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Original Paper

Determinants Of Rural Household Savings In Gambella: The Case of Nuer Zone, Gambella People's National Regional State, Ethiopia

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Abstract

The planning element of saving, especially in rural areas of Ethiopia, is in its infancy, and little is known empirically about its determinants. Saving as a planning variable, influences both individual wellbeing and that of the country as a whole. The purpose of this research was to identify the types of savings that rural households used and the key factors that determine their savings. Descriptive and exploratory research designs, as well as a mixed approach, were used to accomplish the study's objectives. Cross-sectional data from both primary and secondary sources were gathered from 370 sample homes using questionnaires, interviews, and the internet. Both descriptive and inferential statistics were used to analyze the data that had been gathered. Finally, it was determined that rural household saving is still in its infancy in rural communities of the Nuer Zone and that the only unimportant variables in determining rural household saving are sex, age, and marital status. Rural household saving is motivated by the desire to save money for immediate consumption.

Keywords

determinants, binary logistic regression, rural households, savings

1. Introduction

Without a question, one of the main sources of growth in all economies is household saving. Its efficacy, however, depends on strong complementarities with other growth-process components, particularly technological advancement, skill development, and the growth of innovative capability. One of the variables influencing growth that can help developing nations move toward development is saving.

Savings play a significant role in the welfare of families in developing nations. On the other hand, households don't have many other options if they don't have savings to compensate for unforeseen changes in revenue. According to Gedela (2012), savings give people and families a cushion of protection against unforeseen events, while savings give a country the money it needs for developmental initiatives. Savings also help families keep a comparatively stable standard of living over the long term. In order to save money for paying for their children's education, households may also reduce their present consumption (Yao et al., 2011).

Savings play a significant part in the development of both microeconomics and macroeconomics all over the world. It ranks among the most important categories of family economic activity. Ramskyi (2013) elaborated on the influence of household savings on development of gross domestic product and found out that household savings had great potential to impact financial resources formation. Additionally, savings have political, social, and economic importance for the Ukrainian economy, according to Krupa (2013). In addition, due to a lack of data, few studies evaluate the variables affecting savings at the individual level. Turner and Manturuk (2012) looked at the factors that influence households' saving decisions in New York on an interpersonal, institutional, and structural level. The findings demonstrated that a household's attitude toward saving and their confidence in their capacity to save are influenced by individual variables such as family obligations and upbringing. Households' trust in financial institutions and willingness to participate in savings initiatives are influenced by institutional variables including incentives, disincentives, and organizational culture.

Globally, some developing nations are seeing an increase in the savings of rural families. For instance, the scenario differs in the majority of African nations from those in New York, Ukraine, China, and Bangladesh. Numerous studies conducted in developing nations, especially in sub-Saharan Africa, revealed that many rural households have poor saving habits in this respect. Because of this, it is believed that one of the causes of the slow and stagnant economic development in developing nations is the low level of household savings (Devaney, 2007).

Saving and investing are essential catalysts for capital formation and, by extension, economic growth in many developing economies, especially in Africa. Savings, it has been claimed, serve as the foundation for capital formation, which is a key component of economic growth. However, data on hand show that this region of the globe has low levels of investment and saving (Issahaku, 2011). To increase rural households' savings and achieve long-term economic growth and development, economists, international organizations, and governments in developing countries have increased their focus on deposit mobilization (Kifle, 2012).

Savings among rural households in developing nations, especially in Sub-Saharan Africa, are still very low and lagging behind those in other parts of the world. The poor savings rate in developing nations, particularly in SSA, has been attributed to a number of factors, including low and irregular income and limited access to financial services. Chaia et al. (2009) assumes that only 20% of households in Sub-Saharan Africa have money saved in formal financial institutions by combining data from various

sources. This is a result of the economy's poor performance, high unemployment rates, low-income levels, high populace participation in the unorganized sector, and low income levels (Karim, 2010). Economic volatility and climate risk in developing nations cause significant income variations and leave the households susceptible to extreme hardship. Additionally, their financial marketplaces are underdeveloped and their social coverage is limited. As a result, these nations frequently struggle to allocate their savings and create profitable ventures (Tsega & Yemane, 2014).

In Ethiopia, savings among rural households in Ethiopia are also discovered to be in their infancy. Only six million households, with an average annual savings of 875 Birr, are said to save money in formal financial organizations, according to (Aron et al., 2013). According to Girma et al. (2014), as of the year 2012, the average proportion of gross domestic saving as a percentage of GDP was 12.4%. Ethiopia's annual gross saving rate, expressed as a percentage of GDP, was 21% (Tsega & Yemane, 2014). Recognizing this, the nation has planned to encourage citizens to save in rural households in order to mobilize sufficient saving. It is intended to raise the GDP saving rate in the country's five-year Growth and Transformation Plan (GTP). The government's plans to encourage domestic saving include developing favorable conditions, such as expanding financial sector accessibility to rural regions and diversifying financial sector services (MoFED, 2009).

In Gambella People's Regional State, the existing formal financial institutions do not address the needs of rural households' financial need. This is because limited accessibility of financial institutions in the rural areas. Therefore, rural household saving in the region is found to be at low stage. The same is also true in the case of Nuer Zone of Gambella People's Regional State.

Jekow, Makuey, Wanthoa, Lare and Akobo are the Woredas of Nuer Zone, Gambella People's Regional State. They are the most productive areas especially in both animals and crop production. And most of the production is carried out by smallholder farmers characterized by low income and having limited access for credit. Thus, mobilizing own saving could be the main source of finance for investment to the rural households in the study area. However, the rural households in the study areas have limited formal saving. Thus, assessing determinants of households' savings in the study areas can bring valuable contribution to the accumulation of capital thereby for investment boost.

However, this study is different in that, most of the previously done papers have tried to investigate the determinants of rural household saving by employing different variables and methodologies. Very few studies have been conducted to assess determinants of rural households saving in Ethiopia and also in the study area (Kidane, 2010) and most of them done at macro level (Girma et al., 2014). The other reason that motivated the researchers to undertake this study is in terms of methodology that, most previous studies have employed OLS method of regression (Wogene Markos, 2015), Tobit Model with different variables (GirmaTeshome et al., 2013; Tsega & Yemane, 2014) and ECM method of estimation, but this study will employ Binary logistic regression Model. Therefore, the researchers complemented the efforts to fill-up information gap on rural household saving. This study deemed by the researcher as first study ever comprehensively examining diverse theories of saving using data from

rural people in Nuer Zone. Thus, the main purpose of the study was to examine the determinant factors of rural households' savings in the study area five Woredas (Jekow, Makuey, Wanthoa, Lare & Akobo, n.d.) of Nuer Zone, Gambella People's Regional State, Ethiopia. This study was carried out to address the specific objectives like: assessment of the saving habit of rural households in rural communities of Nuer Zone, identifying the forms of savings used by rural households of rural households of Nuer Zone, examining of saving motives of rural households in rural communities of Nuer Zone, and examining of the determinants of the saving in rural communities of Nuer Zone. This is because in this study areas, the dynamic nature of the rural house saving is in it is infant stage and continuous in the same progress, but the determinants have not been researched for investigation.

2. Methodology

To achieve the objective of the study, the researchers used descriptive and exploratory research design. Descriptive research design was used to capture a population's characteristic and test hypothesis (Cooper & Schindler, 2008). The exploratory research design was used here because no previous studies existed on this topic and mixed approach was used in this study. The study used cross-sectional study design and, both Primary and secondary data were used. Primary data as the main data for this study were collected from primary sources using structured questionnaire from selected sample of 370 respondents through simple and stratified random sampling techniques. Secondary data were used as supplemental of the primary data and were collected from secondary sources such as annual reports, Journals, Books, and Articles, websites, and conference papers.

After the data were collected from primary and secondary sources, those data were prepared for readiness by editing, coding and logging in the computer using Statistical Package for Social Science (SPSS v.20). SPSS was used to produce descriptive and inferential statistics so as to drive conclusions and summarization regarding the population to see the overall agricultural investment financing challenges. In this research report, descriptive statistics was applied using percentages, and frequencies and inferential statistic which is correlation and regression analysis was also applied.

2.1 Binary Logistic Regression Model

As revealed by the nature of dependent variable (Rural household saving) that is to see whether they are saving or not are to and then investigate the determinants in either of the two answer, is a binary itself, Logit model specifically the binary one was therefore the choice.

Specifically, thus, the model is specified as;

$$Y = (X1, X2..XK) + \varepsilon i$$

Where,

Y = Dependent Variable

Xi = Independent Variables

i= 1, 2…k

ε_i = Disturbance

The analyses will bebeginning with the Absolute Income Hypotheses. This model, based on Keynesian theory which relates household saving with household income and other socio-economic variables (see Qian, 1988).

$$HHS = \alpha + \beta 1X1 + \beta 2X2 \ldots . + \beta kXk + \varepsilon i$$

Where,

HHS = Household Saving,

α = the constant or the intercept of the equation,

β_1 to β_{10} = the coefficient of each explanatory variable and

ε_i = the error terms.

The specific model is:

$$HHS = \alpha + \beta 1SEX + \beta 2AGE + \beta 3MS + \beta 4EDL + \beta 5FARS + \beta 6MKTD + \beta 7CBoHH + \beta 8LHS + \beta 9DFIs + \beta 10\text{Unempl}\beta 11INCL + \beta 12InFlR + \varepsilon i$$

Table 1. Variables Measurement and Their Signs

S/no	Factors	Symbol	Measurement of variables	Expected Sign	Actual sign	Reference
1.	Sex	SEX	A dummy variable that assumes a value of "1" if the head of the household is male, "0" if they are female	Insignificant	Insignificant	(LeBeau et al., 2004).
2.	Age	AGE	A continuous variable, defined as the household heads age at the time of the study measured in	Insignificant	Insignificant	Rehman et al. (2010)

			years			
3.	Marital status	MS	A dummy variable and takes a value of 1 if they are married, 0 if they are single	Insignificant	Insignificant	(Grinstein-Weiss et al., 2006).
4.	Education level	EDL	A dummy variable and 1 is assigned for literate, 0 for illiterate	+Significant	+Significant	Kulikov et al. (2007)
5.	Family Size of the household (dependency ratio of the family)	FAMS	A continuous variable measured by the total numbers of family members of the household	-Significant	-Significant	Rehman et al. (2010), Johansson (1998)
6.	Consumption Behaviour of Households	CBoHH	It is measured by individual's behavior concerning saving and consumption	-Significant	-Significant	Asare and Segarra (2017)
7.	Market distance	MKTD	Assumed to capture the effect of walking distance to the main market center from home	-Significant	-Significant	(Essa et al., 2012).

			measured in kilometers			
8	Landholding size	LHS	A continuous variable and measured in hectare.	+Significant	+Significant	Eric A. et al 2018
9	Distance from financial institutions	DFIs	A continuous variable measured in kilometers	-Significant	-Significant	Chemonics International (2007)
10	Unemployment	Unempl	A dummy variable that assumes a value of "1" if the head of the household is employed, "0" if not employed	-Significant	-Significant	Rehman et al. (2010), Johansson (1998)
11	Income level	INCL	total annual earnings of a family from sale of agricultural produce, off-farm and non-farm activities	+Significant	+Significant	Abdelkhalek et al. (2009)
12	Inflation	InFlR	Inflation as measured by the consumer price index (CPI)	-Significant	-Significant	(Asante, 2000).

Source: The Researcher.

3. Results and Discussion

This section discusses the descriptive and inferential results of challenges of financing agricultural investment and the study of those factors having challenging effect on financing agricultural investment; so as to come up with conclusion and recommendations.

3.1 Descriptive Statistics Analysis

3.3.1 The Household Saving Status of Rural Communities of Nuer Zone

This part describes the determinants of rural household saving in rural communities of Nuer Zone, Gambella Peoples' Regional State, Ethiopia.

Table 2. Indicate Whether Your Household Saves or not

Response		Frequency	Percent	Cumulative Percent
Valid	There is saving	89	25.9	25.9
	Not saving	255	74.1	100.0
	Total	**344**	**100.0**	

Source: Rural household survey, 2021.

As indicated in the Table 2 above, 89 (74.1%) and 255 (25.9%) of the respondents had given their responses that, there is saving and no saving in rural household saving respectively. This implies that, saving is at infant stage in rural household of rural communities of Nuer Zone.

Table 3. Saving Place Used by Rural Household in Rural Communities of Nuer Zone

Response		Frequency	Percent	Cumulative Percent
Valid	Home	180	52.3	52.3
	Banks	93	27	79.3
	Others	71	20.6	100.0
	Total	**344**	**100.0**	

Source: Rural household survey, 2021.

As indicated in the Table 3 above, 180 (52.3%), 93(27%) and 71(20.6%) of the respondents had given their responses that, the save at their homes, in banks and others places respectively. This implies that, rural households in rural communities of Nuer Zone almost save their incomes at home as revealed by 52.3% of the respondents said that they use their home for saving. Those who have saving have also added it that, they started the saving very recently because of having no saving institutions near them.

Table 4. Forms of Saving Used by Rural Household in Rural Communities of Nuer Zone

Response		Frequency	Percent	Cumulative Percent
Valid	Livestock	210	61.1	61.1
	Farm products	96	27.9	98
	Money/Cash	38	11.1	100.0
	Total	**344**	**100.0**	

Source: Rural household survey, 2021.

As indicated in the Table 4 above, 210 (61.1%), 96 (27.9%) and 38 (11.1%) of the respondents had given their responses that, the save in form of livestock, raw product from their farms, and money, cash respectively. This implies that, rural households in rural communities of Nuer Zone almost save in form of livestock as a mean for their living which is also at infant stage.

Table 5. Respondents' Experience about Change in Savings Habit/Behaviour of Rural Household

Response		Frequency	Percent	Cumulative Percent
Valid	There is a change	190	55.2	55.2
	Not change	154	44.8	100.0
	Total	**344**	**100.0**	

Source: Rural household survey, 2021.

As indicated in the Table 5 above, 190 (55.2%) and 154 (44.8%) of the respondents had given their responses that, there is change and no change in rural household saving habit respectively. As it can be seen from the same table, this implies that, rural household saving in rural communities of Nuer Zone is now starting it is initial step to growth since peoples are starting being familiar with significance of save. They also revealed it that they have positive view as to how new way of saving is being present in their minds.

Table 6. Perception of Respondents on the Determinants of Rural Saving in Nuer Zone

S/N	Statements	Responses	Frequency	Percent
1	Sex/Gender of household head has negative and significant effects on rural household saving in Nuer zone	Yes	183	53.2
		No	161	46.8
2	Age of has negative and significant effects on rural household saving in Nuer zone	Yes	190	55.2
		No	154	44.8
3	Marital status has negative and significant effect on rural household saving in Nuer zone	Yes	193	56.1
		No	151	43.9
4	Education level has positive and significant effects on	Yes	279	81.1

	rural household saving in Nuer zone	No	65	18.9
5	Family Size of the household has negative and significant	Yes	238	69.2
	effect on rural household saving in Nuer zone	No	106	30.8
6	Market distance has negative and significant effect on	Yes	231	67.2
	rural household saving in Nuer zone	No	113	32.8
7	Landholding size positive has negative and significant	Yes	253	73.5
	effect rural household saving in Nuer zone	No	91	26.5
8	Consumption Behaviour of Households has negative and	Yes	276	80.2
	significant effect on rural household saving in Nuer zone	No	68	19.8
9	Distance from financial institutions has negative and	Yes	221	64.2
	significant effect on rural household saving in Nuer zone	No	123	35.8
10	Unemployment has negative and significant effect on rural	Yes	253	73.5
	household saving in Nuer zone	No	91	26.5
11	Income level positive and significant effect on rural	Yes	254	73.8
	household saving in Nuer zone	No	90	26.2
12	Inflation Rate has negative and significant effect on rural	Yes	244	70.9
	household saving in Nuer zone	No	100	29.1

Source: Rural household survey, 2021.

Table 6 above is about the perception of respondents on challenging factors of financing agricultural investment. Accordingly, 53.2%, 55.2%, 56.1%, 81.1%, 69.2%, 67.2%, 73.5%, 80.2%, 64.2%, 73.5%, 73.8% and 70.9% are yes while 46.8%, 44.8%, 43.9%, 18.9%, 30.8%, 32.8%, 26.5%, 19.8%, 35.8%, 26.5%, 26.2% and 29.1% are no respectively in response to determining effect of Sex, Family size, Market distance, Land size, Consumption behaviour, Distance household distance from saving institution, unemployment, income level and inflation rate on rural household saving in rural communities of Nuer Zone, Gambella People's Regional National State, Ethiopia. This implies that with exception of age and marital status, others explanatory variables as seen in the table above are significant determining factors which are the matter to be considered in rural household saving.

3.2 Inferential Statistical Analysis

3.2.1 Binary Logistic Regression Model Output

Table 7. Omnibus Tests of Model Coefficients

		Chi-square	**Df**	**Sig.**
Step 1	Step	239.785	10	.000
	Block	239.785	10	.000
	Model	239.785	10	.000

Source: Rural household survey, 2021.

The Omnibus Tests of Model coefficients, referred to as a 'goodness of fit' test provide an overall indication of how well the model performs, over and above the results obtained when none of the predictors are entered into model. Table 7 above shows that when all ten explanatory variables (predictors) are considered all together, they significantly predict the determining factors at $\chi 2$ = 239.785, df =10, N=344, P =.000.

Table 8. Model Summary

Step	-2 Log likelihood	Cox & Snell R Square	Nagelkerke R Square
1	.000[a]	.892	1.000

a. Estimation terminated at iteration number 18 because a perfect fit is detected. This solution is not unique.

Source: Rural household survey, 2021.

As shown in Table 8 above the model summary of logistic regression analysis between independent variables of (Sex, Age, Marital status, Education level, Family Size of the household, Market distance, Landholding size, Consumption Behaviour of Households, Distance from financial institutions, Unemployment (Unempl), Income level and Inflation Rate) and the dependent variable (rural households saving). These findings show that the independent variables in this study affect the dependent variables up to 89 presents as indicated by the R Square. Therefore, 89 presents of the variances in financing agricultural investment can be explained by combined effect of the predictors/independent variables. The remaining variances on the dependent variable might be explained by any other excluded variables.

Table 9. Hosmer and Lemeshow Test

Step	Chi-square	Df	Sig.
1	.000	5	1.000

Source: Rural household survey, 2021.

Logistic model was selected for this study. The Hosmer and Lemeshow Test is a commonly used to assess goodness of fit for logistic regression models. According to Hosmer and Lemeshow (1989), logistic distribution has got advantage over the others in the analysis of dichotomous outcome variable in that it is extremely flexible and easily used model from the mathematical point of view and result in a meaningful interpretation. The true logistic regression model fits to the data when Hosmer – Lemeshow test p-value is >0.05 (Allison, 2013). So, this model fulfilled this test since 1.000 >0.05 as

shown in the Table 9 above.

Table 10. Determinants of Rural Household Saving in Rural Community of Nuer Zone

Independent Variables	Unstandardized Coefficients		Standardized Coefficients		
	B	Std. Error	Beta	t	Sig.
(Constant)	5.426	12.864	3.451	.360	.000
Sex	7.900	6.220	.097	.829	.874
Age	4.132	4.509	.002	1.683	.060
Marital status	4.210	4.070	.221	1.900	.072
Family Size	-5.001	5.001	.421	.471	.011
Market distance	-14.900	3.022	.111	3.330	.021
Landholding size	13.723	4.150	.233	1.232	.003
Consumption Behaviour	-2.132	5.558	.009	-1.138	.041
Household distant from saving institutions	-5.758	7.144	.075	-1.932	.005
Unemployment	-7.377	2.016	.079	2.311	.007
Income level	12.021	3.116	.347	3.210	.033
Inflation rate	- 3.401	4.812	4.245	5.902	.000

* Indicates significance (p-value<0.05).

Source: Rural household survey, 2021.

Regression result in the table 10 above shown that, with exception of sex, age and marital status which are insignificant determinant of rural household saving, the explanatory variables are considered to have determined effects on rural household at $p < 0.05$. This implies that, on the side of lending institution, farm risk, Security issues, investment return, level of infrastructure, Technical capacity, Distant of farm from lender, Farm age and Farm size have influence in providing financial service to investors in support of agricultural investment growth and development in the areas as their values are < 0.05. Being male or female, young or old as shown by positive and insignificant result are not matter in rural household saving as their values of 0.874 and 0.60 and .072 respectively are > 0.05.

3.3 Correlation Analysis

Correlation is one of the econometric tools of analysis which pipe the way to know the degree of association of the variables with each other. Correlation coefficient between two variables ranges from +1 (i.e., perfect positive relationship) and -1 (i.e., perfect negative relationship). Under this section, correlation among Sex, Age, Marital status, Education level, Family Size of the household, Market distance, Landholding size, Consumption Behaviour of Households, Distance from financial

institutions, Unemployment (Unempl), Income level and Inflation Rate) was tested. Applying correlation matrix in this study was helpful to know the relationships among variables. According to Cooper and Schindler (2009), all correlation coefficient variables with more than 0.8 ought to be corrected because of the existing multicollinearity problem. Mashotro (2007), argued that correlations coefficient of 0.75 can be correlation coefficient of explanatory variables. Hair et al. (2006), had also mentioned agreement that, bellow 0.9 correlation coefficient of variables cannot have the problems of multicollinearity.

Table 11. Correlation Matrix

	Constant	SEX	AGE	MS	EDL	FAMS	CBoHH	MKTD	LHS	DFIs	Unempl	INCL	InFlR
Constant	1												
SEX	-.510	1								.			
AGE	-.790	.506	1										
MS	-.632	.522	.441	1									
EDL	-.704	.546	.615	.557	1								
FAMS	-.764	.670	.671	.580	.441	1							
CBoHH	-.570	.548	.507	.632	.503	.459	1						
MKTD	-1.000	.541	.702	.703	.709	.713	.730	1					
LHS	-.586	.546	.612	.625	.611	.560	.656	.549	1				
DFIs	-.744	.646	.450	.572	.721	.458	.568	.542	.403	1			
Unempl	-.517	.551	.631	.601	.418	.548	.630	.504	.553	.419	1		
INCL	-.562	.421	.543	.516	.570	.413	.428	.604	.463	.412	.481	1	
InFlR	-.542	.495	.513	.510	.403	.757	.441	.437	.465	.511	.532	.500	1

Source: SPSS output from survey data by the researcher, 2021.

As to Pallet (2005), multicollinearity exists when the independent variables are highly correlated (r=0.9 and above). As it is shown in the correlation matrix presented in Table 11, all the correlation coefficient among the variables are less than 0.9 which implies that there is no multicollinearity problem and all the independent variables were inserted in to the logistic regression model together. Once the assumptions were tested as shown above, binary logistic regression was run to identify which of the independent variables has significant determining effect on rural household saving.

4. Conclusion

Based on the findings of the study, it was concluded that, rural household saving in rural communities of Nuer Zone is at infant stage, and it is importance is recently being known by those in the study area, and it has long practiced almost only in a form of livestock. It is also concluded that, the reason that motivated rural household to save is almost for short term consumption and the most preferable for the rural household saving is home followed by the banks and others. It was further concluded that, the motives for rural household saving are getting change now from short term consumption and marriage to more inclusive objective. This study has finally revealed that, among the determining factors of rural household saving like Sex, Age, Marital status, Education level, Family Size of the household, Market distance, Landholding size, Consumption Behaviour of Households, Distance from financial institutions, Unemployment (Unempl), Income level and Inflation Rate), sex, age and marital status are the only insignificant variables of rural household saving in rural communities of Nuer Zone, Gambella, Ethiopia as said by the respondents. These conclusions were reached on the face of limitations like fear of security problem in the study area since the cattle raiding, children abduction and women and killing becomes a setback issue in the study area for free movement to collect data on time. This study was limited to the twelve variables and it was conducted only |Nuer Zone geographical area. This study had forwarded the recommendations that, trainings are needs to be conducted in those rural communities to create or increase the awareness about the saving, the government and financial institutions need to provide some training so that rural households must be familiar with the different types of saving motives besides short-term consumptions, the government at Zone and regional levels need to try it is best to build the formal institutions and in those rural communities so that the lives of those communities can get changes and develop and new ways of saving backward saving to the modern one, the government and others concerning bodies like local institution need to try their best to minimize those factors that have negative impact on household saving and then they may also do their part in improving those factors that have positive impacts on rural household saving and, the government has to build some saving institutions in those area so that these rural communities may have access to them and save their resources there.

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