 30.895, df = 16, p = 0.014), and income level and saving rate of the respondents (chi-square = 48.964, df = 16, p = 0.000). Therefore, the researchers rejected the null hypothesis that there are no significant impacts of gender, age, field study, working experience as well as income level on saving rate of the salaried employees in the study area. Hence the researchers accept the alternative hypotheses that there are significant impacts of gender, age, field study, working experiences as well as income level on saving rate of the respondents

However, there is no evidence of a relationship between educational level and saving rate (chi-square = 12.308, df = 12, p = 0.421) and between marital status and saving rate (chi-square = 5.344, df = 8, p = 0.720). Therefore, the researchers accept the null hypothesis that there is no significant relationship between educational level as well as marital status with saving rate of the salaried employees in the study area.

Table 4.2:- Results of the Chi-square tests

Explanatory Variable	Category	Monthly Saving Rate					Chi Squire Value	df	P-value
		1 – 5	6 – 10	11 – 15	16 – 30	> 30			
Gender	Female	29.2	37.5	6.2	16.7	10.4	11.942		
	Male	25.9	17.0	20.5	26.8	9.8		4	0.018*
Age	18 – 25	48.7	28.2	10.3	10.3	2.6	23.185		
	26 35	18.5	20.7	20.7	27.2	13.0		12	0.026*
	36 – 45	17.4	26.1	13.0	30.4	13.0			

	Over 45	50.0	16.7	0.0	33.3	0.0		
Educational Level	1 – 12	50.0	25.0	25.0	0.0	0.0	12.308	
	College Diploma	33.3	16.7	25.0	16.7	8.3		
	1st Degree	30.6	24.1	13.9	24.1	7.4		12	0.421
	2nd Degree & above	26.9	23.1	16.2	23.8	10.0		
Field Study	Non-Business & Economics	23.0	24.3	12.2	33.3	6.8	9.566	4	0.048*
	Business & Economics	30.2	22.1	19.8	15.1	12.8		
Marital Status	Single	29.3	18.3	17.1	55.3	50.0	5.344	8	0.720
	Married	23.4	28.6	46.2	22.1	10.4		
Experience	Below 1	55.6	16.7	5.6	22.2	0.0	30.895		
	1 – 5	30.0	30.0	16.0	14.0	10.0		16	0.014*
	6 – 10	20.0	21.7	20.0	26.7	11.7		
	11 – 15	0.0	22.2	27.8	27.8	22.2		
	Above 15	42.9	14.3	0.0	42.9	0.0		
Income Level	600 & below	80.0	20.0	0.0	0.0	0.0	48.964		
	601 – 3200	56.7	23.3	16.7	3.3	0.0		16	0.000*
	3201 – 7800	6.9	24.1	13.8	36.2	19.0		
	Above 7800	26.9	23.1	16.2	23.8	10.0		
*Significant at 5% level								

Source: SPSS output from survey data

Conclusion:-

In this study the researchers are trying to identify the impact of demographic variables on saving decision and saving rate of salaried employees of Wolaita Sodo town, Ethiopia. Results of the analyses show that majority of the salaried employees in Ethiopia save money but at lower rate. Low level of income and lack of incentives and encouragement from financial institutions affects salaried employees not to save money from their gross monthly income. The results are in line with Aron et al. (2013) that the cause of the poor saving identified in their study includes lack of appropriate saving products, lack of incentives to save, low income level, high level of debt, low interest rate, high inflation and others.

Logistic Regression model and chi-square test are used to determine the factors that affect saving decision and saving rate. Results of the study conclude that there is a significant impact of field study as well as income level on saving decision of the salaried employees but the remaining variables do not have impact on saving decisions. So, it is concluded that gender, age, field study, experience and income have a strong relationship with saving rate of the respondents but educational level as well as marital status do not have a strong relationship with saving rate of the respondents.

Recommendations:-

To increase the saving habits of the salaried employees, the following recommendations should be implemented by the concerned bodies:

1. Since the field study of the respondents identified in this study as a factor that affect saving decision and saving rate, government and financial institutions should increase culture of saving through financial literacy. Because, there is a growing recognition of the importance of financial education as it relates to saving (Greenwald, Grinstein-Weiss, Zhan, & Sherraden, 2001; Gill, 2004). Therefore, the responsible body should have to create wide range of awareness in urban and rural areas by providing financial education and training relating to saving and finance. These programs can increase the attitude of the societies towards saving.
2. Responsible body should implement forced saving and stabilize the regular income of the society and reduce inflation to have real saving rate.
3. Banks should encourage and increase the saving incentives and introduce financial product that able to mobilize fund.

4. In addition to the newly introduced saving instrument such as selling of Government Bonds, the regulatory body such as National Bank of Ethiopia (NBE) and other private and public financial institutions should introduce additional new saving instruments that are able to stimulate saving of individuals.
5. It is also required to further strengthening and expanding financial institutions like banks, strengthening government and private employees' social security scheme, strengthening saving for housing program and saving for investment equipment scheme.

References:-

1. Agrawal, P., Sahoo, P., & Dash, R.K. (2010). Savings Behavior in India: Co-Integration and Causality Evidence. *The Singapore Economic Review, 55*(2), 273-295.
2. Ando, A., & Modigliani, F. (1963). The "Life Cycle" Hypothesis of Saving: Aggregate Implications and Tests *The American Economic Review, 53*(1), 55-84.
3. Aron, H., Nigus, A., & Getnet, B. (2013). Assessment of Saving Culture among Households in Ethiopia. *Journal of Economics and Sustainable Development, 4*(15), 1 – 8. Retrieved from www.iiste.org
4. Aryeetey, E., & Udry, C. (2000). Saving in Sub-Saharan Africa, Explaining African Economic Growth Performance Conference Series, CID Working Paper no. 38.
5. Ashok, Kumar, P., & Jagadeshwara, M. (1985). Demographic Change and Household Savings Behavior in India. *Indian Journal of Economics, 65*.
6. Bersales, S.G.S., & Mapa, D.S. (2006). Determinants of Household Saving In the Philippines, EMERGE A GRP Project Supported by USAID, Unpublished Technical Report by Bangko Sentral ng Pilipinas (BSP).
7. Bordoloi, S., & John, J. (2011). Are Saving and Investment Co-integrated? A Cross Country Analysis. *Reserve Bank of India Occasional Papers, 32*(1), 41-55.
8. Bovenberg, A.L., & Evans, O. (1990). National and Personal Saving in the United States: Measurement and Analysis of Recent Trends. *IMF Staff Papers, 37*(3), International Monetary Fund, Washington, D.C.
9. Cooper, D.R., & Schindler, P.S. (2003). *Business Research Methods,* (8th ed.). McGraw-Hill Irwin, Boston.
10. Collins, S.M. (1991). Savings Behavior in Ten Developing Countries in Bernheim, B. Douglas and John B. Shoven, eds., National Saving and Economic Performance, A National Bureau of Economic Research Project Report (Chicago: The University of Chicago Press) pp. 349-372.
11. Deaton, A., & Paxson, C. (1994). Saving, Growth and Aging in Taiwan. In: D. Wise, Editor, Studies in the Economics of Aging. Chicago, United States: University of Chicago Press.
12. Duesenberry, J.S. (1949). *Income, Saving, and the Theory of Consumer Behavior.* Harvard University Press: Cambridge, Massachusetts, p-128.
13. Elbadawi, I.A., & Mwega, F.M. (2000). Can Africa's Savings Collapse be Reversed? *The World Bank Economic Review, 14*(3), 415-43.
14. Friedman, M. (1957). *A Theory of the Consumption Function*. Princeton: Princeton University Press.
15. Gagnon, J-M., Gagnon, D., & Khoury, N. (2006). Determinants of Households Saving and Financing of Assets in Canada, A Balance Sheet Approach Available at SSRN: http://ssrn.com/abstract=2192674 or http://dx.doi.org/10.2139/ssrn.2192674
16. Galloway, A. (1997). Questionnaire Design & Analysis. Retrieved from http://www.tardis.ed.ac.uk/~kate/qmcweb/qcont.htm
17. Gill, J. (2004). Bayesian Methods for the Social and Behavioral Science Approach, Academic Price, Inc.
18. Greenwald, Grinstein-Weiss, M., Zhan, & Sherraden, M. (2001). Saving Performance in Individual Development Accounts: Does Marital Status Matter? Journal of Marriage and Family, 68(1), 192-204.
19. Kalwij, A.S. (2003). Household Consumption and Savings Around The Time of Births and The Role of Education, Working Papers Series, Amsterdam Institute for Advance Labour Studies, Paper 2003-23, Amsterdam: University of Amsterdam, The Netherland.
20. Keynes, J. (1936). *The General Theory of Employment, Interest, and Money*. London: MacMillan.
21. Kiiza, B., & Pederson, G. (2002). Household Financial Saving Mobilization: Empirical Evidence from Uganda. *Journal of African Economies, 10*(4), 390-409
22. Kotlikoff, L., & Summers, H. (1981). The Role of Intergenerational Transfers in Aggregate Capital Accumulation. *Journal of Political Economy, 89*, 706-732.
23. Kulikov D., Paabut, A., & Staehr, K. (2007). A Microeconometric analysis of household saving in Estonia: income, wealth and financial exposure, Working Paper Estonian National Bank Research Department, 2007.
24. Loayza, N., Schmidt-Hebbel, K., Serven, L. (2000). Saving in Developing Countries: An Overview. *The World Bank Economic Review, 14*(3), 393-414

25. Manyama, M.M., (2007). Instilling a Culture of Savings in South Africa. An MSc Thesis Presented at Gordon Institute of Business Science, University of Pretoria, South Africa.

26. Menchik, P., & David, M. (1983). Income distribution, lifetime savings, and bequests. *American Economic Review, 73*, 672–690

27. Michael, S., Mark, S., Margaret, C., Lissa, J., Jami, C., Michal, G., … Sondra, B. (2001). Savings and Asset Accumulation in Individual Development Account

28. Modigliani, F., & Brumberg, R. (1954). Utility analysis and the consumption function: an interpretation of crosssection data, Post-Keynesian Economics, K.K. Kurihara (ed), New Brunswick, NJ, Rutgers University Press, pp. 388-436.

29. Modigliani, F. (1995). The Role of Interaction Sequences and the Timing of Resistance in Shaping Obedience and Defiance to Authority. *Journal of Social Issues, 51*(3), 107-123.

30. Modigliani, F. (1996). The Life Cycle Hypothesis of Saving, the Demand for Wealth and the Supply of Capital. *Social Research*, 33, 160-217.

31. Mosk, C. (2010). Japanese Industrialization and Economic Grow, University of Victoria, unpublished document.

32. Muradoglu, G., & Taskin, F. (1996). Differences in Household Savings Behavior: Evidence from Industrial and Developing Countries. *The Developing Economies, XXXIV*(2), 138 – 153.

33. Mugenda, O.M., & Mugenda, A.G. (1999). *Research Methods: Quantitative and qualitative Approaches*. Nairobi. Acts press. Revised 2003.

34. National Bank of Ethiopia. (NBE, 2011). Summary and Statistical Report of 2011 Economic Survey of the Ethiopia, NBE Data Base (http://www.nbe.gov.et/)

35. Nga, M.T., (2007). An Investigative Analysis into the Saving Behavior of Poor Households in Developing Countries: With Specific Reference to South Africa. An MSc Thesis Presented to the Department of Economics, University of the Western Cape. South Africa.

36. Nwachukwu, T., & Odigie, P. (2009). What Drives Private Saving in Nigeria. Centre for the Study of African Economies Conference, University of Oxford.

37. Odoemenem, I.U., Ezihe, J.A.C., & Akerele, S.O., (2013). Saving and Investment Pattern of Small – Scale Farmers of Benue State, Nigeria. Global Journal of Human Social Science Sociology& Culture. ISSN: 2249-460x

38. Poterba, J. (1995). International Comparisons of Household Saving, Chicago: Chicago University Press.

39. Prinsloo, J.W. (2000). The Saving Behavior of the South African Economy. Occasional Paper No 14, South African Reserve Bank. South Africa.

40. Reddy, M., Naidu, V., & Vosikata, S. (n.d.). Determinants of Household Savings Behaviour in an Emerging Economy: Market vs. Non Market Factors.

41. Rehman, H., Chaudhry, I.S., Farid, Z. M., & Bashir, F., (2011). Rural-Urban Saving Differentials in Pakistan: Investigation from Primary Data. *A Research Journal of South Asian Studies, 26*(1)

42. Schmidt-Hebbel K., Serven L., & Solomano, A. (1996). Saving and Investment: Paradigms, puzzles, policies.

43. Sekgobela, S. (2004). Saving for stability, Growing pains. Mail & Guardian http://secure.rsaretailbonds.gov Sinha D. (1998) Saving-Investment Relationship in Japan and Other Asian Countries, CJES Researcher Papers No. 98 – 5.

44. Vellumoni, D., & Raju, S.S. (2015). Impact of Socioeconomic Factors on Investors' Investment Culture. *The International Journal of Business & Management, 3*(7), 41-44.

45. Yamane, T. (1967). *Statistics an introductory analysis*, (2nd ed.). New York: Harper and Row

46. Zhang Z., Zhang L., and Lee R. (2003) Rising Longevity, Education, Saving, and Growth. *Journal of Development Economics, 70*, 83-101