



**College of Business and Economics  
Master of Business Administration Program**

**THE INFLUENCE OF SAVING MOTIVES ON SAVING HABIT; THE  
CASE OF BANK DEPOSITORS IN ADDIS ABABA CITY**

A Thesis Submitted to The Department of Management in Partial Fulfillment of  
the Requirements for the Degree of Master in Business Administration.

**By: Yesewzer Akele**  
[yesewzer09@gmail.com](mailto:yesewzer09@gmail.com)

**Advisor: Dr. Yitbarek Takele**

**June, 2015**

Addis Ababa, Ethiopia

## DECLARATION

I hereby declare that this work entitled “**A Study on the Influence of Saving Motives on Saving Habit, the Case of Bank Depositors in Addis Ababa City.**” is my own work and that, to the best of my knowledge and belief, it contains no material previously published or written by another person nor material which has been accepted for the award of any other degree or diploma of the university or other institute of higher learning, except where due acknowledgment has been made in the text.

Yesewzer Akele Workneh \_\_\_\_\_  
Candidate's Name Signature & date

## Advisor's Approval

This Thesis has been submitted for examination with my approval as a University advisor.

Dr. Yitbarek Takele \_\_\_\_\_  
Advisor's Name Signature & date

**Addis Ababa University**  
**College of Business and Economics**  
**MBA Program**

This is to certify that the thesis prepared by YesewzerAkeleWorkneh entitled: “**The Influence of Saving Motive on Saving Habit; the Case of Bank Depositorsin Addis Ababa City**” and submitted in partial fulfillment of the requirements for the degree of Degree of Master of Business administration in Management complies with the regulations of the university and meets the accepted standards with respect to originality and quality.

**Approval of Board of Examiners**

---

**Internal ExaminerSignature& date**

---

**External Examiner Signature& date**

## **Abstract**

*To achieve either individual or societal long term financial plans, regular saving habit is of a great importance. In modern society, money is usually saved in the form of Bank deposits. These deposits achieved as a result of various saving motives of depositors, which in turn led to saving habits. For instance, Banks give interest rate (motive) in order to make people to prefer depositing regularly (habit). In this regard, there is much debate on whether interest rate determines saving level as it can specially be seen currently in Ethiopia where saving is growing regardless of negative real interest rate. Nevertheless, the main point is that apart from interest rate benefit, which is a motive under control of Banks; depositors have many saving motives, which accordingly affect their saving habit. The study identifies seven saving motives (Bequest, Lifecycle, Independence, Precautionary, Buying Durable Goods, Profit and Calculation) and investigated their influence on saving habit (regular, irregular and not save). To do so, it was analyzed bank saving account depositors response collected using self-administered questionnaires using multinomial logistic regression. This finally helped to understand which saving motive regulates saving habit, and this could in turn enable to design suitable strategies to promote better saving. In addition, the study investigated the most important points depositors prefer to save in Banks, factors depositors look to prefer one bank from the other. It was found out that Lifecycle and Precaution saving motives were important predictors of regular saving. Gender, age, employment status, and having a child showed association with specific saving motives. Marital status and educational level was found out to be insignificant reasons to choose one saving motive from the other. Depositors gave precedence to other saving motives which influenced them to save more at the expense of low (and negative in real terms) interest rate. The improvement on saving knowledge became the first reason that made depositors to increase their saving. The need for safety was found out to be the principal reason to save in a bank. Swiftiness of service, proximity of the bank to home or office, and trust were the major criteria to prefer one bank from the other. It was recommended that banks and similar institutions should promote specific goal oriented saving and design financial strategies and products suitable for each saving motives, which in turn could lead to regular saving.*

**Key words:** *Saving Habit, Saving Motive, Saving Account, Calculation Motive, Banks*

## **Acknowledgments**

Foremost, my sincere and loving thanks goes to the Holy Savior Jesus Christ and his mother Saint Marry, who bestowed upon me knowledge and capacity thatis needed for my entire life including for the achievement of this program.

Next, I would like to extend my heartfelt gratitude and indebtedness to my thesis advisor,Dr. Yitbarek Takele, whose unreserved expertise guidance, and constructive comments encouraged me to successfully carry out this thesis.

I am indebted to the very collaborative and genuine people: Wondimen Asrat, Tibebu Anteneh, Amsale and Hiwot who offered me moral support, insightful comments and necessary resources.

This thesis would not have been possible without the collaboration of the banks which allowed me to distribute questionnaires to customers using their tellers;including AwashInternational Bank Sc., Commercial Bank of Ethiopia, Construction and Business Bank, Wogagen Bank Sc., Nib International Bank, and Zemen International Bank Sc.Here, I would like to thank all those good employees and branch managers, whom I could not exactly rememberall by their name, for their unreserved and patriotic help.

Last but not least, I would like to express my warm thanks to officials and employees of National Bank of Ethiopia who rendered their unreserved support.

I Thank You!!

Yesewzer Akele (May,2015)

# **DEDICATION**

**To all KIND MOMS!**

## Table of Contents

<i>Abstract</i> .....	i
<i>Acronyms</i> .....	vii
<i>List of Tables</i> .....	viii
<i>List of Figures</i> .....	ix
1. INTRODUCTION .....	1
1.1. Background of the Study .....	1
1.2. Statement of the Problem .....	3
1.3. Research Questions .....	4
1.4. Research Hypothesis .....	4
1.5. Objectives of the Study .....	5
1.5.1. General Objective .....	5
1.5.2. Specific Objectives .....	5
1.6. Significance of the Study .....	5
1.7. Delimitation of the Study .....	6
1.8. Limitation of the Study .....	6
1.9. Organization of the Study .....	7
2. REVIEW OF RELATED LITERATURE .....	8
2.1. Introduction .....	8
2.2. Concepts and Definitions .....	8
2.2.1. Saving .....	8
2.2.1.1. Definition of Saving .....	8
2.2.1.2. Benefits of Saving .....	9
2.2.1.3. Saving Alternatives: .....	9
2.2.1.4. Banks and Saving .....	10
2.2.1.5. Saving Account .....	10
2.2.1.6. Banking in Ethiopia .....	11
2.2.2. Motives of Saving .....	11
2.2.2.1. Defining Motive .....	11
2.2.2.2. What is Motive of Saving? .....	12
2.2.3. Saving Habit .....	12
2.2.3.1. Defining Habit .....	12

2.2.3.2.	What is saving habit?.....	13
2.2.4.	Interest Rate Benefit (Calculation Motive).....	13
2.3.	Review of Theoretical and Empirical Literature .....	14
2.3.1.	Review of Theoretical Literature .....	14
2.3.1.1.	Theories on Motives of Saving .....	14
2.3.1.2.	Saving Habit .....	16
2.3.1.3.	Interest Rate (real) and saving .....	16
2.3.1.4.	Saving Deposit and Interest Rate Developments in Ethiopia.....	17
2.3.2.	Review of Empirical Literature .....	18
2.3.2.1.	Saving Motive and its impact on Saving Habit .....	18
2.3.2.2.	The Contribution of Interest Rate on Saving.....	21
2.3.2.3.	Demography and Saving Motives.....	23
2.4.	Theoretical and Conceptual Framework .....	25
2.4.1.	Theoretical Framework .....	25
2.4.2.	Conceptual Framework .....	29
3.	RESEARCH DESIGN AND METHODOLOGY .....	30
3.1.	Research Design .....	30
3.2.	Research Method .....	30
3.3.	Data Type and Research Instrument .....	31
3.3.1.	The Questionnaire .....	31
3.3.2.	Reliability and Validity .....	31
3.4.	Sample Design .....	32
3.4.1.	Target population .....	32
3.4.2.	Sampling Technique .....	32
3.4.2.1.	Contingency for non-response .....	35
3.4.2.2.	Questionnaire Distribution.....	35
3.4.3.	Descriptions of Variables and Data Measurement .....	36
3.4.4.	Method of Data Analysis .....	37
3.4.4.1.	Model Specification.....	38
3.4.4.2.	Model Testing.....	39
4.	DATA PRESENTATION AND ANALYSIS.....	41
4.1.	Introduction.....	41

4.2.	Respondents' Demographic Profile.....	41
4.3.	Saving Motive versus Saving Habit.....	44
4.3.1.	Descriptive Statistics of the Study Variables .....	44
4.3.2.	Multinomial Regression Result on Saving Motive versus Saving Habit.....	46
4.3.2.1.	Saving regularly versus not saving.....	46
4.3.2.2.	Saving irregularly versus not saving .....	47
4.3.2.3.	Saving regularly versus saving irregularly.....	48
4.4.	Demographic factors versus saving motive.....	49
4.5.	Deposit amount versus saving motive .....	51
4.6.	Why depositors keep saving money in Banks while real interest rate is negative? .....	52
4.6.1.	Reasons for the rise of saving in the past years in Addis Ababa City.....	54
4.6.2.	Factors contributed for the development of depositors' saving knowledge.....	55
4.6.3.	Why people prefer banks to save?.....	56
4.6.4.	Criteria to choose one Bank from the other .....	57
5.	SUMMARY OF KEY FINDINGS, CONCLUSION & RECOMMENDATION .....	59
5.1.	SUMMARY OF KEY FINDINGS & CONCLUSION.....	59
5.2.	RECOMMENDATIONS.....	62
5.3.	Suggestions for Future Research.....	64
	<i>Reference</i> .....	65
	<i>Appendixes</i> .....	i

## *Acronyms*

AAU-Addis Ababa University

BD: Buying durable goods motive

BT: Bequest Motive

CBE-Commercial Bank of Ethiopia

IC: Independence Motive

LC: Lifecycle Motive

NBE- National Bank of Ethiopia

PT: Profit Motive

PY: Precautionary Motive

SPSS- Statistical Package for Social Science

VIF-Variance Inflation factor

## *List of Tables*

Table 1-Summary of findings of previous empirical study's on Saving Motives .....	19
Table 2- sample size table based on Krejcie & Morgan (1970) .....	34
Table 3 Sample size table 2 Israel, 2013.....	34
Table 4- Questionnaire allocation by bank.....	36
Table 5-Variance Inflation Factor test result.....	39
Table 6-Goodness of Fit output.....	40
Table 7-Mann-Whitney test result. ....	42
Table 8-Demographic Profile of Respondents. Source.....	43
Table 9 - Saving Habit frequency table.....	45
Table 10-Frequency Table showing saving motives by umber of times selected .....	45
Table 11-Rregression result not saving vs saving.....	46
Table 12- Regression result saving irregularly vs not saving, .....	47
Table 13-Regression result on saving regularly vs saving irregularly. ....	48
Table 14-Chisquare result summary-Demography vs saving motive.....	49
Table 15- Frequency table on saving motive vs deposit amount.....	51
Table 16: Frequency table showing respondents answer on their saving trend over the past years. ....	53
Table 17: Frequency Table- deposit level vs saving trend.....	54
Table 18:The reason for the growth of saving by rank .....	54
Table 19- Contributors for saving knowledge by rank .....	55
Table 20- regression result on calculation motive vs saving habit.....	56
Table 21- Reasons why depositors prefer to save in banks. ....	57
Table 22-Bank Choice Criteria. ....	58

## *List of Figures*

Figure 1-Conceptual framework.....	29
Figure 2- Bar chart -Saving Habit.....	45
Figure 3- A graph showing the trend on saving deposit and real interest rate in Ethiopia .....	52

# 1. INTRODUCTION

This introductory chapter orients the reader with the basic outlines of the study. It starts with background of the study where a general preview of the topic is discussed briefly. Then it followed by the statement of the problem which presents the research problem. Objectives of the study, Research questions, and contribution of the study, scope and limitation of the study were also discussed in this chapter.

## 1.1. Background of the Study

Saving, when it refers to money, is a portion of an income that a business or an individual left with after consumption. In a nutshell, Brown (2008, p.30) conceived saving as “the action of refraining from the destruction of resources at one’s disposal”. From this particular meaning, it can be inferred that a money saved results from an action of refraining from spending the same. In modern society, money is usually saved in the form of Bank deposits. McLeay, Radia & Thomas (2014, p.1) clarify that those deposits come simply at the expense of deposits that would have otherwise gone to companies in payment for goods and services.

Ogege & Boloupremo (2014, p.1) remarked that the main role of money deposit is to ensure there is adequate flow of money to service deficit sectors of the economy. The author emphasized that Banks play the major role here in mobilizing these deposits and distributing them to the economy. Moreover, Banks (Allen & Carletti, 2008) enhance the information exchange between investors and borrowers by monitoring the latter and ensuring a proper use of the depositors’ funds.

Banks endeavor in providing various incentives such as interest benefit to lure individuals to save money. Gedela S. (2012) puts that to achieve higher rate of growth with relative price stability, the marginal propensity to save should be raised by appropriate incentives and policies. These incentives are believed to influence people’s decision to save. Because, (McLeay, et.al, 2014) there is a view that deposits are typically ‘created’ by the saving decisions.

In addition to incentives provided from the Banks' part, depositors have their own motive, which makes them to bring money to banks in the form of deposit, especially saving deposit (here after referred as saving). Mahdzan (2010) defined saving motive as the goals or objectives that savers wish to achieve as a result of saving. She, however, added that it has been observed that different authors have slightly different ways of categorizing these motives. In general, the most common saving motives include bequest motive, profit motive, precautionary motive, calculation motive, independence motive, retirement motive, enterprise motive, Life Cycle Motive, etc.

Saving Motives in turn leads to different levels of saving Habits. Saving habit is expressed using different terms by different authors; saving propensity (Mahdzan, 2010), saving behavior (Schunk, 2007), likelihood of saving (Fisher P., 2006) in which all mean to say saving routines of people. In a very recent study (Fisher & Anong, 2012) used saving habit to describe saving patterns where people regularly put money aside each time, including not saving behavior. In general, in the above stated studies, saving habit is similarly classified among regular, irregular and not saving behavior.

Saving motives are found to be significantly related to the likelihood of saving (Fisher P., 2006, p.113). And different saving motives have different strength of influence on saving habit. This especially differs across different countries. Identifying the influence of saving motive on saving habit helps to understand which motive is more significant.

As far as the researcher of this study is concerned, similar studies have not yet been conducted in Ethiopia. In addition, as the current trend shows the growth of saving rate despite the prevailing negative interest rate, understanding which saving motive has a major contribution for saving habit is worthwhile. This in turn helps to understand which motive has strong impact on saving habit.

## 1.2. Statement of the Problem

Studies conducted on saving motives vis-à-vis saving habit agree that saving motives govern saving habit. Fisher P. 2006, p.113; Fisher J. & Anong, 2012, p.2, and Mahdzan 2010, p.260 found out that saving motives significantly contributed to the likelihood of saving.

However, the magnitude of influence that different saving motives had on saving habit varies among different studies. The results of studies on the effect of saving vary from study to study and from country to country (Yao, Wang, Weagely, Liao, 2011, p.28). In addition, authors differed on the list of motives they took to study saving motive versus saving habit. As Mahdzan (2010, p.40) revealed, past literatures have no specific rule in delineating saving motives. Moreover, to the best knowledge of the researcher, there were no previous studies conducted focusing on the influence of saving motives on saving habit in the Ethiopian context.

If different researchers found different results on the effect of saving motive on saving habit, then more need to be researched, as it is difficult to generalize given the existing knowledge and that of the Ethiopian case. In addition, given the growing trend of bank saving in the country in a situation where real interest rate is negative, much needed to be known about the saving motives and habits of depositors.

In this case, it was essential to study the Ethiopian case by taking the appropriate list of saving motives. Hence, this study examined the effect of saving motives on saving habit in the case of depositors in Addis Ababa city based on the data collected from randomly selected depositors in Addis Ababa city. Unlike previous studies in other countries, which were conducted on focusing households saving motives & habits, this study focused mainly on bank depositors which would be of an additional contribution to the existing knowledge.

The study also separately examined the influence of calculation motive, saving for the benefit of interest rate, on saving habit. In connection with this, the key reasons people prefer to save in banks, the main conditions people look to choose one bank from the other, factors that enhanced peoples' awareness on saving were also assessed.

### **1.3. Research Questions**

The Central Research question of the study address:

1. What is the influence of saving motives on saving habit among depositors in Addis Ababa city?

1.1. Which saving motive could be best associated with regular saving habit?

Besides, seizing this opportunity, the study answered the following questions;

2. Does deposit amount be related with saving motive?
3. Does demographical factors related with saving motive?
  - 3.1. Why depositors keep saving money in Banks while real interest rate is negative?
  - 3.2. What were the main factors that led depositors to keep saving in banks in Addis Ababa in the past years amid negative real interest rate?
  - 3.3. Which factor(s) play a significant role in enhancing people's awareness on saving in the past years?
  - 3.4. What were the important reasons people prefer to save in banks?
  - 3.5. What condition did people look mostly to choose one bank from the other and was interest rate among the top list?

### **1.4. Research Hypothesis**

Hypothesis testing offers an enhanced understanding of the relationship that exists among variables (Sekaran, 2003,p.125). Keeping this in mind, the following hypotheses regarding the relationship between saving motives and saving habit were proposed;

Ha =Alternative Hypothesis

H1a: Saving motives significantly influence the depositors saving habit in Addis Ababa city.

Ha<sub>1</sub>. Depositors with a specific saving motive are more likely to save regularly than to not save.

Ha<sub>2</sub>. Depositors with a specific saving motive are more likely to save irregularly than to not save.

Ha<sub>3</sub>. Depositors with a specific saving motive are more likely to save regularly than irregularly saving.

H2a: Saving Motive has difference across Deposit amount.

H3a: There is a difference on saving motives across demographic factors

## **1.5. Objectives of the Study**

### **1.5.1. General Objective**

The main objective of the study was to understand the influence of saving motives on saving habit among depositors in Addis Ababa city.

### **1.5.2. Specific Objectives**

The study was also designed with the following specific objectives:

- To find out the association between demographical factors and saving motives;
- To investigate the association between deposit amount and saving motive;
- To examine the effect of calculation motive on saving habit;
- To show the main reasons that made depositors to keep save in the past years amid negative interest rate;
- To identify factors which contributed in raising depositor's awareness on saving in the past years, and
- To identify main conditions people take inconsideration to prefer one Bank from the other.

## **1.6. Significance of the Study**

Measuring habit strength is important for designing interventions, as it can help to determine the type of intervention that is required, how much effort needs to be put into the intervention (Darnton, A, Verplanken, B, White, P and Whitmarsh, 2011, p.26). To this effect, understanding the habits of depositors helps to manage saving deposit practice in the community by following strategies which could suits each saving motive of depositors. In this regard, the intended study endeavors to answer the questions related to factors most encourage people to save in banks, major reasons that make people keep saving amid negative real interest rate, conditions people looks to trust a certain bank etc. At the end, the Central Bank, Commercial banks, researchers and other concerned bodies were believed to get input for their own task from the findings of the planned study. The Central Bank could use the findings of the study to understand the major saving motives of people in Banks and in turn could use the information to execute its mission of promoting saving in the society. Banks could get important information about saving motives and bank preferences factors that may

help them for their marketing and deposit mobilization strategy. In addition, as little study is made on saving motives of people in Ethiopia, researchers who are interested to further investigate such issues could get important information from the study.

### **1.7. Delimitation of the Study**

The study examined the effect of saving motive on saving habit. Here, the study focuses only on saving deposit particularly to private saving and it delimited to depositors who save in commercial banks. The Study doesn't include government and government agency savings.

Geographically, the study focused in Addis Ababa. On top of its convenience, conducting the study in Addis Ababa was considered justifiable because of two reasons; the first one was Addis Ababa consisted 63.36% saving account holders (National Bank staff report, Feb, 2014) of the nation and the second reason is all banks have branches in the city which makes it peculiar from other cities in Ethiopia.

### **1.8. Limitation of the Study**

The study collected the data from depositors in Addis Ababa city. Though the city was preferable site to conduct the study because of the reasons mentioned in the above paragraphs, focusing only in Addis Ababa might influence the generalizability of the study to some degree. Nevertheless, since Addis Ababa was a place where all Banks were found and people from different walks of life dwell, the limitation would be expected to be less influential. Hence, both governmental and private banks were made to get representation in the sample in order to strengthen the generalizability of the study. Moreover, depositors were also made to get represented based on the deposit amount proportion found in Addis Ababa City (i.e. 36% savers with below Birr 100,000 deposit amount, 39% savers with between Birr. 100,000-1,000,000 deposit amount, and 25% savers with greater than Birr 1,000,000 deposit).

In order to keep the proportion of the respondents on the basis of deposit level (36% of respondents of below Br. 100,000 deposit, and 64% above Br. 100,000 deposit) some responses were made to cut out. To this effect, out of the total collected 379 questionnaires, 233 questionnaires were selected in a way which takes in consideration the proportion of

deposit of deposit level. In order to ensure that those excluded questionnaires would not cause any significant difference, Mann WhitneyU test was conducted by forming two independent groups and testing their mean against value of the dependent variable. And of the test result showed no significant difference. In this it could be inferred that those excluded questionnaires had no and adverse effect on the result.

In addition, the study focused on saving in Banks and did not include saving in microfinance and in other saving institutions. Therefore, the survey did not reflect the views of people who deposit money in such institutions.

### **1.9. Organization of the Study**

The study was organized in to five parts. The second chapter consisted literature review, which presented empirical and theoretical studies on the subject matter. Chapter three dealt about Research design and methodology which outlines research approach, design, method, instrument, data type and sample design. The fourth chapter consisted data analysis and interpretation which demonstrated using various data analysis formats. Conclusions and Policy implications were presented in chapter five. In addition, the study incorporated, list of key terms, acronyms appendixes, and list of tables, charts, and references.

## **2. REVIEW OF RELATED LITERATURE**

### **2.1. Introduction**

The purpose of the literature review was to deliver important information on the theoretical and empirical background of the topic under study. Hence, this chapter provided a review of the literature on relevant articles related to the study. The chapter contained three main parts. The first part dealt with concepts and definitions where key terms of the study were discussed. The second part presented theoretical and empirical review in which theoretical review involved assessing earlier theoretical based articles whereas empirical review demonstrates findings of relevant past studies. The third part came up with the basis of the study that was Theoretical and Conceptual framework, which was drawn from the discussion in the literature review.

### **2.2. Concepts and Definitions**

#### **2.2.1. Saving**

##### **2.2.1.1. Definition of Saving**

The portion of disposable income not spent on consumption of consumer goods but accumulated or invested directly in capital equipment or in paying off a home mortgage, or indirectly through purchase of securities.

(<http://www.businessdictionary.com/definition/savings.html>).

Fisher and Anong (2012) summarized about saving as follows;

*Economists and social scientists often consider saving to be what is left of disposable income after consumption is deducted (Lunt & Livingstone, 1991), but according to Katona (1975), this is not what the average person thinks of as saving. To the average person, saving refers to money put in bank accounts or other assets to protect one from future insecurities or to purchase goods and services (Katona, 1975; Lunt & Livingstone, 1991).*

### 2.2.1.2. Benefits of Saving

Saving has a multidimensional benefit both for the saver himself, and for the nation at large. *www. Aboutmoney.com* (2015) outlined that Individuals get benefited from saving in case of emergency funds, retirement benefits, payment for house, buying new car, entitlements of sinking funds, and education. Chenery&Srinivasan (1998,P.383) also states that savings not only allow for growth in income and increases in consumption, but also for the smoothing of consumption in the presence of various uncertainties. Saving behavior can only be understood fully after the sources of uncertainty facing decision-makers and their opportunities forresponding to them are specified.

As Gedela S. (2012) put, since the classical times, saving has been considered as one of the determinants of growth. He also suggested that, to achieve higher rate of growth with relative price stability, the marginal propensity to save should be raised by appropriate incentives and policies.

In general, DeFina(1984)summarized that saving is crucial to a growing economy because it makes resources available for the production of physical capital, for the research and development needed to fuel economic growth, and enhance our standard of living.Coupling this important role of saving with the anxiety of policymakers,it is not surprising that legislators have backed tax reforms aimed at eliminating perceived anti-saving biases in the code

### 2.2.1.3. Saving Alternatives:

Halvorsen (2011, p 32as stated in Birkeland, 2013,p 13) defined saving to entail the following actions:

- **Cash savings:** this was a regular way to save in the old days, and another word for this is “under the mattress” saving.
- **Place money in bank accounts:**bank deposits are a common way to save money. The main reason for this is that it is a quick and easy way to save money. There are various types of bank accounts depending on the usage of the account.
- **Investment in securities:**this saving alternative includes saving in stocks, bonds and funds. This saving alternative is associated with higher risk than traditional bank saving.

- **Investment in fixed assets:** this could be real estate, cars, boats or other durables. Saving in real estate is a well-known saving option in Norway /for instance/.
- **Loan money to others:** by lending to others, the individuals are taking the role as a bank. By lending to others, it prevents the individual from using the money yourself and can, therefore, be viewed as a method of saving.
- **Repayments of loans:** by doing this, the individuals can reduce their debt. If it is a loan for buying a real estate, one can get the “saved” amount back when he/she realize his/her real estate, in other words when selling. People may argue that repayment of loans is consuming and not saving, but for many individuals this is viewed as a method of saving.

#### **2.2.1.4. Banks and Saving**

Heffernan(2005) states that the provision of deposit and loan products normally distinguishes banks from other types of financial firms. Deposit products pay out money on demand or after some notice. Deposits are liabilities for banks, which must be managed if the bank is to maximize profit.

The great role of banks with related to saving is they are the main mechanisms to promote saving. In this regard Banks incentivize saving using different ways. They provide various banking services to facilitate mobilizing deposits. This claim is substantiated as Shamugam (1998) noted that banks promote saving by providing a wide array of tailor made financial instruments, providing attractive returns on saving, and covering large amount of area.

#### **2.2.1.5. Saving Account**

Saving accounts are accounts maintained by retail financial institutions that pay interest but cannot be used directly as money in the narrow sense of a medium of exchange (for example, by writing a cheque). These accounts let customers set aside a portion of their liquid assets while earning a monetary return. ([http://en.wikipedia.org/wiki/Savings\\_account](http://en.wikipedia.org/wiki/Savings_account)).

### **2.2.1.6. Banking in Ethiopia**

The available literatures take the introduction of banking in Ethiopia back to the beginning of the twentieth century. Modern banking in Ethiopia started in 1905 with the establishment of Bank of Abyssinia, which was based on a fifty year franchise given to the British-owned National Bank of Egypt. It had landmark significance in introducing financial services, which were hitherto unknown in the country. Gidey's (1990, P.82) records showed that Mister D. Mackgilveray was the first Governor of the Bank.

As it is stipulated in the National Bank of Ethiopia (NBE) website (March, 2015), since then the Ethiopian Banking Sector has passed through three main mile stones; the 1931 banking system reform where a purely Ethiopian bank was established, the 1974 declaration where the then government nationalized all private banks under socialist ideology, and the promulgation of the 1994 Monetary and Banking proclamation which reinstated the establishment of private banks.

Banks are the major financial institutions operating in Ethiopia. The Number of banks operating in the country reached 19 of which 3 of them are government owned. The total branch network in the country reached to 1724. As per the result, bank branch to population ratio became 49,826.0, taking total population 85.9 million (Report, 2012/13).

All Banks operated in the country are headquartered in Addis Ababa City. Based on the latest National Bank of Ethiopia staff report (October 2014), there are 807 bank branches in the city excluding Ethiopian Development Bank, which is a policy bank with no commercial motive. Commercial Bank of Ethiopia (CBE) leads by having 158 branches and followed by Awash International Bank S.C and Dashen Bank S.C with 94 and 78 branches respectively.

### **2.2.2. Motives of Saving**

#### **2.2.2.1. Defining Motive**

Social psychologists refer to motives as the reason for conducting a particular behavior, or simply, the "why" behind actions that people take (McClelland, 1985). A motive is a reason which helps to explain the actions that people take and facilitates in promoting a better understanding of behavior by framing the context in which the actions took place. Similarly, Davidson (1963) pronounces that Motive is a reason explains or rationalizes an action.

Mahdzan (2010, p.3) exemplify this by stating; “an individual who does something for a reason can be assumed to have a favorable attitude toward the actions that was performed”.

### **2.2.2.2. What is Motive of Saving?**

Most literatures portray that saving motive is a desire to reserve certain portion of income for future needs. Mahdzan (2010,p.35) simply described that saving motives are the goals or objectives that savers wish to achieve as a result of saving. Noted economist Keynes(1936) has given eight factors which were believed to lead individuals to abstain from spending out of their incomes. Kasilingam, R.; Jayabal, G (2011.p.1) added that the saving rate of household is affected not only by their ability to save but also by their willingness to save.

Mahdzan (2010) also puts that the motives to save have been described as a cognitive outcome and are more closely related to goals and purposes. Motives can be considered as one of the factors underlying behavior. Explicit or self-attributed motives that reflect deliberate choices and conscious behavior are generally assessed directly through self-report questionnaires.

### **2.2.3. Saving Habit**

#### **2.2.3.1. Defining Habit**

Darnton, et.al, (2011, p.18) defined Habit as a factor in behavior and/or a practice. And the authors added that, worked out on the ground, “practices” and “behaviors” are hard to distinguish. Neal, Wood, Labrecque, Lally (2011,p.1) put their meaning of habits as psychological dispositions to repeating past behavior. They also noted that most researchers agree that habits often originate in goal pursuit, given that people are likely to repeat actions that are rewarding or yield desired outcomes. In addition, habit strengths a continuum, with habits of weak and moderate strength performed with lower frequency and/or in more variable contexts than strong habits. In other side, Kadakia (2006, p.13) construed habit as an automated decision-making.

### **2.2.3.2. What is savinghabit?**

Based on the definition of saving as a behavior or a practice different author's use the term saving behavior, saving propensity, saving practice, saving likelihood and saving habit interchangeably. For instance, Fisher P.(2006) used the term saving likelihood to indicate savers the intensity where people are willing to save some portion of income; Mahdzan (2010) used the term propensity to save to refer the intensity of setting aside a portion of income as saving, or an inclination to save; Fisher J. & Anong, (2012) and Fisher J (2010) use saving habit to express the regularity of saving over periods.

### **2.2.4. Interest Rate Benefit (Calculation Motive)**

Interest rate is the return gained as a result of putting money in Bank. Birkeland (2013) said that the return is what an individual get in return for taking the saving alternative at hand. The interest rate is an influential factor for the saving alternatives. Gapinski (1993, p.43) also described that saving was an increasing function of the rate of interest.

One of the most effective factors for deciding to deposit in banking system is the interest rate (Mohammad and Mahdi, 2010). Moreover, the authors stated that the impact of interest rate perceived important on the performance of the banking system to achieve the goals that are expected from the banking system. Interest rate benefit is (Heiko, 2009) one of the determining factor for commercial banks deposits. It was also stated that (Philip, 1968) the offering of attractive interest rate on bank deposits may be considered to have had a beneficial effect. In other side, as Mustafa and Sayera (2009) put low deposit interest rates are discouraging saving mobilization. The banking system is unlikely to be in a position to meet the demand for bank credit unless concerted policy is pursued to raise the rate of saving generally and the rate of saving in the form of deposits in particular (Gemedu, 2012).

Calculation motive was presented to refer a goal to enjoy interest rate benefit. Birkeland (2013, p.13) states that it is the motive to save to generate income through interests or dividends. It is much like the inter-temporal substitution motive which Keynes (1936) listed in his book, while Furnham (1985) and Nyhus (2002) also used the term calculation motive. He also explained the reason why he called the calculation motive was because he wanted to

make clear that the motive was about calculation- that is a person expects to earn extra money on the saved amount.

## **2.3. Review of Theoretical and Empirical Literature**

### **2.3.1. Review of Theoretical Literature**

#### **2.3.1.1. Theories on Motives of Saving**

John Maynard Keynes (1936) was one of the first to draw out a list of saving motives in his book entitled *The General Theory of Employment, Interest and Money*. In this book he outlined many concrete ideas what is now known as the Keynesian theory. It can be said that Keynes was the base for theories that surrounded saving motives.

Following Keynes, various authors categorize various motives, which were listed by Keynes into different groups. However, the saving motives listed by various authors are more or less similar and slightly differed only in terms of naming, and the way & quantity of categories. Next some important saving motive theories are discussed;

According to his book (Keynes, 1936), Keynes put eight types of goals which would lead individuals to refrain from spending out of their incomes: (1) Precaution- to build up a reserve against unstable and unforeseen conditions in the future, (2) Foresight- to provide for an anticipated future relationship between the income and the needs based on one's life-cycle, (3) Calculation- to enjoy interest, (4) Improvement- to increase the standard of living, (5) Independence- to have the sense of the power to do things, (6) Enterprise- to secure a certain amount of money for investment, (7) Pride- to bequeath money to heirs, and (8) Avarice to satisfy the pure miserliness.

As Deaton (2006, P.4) put Life-cycle theory is another saving theory which makes its first appearance in two papers that Modigliani wrote in the early 1950s with a graduate student, Richard Brumberg, Modigliani and Brumberg (1954) and Modigliani and Brumberg (1980). This theory is one of the famous saving motives theory. It entails that (Fisher, 2006) people smooth their consumption over the lifetime, even when income varies, and this consumption

is based on lifetime wealth. Moreover, different authors took Life-cycle as a single motive (for instance, Mahdzan,2010) and incorporated various saving goals under the same.

Horoika and Watanabe (1997) also pointed out savings goals from the life-cycle hypothesis and considered saving as a temporal imbalance between income and expenditure. Enjoying leisure, preparing for children's education, marriage, their own retirement, and purchasing durable goods or house were categorized into each phase of life-cycle stages. Claycamp (1963) used respondents' savings goals as independent variables such as savings for old age, inheritance or education for children, paying off debt, major purchase, and preparing for an emergency, to examine the ratio of each independent variable to all assets on a dollar basis. These studies viewed savings as having a precautionary purpose as well as bequest reason based on life-cycle hypothesis, which makes researchers think about the limited life expectancy of individuals.

Hierarchical Saving Theory is the other theory in the list which suggested(Lindqvist1981, Canova et al., 2005 as stated in Lee and Hana, 2010 P.4) four levels of saving reasons and categorized savers into each level. According to the study, *short-term financial goal* is at the lowest level and *precautionary purpose* is at the second level. *Buying expensive goods reason* is the third, and the top level is for managing the accumulated wealth. Xiao and Olson (1993) attempted to explain savings goals by incorporating Maslow's hierarchy theory using mental account. Here, mental account hierarchy consists of three parts; account1(checking and saving accounts, certificates of deposit, and money market accounts), which is at the lowest level that meets a family's basic and survival needs, Account2 (individual retirement accounts, Keogh plans, various saving plans, and other financial assets) in the middle that meets security needs, and Account3(mutual funds, bonds, and stocks, excluding those in Accounts 1 and 2), the highest level that meets a social and developmental needs(p.5).

Because of existence of various theories, various authors started to adopt their own list of saving motive by modifying, merging, and excluding previously identified motives and categorizing in a comprehensive manner. For example in a very recent study by Fisher and Anong(2012),Katona's (1975) six more general saving motives were used which included (p.65): (a) for emergencies, (b) to have funds in reserve for necessities, (c) for retirement or

old age, (d) for children's needs, (e) to buy a house or durable goods, and (f) for holidays. These six motives were included as independent variables in the empirical model to investigate the relationship between saving motives and saving habits.

In another hand, Warneryd (1999) in his book entitled *The Psychology of Saving* suggests that there are four categories of saving motives, which he stressed, are not independent of each other. These are the habit formation, bequest, precautionary and profit motives. This author, categorized motives more comprehensive as possible than any of the above mentioned authors.

To sum up, various saving motives are comprehensively listed in literatures. It has been observed that different authors have different ways of categorizing these motives. Consequently, as Mahdzan (2010p.37) also puts the literature reveals no specific rule in delineating saving motives. To this end, it is up to the researchers to pick and organize his own saving motive category among the list, which is already explained in the available literature and use in a fashion, which is precise to describe his area of concern.

#### **2.3.1.2. Saving Habit**

Darnton et.al (2011,p.13) conceptualized habit basing the literatures found in two different academic traditions, which is social psychology on one hand and sociology on the other hand. It was stated that Sociology talks of "practice", and psychology, "behavior". Worked out on the ground, "practices" and "behaviors" are hard to distinguish. Accordingly, it was advised that practitioners need to work with both definitions of habit at once.

Kadokia (2006) outlined that the psychological literature treats habits as they are commonly understood in everyday terms. He added that a review of sixty studies by Ouellete and Wood (1998) provided an evidence that frequency of past behavior reflects habit strength and has a direct effect on future performance.

#### **2.3.1.3. Interest Rate (real) and saving**

The rate of interest at any time, being the reward for parting with liquidity, is a measure of the unwillingness of those who possess money to part with their liquid control over it. It is

the 'price' which equilibrates the desire to hold wealth in the form of cash with the available quantity of cash; which implies that if the rate of interest were lower, i.e. if the reward for parting with cash were diminished, the aggregate amount of cash which the public would wish to hold would exceed the available supply, and that if the rate of interest were raised, there would be a surplus of cash which no one would be willing to hold.(Keynes, 1936, p.109).

Both Keynes and classical theories are same in accepting interest rate is a reward but they are different in articulating which part of saving is affected by saving,i.e whether saving at all or saving only in banks. Real interest rate is nominal interest rate minus inflation rate. Mohammad and Mahdi(2010) said that in negative real interest rate condition, people withdraw their resources from banking system. It was also stated that, some research supposed that decrease in real interest rate could decrease true demands for money(in its extensive definition including savings and time deposits). Therefore, it states that the interest rate and deposit of the banks have positive relationship (Gemedu, 2012).

#### **2.3.1.4. Saving Deposit and Interest Rate Developments in Ethiopia**

In Ethiopia, the central Bank sets minimum deposit rate. There was a major interest rate revision in January 1998 with the minimum deposit rate having been reduced from 7 percent to 6 percent and next in March 2002 the minimum deposit rate was again revised down to 3(Tafere, 2008,p.23). In July 2007, upward revision of deposit interest rate was made from 3 percent to 4 percent (NBE report, 2009, p.56). For the last time (NBE, 2011, p.44), the minimum interest rate was again increased to 5 percent effective from December 1, 2010 where commercial banks revised accordingly their minimum deposit interest rates upward by one percentage.

Nonetheless, though (Hailesellasié, Abera, & Baye2013) Ethiopia is still characterized by poor saving culture, saving deposit is increasing in the country from time to time regardless of the negative real interest rate. According to the National Bank of Ethiopia staff report (2014/15), saving deposit is increasing in a significant amount over years, from 10,746.5

million in 2002 to 102,386.4million in 2013, while real interest rate is still below zero. This data did not include savings for condominium houses. This means depositors are yet willing to put their money in bank under the condition that they are penalized rather than benefited from saving in Banks.

## **2.3.2. Review of Empirical Literature**

### **2.3.2.1. Saving Motive and its impact on Saving Habit**

Though few studies have examined (Fisher J. & Anong T, 2012, p.63) how different saving motives influence saving patterns where people regularly put money aside each month or per pay cycle, save whenever they can, or do not save at all; there are ample studies on examining which saving motive is popular. For instance, Bikerland (2013, p.23) summarized over nine studies which was conducted on saving motives and found out that most researchers have found the precautionary motive to be the most important motive for saving. The retirement motive and saving for children needs are also found to be important motives for saving. He also put that the importance of the saving motives is found to vary by individual characteristics, such as gender, age, educational level, home ownership, marital status, number of kids and income.

In other study, Mahdzan (2010, p.80) found out that Life Cycle motive was the most important motive which is followed by precautionary, bequest motive and profit motive respectively. This study suggested that most individuals save for life-cycle reasons. Obviously, everyone goes through a "life-cycle", and hence, will experience, or anticipate experiencing, life-cycle events.

Moreover, in their study in 2010, Fisher J. and Anong (p.70) revealed that retirement motive was rated high by respondents followed by emergency motive, children saving motive, housing motive and basic necessities motives in order of their rank.

Lee and Hana (2012, p.1) also discovered that having a retirement/security motive was the most salient motive, followed by the emergency/saving motive, while the love/family and the esteem/luxury motives were less common, and likely to be secondary choices.

Many of the studies conducted in USA on saving motives used the U.S. Survey of Consumer Finances (SCF) data base. In that survey, respondents are asked the following question (Lee and Hana, 2012, P.4): “Now I'd like to ask you some questions about your attitudes about savings. People have different reasons for saving, even though they may not be saving all the time. The below table shows the results of previous studies conducted on saving motives, as summarized by Lee and Hana( p.4).

**Table 1-Summary of findings of previous empirical study's on Saving Motives (Source:Lee and Hana, 2012)**

No	Study	Dataset	Main results related to saving motives
1.	Fisher & Hsu (2012)	2007 SCF	No specific saving motives was related to saving
2.	Devaney, Anong, & Whirl (2007)	2001 SCF	The probability of movement from lower to higher level of saving motive was affected by demographic variables.
3.	Rha, Montalto, & Hanna (2006)	1998 SCF	Likelihood of saving higher for those with retirement, precautionary, and/or purchase motive, but lower for education motive. Motive related to children not significant.
4.	Canova, Rattazzi, & Webley (2005)	Questionnaire	Fifteen goals and the links between goals in a hierarchy were identified. Concrete goals (purchase, holidays and money availability) are at the bottom of the hierarchy while abstract goals (self-esteem, self-gratification) are at the top.
5.	Hogarth & Anguelov (2003)	1998 SCF	Likelihood of saving higher if respondent gave some saving objective, compared to none.
6.	Xiao & Fan (2002).	1998 SCF & survey of Chinese workers	Retirement most frequent motive in U.S. sample, but saving for one's children most frequent in Chinese sample
7.	Wärneryd (1995,1999)	Questionnaire	Four motives for saving such as saving as a continuous habit not related to any specific goal, precautionary motive, bequest motive, and profit motive, were found to affect the amount of money saved. According to the study, one or more motives can be shared at the same time.
8.	Xiao & Anderson (1997)	1989 SCF	There are three levels of financial needs such as survival, security, and social/developmental needs; checking or savings accounts are associated with lower level of needs whereas bonds and stocks are related to higher level of needs.
9.	Xiao & Noring (1994)	1986 SCF	65% listed more than one saving motive, most common motive was for emergencies, higher income and those over 44 most likely to have a retirement motive.
10.	Xiao & Olson (1993)	1983 SCF, 1986 SCF	Mental account hierarchy which consists of the three parts such as Account1(basic needs at the lowest level), Account2(security needs in the middle), and Account3(social/development needs at the top), are related to marginal propensities to consume of households.
11.	Lindqvist (1981)	Interview	Five types of saving reasons such as socio-economic variables, attitudes, expectations, economic activity, and economic satisfaction have different effects each saving type such as bank saving, stocks and bonds, repayments of debt, and the money the household withdraw from bank.

Keeping in mind saving motives have usually been examined in isolation (Xiao and Noring ,1994 as cited in Mahdzan,2010) in most previous studies, whereby research has tended to focus on one saving motive at a time; some of the few studies conducted on the impact of several saving motives on saving habit are summarized below.

Mahdzan, (2010) examined the impact of saving motives on saving propensity. Her investigation was targeted to check whether saving motives ultimately lead to positive saving, or merely remain as pure intentions. To do so, she classified saving motives in to four(p.224), Life Cycle, Precautionary, Bequest and Profit motive. The dependent variable in this study, saving propensity, reflected the household's extent of saving (p.233). The household's extent of saving classified under three categories; Spending exceeded income, Spending equaled income, and Spending was less than income (p.234). Finally,her study revealed that (p.261), profit motive leads to a strong propensity to save followed by precautionary, lifecycle and bequest motive respectively.

Fisher J. and Anong T. (2012) studied “Relationship of saving motive to saving Habit”. The authors identified six motives as independent variables in the empirical model to investigate the relationship between saving motives and saving habits. They used Katona’s (1975) classification of six general saving motives including (p.65): for emergencies, to have funds in reserve for necessities, for retirement or old age, for children’s needs, to buy a house or durable goods, and for holidays. They constructed saving from survey responses that either people: (a) do not save; (b) save whatever is left over at the end of the month (no regular plan); (c) save the income of one family member and spend the other; (d) spend regular income and save other income; or (e) save regularly by putting money aside each month (p.64).They found out that, Having an emergency saving motive was positively associated with the likelihood of being a regular saver versus a non-saver, Having a retirement saving motive also had a positive relationship with the likelihood of saving regularly versus not saving.

Lee & Hana (2012) investigated “*the influence of saving objective on saving*”. The dependent variable was whether households are savers or not which was similar to the way Mahdzan, (2010) used in her study. The independent variables were drawn from both life cycle theory

and Hierarchical saving theory. These include (p.6); the saving goals explained by the lifecycle hypothesis such as saving for emergency or saving for retirement., and saving goals understood based on Maslow's theory of human needs saving for basic needs, saving for love/societal needs, saving for esteem/luxuries, or saving for self-growth. At the end, the study showed that those who had saving motive for self-growth, emergency/safety, or retirement/security were more likely to save.

Fisher P.(2006) used Emergencies ,Down Payment ,Education for self/spouse, Retirement ,and Education for child/grandchild motives as independent variables to predict saving likelihood. Eventually, his study, came up with the result that Bequest, and saving for foreseeable expense increase the predicted probability of saving. Education for self/spouse, education for child/grandchild, and retirement saving motives all showed a decrease in the predicted probability of saving(p.108).

### **2.3.2.2. The Contribution of Interest Rate on Saving**

Understanding of the response of saving to changes in interest rates is limited, despite a large volume of research on the topic. However, the models that likely describe the behavior of the people who account for most of aggregate saving imply positive interest elasticity. (Elmendorf ,1996,p.5).In addition, Haron&Azmi(2006), explain that the higher the rate of interest, the more money will be saved, since at higher interest rates people are more willing to forgo present consumption.

Various empirical studies;Ojeaga&Odejimi (2014), Elmendorf (1996,p.2), Finger and Hesse (2009,p.14), Cecchetti (1986,p.32), Obamuyi & Olorunfemi(2011p.40), Ojeaga& Bergamo,2013 ,p.15), Group,(1995p.34),Reserve (2011.p.24), Hellmann, Murdock &Stiglitz (1995,P.6), haron&Azmi, (2006,p.5) and Oke, Olayemi ,Jolaosho, & Michael (2013,p.38)presented that interest rate positively affect saving. In general, these studies put that the rise of interest rate contributed to the increase of saving.

However, while there are empirical studies which established a significant positive relationship between savings and real interest rate (Ogaki, Ostry and Reinhart, 1996; and Azam, 1996), many of other studies have also concluded that the real interest rate has very

little or no effect on the savings behavior in LDCs (Bwire, Mukungu, Luganda & Ilukor, 2007). In some occasions, it is observed that saving does not respond to the real interest rate effect as it has been experienced currently in Ethiopia. Studies call it interest rate inelasticity, however it is not boldly stated why it had happened so? It might be because those studies are established with up to the aim of checking the interest elasticity of saving and not further headed to enquire why this oddity [inelasticity] occurred.

Sturm (n.d) cited Deaton (1977) and stated that Inflation reduces the real value of financial assets denominated in money terms. And then (p.177), if households have a target wealth/income ratio, this will lead to increased saving in order to re-establish the desired target ratio. This could imply that saving is not directly determined by the inflation rate, but by individuals' choice/decision on how to react with respect to inflation rate. And this may be based on the motives and perception of depositors.

However, it is also believed that depositors have various motives to save in Banks. But, what it makes interest rate different from other motives; it is a compensation for putting money in banks. Under the condition where Bank deposits are boosting while real interest rate is below zero, which is contrary to the normal presumption, it is triggering and stimulating to investigate the prominent motives of people to save. Taking advantage of the occurrence of this phenomenon in Ethiopia, Addis Ababa, this study find out and explained the motives of people to save in banks and other connected issues.

Rich Toscano & John Simon (2008) put negative real interest discourage saving as it implies a rate of return that is too low to compensate loose purchasing power that has resulted from inflation. Cecchetti (1986, p.32) added that when a firm is making an investment decision or an individual is making a saving decision, they must consider the expected real return.

Levels of savings were mainly determined by the prevailing interest rate regime considering the levels of inflation (Njanike, 2008). Because, based on the classical economic theory the interest rate is both (Rohlf, n.d), the reward households receive for saving and a declining interest rate would discourage saving. This assumption has also added (Haron & Azmi, 2006, p.7) that saving is a function of the rate of interest. The higher the rate

of interest, the more money will be saved. In other side, gurus like Keynes go further and explain the notion from different perspective. He said that (Keynes,1936, p.118) the classical theory made a mistake because it regards interest as the reward for waiting as such, instead of as the reward for not-hoarding [putting money at home]. He claimed that interest rate is the reward for bringing money to Banks not to saving at all. Keynes redefine interest rate that the rate of interest is (p.109) the reward for parting with liquidity [cash] is a measure of the unwillingness of those who possess money to part with their liquid control over it. Nonetheless, both arguments, classical and Keynes, holds that interest rate determine saving specially saving in Banks.

If as a principle negative real interest rate discourages people's saving, and if saving rate in Ethiopia was increasing in the presence of negative real interest, then this contradiction pushed to enquire what really was/were the motive(s) of people to save in Banks? In addition, as stated in the above paragraphs, various studies were found in literatures how interest rate affects saving level. And also there were ample amount of studies (Finger &Hesse, 2009) on determinants of saving.However not abundant (Ismail, Kamis, Hashim, Harun, Khairuddin, 2013.p.1) studies were found on the motives of saving from individuals perspective. As far as the writer of this study concerned, only little is studied in Ethiopia case about the saving motives of people(except studies on determinants of deposit/saving; exampleGemedu, 2012;Ayalew, 2013).

### **2.3.2.3. Demography and Saving Motives**

Demographic influences on saving have been widely researched (Collins 1989;Leff 1969;Mason 1987,1988;Mason and others 1986;Rossi 1989;Webb and Zia 1990;se Hammer 1986 survey). In life-cycle model, older people work less and consume out of their savings. Households with more children at home may also save less because saving for retirement would be deferred until the children left home, which expect old-age support for their children. Thus, one would expect saving rates to depend on the negatively on the dependency ratio (Hebbel,Webb, and Corsetti, P.535).

Furnham (1985) investigated, among others, the relationship between demographic (age, sex, education, vote and income) and attitudes toward saving money. He found that age was strongly and linearly related to the respondent's attitudes to saving. He also suggested that education discriminated between the various saving attitudes (Bikerland,2013, p.15).

## **2.4. Theoretical and Conceptual Framework**

This section discussed the variables used to answer the central research question of the study. It first assessed previous works on the area, identified the variables employed and then outlined the elements this study retained, dropped, modified or added. Finally, it presented the conceptual framework designed based on the theoretical framework.

### **2.4.1. Theoretical Framework**

Considering the importance of studying saving motives versus saving habit or behavior, authors are becoming more interested to study the effect of saving motive on saving habit. (e.g.; Fisher J. & Anong T., 2012; Lee & Hana, 2012; Mahdzan, 2010; Zurich, 2009). Moreover, some other researchers such as Birkeland (2013) studied the saving motives in relation to their determinants and characteristics in different countries.

Fisher J. & Anong T (2013) based their work on Katona's (1975) selected general saving motives included for emergencies, to have funds in reserve for necessities, for retirement or old age, for children's needs, to buy a house or durable goods, and for holidays. These six motives are included as independent variables in the empirical model to investigate the relationship between saving motives and saving habits using multinomial regression. And they classified saving habit into three which included regular saving, irregular saving and not saving.

Mahdzan (2010) studied the influence of saving motive on saving habit by taking a relatively small but comprehensive set of variables including life cycle, precautionary, bequest and profit motives using ordinal regression. She used three types of saving behaviors labeled as spending exceeded income, spending equaled income and spending was less than income. Similarly, Zurich (2009) employed four saving motives (old-age provision, precautionary, bequest and housing motive) in order to study what determines household saving behavior.

Birkeland (2013) used a detailed list of saving motives to study the effect of individual characteristics on saving motives. This included bequest motive, inter vivo transfer motive,

retirement motive, precautionary motive, independence motive, goal saving motive, calculation motive and enterprise motive.

As it was stated in the above sections, there were various ways of outlining categories for saving motives. From the reviewed studies, it can be inferred that there was no a clear cut saving motive under any parameter. But, it could make all agreed that saving motives differ from context to context. The way forward is studying the motives of saving under each context, portray the patterns based on the prevailing context and use the result accordingly. In the case of this study, six saving motives, which were believed suitable to describe the Ethiopian context, were drawn from various empirical and theoretical literatures, which included bequest, life-cycle, precautionary, buying durable goods, profit motives and calculation Motive. These motives were discussed below briefly.

In Ethiopian saving rate is increasing significantly from time to time even under the prevailing negative real interest rate. However, to the researcher's knowledge, it has not yet known which saving motive was dominant and how much it affects depositors saving habit. This pushed to study the saving motive and habits of depositors. To these end, the unit of analysis were made to be bank depositors, unlike previous studies which made their analysis on households in general. In other hand, saving motives of individuals are still open for further argument.

### **1. Bequest Motive:**

As Birkland (2013, p.11) stated the bequest motive is the desire to pass money or other valuable assets to the next generation. It is common that people transfer their belongings to their children or other relatives when they die, but it is, however, not always the case. As Schunk (2007, p.11) stated parents might not only care about themselves but also the wellbeing of their children. The bequest motive arrives from Keynes (1936), and Furnham (1985) renamed the motive to pride.

### **2. Life Cycle:**

Mahdzan (2010) stated that the life-cycle hypothesis (LCH) conceptualized by Modigliani and Brumberg in 1954 is fundamentally an important theory governing saving behavior, which posits that households will smooth out their consumption patterns over their life-cycle

by dividing lifetime wealth by the number of years they expect to live (Palumbo, 1999) allowing constant real consumption levels throughout the life. In the course of having relatively high earning power particularly during mid-life, households save increasing amounts of their income and also pay off debts in order to prepare themselves for declining levels of income in the later part of their life-cycle (the retirement stage), resulting in a hump-shaped wealth pattern (Jappelli and Modigliani, 2003). In other side, Treussard & Willen (2007, p.18) put that the purpose of life-cycle theory is not to provide clear-cut answers but rather to provide a framework for individuals and planners to figure out those answers. To this end, various authors categorize various saving goals under life cycle motive.

For the purpose of this study, Mahdzan's (2010, p.157) lists of life cycle motives were taken with some modification which included; saving for retirement, child education; own education; wedding, and other ceremonies; recreational items; to meet contractual commitments (debt repayment / insurance, taxes, etc.)

### **3. Precautionary Motive:**

Precautionary saving is additional saving that result from the knowledge that the future is uncertain. (Carroll & Kimball, 2006, p.2 as cited in Ziegelmeyer, 2009, p.7). Birkeland (2013, p.12) also added that the precautionary motive encompasses savings to cover unforeseen expenses, and to meet daily financial liabilities and cover future high expenses. This is an essential motive for saving, because if an individual do not have money to cover his expenditures he might get bankrupt.

### **4. Independence Motive:**

To enjoy a sense of independence and the power to do things, though without a clear idea or definite intention of specific action (Keynes, 1936, p.77). Saving for independencies a more abstract term that is not associated with a specific saving alternative or with specific considerations to be made (Bikerland, 2013).

### **5. To buy durable Goods;**

This motive is taken from the study conducted by Fisher J, and Anong in 2012 where they studied the relationship between saving habits and saving motive. They used this motive dewing from Knatona's (1975) classification of saving motive.

## **6. Profit Motive**

This motive was also known as enterprise motive (Keynes, 1936, p.78) or investment motive (Nyhus, 2002, as cited in Birkeland, 2013, p.13). It is all about securing resources to carry out further capital investment and establish an enterprise in order to generate profit in turn. In this study, the saving goal to buy home and car were categorized under this motive. Calculation motive also naturally falls in this category.

## **7. Calculation Motive:**

The calculation motive is the motive to save to generate income through interests or dividends. It is much like the inter-temporal substitution motive which Keynes (1936) listed, while Furnham (1985) and Nyhus (2002) also used the term calculation motive (Birkeland, p.13). In this study, the researcher analyzed calculation motive two times; under categorizing under profit motive and by taking, it separately analyzed it against saving habit

In general, list saving motives used in the study along with their subcategories were presented below briefly.

1. Bequest Motive: To leave bequest to children, family members or any third person.
2. Life cycle: Retirement, Recreation, Holiday, Education, Children, to pay debt
3. Precautionary: emergency, medical expense
4. Independence: To enjoy financial freedom
5. To buy durable goods: Home, Car
6. Profit Motive: To start up a new business, To expand the already available business, calculation motive
7. Calculation Motive: To earn interest rate from saving

The dependent variable, saving habit, was categorized in to three (regular saving, irregular saving and not saving) similar to what was used in Fisher J, and Anong in 2012. Here, this was selected because the researcher believed that this classification was more suitable to describe saving habit than Mahdzan's (2010) classifications, which included spending exceeded income, spending equaled income and spending was less than income.

Hence, saving habit was expressed in to three categories; not save, irregular saving and saving. Each category was presented in the questionnaire by holding two levels. These six

categories were adapted from Fisher J. and Anong T., 2012 in which the authors also derived the same from Katona (1975).

Hence, respondents were asked to pick one of the six statements about their saving Habit. The statements include (1) don't save - usually spend all of my income; (2) save only when I get extra large amount of money; (3) save whatever was left over at the end of the month; (4) save income of one family member, spend the other; (5) spend regular income, save other income; and (6) save regularly by putting money aside each month. Alternative 1 & 2 stands for don't save; alternative 3 and 4 stands for irregular saving and alternative 5 and 6 represents regular saving.

### 2.4.2. Conceptual Framework

Based on the theoretical framework stipulated above the following conceptual framework was postulated. The conceptual framework used to answer the central research question of the study, which is the influence of saving motive on saving habit among bank depositors in Addis Ababa City.

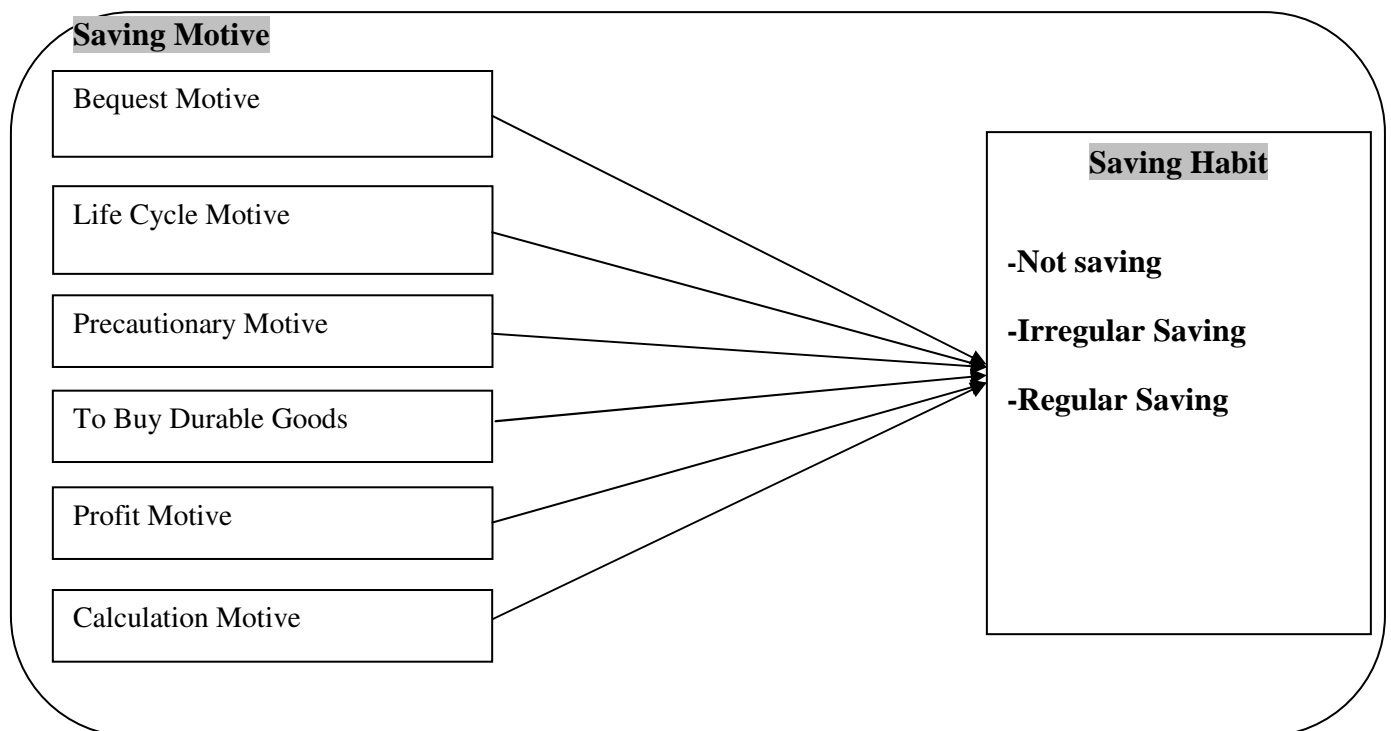


Figure 1-Conceptual framework (adapted from Mahdzan, 2010)

### **3. RESEARCH DESIGN AND METHODOLOGY**

The purpose of this chapter was to explain and justify the research methodology that was chosen to provide answers to the research questions.

#### **3.1. Research Design**

The primary aim of the study was to find out the effect of saving motive on saving habit, the case in bank depositors in AddisAbaba City and thereby answering related questions such as bank preference criterion. To achieve these objectives both explanatory and descriptive type of research design with a quantitative approach was employed to analyze the collected data. Explanatory research seeks explanations of observed saving related phenomena and behaviors. While descriptive research examined the what, where, and when of a phenomenon, explanatory research seeks answers to why and how types of questions. It attempts to “connect the dots” in research, by identifying causal factors and outcomes of the target phenomenon (Bhattacharjee, 2012, p.9). The questions presented in this study were both explanatory and descriptive.

#### **3.2. Research Method**

As Mahdhan (2010, p.25) described researchers have generally agreed upon two distinct methodologies of assessment and measurement of motives. Implicit motives that tend to be vaguely represented and operate beyond a person's awareness are measured using picture-story tests analogous to the psychology-rooted Thematic Apperception Test (TAT) (Morgan & Murray, 1935). In the TAT, people are required to create stories based on a series of provocative and ambiguous pictures, which is supposed to uncover repressed and unconscious psychological facets of an individual. In contrast, explicit or self-attributed motives that reflect deliberate choices and conscious behavior were generally assessed directly through self-report questionnaires. In this study, self-administered questionnaires were used to collect data on the motives and habits of respondents.

### **3.3. Data Type and Research Instrument**

Both Primary and secondary data were used for the study. Primary data consisted responses collected from questionnaire respondents. Secondary data involved theoretical and empirical reviews, and data related to saving and interest rate trends gathered from National bank of Ethiopia.

#### **3.3.1. The Questionnaire**

The self-administered questionnaire was designed in a fashion, which was believed to address the research questions appropriately. The central research question (influence of saving motive on saving habit) was planned to answer by adapting similar questioning format used in Fisher J. & Anong T., 2012, and Mahdzan, 2010. And demography questions were also similar to these studies. Other parts of the questionnaire were made by self in a way to answer descriptive questions of the study.

#### **3.3.2. Reliability and Validity**

Reliability is the degree to which the measure of a research instrument is consistent, while validity refers the quality in which the questionnaire enable the researcher to measure what he intended to measure. Validity could be checked using split-half method or Cronbach's alpha. Split-half reliability is a measure of consistency between two halves of a construct measure.

In this study, it would be awkward to conduct split-half method or Cronbach's alpha test since the questionnaire was designed to collect nominal unordered data. To this end, in order to offset this side a pilot test was conducted. As pilot testing helps to identify questions that do not make sense to respondents, or problems with the questionnaire that might lead to biased answers, the questionnaire was pilot tested two times in construction and Business Bank, Beklobetand Head Office branch. In both times, 10 sample questionnaires were distributed to depositors. Moreover selected bank professionals were made to comment on the appropriateness of the questionnaire. By incorporating the comments given from respondents, the necessary corrections were made on the questionnaire. Since, the population of the study comprises people from various levels of literacy; the questionnaire was made to

have an Amharic version. A language professional, Mr. Tibebe (a language lecturer in Woldeia University and PhD candidate in philology in AAU) assisted in translating the questionnaire in to Amharic.

### **3.4. Sample Design**

#### **3.4.1. Target population**

According to the latest data in the national Bank of Ethiopia (staff compilation 2015), there were 5,484,935 saving accounts in Addis Ababa. The target population of the study was people who are owners of these accounts and the unit of analysis was set to be on individual level that meant each depositor. Nevertheless, neither the central bank nor the commercial banks had a record on the number of account holders. However, it can be said that the population was large amount i.e more than at least 100,000.

#### **3.4.2. Sampling Technique**

As stated above, adequate records were not available about the structure of the population under study; i.e the exact figure of account holders was not exactly known. In order to determine the sample size during such conditions, there could be two options. The first one was to use Cochran's formula, which would be used to calculate sample size for unknown population using proportions, alpha and confidence level. The second option was to use (Israel, 2013, p.2) published tables of samples. In this study, the researcher opted for referring published tables for the reason that; one it recommended to use a bit more sample size compared to Cochran's formula, second Cochran's formula required to know the proportion of the population on a given parameter which was not applicable to this study, though in most cases it was advised to use 50% proportion if the proportion is not provided. For the record, a sample size computation was provided below using Cochran's formula, in order to know what it would seem like if it had been used in this study.

$$n_0 = \frac{Z^2 pq}{e^2}$$

Source: Kasiulevičius V., Šapoka V., & Filipavičiūtė R. (2006)

$n_0$ : is the sample size,

$Z^2: 1 - \alpha$  equals the desired confidence level, e.g., 95%

$e$  : the desired level of precision,

$p$  : the estimated proportion of an attribute that is present in the population,

$q$  :  $1-p$ .

$$n_0 = \frac{Z^2 pq}{e^2} = \frac{1.96^2 0.5 * 0.5}{0.05^2} = 384 \text{ depositors}$$

The second option was using published tables as presented below. There were various published sample tables, which were developed by various authors and institutions. Though tables are expected to be different among various authors, the differences are insignificant and not ambiguous. For the purpose of this study, two published sample tables were referred; Yamane's, (1967) and Krejcie & Morgan (1970) sample size tables.

Table 2- sample size table based on Krejcie& Morgan (1970) 1; Source- The research Advisors, 2006

Required Sample Size				
Population Size	Confidence = 95%			
	Margin of Error			
	5.0%	3.5%	2.5%	1.0%
10	10	10	10	10
20	19	20	20	20
30	28	29	29	30
50	44	47	48	50
75	63	69	72	74
100	80	89	94	99
150	108	126	137	148
200	132	160	177	196
250	152	190	215	244
300	169	217	251	291
400	196	265	318	384
500	217	306	377	475
600	234	340	432	565
700	248	370	481	653
800	260	396	526	739
1,000	278	440	606	906
1,200	291	474	674	1067
1,500	306	515	759	1297
2,000	322	563	869	1655
2,500	333	597	952	1984
3,500	346	641	1068	2565
5,000	357	678	1176	3288
7,500	365	710	1275	4211
10,000	370	727	1332	4899
25,000	378	760	1448	6939
50,000	381	772	1491	8056
75,000	382	776	1506	8514
100,000	383	778	1513	8762
250,000	384	782	1527	9248
500,000	384	783	1532	9423
1,000,000	384	783	1534	9512
2,500,000	384	784	1536	9567
10,000,000	384	784	1536	9594
100,000,000	384	784	1537	9603
300,000,000	384	784	1537	9603

Table 3 Sample size table 2; Source-Israel, 2013

Size of Population	Sample Size (n) for Precision (e) of:			
	±3%	±5%	±7%	±10%
500	a	222	145	83
600	a	240	152	86
700	a	255	158	88
800	a	267	163	89
900	a	277	166	90
1,000	a	286	169	91
2,000	714	333	185	95
3,000	811	353	191	97
4,000	870	364	194	98
5,000	909	370	196	98
6,000	938	375	197	98
7,000	959	378	198	99
8,000	976	381	199	99
9,000	989	383	200	99
10,000	1,000	385	200	99
15,000	1,034	390	201	99
20,000	1,053	392	204	100
25,000	1,064	394	204	100
50,000	1,087	397	204	100
100,000	1,099	398	204	100
>100,000	1,111	400	204	100

a = Assumption of normal population is poor (Yamane, 1967). The entire population should be sampled.

Cochran's sample size calculation was needed where the population at all is unknown. And, the sample tables are used both in need of ready-made references and where the population is known up to some degree. In case of this study, the population was known to some extent where its minimum amount could be estimated. It could be confidently estimated that at least 100,000 depositors were there in Addis Ababa who were supposed to be the owners of 5,484,935 saving accounts. To this end, using the sample size tables was preferable.

In the above tables, Krejcie& Morgan gave 385 sample size greater than 100,000 whereas Yamane's table recommended 400 sample size for same population size. For the purpose of this study, the researcher selected the second option, which allowed greater sample size that was 400.

### **3.4.2.1. Contingency for non-response**

Non-response was expected due to various reasons. Especially in this study non-response was expected, in the assumptions that some respondents/depositors/ may not be willing to fill questionnaires in fear of giving responses about their financial behavior or inadequate time to fill questionnaires due to their busy schedule.

Although this would vary somewhat from setting to setting, an allowance of 10 percent should prove adequate in most situations (Magnani, 1997, p.18). To this end, 40 questionnaires (10% of 400) were allotted to compensate non-response problem, which finally made the number of total distributed questionnaires 440.

Questionnaires were randomly distributed to account holders found in randomly picked bank branches. The Sampling design is random sampling.

### **3.4.2.2. Questionnaire Distribution**

An effort was made to make the sample more representative. In doing so, two government banks and four private banks were randomly selected which included Commercial Bank of Ethiopia, Construction and Business Bank, Awash International Bank Sc., Wogagen Bank Sc., Zemen Bank Sc. and Nib International Bank. Though studying all banks could give a more precise result, it would be unmanageable in terms of convenience. However, the selected six banks were expected to be representative.

Based on the data from national Bank of Ethiopia, 57% of the saving deposit in Addis Ababa is found in Government Banks, i.e Commercial Bank of Ethiopia and Construction and Business Bank. To this end, 249 questionnaires were distributed in government banks. The remaining 191 questionnaires were distributed in private Banks.

Table 4-Questionnaire allocation by bank.Source: Own computation

Bank Type	(a)share of saving deposit	Selected Banks	(b)Share of deposit out of the group	Total Questionnaires assigned	Questionnaire distribution by saving level			
					(a*b)*440	<Br. 100,000	Br.100,000- 1,000,000	>Br.1,000,000
						36%	39%	25%
<b>Governmental</b>	57%	CBE	92%	231	83	90	58	
		CBB	8%	18	7	7	5	
<b>Private</b>	43%	AIB	48%	91	33	35	23	
		NIB	24%	45	16	18	11	
		WB	16%	30	11	12	8	
		ZB	12%	23	8	9	6	
<b>Total</b>	100			438	158	171	110	

The questionnaires were distributed to depositors based on the proportion stated in the above table. Three Bank branches were selected from each bank on a basis of branch grade; grade 1, grade 2 and grade 3. In addition, Questionnaires were allotted to each branch based on its grade level. Grade 1 branches were believed to have more of depositors who deposited more than Br.1, 000,000, and the 25% of the questionnaire was distributed to branches with same level. Then 39% and 36% of the questionnaire distributed to grade 2 and grade 3 branches respectively. Questionnaires were distributed to depositors through bank tellers.

### 3.4.3. Descriptions of Variables and Data Measurement

In this study, the variables were adopted from various previous empirical studies related to saving motive and habit (including Mahdzan, 2010; Fisher J. and Anong T., 2012; Birkeland,2013).

The independent variables saving motives are derived from various theoretical and empirical studies. In case of saving motives,six saving motives are identified calculation motive was also set to be analyzedseparately. All motives are related in one or the other way with the list of motives generated by Keynes (1936). Below, the lists of saving motives were listed along with the some of the articles cited from;

1. Precautionary motive,(Birkeland,2013;Mahdzan, 2010)
2. Life-cycle motive (Mahdzan, 2010)
3. Independence motive, (Birkeland, 2013)
4. Profit Motive (Mahdzan, 2010, also stated as enterprise motive in Birkeland,2013)
5. Bequest motive, (Mahdzan, 2010; Birkeland, 2013)
6. To buy a house or durable goods (Fisher J. and Anong T., 2012)
7. Calculation Motive (Birkeland, 2013)

Ba adapting from Fisher J. and Anong T.,( 2012) work the dependent variable , saving habit, was categorized in to three including; Saving regularly, saving irregularly and not saving.

#### **3.4.4. Method of Data Analysis**

The collected data was analyzed using both regression analysis and frequency tables. The descriptive statistics was used to quantitatively describe the important features of the variables using frequency tables. Regression analysis was employed to show the impact of saving motive on saving habit. Tables, graphs and figures will be used to present the findings in a more readable fashion. Statistical software IBM SPSS 20 was used to do the statistical analysis.

It was widely recommended that Multinomial regression is suitable to data sets where there are more than two unordered categorical dependent variables are found. As it was written in Wooldridge(2000, p.497), Multinomial Regression were used where the unordered response has more than two outcomes. In the study, since the dependent variable has more than two categorical variables (Regular, Irregular, and not saving behavior), multinomial regression was employed in order to assess the impact of saving motive on saving habit.

There were two slightly different options of analysis under multinomial regression; the multinomial probit and multinomial logit method. Chatterjee (2006, p.319) indicated that the logistic model was simpler and superior to the probit model. In an empirical study, Fisher J.

and Anong T. (2012) also used multinomial logit to study the influence of saving motive on saving habit. To this end, the researcher preferred the multinomial logit model for analysis.

Tough Wooldridge (p.725) stated that the choices for the statistic and critical value are based on convenience and on the desire to maximize power given a significance level for the test, Chatterjee, (2006, p.328) recommended to use 5% significance level as a cutoff. Hence, the researcher used 5% significance level to test the hypotheses.

### 3.4.4.1. Model Specification

Multinomial logistic regression involves nominal response variables more than two categories. A response variable with k categories will generate k-1 equations. Each of these k-1 equations is treated as binary logistic regression. And by using the natural logs of odds of outcome as the dependent variable the relationships can be linearized and treated much like multiple linear regression. In logistic regressions the odds ratio represents the constant effect of a predictor X, on the likelihood, that one outcome will occur (Martin, 2015).

To estimate the impact of saving motive on saving habit among bank depositors in Addis Ababa City, the following multinomial regression model was used;

$$\ln\left(\frac{pr(Y=RS)}{pr(Y=NS)}\right) \mathbf{b} + \mathbf{LC} + \mathbf{PT} + \mathbf{BD} + \mathbf{BT} + \mathbf{IC} + \mathbf{PY} \dots\dots\dots 1$$

$$\ln\left(\frac{pr(Y=IS)}{pr(Y=NS)}\right) \mathbf{b} + \mathbf{LC} + \mathbf{PT} + \mathbf{BD} + \mathbf{BT} + \mathbf{IC} + \mathbf{PY} \dots\dots\dots 2$$

$$\ln\left(\frac{pr(Y=RS)}{pr(Y=IS)}\right) \mathbf{b} + \mathbf{LC} + \mathbf{PT} + \mathbf{BD} + \mathbf{BT} + \mathbf{IC} + \mathbf{PY} \dots\dots\dots 3$$

Where,

b is a constant

Ln: the log odds of being either regular or irregulars saving versus the reference category

pr(Y=RS): the probability of Regular saving where RS is Regular saving

pr(Y=IS): the probability of irregular saving where IS irregular saving

NS: Not Saving

LC: Lifecycle Motive

PT: Profit Motive

BD: Buying durable goods motive

BT: Bequest Motive

IC: Independence Motive

PY: Precautionary Motive

### 3.4.4.2. Model Testing

Multinomial logistic regression does not make any assumptions of normality, linearity, and homogeneity of variance for the independent variables. As bayga (2009,p.290) also stated it is more robust to violations of assumptions of multivariate normality and equal variance-covariance matrices (bayga,290). Keeping this in mind, however, there still should be a test in order to make sure the model is the right one. In addition, whether multi-collinearity existed between the independent variables should also be checked. Therefore, a goodness of fit test was conducted.

#### 1. Test for Multi-Collinearity

The situation where some of the independent variables may be highly correlated, commonly called multi-collinearity. And this is a serious problem in regression models as it could lead to an imprecise estimation of regression coefficients. However, if this problem could be detected early, it would easily be avoided.

As Chatterjee (2006) explained, multi-collinearity among the predictor variables could be judged by examining using the *variance inflation factor* (VIF). According to the author, values of variance inflation factors greater than 10 is often taken as a signal that the data have collinearity problems.

Table 5-Variance Inflation Factor test result. Source: Self computation

Independent variable	VIF
Bequest Motive	1.043
Lifecycle Motive	1.052
Precautionary Motive	1.063
To buy durable goods	1.060
Profit Motive	1.029
Independence motive	1.028
Mean VIF	1.045

A VIF test was conducted among the independent variables of the study and the mean VIF resulted 1.045 that is much less than 10. And it could be conclude that multi-collinarity would not be a problem here.

## 2. Goodness of test

The goodness of fit test provides further evidence whether the model adequately fits the data. The fit is said to be good if p-value (sig.) is  $> 0.05$  (Chan, 2005). As we can observe from the table, p-values for both Pearson and Deviance are  $> 0.05$ . Therefore, it could be said that the model fit was good.

**Table 6-Goodness of Fit output (Source: Self Computation)**

<b>Goodness-of-Fit</b>			
	Chi-Square	Df	Sig.
Pearson	86.272	72	.120
Deviance	91.668	72	.059

## **4. DATA PRESENTATION AND ANALYSIS**

### **4.1. Introduction**

As shown in the objective of the study, this thesis was mainly set to examine the impact of saving motive on saving habit and it also went far beyond towards studying other related issues which in one or more ways linked with saving habit and practices of respondents. This helps to provide important complementary information, which helps the reader to understand the current saving habit in Addis Ababa city in a bit wider perspective.

First, this chapter presented the results of the study on; the impact of saving motive on habit, the impact of saving horizon on saving motive, and the impact of calculation motive particularly on saving motive. Next, results on subcategorized questions of the study including; the relation of demographical factors with saving habit, the identified main reasons that made people to keep save amid negative real interest rate, answers for why people mainly opt to save in banks, significant factors that enhanced people's saving awareness, and criteria people looked most to prefer one bank from the other were presented.

### **4.2. Respondents' Demographic Profile**

From 440 questionnaires distributed, 377 were returned. The returned questionnaires are carefully checked, and those with excessive missing data were discarded, and adjustment was made to keep the proportion of the respondents by saving deposit level (i.e. 36% respondents with below Br.100,000 deposit, and 64% respondents with above Br.100,000 deposit). And this resulted in 233 usable questionnaires. In order to ensure that the excluded questionnaires would not have an impact on the total result of the study an independent test was conducted by forming two groups each consisted randomly selected 10 percent of the total collected questionnaire.

T –test is commonly used to test sample independence. However, since the dependent variable in this study was nominal, Mann-Whitney U test was used. In the research in education book, Best and Khan (2006) stated that Mann-Whitney U test is a useful alternative to the t test when the parametric assumptions cannot be met and when the observations are

expressed in at least ordinal scale values. The below table showed the Mann-Whitney U test conducted in the study.

Table 7-Mann-Whitney test result. Source: Own computation

	Ranks				Test Statistics	
	Group	N	Mean Rank	Sum of Ranks		Saving Habit
<b>saving habit</b>	1	38	34.95	1328	Mann-Whitney U	587
	2	38	42.05	1598	Wilcoxon W	1328
	Total	76			Z	-1.443
					Asymp. Sig. (2-tailed)	0.149

The mean rank column showed that the mean score result of the dependent variable among the two groups. Here, the Mann Whitney test helps to tell whether the mean score is significant or not using confidence level of 95%.As Best and Khan (p.440) put Mann-Whitney test the null hypothesis at the .05 level of significance. Accordingly, their result showed that the null hypothesis could not be rejected which meant that there was no significance difference between the two groups. Therefore, it could be inferred that those excluded responses had no adverse impact on the result of the study.

Moreover, such amount of response could be considered sufficient for statistical analysis and generalizability. As Israel (2013,p.4) put a 200-500 sample size could be believed far enough as to the standard in order to run multiple regressions. Below was presented demographic characteristics of the 233 respondents.

**Table 8-Demographic Profile of Respondents. Source: Own computation**

Demography Factors	Category	Frequency	Percentile	Cumulative Percentile
<b>Sex</b>	Male	150	64.4	64.4
	Female	83	35.6	100.0
	<i>Total</i>	233	100.0	
<b>Age</b>	<18	1	00.4	00.4
	18-29	104	44.6	45.1
	30 – 39	85	36.5	81.5
	40 – 49	29	12.4	94.0
	50-59	9	3.9	97.9
	> 60	5	2.1	100.0
	<i>Total</i>	233	100.0	
	<b>Marital Status</b>	Single	87	37.3
Married		139	59.7	97.0
Divorced		5	2.1	99.1
Separated		2	.9	100.0
<i>Total</i>		233	100.0	
<b>Employment Status</b>	Employed	202	86.7	86.7
	Self employed	8	3.4	90.1
	Not working	23	9.9	100.0
	<i>Total</i>	233	100.0	
<b>Educational Level</b>	Grade 1-8	4	1.7	1.7
	Grade 9-10	15	6.4	8.2
	Grade 11-12(10+1,10+2)	26	11.2	19.3
	Diploma	57	24.5	43.8
	First Degree	111	47.6	91.4
	Master's Degree and above	20	8.6	100.0
	<i>Total</i>	233	100.0	
<b>Deposit amount in birr</b>	less than or equal to 100,000	85	36.5	36.5
	above 100, 000	148	63.5	100.0
	<i>Total</i>	233	100.0	
<b>Saving Account opened</b>	0- 3 years	79	33.9	33.9
	4- 7years	73	31.3	65.2
	8-11years	56	24.0	89.3
	12-15 years	25	10.7	100.0
	<i>Total</i>	233	100.0	<i>Total</i>

As the above table indicates, from the total sample of majority of respondents (64.4%) were found to be male whereas, females of respondents account 35.6% of the total respondents. Youth respondents (aged from 18-29 years) took the majority. This was a good representation because youths took majority of the population on the ground. Only one (0.04%) respondent found to be below 18 years old which is under the threshold age that a person could have an account which he could fully control.

With regard to the marital status of the respondents, 139 (59.7%) of the respondents fall in the marital status category of Married, followed by 87(37.3%) Singles, 5(2.15) divorced respondents and 2(0.9%) separated respondents, respectively.

When it came to the educational background of the respondents, about 19.3% of respondents have below diploma educational qualification whereas over half (80.7%) of respondents has diploma or above educational qualification.

36.5% of respondents had a deposit amount of and below Br. 100,000 and 63.5 of respondents have more than Br. 1000,000 in their saving account. And this ratio went well with the fact on the ground where in Addis Ababa 36% of the saving accounted for Br. 100,000 and below individual saving deposit amount and 64% of the deposit represented over Br. 100,000 individual saving deposit amount.

Finally, the table presented that the amount of time since savers opened saving time. This data was believed to understand how the respondents were distributed among different experience of saving. As the table showed, 33.9% of respondents had been opened account for the last three and below years, 31.3% of respondents had saving account for between 4-7 years, 24% of respondents had saving for between 8-11 years, and 10.7% of respondents had saving accounts for about 12 years and above.

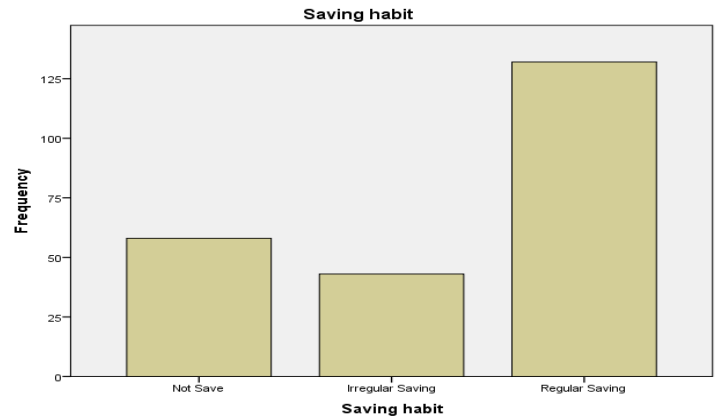
### **4.3. Saving Motive versus Saving Habit**

#### **4.3.1. Descriptive Statistics of the Study Variables**

Under this section, the statistics of both the dependent and independent variables were discussed. The independent variable was saving motive which constituted six main saving motives. The dependent variable was saving habit which categorized into three alternative. Hence, the following table summarized the results gained from the SPSS output regarding the statistics of these variables.

**Table 9 - Saving Habit frequency table.**Source: Own computation

Saving Habit	Frequency	Percent
Not Save	58	24.9
Irregular Saving	43	18.5
Regular Saving	132	56.7
<b>Total</b>	<b>233</b>	<b>100</b>



**Figure 2- Bar chart -Saving Habit.** Source: Own computation

According to the result from the above figures, among the respondents, 58 (24.9%) categorized under not save habit where as 43(18.5%) were reported as having irregular saving habit. And the majority, 132(56.7%) respondents, were characterized regular savers. Next, frequency statistics on saving motive presented as follows.

**Table 10-Frequency Table showing saving motives by number of times selected.** Source: Own computation

Saving motive in category	Number of responses per unit	Rank
Bequest Motive	25	3
Lifecycle Motive	18	6
Precautionary	65	2
buy durable goods	24	4
Profit Motive	23	5
Independence	73	1

The above two figures showed a statistics on saving motives of respondents. Since the questionnaire section, which asked about saving motive

,was a kind of CATA (Choose all that apply) question, respondents could select more than one saving at a time. Keeping this in mind, Independence motive was most reported (73 times) than any other saving motive followed by Precautionary motive which was chosen 65 times. Bequestmotive took the next place with 25 choices. Buying durable goods got selected slightly less than bequest motive with 24 times. Profit and Lifecycle motive took the 5<sup>th</sup> and 6<sup>th</sup>place which 23 and 18 choices.

The above analysis gave some insight on which saving motive was more popular among respondents. However, care should be taken that one motive was rated high would not mean that it has significant impact on saving habit. Whether a certain saving habit has a significant contribution for saving habit could not be known unless some peculiar inferential statistics analysis methods such as correlation or regression used. Such analysis was provided in the next section.

### 4.3.2. Multinomial Regression Result on Saving Motive versus Saving Habit

Multinomial regression was used in this study seeing that the dependent variable (saving Habit) constitutes more than two categorical alternatives. And this regression procedure helped to describe the changes in the dependent variable using probabilities. Here, the regression was run on saving habit against each saving motive, holding one saving habit as a reference group.

#### 4.3.2.1. Saving regularly versus not saving.

Multinomial regression estimates k-1 models, where k is the number of levels of the outcome variable. Hence, in this section, not saving was treated as a reference group where the interpretation entailed the probability of outcome in saving habit for a change from having one saving motive than not having that particular saving motive.

Table 11-Regression result not saving vs saving. Source:Own Computation

Saving habit		Wald	Sig.	Exp(B)	95% Confidence Interval for Exp(B)	
<i>(Reference category-Not save)</i>					Lower Bound	Upper Bound
<b>Regular Saving</b>	Intercept	.707	.401			
	bequest	.341	.559	1.434	.428	4.802
	<b>Lifecycle</b>	4.750	.029	2.085	1.077	4.037
	<b>precaution</b>	4.188	.041	1.989	1.030	3.842
	Durable Goods	.402	.526	1.272	.605	2.675
	Profit	3.686	.055	1.956	.986	3.880
	Independence	.650	.420	1.358	.646	2.855

Setting the significant/alpha level to 0.05, Lifecycle and precaution saving motives were found to have significant relationship with saving habit, among other saving habits. This

implied that in both saving motives, having either of the saving motives makes a difference upon saving habit, than not having either of the saving motives.

The likelihood of becoming regular saving from not saving was reported 2.08 times if the person had Lifecycle motive. In other saying, having a lifecycle motive could led to a regular saving from a non-saving behavior, with the likelihood of about 2.08 times as high as a depositor not reporting a lifecycle motive. When it came to precautionary motive, having precautionary motive led to the habit of being a regular saver from a non-saver, with the likelihood of saving regularly about 1.99 times as high as a depositor not reporting the same motive. The remaining four saving motives (bequest, buying durable goods, profit and independence) were observed insignificant in the model.

This provided partial support for Hypothesis 1<sub>1</sub>, in that having a lifecycle or precautionary saving motive increased the likelihood of saving regularly from not saving habit, while other saving motives were not significant.

#### 4.3.2.2. Saving irregularly versus not saving

Table 12- Regression result saving irregularly vs not saving, Source: Self Computation

Saving habit		Wald	Sig.	Exp(B)	95% Confidence Interval for Exp(B)	
					Lower Bound	Upper Bound
<b>From Not saving to Irregular Saving</b>	Intercept	10.157	.001			
	Bequest	.512	.474	1.690	.401	7.118
	Lifecycle	.003	.960	.978	.412	2.323
	<b>Precaution</b>	7.703	.006	3.416	1.435	8.134
	Durable goods	.789	.374	1.520	.603	3.830
	Profit	.118	.731	.851	.339	2.137
	<b>Independence</b>	4.163	.041	2.508	1.037	6.066

In examining saving irregularly versus not saving habit, precautionary saving was still significance with 0.006 P value and independence motive was also reported significance with 0.041Pvalue.

The likelihood of becoming irregular saver from not saverwas reportedabout 3.42 times if the person had precautionary motive. This is a bit higher than in the case of saving versus non

saving scenario. Here, the likelihood of being an irregular saver from a non-saver habit was 3.42 times as high as a depositor not reported a precautionary motive. In the other hand, it was found out that having independence motive led to an irregular saving habit from non-saving habit 2.51 times as high as a depositor not reporting the same motive. The fact that independence motive was the most frequently rated saving motive strengthen this result. Bequest, lifecycle, buying durable goods, and profit motives were observed insignificant in the model.

Here, Hypothesis 1<sub>2</sub> was partially supported, in that precautionary and independence motives increased the likelihood of saving irregularly versus not saving, while other saving motives were insignificant.

### 4.3.2.3. Saving regularly versus saving irregularly

This section provided the likelihood of becoming a regular saver from irregular saving habit under each saving motive.

Table 13-Regression result on saving regularly vs saving irregularly. Source: Self Computation

Saving habit		Wald	Df	Sig.	Exp(B)	95% Confidence Interval for Exp(B)	
						Lower Bound	Upper Bound
<b>Regular Saving</b>	Intercept	7.781	1	.005			
	bequest	.082	1	.774	.848	.276	2.611
	<b>Lifecycle</b>	3.954	1	.047	2.132	1.011	4.494
	precaution	1.855	1	.173	.582	.267	1.268
	Durable goods	.204	1	.652	.837	.386	1.815
	<b>Profit</b>	4.326	1	.038	2.299	1.049	5.039
	Independence	2.693	1	.101	.541	.260	1.127

It was found out that the likelihood of becoming a regular saver from an irregular saver was reported 2.13 times if the person had Lifecycle motive. This could be interpreted that, under lifecycle motive, a likelihood of becoming a regular saver from irregular saving habit would be 2.13 times as high as a depositor not reported a Lifecycle motive. In addition, depositors having profit motive were 2.299 times likely to save regularly, compare to depositors who had no the same motive.

Here, Hypothesis 1<sub>3</sub> was partially supported, in that lifecycle and profit motives increased the likelihood of saving irregularly versus not saving, while other saving motives were insignificant.

#### 4.4. Demographic factors versus saving motive

Under this section the presumed association between various demographic factors and saving motives was discussed using a chi-square test. A chi-square test was used to critically examine whether there was a relationship between the categorical values of demographic factors and saving motives. A 5% significant level was used while computing the chi-square test.

Table 14-Chisquare result summary-Demography vs saving motive. Source: Own computation

Demographic Variable	Lifecycle Motive		Precautionary Motive		To buy durable goods		Profit Motive		Independence motive		Bequest Motive	
	Pearson Chi-Square		Pearson Chi-Square		Pearson Chi-Square		Pearson Chi-Square		Pearson Chi-Square		Pearson Chi-Square	
	Value	Asym p. Sig. (2-sided)	Value	Asym p. Sig. (2-sided)	Value	Asym p. Sig. (2-sided)	Value	Asym p. Sig. (2-sided)	Value	Asym p. Sig. (2-sided)	Value	Asym p. Sig. (2-sided)
<b>Sex</b>	.355	.552	1.670	.196	.160	.689	1.301 <sup>a</sup>	.254	14.691 <sup>a</sup>	<b>.000</b>	1.650 <sup>a</sup>	.199
<b>Age</b>	3.567 <sup>a</sup>	.468	3.170	.530	2.376	.667	4.548	.337	10.095	<b>.039</b>	.131 <sup>a</sup>	.937
<b>Marital Status</b>	3.720 <sup>a</sup>	.293	5.343 <sup>a</sup>	.148	1.210 <sup>a</sup>	.751	6.956	.073	6.336	.096	5.871	.118
<b>Children</b>												
<b>Having and not having</b>	2.070 <sup>a</sup>	.150	.890 <sup>a</sup>	.345	.107	.744	2.252	.133	.006 <sup>a</sup>	.940	14.380 <sup>a</sup>	<b>.000</b>
<b>No. of children</b>	4.289 <sup>a</sup>	.746	7.448 <sup>a</sup>	.384	5.766 <sup>a</sup>	.567	10.909 <sup>a</sup>	.143	11.260 <sup>a</sup>	.128	11.999 <sup>a</sup>	.101
<b>Educational Level</b>	3.235 <sup>a</sup>	.198	2.036 <sup>a</sup>	.361	2.603 <sup>a</sup>	.272	.810 <sup>a</sup>	.667	2.688 <sup>a</sup>	.261	1.578 <sup>a</sup>	.454
<b>Employment Status</b>	9.226 <sup>a</sup>	.324	12.545 <sup>a</sup>	.129	2.946 <sup>a</sup>	.938	34.666 <sup>a</sup>	<b>.000</b>	5.617 <sup>a</sup>	.690	6.636 <sup>a</sup>	.576

The above table summarized the SPSS output of chi-square test this way for ease of reading, since it could take several pages offull of tables, if all crosstab tables presented here. Itrepresented the association between demographic factors and saving motive by comparing the chi-square value.

Gender had statistically significant association with Independence motive at 5% significance level. This means being male or female has a difference on the independence motive of saving. The complete cross tab result table (*see appendix*) showed that 47% out of the total female respondents had independence saving motive which was twofold compared to 22.7% men who had same motive out of the total men population. It was true that women needed financial independence, in order to overcome their financial dependency.

As it was observed in the gender case, age had also significant association with independence motive with 0.039 P-value. The respondents found between in the age of 46-55 had chosen independence saving motive far more than any other respondents found in the remaining age categories. From this, it could be inferred that adults needed more financial independence than youths.

Next, whether having a child had a difference among saving motives was analyzed. In this regard, between having a child or not showed a difference on a bequest motive. It was revealed that among respondents who had a child, 20.7% them were reported bequest motive which was far greater than 4.8% respondents who reported bequest motive out of the total respondents with no child. In the other hand, it was also examined whether the number of children brought difference on saving goals, and it was found that there was no significance difference on saving because of having more or few children.

Employment status was the other factor discussed here. It was showed that employment status brought difference upon having and not having a bequest motive. Here, Businesspersons had reported more of profit motive compared to other respondents found in different employment types. This result showed that businesspersons usually saved to expand their current business or to start a new one.

Both marital status and educational level had not brought any difference on having or not having any of the saving motives. That means being in a state of any of marital status (single, married, widowed, or divorced) could not be a reason to choose one saving motive from the other. The same goes to educational level where being found in any level of academic rank had nothing with choosing one saving motive than the other one.

## 4.5. Deposit amount versus saving motive

When one discussed about saving motive of depositors, in other hand it meant that he was talking about the purpose that the money was kept in bank. To this end, it was necessary to know the saving goals of savers who were categorized based on different saving amount. The category for classifying depositors based on their saving amount was the same with the category used by the National Bank of Ethiopia.

This section showed distribution of respondents found in different saving category against various saving motive. It was revealed that profit saving motive has a significant association with the deposit level people have. In this regard, people deposited above Br. 1,000,000 more inclined to save for profit motive than any other motive. This finding agreed with the above finding where businesspersons were more inclined to save for profit motive. Nevertheless, being in any of deposit amount category had not shown any significance relation with any other saving motive.

Table 15- Frequency table on saving motive vs deposit amount. Source-Own Computation

		deposit amount among saving motives			Total	Pearson Chi-Square	
		Below Br. 100,000	Br. 100,000- 1,000,000	Above Br. 1,000,000		Value	Asymp. Sig. (2-sided)
<b>Bequest Motive</b>	Yes	7	16	2	25	1.778	.411
	No	78	104	26	208		
<b>Total</b>		85	120	28	233		
<b>Lifecycle Motive</b>	Yes	38	58	13	109	.265	.876
	No	47	62	15	124		
<b>Total</b>		85	120	28	233		
<b>Precautionary Motive</b>	Yes	48	68	14	130	.434 <sup>a</sup>	.805
	No	37	52	14	103		
<b>Total</b>		85	120	28	233		
<b>To buy durable goods</b>	Yes	32	34	6	72	3.359 <sup>a</sup>	.186
	No	53	86	22	161		
<b>Total</b>		85	120	28	233		
<b>Profit Motive</b>	Yes	15	59	16	90	25.454 <sup>a</sup>	.000
	No	70	61	12	143		
<b>Total</b>		85	120	28	233		
<b>Independence motive</b>	Yes	26	43	4	73	4.934 <sup>a</sup>	.085
	No	59	77	24	160		
<b>Total</b>		85	120	28	233		

#### 4.6. Why depositors keep saving money in Banks while real interest rate is negative?

This section held exclusive analysis on Calculation Motive versus saving habit. As discussed in the previous sections, Calculation motive is a goal of enjoying interest rate benefit from saving, and it was categorized under profit motive. Calculation motive is the principal motive that link depositors to Banks. All other listed saving motives could be achieved without going to bank, whereas calculation motive could only be realized so long as individuals put money in banks. In this section, calculation motive would be separately discussed. This was done, because the fact that currently existed in Addis Ababa (in Ethiopia too) where deposit was rising amid negative real interest rate, triggered to look this saving motive separately. Records (NBE staff compilation, 2014) showed that saving in bank had grown in the past years despite the prevailing negative real interest rate. This scenario pushes to enquire several questions. Figure 3 showed the comparison between the real interest rate and saving deposit growth over years.



Figure 3- A graph showing the trend on saving deposit and real interest rate in Ethiopia. Source: own computation based on NBE staff compilation

It was well noted that interest rate was the compensation for people to put money in Banks. And, it would be questionable when depositors keep, in an increasing pace, putting money in

banks while that compensation is insignificant and even negative in real terms. This could rise two assumptions. One, depositors looked or felt only the nominal interest rate and did not give attention to the negative real interest rate, which could reduce the value of deposited money from time to time in real terms. As Camrere, Loewenstin, Rabin (2004, p.32) noted, there is a tendency that people to make decisions based on nominal quantities rather than converting those figures into “real” terms by adjusting for inflation. The second assumption would be depositors aware the fact but kept depositing money because they had other strong motives which they gave precedence over the calculation motive.

In order to answer these questions, it should first to be known that whether depositors themselves confirm the record that deposit was growing in the past years. To this end, respondents were asked a question “Does your saving in banks have risen in the last years?” As the table showed majority of the respondents confirmed the case that deposit was growing in the past years.

**Table 16: Frequency table showing respondents answer on their saving trend over the past years. Source: Own Computation**

		Frequency	Percent	Valid Percent	Cumulative Percent
<b>Valid</b>	Yes	153	65.7	65.7	65.7
	No	80	34.3	34.3	100
	Total	233	100	100	

However, the above information might not be enough to understand the case clearly. It should be known that whether all depositors found in different capacity confirmed the case or only specific depositors. To do so a cross tab was used and tested using chi square. The result showed that, with a value of level 0.161, there was no significant difference among depositors in reporting saving was growing in the last years. That means deposit was increasing in the past years across all levels of savers. To this end, it could be confidently assured that the record and the respondents answer was agreed.

Table 17: Frequency Table- deposit level vs saving trend. Source: Own Computation

			Does your saving in banks have risen in the last years		Total	Chi sq. Sig
			Yes	No		
<b>deposit amount among the categories</b>	Below Birr 100,000	Count	53	32	85	0.161
		%	62.4%	37.6%	100.0%	
		% of Total	22.7%	13.7%	36.5%	
	Birr 100,000-1,000,000	Count	85	35	120	
		%	70.8%	29.2%	100.0%	
		% of Total	36.5%	15.0%	51.5%	
	Above Birr 1,000,000	Count	15	13	28	
		%	53.6%	46.4%	100.0%	
		% of Total	6.4%	5.6%	12.0%	
<b>Total</b>	Count	153	80	233		
	%	65.7%	34.3%	100.0%		
	% of Total	65.7%	34.3%	100.0%		

After ensuring there is a similarity between the record that entails the growth of saving and the depositors response about their saving trend, now it could be possible to pass to other questions. The coming subsections presented supplementary results to answer the question raised.

#### 4.6.1. Reasons for the rise of saving in the past years in Addis Ababa City

Next, respondents were asked what were the reasons that they believed their bank saving has risen in the past years. This helped to answer, whether depositors still took interest rate benefit seriously. Moreover, it would also help to identify which factor led to the growth of saving amid the negative real interest rate. The responses were summarized in the table below.

Table 18: The reason for the growth of saving by rank (Source: Own Computation)

Reason	Responses		Percent of Cases	Rank
	N	Percent		
Because your saving knowledge has developed than ever before.	74	37.6%	53.2%	1
Because saving has become significance for your life than ever before.	46	23.4%	33.1%	3
Because you have no option to invest your money	8	4.1%	5.8%	5
Because your income has been increased from time to time.	49	24.9%	35.3%	2
Because extra benefits (such as coupon) that banks give motivates you to save more.	7	3.6%	5.0%	6
Because the interest rate is attractive.	3	1.5%	2.2%	7
Because the bank's service has improved.	10	5.1%	7.2%	4
<b>Total</b>	197	100.0%	141.7%	

It was found out that the improvement on saving understanding became the first reason that made depositors to increase their saving. This could include experience from life , formal education or age. The second reason for the growth of saving in the past years was the rise of income of depositors. The cause “saving has become significance for your life than ever” became the third reason. The list continued and the interest rate was reported the very least reason for the rise of deposit in the past years.

As the country is an under banked state, lack of saving knowledge is supposed one of the reasons for being so. The above result would be an indication that the improvement on saving knowledge started to reduce not-saving habit and support the move to improve saving culture. And this in turn could tell enhance people awareness would be the key tool to bring more people to saving.

#### **4.6.2. Factors contributed for the development of depositors’ saving knowledge**

Next, the study went further and investigated the first reason that was given for the rise of deposit in the last years, i.e the development of knowhow on saving. Here, respondents who reported that the improvement on their understanding helped them to increase their saving were asked which factors helped them to enhance their understanding on saving.

**Table 19- Contributors for saving knowledge by rank (Source: Own Computation)**

		Frequency	Percent	Valid Percent	Rank
<b>Valid</b>	Social influence: Advice from peers, family, intellects	17	23	23	2
	Awareness creation programs broadcasted in Mass Media	13	17.6	17.6	3
	Banks Advertisements and other promotion activities	9	12.2	12.2	4
	Your religious belief	1	1.4	1.4	5
	Only your self-knowledge	33	44.6	44.6	1
	Others	1	1.4	1.4	6
	Total	74	100	100	

The result revealed that depositors self-knowledge and initiation was the primary reason for enhancing their understanding on saving. In second place, social influences played a role in this regard. Awareness creation programs broadcasted in mass media became the third main

reason followed by bank advertisement and promotion activities. Religious belief was found reported the last reason.

Here, Self-knowledge could indicate the lessons and experiences that people took from some occurrences such as inflation, which affected their day-to-day financial status.

Finally, in order to know better the effect of calculation motive (if any) on the regular saving habit, a separate multinomial regression was run against saving habit. As the below table showed calculation method didn't have significance influence on moving from not saving habit to regular saving habit or from irregular to regular saving habit, in that it was failed to reject the null hypothesis which meant that Calculation motive did not influence saving habit. It only showed a minimal likelihood (52.1%) of becoming an irregular saving from saving if person has calculation motive.

**Table 20- regression result on calculation motive vs saving habit (Source: Own computation)**

Calculation motive	Wald	df	Sig.	Exp(B)	95% Confidence Interval for Exp(B)	
					Lower Bound	Upper Bound
<b>Regular saving vs Not saving</b>	.042	1	.837	.839	.158	4.460
<b>Irregular saving vs Not saving</b>	.456	1	.500	.521	.078	3.460
<b>Regular saving vs Irregular saving</b>	.395	1	.530	1.611	.364	7.126

It could be said that interest rate benefit didn't play a significance role for regular saving. To conclude, all of the above results showed that depositors did not much care about the interest rate benefit and their saving habit was established on other saving motives. In addition, the improvement of self-knowledge on saving combined with an increase in income pushed people to save more by ignoring the perceived negative real interest effect.

### **4.6.3. Why people prefer banks to save?**

From the findings in the above section it was well understood that saving in banks was growing in the past, the growth of saving was comparatively same among depositors in all levels and calculation motive (the only motive linked with banks) was not the major contributor for the growth of bank saving. To this end, the next question would be why

people prefer banks to save. This helped to reveal why really people needed to go to Banks; was it for return or financial service.

**Table 21- Reasons why depositors prefer to save in banks. Source: Own computation**

Why do you prefer to save in Banks					Rank
Reasons		Responses		Percent of Cases	
		N	Percent		
	For Security/safety purpose	150	31.20%	69.80%	1
	To get special benefits like awards and prizes	17	3.50%	7.90%	7
	To get interest rate benefit	38	7.90%	17.70%	4
	To facilitate access to loan	29	6.00%	13.50%	
	To avoid extravagant acts coming from holding cash in hand	114	23.70%	53.00%	2
	To facilitate payment for goods	31	6.40%	14.40%	6
	To get electronic Banking service	32	6.70%	14.90%	5
	Because for you, saving means putting money in banks	14	2.90%	6.50%	8
	Absence of investment options to spend your money	54	11.20%	25.10%	3
<b>Total</b>		481	100.00%	223.70%	

Respondents were asked a question “why you mainly prefer to save in Banks?”, And, a list of options were provided to respondents which were believed to be possible answers, with an additional blank space used to write if respondents had a reason out of the listed options.

Finally, the result revealed that security was the most important reason that led depositors to make their saving in a bank. The second significant reason to put money in bank was to avoid extravagant saving acts coming from holding cash in hand. Absence of investment options other than savings became as third reason before the aim of getting interest rate benefit. In the above case, interest rate did not become of the top reasons to decide to save money in banks, which strengthen the findings discussed in previous sections.

#### **4.6.4. Criteria to choose one Bank from the other**

It would give a better picture about the saving habit of depositors if the above results could be supplemented by identifying conditions, which people look for choosing one bank from the other. Depositors were believed to have various criteria to choose one bank from the

other. Keeping this in mind, respondents were asked which criterion they looked to prefer one bank from the other.

**Table 22-Bank Choice Criteria. Source: Own Computation**

	Responses			Rank
	N	Percent	Percent of Cases	
<b>Swift Service</b>	184	37.20%	84.80%	1
<b>Proximity to my home/business/office</b>	88	17.80%	40.60%	2
<b>Better interest rate</b>	31	6.30%	14.30%	6
<b>Preferential advantages like access to loan</b>	39	7.90%	18.00%	5
<b>Representing the region &amp; community you belong to</b>	6	1.20%	2.80%	8
<b>Other incentives like coupon prizes</b>	5	1.00%	2.30%	10
<b>The trust you have on the Bank</b>	63	12.80%	29.00%	3
<b>If the bank is owned by government</b>	19	3.80%	8.80%	7
<b>If the bank is owned by private investors</b>	6	1.20%	2.80%	8
<b>If you are a shareholder</b>	2	0.40%	0.90%	11
<b>Electronic services such as Mobile Banking and ATM facility</b>	51	10.30%	23.50%	4
<b>Total</b>		494	100.00%	

According to the result, majority of the respondents (84.8%) looked swiftness of service before any other criteria to prefer one bank from the other. Proximity of a bank to home or working area presumed a second important factor. As 29 % of respondents reported, Trust was placed third place. The fourth criteria were set to be Electronic services such as Mobile Banking and ATM facility with 23% respondents. The remaining factors could be said insignificant since their percentile of very low. This include preferential advantages like access to loan(18%), interest rate(14.3%), bank ownership, representing the community of depositors(2.8%), other incentives(2.3%) and being a shareholder , respectively in their rank of order.

## **5. SUMMARY OF KEY FINDINGS, CONCLUSION & RECOMMENDATION**

This chapter aimed to summarize the important findings of the study and draw brief conclusions drawn from the findings. Future study areas were also laid down.

### **5.1. SUMMARY OF KEY FINDINGS & CONCLUSION**

- ❖ It was confirmed that Lifecycle and Precaution saving motives positively influence the likelihood of regular saving. In addition, lifecycle and profit saving motives were found out to be contributors to bring irregular savers to regular savers. In the other hand the probability of becoming irregular saving from not saving was reported significant if the person had precautionary and/or independence motives. To these end, Lifecycle, precautionary and Independence saving motives were important predictors of saving. This implied that promoting the above stated motives would improve saving habit.
- ❖ Though its influence on saving habit was not as much as its dominance, independence motive was the number one most reported motive among depositors followed by precautionary motive. This showed that the need for financial freedom was the need of the majority, which in turn showed strategies securing financial independence of people should be the main focus.
- ❖ More women were reported to save for financial independence. This implied that women have chosen to strengthen their financial capacity in order to overcome unfair gender treatment, which is a common issue in the community. Age, too, had significant association with independence motive where adults were observed to be inclined to save for financial freedom. Having a child has a strong relationship with bequest motive/saving to leave money for beneficiaries after death/ which implied that parents design their financial plan by giving more precedence for their children future.
- ❖ Businesspersons had reported more of profit motive compared to other respondents found in different employment type, where they saved either to expand their business

- or to start a new one. This showed that businesspersons like merchants direct their saving on investment.
- ❖ Being in a state of any of marital status (single, married, widowed, or divorced) could not be a reason to choose one saving motive from the other. The same goes to educational level where being found in any level of academic rank had nothing with choosing one saving motive than the other one. This implied that literacy do not affect the decision for what purpose to save rather the decision to save at all.
  - ❖ Profit saving motive had a significant association with the deposit level people have. In this instance, depositors with high-level deposit were observed to have profit saving motive compare to other depositors. These could tell that people with high level deposit were still endeavoring to expand their income through investing.
  - ❖ Depositors found across all saving levels confirmed that saving was growing in the last years regardless of insignificant interest rate which indicated calculation motive was the least goal of saving. This implied that depositors give precedence to other motives which initiated them to save at the expense of low (andnegative in real terms) interest rate.
  - ❖ The improvement on the understanding on the importance of saving became the first reason that made depositors to increase their saving in the past years followed by the rise of income of depositors. This showed that keeping in mind the contribution of income for saving, enhancing the awareness of the society on saving benefits could lead to a more better saving practice, even under a prevailing negative real interest rate.
  - ❖ The need for security was the most important reason that led depositors to prefer banks for their saving. The other significant reason was to avoid extravagant acts coming from holding cash in hand. This could lead to conclude that depositors were going to banks most of the time to use financial services rather than to get financial return. In other hand, swiftness of service, proximity of the bank to home or working area, and trust was the major criteria depositors look to prefer one bank from the

other. This strengthened the above notion that depositors mostly needed financial services from banks rather than return.

## 5.2. RECOMMENDATION

In order to achieve either individual or societal long-term financial plans, regular saving habit is of a great importance. Keeping this in mind and basing the findings and conclusions reached in the study, the following recommendations were forwarded.

- ❖ It was revealed that specific saving motives led to regular saving habit. Banks, the central bank, and other concerned stakeholders should promote goal oriented saving and shall design financial strategies & products which are suitable for each specific saving motive. One of the strategies could be offering free financial counseling services for depositors who come up with specific saving motives.
- ❖ Independence motive, which stands for the need for financial freedom became the most rated motive among depositors. To this end, people would become more motivated to save if they are provided with an initiative, which could support them to secure their financial independence. Here, initiatives, which support new startups and self-employment, would be effective. In addition, saving schemes such as retirement saving if backed with the appropriate design would raise more saving. The finding has also an important message for Insurers too. If the need of the majority is being financially independent, there could be a wide market for financial products, which protects people's financial security. Here, the task of these insurers would be finding out the right financial products to reach the people with same need.
- ❖ Among demographic factors age, gender and employment status showed association with some types of saving motives. Financial institutions should continue to develop special saving options targeted specific part of the society like women, youths and adults.
- ❖ As it was indicated, a better financial knowledge led a better rate of saving. In the other side, having specific saving motive increased the likelihood of saving regularly. Therefore, it could be recommended that financial literacy and education programs should be well provided not only by promoting saving in general but also by providing tailor made designs for each specific saving motive. It would be more

productive to design financial education programs categorized in to different saving motives. Hence, people should be told not only about the benefit of saving in general, but also what to mean by and how to achieve saving for retirement, for precautionary, for bequest for profit etc. This is important since it could make people to clearly know the nature of each saving motive and being committed to saving, and as having a strong saving motive leads people to become disciplined savers.

- ❖ As depositors give much precedence to other motives of saving other than calculation motive, banks shall focus more on better service delivery and endeavor on making their service more swift and reliable than ever. As location matters in making bank choice, banks should be closer to customers using safe, accessible and customer friendly interfaces such as agent banking and e-banking in order to facilitate regular saving. This could also help to bring potential unbanked people to saving.
- ❖ Absence of alternative investment options was reported as one of the major reasons for keeping saving money in banks. To this end, banks should not take it for granted the increasing trend of deposit, and should develop various improved financial products so that they could be able to keep sustain increasing deposit even alternative investment options like stock market would be introduced in the future.

It was interesting that specific saving motives lead people to save regularly. Low Interest rate did not much affect saving habit in the past years and it could not override other benefits of banking such as safety. This became true not because people did not understand (in their own way) the presence of the negative real interest rate, but because they gave precedence for other saving motives and banking services. This showed that various services and advantageous of banks make people to save even the financial compensation banks give is very low. The bottom line would be improving the service delivery, safety, swiftness, accessibility and providing institutional support could bring more saving to banks. Because the advantageous of quality banking service can be a great reward for savers than any other compensation.

### **5.3. Suggestions for Future Research**

Emanating from the limitations and gaps felt from the study, the following additional issues were recommended for further investigation;

1. Saving motive and habit in relation to income level were not studied in this study due to the reason that it was awkward to ask respondents both their income level and their deposit amount at the same time. Therefore, it would be worthwhile if the same study could be conducted by categorizing people based on different income category. Regarding which income category classification to use for Ethiopian case, it could be possible to use the African Development Bank income category (AFDB, 2011) adopted for the African countries.
2. This study was conducted on bank depositors. Similar studies could be expanded to find out saving motive vs habit on microfinance and other saving institutions.

## Reference

1. Angus Deaton (2005). *Franco Modigliani and The Life Cycle Theory of Consumption, Research Program in Development Studies and Center For Health And Wellbeing*. Princeton University. Retrieved from <https://www.princeton.edu/~deaton/downloads/romelecture.pdf>
2. Ayalew Haile Ademe (2013). *Determinants Of Domestic Saving In Ethiopia: AnautoRegressive Distributed Lag (ADRL) bounds test approach*. *Journal of Economics and International Finance* vol.5(6), pp.248-257
3. Azam, J. (1996), 'Savings and Interest Rate: The Case of Kenya', *Savings and Development*, XX (1): 33-44.
4. Best W. & Kahn V. (2006). *Research in Education, Tenth Edition*. Boston: Pearson
5. Birkeland Fredrik Berggren (2013) *The saving motives of Dutch households and the effect of individual characteristics on the importance of saving motives*. Master's Thesis is carried out as a part of the education at the University of Agder. University of Agder.
6. Brown Christopher (2008). *Inequality, Consumer Credit and the Saving Puzzle*. United Kingdom: Edward Elgar Publishing.
7. Bwire, T., Mukungu, A., Luganda, F. I. & Ilukor, J. (2009). *Savings and Real Interest Rates in Developing Countries: Empirical Evidence from Uganda*.
8. Chan Y H (2005). *Basic Statistics for doctors, Multinomial regression*. Singapore: Med J
9. Chattrjee Samprit (2006). *Regression Analysis by Example, Fourth Edition*. New Jersey: John Wiley & Sons, Inc
10. Colin F. Camerer, loewinstein George, & Rabin Matthew (2004). *Advances in Behavioral Economics*. New York: Russel Sage Foundation, Princeton And Oxford.
11. Darnton, A, Verplanken, B, White, P and Whitmarsh, L (2011). *Habits, Routines and Sustainable Lifestyles: A summary report to the Department for Environment, Food and Rural Affairs*. AD Research & Analysis for Defra, London.
12. Defina Robert H. (1984). *The Link between Saving And Interest Rates: A Key Element In Tax Policy Debate*. Business Review Index, Business Review Federal Reserve Bank of Philadelphia, Philadelphia: Ten Independence Mall. *Deposits In A Regional Financial Center*. IMF Working Paper, International

13. Douglas W. Elmendorf (1996). *The Effect of Interest-Rate Changes on Household Saving and Consumption*. Federal Reserve Board.  
Economics and International Finance
14. Finger Harald & Lebanon Heiko Hesse (2009). *Determinants Of Commercial Bank Deposits In A Regional Financial Center*. IMF Working Paper, International Monetary Fund.
15. Fisher Patti J. & Anong Sophia T. (2012). *Relationship of Saving Motives to Saving Food and Rural Affairs*. London: AD Research & Analysis for Defra.
16. Furnham, A. (1985). *Why do people save? Attitudes to, and habits of, saving money in Britain*. *Journal of Applied Social Psychology*. 15(4):354-373.
17. Gedela Suryaprakasarao/Dr. (August 2012). *Determinants Of Saving Behavior In Rural And Tribal Households: An Empirical Analysis Of Visakhapatnam District*. Volume 2, Issue 3, Ijrss.
18. Group Ten (1995). *Saving, Investment and Real Interest Rate*. A study for ministries and governors by group of deputies. Istituto Poligrafico E Zecca Stato
19. Chenery H. & Srinivasan N. (1988). *Handbook of Development Economics, Volume I*. North-Holland: Elsevier Science Publishers
20. Hailesellase Aron, Abera Nigus, & Baye Getnet (2013). *Assessment Of Saving Culture Among Households In Ethiopia*, *Journal Of Economics And Sustainable Development*, Vol.4, No.15.
21. Haron Sudin, Nursufiza Wan, and Azmi Wan (2006). *Deposit Determinants of Commercial Banks in Malaysia Creating Dynamic Leaders*. Working Paper Series 009. KIBS
22. Heffernan Shelagh (2005). *Modern Banking*. England, Chichester: John Wiley & Sons Ltd.
23. Hellmann Thomas, Murdock Kevin, Stiglitz Joseph (1995). *Deposit Mobilization Through Financial Restraint*. Prepared For The Workshop *Financial Development And Economic Growth: Theory And Experiences From Developing Economies* Held At The University Of Groningen, The Netherlands On December 7-9, 1994.
24. Ismail Shafinar, Kamis Rohaiza, Hashim Nurhaslinda, Harun Hazalinda, Nadia Syazwani Khairuddin (2013). *An Empirical Investigation on Determinants of Attitude towards Saving Behavior*. International Conference on Economics and Business Research. *Procedia Economics and Finance* 00 (2013) 000-000

25. Israel Glenn D.( 1992). *Determining Sample Size*. University of Florida, Agricultural Education and Communication Department, UF/IFAS Extension. Revised April 2009. Reviewed June 2013. Retrieved in April 2015 from <http://edis.ifas.ufl.edu>.
26. Ivana Stešević,(2008).*Econometric Model of Interest Rates on Deposits in Montenegro*. Panoeconomicus, 3, P. 383-398.Udc336.781.5(497.16).
27. Jae Min Lee, Sherman D. Hanna (2012). *The Influence of Saving Objectives on Saving: First Response versus Any Response for Objectives*. The Ohio State University.
28. Kasilingam, R., & Jayabal, G. (2011).*Impact of Saving Motives on Household Savings*. Pranjana: The Journal of Management Awareness, 14(1), 67-75.
29. Kasiulevičius V., Šapoka V., & Filipavičiūtė R. (2006).*Theory and Practice: Sample size Calculation in Epidemiological Studies*. Gerontologija
30. Keynes J. Maynard (1936).*The General Theory of Employment, Interest and Money*. Retrieved in April,2015from<Http://Gutenberg.Net.Au>
31. Klaus Schmidt-Hebbel, Steven B. Webb, & Giancarlo Corsetti (1992). *Household Saving in Developing Countries: First Cross-Country Evidence*. The World Bank Economic Review Vol6. No3.
32. Kosmasnjanike (2008).*Effects of Interest Rate Regime on the Intermediary Role of Banks in Zimbabwe*. Journal Of Sustainable Development In Africa ,Volume 10, No.3, Issn: 1520-5509.
33. Lewis Sue, Messy Flore-Anne (2012). *Financial Education, Savings and Investments*. OECD Working Papers on Finance, Insurance and Private Pensions No. 22. DOI :[10.1787/20797117](https://doi.org/10.1787/20797117)
34. Loayza Norman, **Klaus Schmidt-Hebbel Steven B** ,Webb, &Corsetti Giancarlo (n.d).*What Drives Private Saving Around the World?* The World Bank Economic Review.
35. Magnani Robert (1997). *Sampling Guide*. Washington DC: Food and Nutrition Technical Assistance Project (FANTA) Academy for Educational Development
36. MahdzanNurulShahnaz Ahmad (2010). *The Influence Of Household Saving Motives On The Propensity To Save And Portfolio Allocation Decisions*, Bba, Mba Thesis Submitted To The University of Nottingham for The Degree of Doctor of Philosophy.
37. Marczyk Geoffrey R., DeMatteo David, FestingerDavid (2005). *Essentials of Research Design and Methodology*. Hoboken, New Jersey: John Wiley & Sons, Inc.

38. Martin Karen G. *why use odds ratios in logistic regression*. Retrieved in May from <http://www.theanalysisfactor.com>
39. Mcleay Michael, Radia Amar, & Thomas Ryland (2014). *Money Creation In The Modern Economy*. Bank Of England Quarterly Bulletin ,Q1. Monetary Fund, authorized for distribution by Domenicofanizza.
40. National Bank Of Ethiopia (NBE) Annual Report, 2009
41. National Bank Of Ethiopia (NBE) Annual Report, 2011
42. National Bank of Ethiopia (NBE), Annual Report 2012/13.
43. National Bank of Ethiopia(2014). *Number Of Depositors*. Staff Compilation.
44. Neal David T. , Wood Wendy, Labrecque Jennifer S. , Lally Phillippa (2011). How do habits guide behavior? Perceived and actual triggers of habits in daily life ; Journal of Experimental Social Psychology. DOI: [10.1016/j.jesp.2011.10.011](https://doi.org/10.1016/j.jesp.2011.10.011)
45. Ogaki, Masao, Jonathan D. Ostry, and Carmen M. Reinhart (1996). *Saving Behavior in Low- and Middle-Income Developing Countries: A Comparison*. IMF Staff Papers
46. Ogege Samson, & Boloupremo Tarila(2014). *Deposit Money Banks And Economic Growth in Nigeria*. Financial Assets And Investing Journal, NO. 1. Doi: 10.5817/Fai2014-1-3/
47. Ojeaga Paul , Ojeaga Daniel , & Bergamo Deborah O. Odejimi (2013). *The Impact Of Interest Rate On Bank Deposits Evidence From The Nigerian Banking Sector*. Mpra Paper, Retrieved in February 2015 from [Http://Mpra.Ub.Uni-Muenchen. De/53238/](http://Mpra.Ub.Uni-Muenchen.De/53238/). 53238,
48. Oke Simon, Olayemijolaosho O., and Michael O. (2013). *Real Interest Rate And Savings Mobilization In Nigeria*. International Journal of Development And Economic Sustainability Vol. 1, No 2. Pp.28-40 , European Centre For Research Training And Development Uk, retrived in March ,2015 from [Www.E-Journals.Org](http://www.e-journals.org)
49. Fisher Patricia (2006). *Behavior of U.S. Households: A Prospect Theory Approach*. A Dissertation Presented in Partial Fulfillment of the Requirements for The Degree Doctor of Philosophy In The Graduate School Of The Ohio State University, The Ohio State University.
50. Reserve Bank Of India (2011). *Deregulation Of Savings Bank Deposit Interest Rate: A Discussion Paper*. Retrieved in march 2015 from [http://Www.Rbi.Org.In/Scripts/Bs\\_Viewcontent.aspx?Id=2344](http://Www.Rbi.Org.In/Scripts/Bs_Viewcontent.aspx?Id=2344)

51. Rohlfs(N.D).*Keynes and The Classical Economists: The Early Debate On Policy Activism.* Retrieved on February 01,2015, from [https://www.wps.aw.com/wps/media/objects/11/.../Rohlf\\_Keynes\\_And\\_Classical.PdfIter.Pdf1.001-017](https://www.wps.aw.com/wps/media/objects/11/.../Rohlf_Keynes_And_Classical.PdfIter.Pdf1.001-017)
52. Yao Rui, Wang Feifei, Robert Weagley O. (2011). *Household Saving Motives: Comparing American and Chinese Consumers.* University of Missouri Li Liao Tsinghua University, Family & Consumer Sciences Research Journal, Vol. 40, No. 1, DOI: 10.1111/j.1552-3934.2011.02086.x
53. Sekaran Uma(2003). *Research Methods for Business , A Skill Building Approach*, 4<sup>th</sup> Edition. New York: John Wiley & Sons Inc.
54. Shanmugam Bala (1998). *The Role of realities of bank operations in the economic growth of Malaysia.* University of Wollongong Thesis Collection, Retrieved in February 2015 from <http://ro.uow.edu.au/thesis/1326>.
55. Stephen G. Cecchetti(1986). *High Real Interest Rate. Can They Be Explained.* Economic Review. September/October 1986 edition.
56. Sturm Peter H (n.d).*Determinates of Saving; Theory and Evidence.*
57. Tafere Kibrom (2008). *The Sources of The Recent Inflationary Experience In Ethiopia*, Addisababa: Addis Ababa University.
58. *The Importance of Saving Account.* Retrieved in 2015 from <https://www.aboutmoney.com>.
59. Tomola M. Obamuyi & Sola Olorunfemi(2011).*Financial Reforms, Interest Rate Behavior & Economic Growth In Nigeria.* International Scientific Press, Journal of Applied Finance & Banking, Vol.1, No.4, 2011, 39-55.
60. Toscano Rich & Simon John (Aug 15, 2008) .*The Impact Of Negative Real Interest Rates.* Retrieved February 2015, from <http://www.safehaven.com/article/10997/the-impact-of-negative-real-interest-rates>.
61. Wooldridge ,J. M (2002). *Econometric Analysis of Cross Section and Panel Data.* Massachusetts London, England: The MIT Press Cambridge.
62. Xiao, J., & Olson, G. I. (1993).*Mental accounting and saving behavior.* Home Economics Research Journal, 22(1), 92-109.
63. Ziegelmeier Michael (2009). *Analysis of The Precautionary Saving Motive Based on a Subjective Measure Save 2005-2007*, University of Mannheim.

64. Ziegelmeier Michael(2009). *Analysis of the Precautionary Saving Motive Based on a Subjective Measure (SAVE 2005-2007)*. Germany: Mannheim Research Institute for the Economics of Aging (MEA), University of Mannheim.
65. ZviBodie, Jonathan Treussard, And Paul Willen (2007). *The Theory of Life-Cycle Saving and Investing*. Public Policy Discussion Paper, Federal Reserve Bank of Boston.
66. በላይ ግደይ (እ.ኤ.አ.1983). ገንዘብ ባንክ እና መድሀን በኢትዮጵያ. አዲስአበባ:ብርሀን እና ሰላም ማተሚያ ቤት

<http://www.investopedia.com/terms/s/savingsaccount.asp>

[http://en.wikipedia.org/wiki/Savings\\_account](http://en.wikipedia.org/wiki/Savings_account).

## Appendixes

Appendix I- Saving motive by demography, detail SPSS output. Source: Own Computation

			Lifecycle Motive			Pearson Chi-Square	
			Yes	No	Total	Value	Asymp. Sig. (2-sided)
Sex	Male	Count	68	82	150	.355 <sup>a</sup>	.552
		% within Sex	45.3%	54.7%	100.0%		
	Female	Count	41	42	83		
		% within Sex	49.4%	50.6%	100.0%		
Total		Count	109	124	233		
		% within Sex	46.8%	53.2%	100.0%		
			Precautionary Motive			Pearson Chi-Square	
			Yes	No	Total	Value	Asymp. Sig. (2-sided)
Sex	Male	Count	79	71	150	1.670 <sup>a</sup>	.196
		% within Sex	52.7%	47.3%	100.0%		
	Female	Count	51	32	83		
		% within Sex	61.4%	38.6%	100.0%		
Total		Count	130	103	233		
		% within Sex	55.8%	44.2%	100.0%		
			To buy durable goods			Pearson Chi-Square	
			Yes	No	Total	Value	Asymp. Sig. (2-sided)
Sex	Male	Count	45	105	150	.160 <sup>a</sup>	.689
		% within Sex	30.0%	70.0%	100.0%		
	Female	Count	27	56	83		
		% within Sex	32.5%	67.5%	100.0%		
Total		Count	72	161	233		
		% within Sex	30.9%	69.1%	100.0%		
			Profit Motive			Pearson Chi-Square	
			Yes	No	Total	Value	Asymp. Sig. (2-sided)
Sex	Male	Count	62	88	150	1.301 <sup>a</sup>	.254
		% within Sex	41.3%	58.7%	100.0%		
	Female	Count	28	55	83		
		% within Sex	33.7%	66.3%	100.0%		
Total		Count	90	143	233		
		% within Sex	38.6%	61.4%	100.0%		
			Independence motive			Pearson Chi-Square	
			Yes	No	Total	Value	Asymp. Sig. (2-sided)

Sex	Male	Count	34	116	150	14.691 <sup>a</sup>	.000
		% within Sex	22.7%	77.3%	100.0%		
	Female	Count	39	44	83		
		% within Sex	47.0%	53.0%	100.0%		
Total		Count	73	160	233		
		% within Sex	31.3%	68.7%	100.0%		
			Bequest Motive			Pearson Chi-Square	
			Yes	No	Total	Value	Asymp. Sig. (2-sided)
Sex	Male	Count	19	131	150	1.650 <sup>a</sup>	.199
		% within Sex	12.7%	87.3%	100.0%		
	Female	Count	6	77	83		
		% within Sex	7.2%	92.8%	100.0%		
Total		Count	25	208	233		
		% within Sex	10.7%	89.3%	100.0%		

*Appendix II: Saving deposit trend in Ethiopia. Source: NBE Staff Compilation, 2015*

In millions								
Particulars	2000	2001	2002	2003	2004	2005	2006	2007
Saving deposit*	8,120.61	9,545.52	10,746.50	12,164.54	13,979.00	16,681.05	19,703.65	22,712.09
Particulars	2008	2009	2010	2011	2012	2013	2014	
Saving deposit	28,345.55	5,842.54	5,938.27	62,099.85	9,383.39	102,386.40	131,385.94	

\*It did not include deposit made under condominium houses scheme

*Appendix V: List of Banks and their branches where questionnaires were distributed*

<b>No.</b>	<b>Bank</b>	<b>Branch</b>
<b>1.</b>	Commercial Bank of Ethiopia	<i>1.Saris Abo</i>
		<i>2.Temenja Yaj</i>
		<i>3.Andinet</i>
		<i>4.Addis Ababa</i>
		<i>5.Pawlos</i>
<b>2.</b>	Construction and Business Bank	<i>6.Sarbet</i>
		<i>7.Africa Avenu</i>
		<i>8.Piassa</i>
<b>3.</b>	Awash International Bank S.C	<i>9.Africa Avenu</i>
		<i>10.Gofa</i>
		<i>11.Sarbet</i>
<b>4.</b>	Wogagen Bank S.C	<i>12.Dembel</i>
		<i>13.Military Tera</i>
		<i>14.Kazanchis</i>
<b>5.</b>	Nib International Bank S.C	<i>15.Dembel</i>
		<i>16.Tana</i>
		<i>17.Chatedral</i>
<b>6.</b>	Zemen International Bank S.C.	<i>18.Head Office</i>
		<i>19.Bole</i>

...../.....