

SAVINGS HABIT AND USE OF SAVINGS AMONG HOUSEHOLDS IN GA-EAST MUNICIPALITY

By

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partial fulfilment of the requirement for the award of a Master of
Philosophy Development Studies degree**

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DECLARATION

I certify that with the exception of quoted statements and acknowledged ideas, this dissertation is the original work of Kodom Michael carried out under the supervision of Dr. Robert Darko Osei of the Institute of Statistical Social and Economic Research (ISSER – Legon) and Prof. Peter Quartey, Head of Economic Department, Legon. I further affirm that this work has never been previously published at any educational institution nor has it been presented elsewhere for the award of a degree or any other certificate.

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DEDICATION

I dedicate this work to my loving mother, Monica Baffowaa, for all her sacrifices and love. Mummy, you are the best thing that has ever happened to me.



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List of abbreviations

GLSS	–	Ghana Living Standards Survey
LCH	–	Life Cycle Hypothesis
GSS	–	Ghana Statistical Service
NHIS	–	National Health Insurance Scheme
JHS	–	Junior High School
SHS	–	Senior High School
SSS	–	Senior Secondary School

Abstract

It is a clear and undisputable fact that savings is of great value to a nation's growth and development. Mobilizing both domestic and international savings is necessary if any society can proceed into 'self-sustaining economic growth'. Higher savings has been proven to precede economic growth. Therefore the analysis of saving is the analysis of issues of growth and development.

This study therefore sought to examine the savings habit of households using the GLSS 5 data with much emphasis on the various factors that predict the level of savings. It also sought to examine the expectations, motives and uses of savings using the data from a household survey in Ga-East municipality in the Greater Accra Region because such data were not captured in the GLSS 5 data. Semi-structured questionnaires were used to collect data from 200 household heads from eight communities in the districts. Multivariate regression analysis (binary logistic and OLS) were used to understand the factors that influence the possibility of holding a savings account and the level of savings of households. Cross tabs, frequencies, percentages, chi square test and mean test were also used to examine the associations and the level of significance that might exist between them.

Analysis of the GLSS 5 data showed that the predictors of the likelihood that an individual will hold a savings account were income, locality, NHIS registration, place of accommodation, sex, age and education. Thus as income increased people held more savings account and those living in the urban areas were more likely to have savings account than people in the rural areas. Also those registered under the NHIS held more savings account than those who were not registered and those living in

rented apartment held more savings account than those living in their own homes or in rented-free apartments. Females also held more savings account than males and as age increased, the possibility to hold a savings account also increased till it reaches 39 years beyond which it begins to fall. Thus, there exist a non-linear relationship between age and the probability to hold savings account. As people increased their level of educational attainment from primary through secondary to tertiary, the possibility to hold savings account also increased.

The determinants of the level of savings on the other hand were income, locality, sector of employment, NHIS registration, age, education, household size and marital status. Thus as income increased the mean savings also increased and those living in the urban areas saved higher than those in the rural areas. Those working in the formal sector saved higher than those who were not and those registered under the NHIS also saved higher than those who were not registered. Savings increased with age and the highest savings was recorded at 31 years beyond which savings begun to decline. A non-linear relationship also exists between age and mean savings. As people increased their level of educational attainment, their mean savings also increased and as the number of household size increased, the level of savings decreased. Married couples also saved higher than singles. The study also found that majority of the people did not know whether their future income were going to increase or fall in the future but savings was higher for those who knew because majority of them had higher levels of education and were engaged in formal sector employment.

Many household heads had planned motives for saving; acquiring household asset, unexpected expenditures, children future education, purchase business asset,

retirement among many others. However, after saving, they used majority of their savings for unplanned medical expenses, unplanned funeral or marriage functions before the planned educational expenses, investment and household asset acquisition which formed the primary basis for the savings. Thus unplanned expenditures tend to take the bulk of people savings than the planned expenditures.

The study therefore recommended for government policies to be geared towards subsidizing the cost of higher education since it induced higher savings. Also sensitization programs on NHIS should be intensified to enable many people to enroll on the program since those registered with the scheme had higher savings and people first use of savings was unplanned medical expenditures.

CHAPTER ONE

1.0 Introduction

Research has shown that there exists a positive relationship between savings and growth. Higher savings has proven to be an integral component of economic growth. Harod Domar and W. W. Rostow believed that for any society to take-off into self – sustaining economic growth, they have to mobilize both domestic and international savings to help them make meaningful investment to generate economic growth (Todaro and Smith, 2006). Alguacil et al (2004) also believe that mobilizing both domestic and international savings is needed to make meaningful domestic investment. Their study confirmed the analysis of Solow’s model that, “higher savings precedes economic growth” (2004:281). Savings has played an important role in the economies of many developing countries. Odhiambo (2008) noted that as far as Kenya is concerned, savings has contributed immensely to the development of the financial sector.

Loibl et al (2011) noted that “the habit of savings plays an important role in everyday financial decisions”. To them, constant act of saving is very important to the financial independence and stability of households. Even though habit formation is not an easy act, once the habit of savings is formed, it affects one’s saving ability. Habit formation improves a person’s perception and intention towards saving (ibid, 2011). Allesie and Lusardi (1997) also believe that once habit is formed, it tends to have an effect on an individual’s consumption and savings. They noted that savings is a function of one’s past savings and a combination of current income changes and “discounted value of future income changes”.

Personal savings initially received little attention either by African authorities or by economists and planners concerned with African development. The aprioristic assumption of many economists and planners for the disregard for household savings was as a result of the concentration of attention on government and enterprise savings and on the more apt techniques to increase their volume. This disregard emerged as a result of the small size of average personal savings which are often times scattered since majority population in Africa live in rural areas. The cost involved in mobilizing personal small savings is high and the growth of personal savings depend upon the growth of average per capita income. Therefore since the latter is rather slow, personal savings mobilization could give significant results only in the long run (Mottura, 1972)

The question of savings has been of interest to both economists and psychologists. From the economist point of view, the division of income between consumption and saving can be seen as a matter of time preference in the use of income. It is to be expected that all households would have a current time preference for a portion of their incomes and consume at least some. Individual households will make the division in widely different proportions, depending on the relative importance to them of current consumption in relation to deferred use goals. Economists have long been aware of the many factors which impact positively or negatively on saving behaviour. These include income, number of dependants, stocks of liquid assets, value of illiquid assets such as housing, stocks and condition of consumer durables, the price level, interest rates, indebtedness, taxation and other government policies such as those affecting superannuation (Beal, 2000).

Psychologists concentrate on the process of making the actual decision to save. They have differentiated savings into two classes: contractual saving by means of mortgages or other loans and insurance type contracts where no further periodic decisions are necessary once contracts have been agreed, and discretionary saving where decisions are continually necessary to maintain the saving (Beal, 2000).

Personal incomes vary from one individual to another and also over time but without a certain minimum income, no saving is possible at all. A general improvement in the standard of living, via the growth of average real incomes per head and the levelling of social inequalities, steadily raises the number of possible savers, but the actual amount saved at different times varies in accordance with the person's willingness to set aside part of their income. Although the savings potential may grow, the savings ratio may remain unaltered if the propensity to save does not rise in its turn; contrariwise, the amount saved out of the same household income may be very different at different times (Cole and Utting, 1957).

The United States experienced a precipitous decline in its national savings in the 1980s. While much public discussion had focused on the growth in the federal budget deficit as a source of this decline, a larger part of the drop in saving was believed to have come from a fall-off in the rate of private saving (Bosworth et al, 1991). They noted that the largest part of the decline occurred, ironically, after the government made an increase in saving a major objective of economic policy and redesigned the tax system to increase effective after-tax rates of return and promote saving. The decline also coincided with a dramatic increase in real market interest rates, which should have greatly strengthened saving incentives.

The statistics provided by the UNECA survey in 1970 reveal that African governments' ordinary or current revenue increased in 1960-1969 by an overall rate of 8.4% per year (this data is only for 24 countries). However in 1968, indirect taxes increased to 49.1%, direct taxes stood at 19.4% and other domestic revenue amounted to 30%. The reasons for this heavy reliance on indirect taxes are easily explained as being caused by; low level of the large majority of personal incomes, operating cost of direct taxation machinery, bad tax administration, political pressure exercised by higher income group. Nonetheless, it is obvious that fiscal policy should be directed towards establishing a more balanced government revenue structure through implementing more efficient direct taxation on personal incomes. It seems clear that in a static approach, increasing taxation, if direct, reduces available income to household and if indirect, lowers the purchasing power of existing personal incomes. One way or the other, savings potential and propensity are negatively affected, since the consumption propensity is generally highly rigid with respect to income and African countries average personal income is growing very slowly and in some cases is nearly stable. In this case a faster increase in taxation would not only prevent household savings but it might also cause negative personal savings if some income-earners were induced to disinvest accumulated wealth in order to counterbalance the reduction in income (actual or in purchasing power) allocated to current consumption expenditure (Mottura, 1972).

The mobilization of household savings techniques should therefore first of all correspond to the need to motivate the formation, accumulation and collection of savings in the household sector. Thus the application of any technique is successful only if they can properly motivate the savings behaviour of the individual or if they

can strengthen any pre-existing, and perhaps latent propensity to save. The past performance of African banks tends to show that household savings have until now received incentives which might be termed as ‘traditional’ with few exceptions. In fact the spectrum of savings facilities offered by African banks and other intermediaries is still, in most cases, the same as in developed countries and is mainly based on the interest rate incentive. Mottura (1972) therefore asked whether such “form of incentive adapted to the African socio-economic context can effectively motivate the savings behaviour of the African people?”

Households decide one way or the other, to spend or save their income. What drives households in making those fundamental decisions between consumption and saving? Additionally, if saving is a goal which is being positively pursued, how do individuals decide how much to save? Which age group or occupational category saves in the district? These and other issues which are of great importance and concern to policy makers and interest groups in Ghana will form the basis of this study. However the study will be limited to Ga-East district of Ghana.

1.1 Problem Statement

Understanding the nature of household savings behaviour is critical in designing policies to promote savings and investment (Attanasio and Banks, 2001). Given the differences in the economic environment of the developing and industrial countries there should be substantial variation in the household behaviour (Muradoglu and Taskin, 1996). The close relation between savings and growth makes the analysis of savings behaviour naturally important for policy analysis. Savings behaviour shows considerable variation across countries depending upon level of development and socio-economic structure and so one cannot be sure whether the results of a region or

country under study may be applicable to a particular country or region of interest. Thus, cross-country regression analysis based on the assumption of homogeneity cannot be used as definitive study for any specific country of interest. For this reason, country and regional studies have an importance of their own (Agrawal et al, 2009).

Beal (2000) noted that the level of aggregate savings has significant macroeconomic impacts on an economy and even though developing economies need savings to generate investment funds, savings tend to be low. Quartey and Blankson (2008) noted that the level of savings in Ghana is very low even though it is a necessary engine of economic growth. They believed that a combination of micro and macro-economic and political factors explain Ghana's low savings during the 1990s (1991 to 1999). They further note that despite the numerous macro-financial policies that the country pursued in the 1990s, the rate of savings remained low.

Nissanke and Aryeetey (1998) note that of 29 African countries, the World Bank in 1994 classified Ghana, Tanzania and Nigeria among those countries that had experienced a substantial improvement in macroeconomic policies and had achieved better GDP per capita growth. However the national statistics show that the savings-investment gap has been widening in Ghana, Malawi and Tanzania. The large increase in domestic investment has been supported by a significant rise in foreign savings (i.e. foreign capital inflows). In these three countries, the savings ratio remained depressingly low, far below the average for countries in Sub Saharan Africa (13%). This pattern in savings-investment nexus was evident for a longer period of time than expected (1975-92).

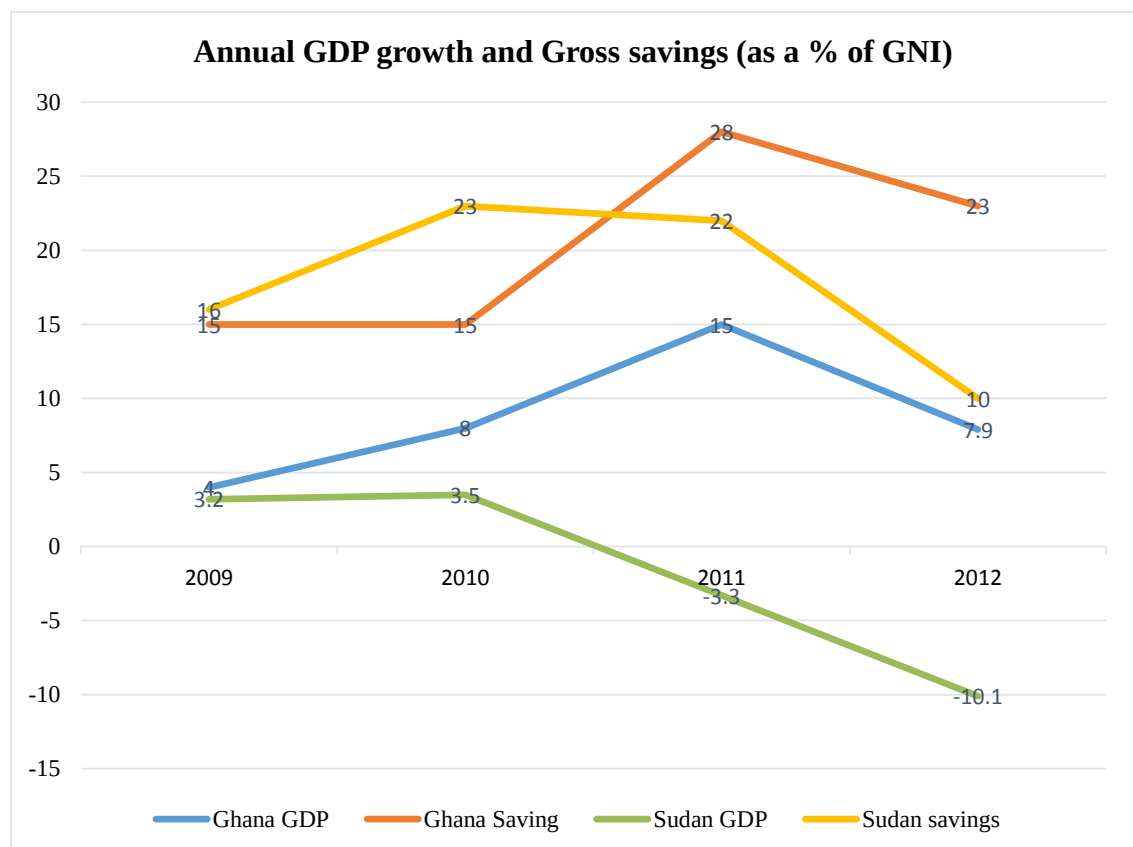
Particularly in Ghana gross domestic savings rate has seen continuous decline since mid-1970s. The aggregate savings rates reached its minimum in 1983 when the economy was hit by severe drought accompanied by the forced repatriation of workers from Nigeria. After the adoption of the Economic Recovery Programme, savings rate recovered and by 1988, it had reached the level attained in the second half of the 1970s. However, from 1989 to 1992, savings rate began to follow a sharp declining trend despite continuous commitment to liberalization and reform measures. As gross domestic investment continue to rise, the savings-investment gap has been widening (Ibid, 1998)

Quartey and Blankson (2008) noted in their work that the level of savings in Ghana is very low even though it is a necessary engine of economic growth. They believed that a combination of micro and macro-economic and political factors explain Ghana's low savings during that period. And they further noted that despite the numerous macro-financial policies that the country pursued in the 1990s, the rate of savings is still low.

The World Bank (2003) statistics showed that comparing the Gross Domestic Savings as a percentage of gross domestic products (GDP) of Ghana to other African countries, Ghana recorded the lowest between 1980 and 2001. For instance, whilst the Gross Domestic Savings of Ghana within the period was 6.4%, Nigeria was 21.6%, Cameroon was 21.4% and Botswana was 34.7%. The picture the existed in the past is not different from recent times. In 2008, Ghana's gross national income was US\$ 1,490 far above that of Ethiopia (US\$ 880), Haiti (US\$ 1,140), Nepal (US\$ 1,120), Rwanda (US\$ 1,080), Tanzania (US\$ 1,290), Togo (US\$ 950) and Uganda (US\$

1,150). However whiles Ghana's gross savings rate (% of GDP) was as low as 5%, that of Ethiopia was 17%, Haiti 25%, Nepal 37%, Rwanda 17%, Tanzania 19%, Togo 11% and Uganda 22%. Similarly 2009, Ghana's gross national income was US\$ 1,540 far above countries Haiti (US\$ 1,170) , Nepal (US\$ 1,170) and Zambia (US\$ 1,410) but again, as Ghana gross savings rate was 22%, that of these countries were all above 22% (World Bank, 2013). Below is a graphical analysis of annual GDP growth rate and its corresponding gross savings (as a % of GNI) of Ghana and Cape Verde.

Figure 1: A comparative analysis of annual GDP Growth rate and gross savings (as a % of GNI) of Ghana and Cape Verde



World Bank (2013)

The statistics in Figure 1 above show a positive relationship between annual GDP growth rate and gross savings. Thus, for both Ghana and Sudan, as their annual GDP increases, the amount of gross savings (as a % of GNI) also increases and instances where annual GDP reduces, gross savings also reduces. For instance, between 2009 and 2010, with an increase in Sudan's GDP there was a corresponding increment in the gross savings rate. In the case of Ghana, even though there was an increase in GDP for the same period, there was no significant increment in the gross savings. Similarly, between 2010 and 2011, Sudan's annual GDP growth fell from 3.5% to -3.3%, their corresponding gross savings (as a % of GNI) only fell from 23% to 22%. On the other hand, Ghana's GDP increased from 8% to 15% and this increased the gross savings from 15% to 28%. Between 2011 and 2012, both countries experienced a reduction in their annual GDP growth and this also led to corresponding reduction in their GDP. Thus, there a countries GDP performance has a corresponding effect in its gross savings.

Considering the annual GDP growth of the Lower middle income African sub-Saharan African countries to their respective gross savings (as a % of GNI) as estimated by World Bank (2013), it can be seen that Ghana's performance to all the other countries has been low. For instance, in 2009 where Ghana's annual GDP growth was 4%, the corresponding savings rate was 15.4%. Comparing this figure to Senegal, whose annual GDP growth was 2.4% lower than Ghana, their gross savings (as a % of GNI) was 17.3%, higher than Ghana. The same performance is applicable to Lesotho, Sudan and Zambia whose 2009 annual GDP growth rate was lower than Ghana's but recorded a higher savings rate than Ghana. Interestingly, in 2010 when Ghana's GDP annual growth rate rose to 8%, savings dropped from 15.4% to 15.1% whereas all the other countries except Zambia recorded a higher savings rate than Ghana even though their annual GDP growth rate was lower than Ghana's.

In 2011, Ghana recorded an increase in GDP growth from 8% in 2010 to 15% and this also increased the savings rate from 15.1% in 2010 to 28.3% in 2011. Comparing Ghana's performance in 2011 to a country like Zambia and even other countries, Ghana's performance can be considered as poor. For instance, when Cape Verde's annual GDP growth was 4.5%, far lower than that of Ghana, their gross savings rate was 34.5%, which far higher than Ghana. Even in the case of Sudan which recorded a negative GDP growth of -3.3%, their gross savings was as high as 24.7%, which comparatively is better than Ghana. In 2012, Ghana's annual GDP growth fell to 7.9% and this corresponded to a lower gross savings rate of 22.7%. Comparing Ghana's performance to that of Sudan, which recorded a poor annual GDP growth performance of -10.1%, they recorded a gross savings rate of 16.0%, which is far better than Ghana.

The growth in GDP per capita can partly be attributed to the diverse and rich resource base especially oil, which was discovered in 2007. This has increased the inflow of foreign reserves, which has filled the gap between income and savings. However, this is not sustainable because countries that have achieved sustainable growth did not rest on foreign inflows but were able to mobilize domestic savings.

An analysis of savings is therefore important especially with regards to factors accounting for low savings in Ghana. The question worth asking is, what has accounted for Ghana's low savings even though gross national income has been rising in recent years. Have people diversified their savings into real estate especially among the rich and into agriculture among the poor instead of depositing in savings account. Have people developed a new perspective towards savings, or has incomes fallen

below expected income level and are therefore borrowing as predicted in Friedman theory of permanent income. At household level, savings is influenced by certain sociocultural factors other than only economic factors like income and interest rate.

Quartey and Blankson (2008) have done an extensive analysis of the GLSS 3 and 4 data to outline many factors that influence the level of savings of the Ghanaian. Some of the factors they identified were innate factors while others were policy driven. The innate factors such as age cannot be changed by policy but policy driven factors such as income, inflation, education, employment, health insurance, expectation among others can be changed. However their work did not exhaustively analyse all of these policy driven factors especially health insurance and expectation. Savings is not only a function of income but also of future expected changes in income and in health. Therefore an analysis of these variables are of great importance for policy makers. Also they fail to analyse the motives that drive people to make the decision between saving and consumption and what actually drive people to people's motives. They equal did not analyse the uses of savings. The study therefore seeks to find answers to fill the gap that is left their work to facilitate a holistic understanding of the dynamics of savings in Ghana. The GLSS 5 data did not capture data on people's expectations in future changes in income, their motives for saving and their uses of savings. The study therefore collected data from household heads in the Ga-East Municipal Assembly to help answer the question on expectation, motives and uses of savings

1.2 Objectives of the study

The study is intended to assess the factors that influence the savings habit of households, as well as the motives and use of savings. The aim of this research is to provide information on how and why households save. Once we have a better

understanding of what the determinants of savings are, policies and interventions that will help financial institutions prepare appropriate savings packages that meet the demands of consumers will be suggested. However, the study sought to answer two major specific objectives:

- To examine the factors that influence savings
- To assess the motives and uses of savings

1.3 Hypotheses

Three main hypotheses guided this study.

Expectations of future changes affect the level of savings. Thus expectation of future increment in income reduced the level of savings while expectation of future decrease in income increased the level of current average savings holding all factors. However, the study also hypothesized that given an individual's education and employment, expectations of future increase in income will not necessarily lead to reduction in savings and vice versa.

Secondly, beneficiaries of the National Health Insurance Scheme (NHIS) are expected to have higher savings than non-beneficiaries.

Finally, the study hypothesized variations in the motives for savings and the uses of savings

1.4 Research Questions

In order to adequately meet the stated objectives above, the study sought to answer the following questions. For objective one;

- Is the variation in savings with respect to people's age consistent with existing theory or not?
- What are the determinants of savings and do the determinants differ with locality and employment?
- How does expectation of future changes influence the level of savings?

For objective two, these questions will be answered.

- What are the motives for savings?
- Does the use of savings differ from the motives?

1.5 Significance of the Study

Household savings among districts in countries have continued to receive less attention from financial economist and researchers. More often than not, the focus has been on inter-country analysis rather than intra-country analysis. Even though to a large extent the inter-country assessment is helpful, the intra-country analysis enables an in-depth understanding and a unique appreciation of the level of savings distribution across the country. Quartey and Blankson (2008) analysed household savings behaviour in Ghana. Poterba (1994) examined the savings habit of seven industrialized countries namely Canada, Japan, France, Germany, United States, United Kingdom, Italy and Korea. Kitamura et al (2001) also analysed the household savings of Japan. Intra-country analysis is of therefore of great importance to appreciating the works done by researchers.

The investigation of the determinants of the savings habit of households is expected to reveal vital information which can be used by policy makers to formulate effective financial sector policies. So far, some several factors that influence the level of

household savings have been identified and some of these factors include level of disposable income, household characteristics and incentives that are offered to households to encourage them to save. In some cases, the interest rate and inflation rate of the country also tend to influence the level of savings of households. Even though studies conducted in Ghana have equally outlined these factors, the expectations, health, motives and uses of savings have not been exhaustively analysed. Therefore this study is meant to make contribution to the on-going exploration.

Denizer and Holger (2000) believe that the main sector of a national economy that is saving is the household sector and as such the enactment of financial policies that stimulate savings in this sector is fundamental for governmental anti-crisis and economic recovery programmes. Modigliani and Brumberg (1954) have also noted that individual saving and consumption behaviour, especially those of households, have a particular importance for the financial stability of an economy. An unfavourable evolution of savings may induce financial disequilibria when its functions cannot be realised or they are realised with difficulty. At microeconomic level, the diminution of savings may decrease the living standard of the population, especially that of the retired population, with all the negative implications that follow. The study of the savings behaviour of household is therefore of vital significance to the overall socioeconomic wellbeing of a nation and Ghana in particular

Also many banking and non-banking institutions especially microfinance institutions have emerged to offer credit facilities to households and individuals to help them live a sustainable life. It is however worth noting that these institutions do not offer these

services to all households and individuals except for those persons who have savings or can save some portions of their income. This stems from the fact that after giving them the loans, clients are expected to pay back with interest and microfinance and other banking institutions assessed the creditworthiness of their clients based on their ability to save. Therefore investigating the savings habit of individuals will offer these institutions the information needed to expand the scope of their services to Ghanaians.

1.6 Organization of the Study

The study is organized into five chapters. Chapter one is an introduction to the study. It provides the context within which the study is examined, the problem statement, the outlined objectives of the study, hypothesis, research questions, and significance of the study. Chapter two contains a review of literature on the concepts, theories, and debates underpinning the study and appropriate in guiding the study. Chapter three provides the methodology, methods, sampling procedures and tools used for data analysis as well as the information on the profile area. Chapter five contains data presentation and analysis of findings and chapter four provides summary of findings, conclusion and recommendations.

CHAPTER TWO

Literature Review

2.0 Savings

Savings requires accumulation of anything of lasting value is also savings. The part of income not consumed is the part that is saved. Thus savings equals income minus consumption (Henderson and Poole, 1991). Samuelson and Samuelson (1980) noted that in the industrial society, savings is generally done by different people and for different reasons. For instance, these scholars believed that when farmers devote time to draining a field instead of planting and harvesting a crop, they are saving and at the same time investing. They are saving because they are abstaining from doing the things that would entail present consumption in order to provide for larger consumption in the future – the amount of their savings being measured by the difference between their net real income and their consumption. Thus savings is primarily done by all group of people; by individuals, families, households, pension funds etc.

In Issahaku's (2011) analysis of the determinants of saving and investment in Nadowli district in the Upper West region, he regarded savings as income that is not consumed by immediately buying goods and services. Using a microeconomic approach, he saw a close relationship between savings and investment. Thus "by not using income to buy consumer goods and service, it is most likely for a resource to be instead invested by being used to produce tangible and intangible capital such as machinery, schooling, on-the-job training, among others. Saving undeniably therefore is a strategic variable in the theory of economic growth hence its role as a determinant

of economic growth has been emphasized by classical economists like Adam Smith and David Ricardo” (Ibid, 2011)

Dell’Amore (1977) in analysing some of the factors which influence individuals saving in the household, differentiated between instinctive and congenital savers. For instinctive savers, the dominating influence to save is that of the person’s innate characteristics but these in turn are always to some extent affected by the conditions of the social environment. For instance, in time of rapid economic development, instinctive savers will save more. However, for people who are deeply rooted in congenital factors, the volume of savings does not change even when the possibilities of saving diminish especially in times of economic recession. The propensity to save plays a part both in deliberate and in instinctive saving, but is strongly subject to change in the former case, although even deliberate choices may not always be economically rational.

While savings consist of the part of the household income withheld from consumption, they are not a residual quantitatively determined by the propensity to consume. Experience shows that income recipients often plan in advance to set aside a certain sum within a predetermined period, and that this leads them to forgo even some non-superfluous consumption; clearly, the propensity to save then becomes the dominant factor in the choices which govern the allocation of disposable income

Germans are said to value saving per se, by tradition. They were reluctant to follow American consumerism despite strong American influence on German post-war development. Borsch-Supan (1992) noted that since 1960, savings rates have always been higher in Germany than in the United States but that this discrepancy is

particularly large in recent years. Although savings rates in both countries have declined since 1975, the relative decline is much smaller in Germany than in the United States.

Jappelli and Pagano (1994) in their analysis of the Government Incentives and Household Saving in Italy found that the Italian saving rate has exhibited large variability since World War 11, with a trend decline in the past two decades, following very high levels in the fifties and sixties. Throughout the post-war period, the Italian national saving rate has been consistently above the OECD average. Italy's net national saving rate was 3.4 percentage points above the Group of Seven average in the sixties, 2 percentage points in the seventies, and 1 percentage point in the eighties (Dean et al. 1990). In all three periods, Italy ranked second only to Japan.

2.1 Determinants of household savings

Households' saving behaviour is largely influenced by several variables like the perception of saving of those who save, their ability, willingness, objectives or motivations for saving and the opportunity to save. This deliberate decision on the part of the households to save in order to meet future needs depends on a number of factors. The factors normally considered as the determinants of saving include all the factors that affect the ability to save, the will to save and the opportunity to save.

2.1.1 Income

One of the basic determinants of savings which almost all the studies in the area of savings have tried to study is income. Different studies using different methods have been conducted in different parts of the world and all have found a positive relationship between income and savings. Based on the findings, some scholars have propounded certain theories.

The Keynesian Savings function and the Friedman Permanent Income postulate a positive relationship between savings and income. Friedman Permanent Income hypothesis distinguishes between permanent and transitory components of income in which case households tend to consume the permanent income while the transitory income is channelled into savings with a marginal propensity to save from this income approaching unity (Quartey and Blankson, 2008). Studies conducted by other scholars have also found similar results. For instance, Collins (1989) examined the saving behaviour in nine Asian developing countries plus Turkey since the early 1960s. Using a times-series data, the results show trends and differences in saving across countries and within countries over time. However, in the midst of all the differences in savings rate and savings behavior, the results from all the countries confirmed that increase in income have a positive effect on household savings.

Evidence from Sub-Saharan Africa and other developing countries, albeit mostly from middle- to upper-income households, suggests that income positively influences saving and in ways consistent with Keynesian Savings function and the Friedman Permanent Income. In Kenya, household income was found to be a statistically significant predictor of savings among rural farmers, entrepreneurs, and teachers (Kibet et al., 2009). A similar result was found in Uganda where higher permanent and transitory incomes significantly increased the level of net deposits among households that reported owning bank deposit accounts (Kiiza & Pederson, 2001). The findings in Uganda do not differ from what Athukorala & Sen (2004) also found in India even though both used different approaches. They found a positive relationship between income and savings in India just as Abdelkhalek et al (2009) found in their microeconomic analysis of household savings in Morocco. In the far

region of Pakistan, the analysis of the savings behaviour of different groups by ur Rehman et al (2011) also found similar results and in the Philippines, Bersales & Mapa (2006) also found a positive relationship between income and savings. These findings suggest that households save a larger share of their income when that income is higher and this has been proven to be positive in all the regions across the world.

Athukorala and Sen (2004) noted in their analysis of the determinants of private savings in the process of economic development in India from 1954 – 1998 that real interest rate return on bank deposit had a statistically significant positive effect on Indian's savings behaviour. The income growth variable was found to be an important determinant of the private savings rate. The Keynesian 'absolute income hypothesis' was found to hold for savings behaviour in India. Similarly, the empirical estimations from Dirschmid and Glatzer (2004) analysis of the determinants of household savings rate in Australia using an error correction model showed that the savings rate was positively influenced by income growth in both the short and long run.

In the same way, Samuelson and Samuelson (1980) in their work stated that rich people save more than poor people not only in absolute but also in percentage amounts. The very poor are unable to save at all. Instead they 'dissave', that is spend more every year than they earn, with the difference being covered by debt financing. Thus income is a prime determinant of savings.

Thus, all the studies above, there is a positive relationship between income and savings and even though these scholars used different strategies and methods, their findings were similar.

2.1.2 Interest rate, inflation rate and government policies

In a static approach, increasing taxation, if direct, reduces available income to household and if indirect, lowers the purchasing power of existing personal incomes. One way or the other, savings potential and propensity are negatively affected, since the consumption propensity is generally highly rigid with respect to income and African countries average personal income is growing very slowly and in some cases is nearly stable. In this case a faster increase in taxation would not only prevent household savings but it might also cause negative personal savings if some income-earners were induced to disinvest accumulated wealth in order to counterbalance the reduction in income (actual or in purchasing power) allocated to current consumption expenditure (Mottura, 1972).

Mottura (1972) believes that the sum to be gained by interest rate, even if it is high, normally has little economic significance to savers, who deposit or invest amounts in a small average volume. Therefore the saving behaviour is not merely motivated by the interest rate and savers do not seem to be particularly interest-sensitive. Rather the formulation and accumulation of savings at the household level appears to be strongly motivated by the following factors: the need for insurance, the need for credit, the feeling of social obligation, and the planning of future expenditure (consumption and investment). Again, this is indirectly proved by the performance of indigenous associations (both the savings and mutual-aid kind) and by the behaviour of adherents. In such an environment, it becomes understandable that the interest rate cannot provide a sufficient motivation to save or to deposit savings into a bank. In fact, by saving with an indigenous association (or even a credit union) the household obtains security, credit and social standing inside the local community. It is important

to note that, according to the logic of indigenous associations, personal savings tend to assume an obligatory character after the individual has joined the association, and that savings become, in a sense, a form of participation. Therefore the formulation of an ideal incentive program for household savings should start from such basic considerations and should seek to make full use of existing savings motivations in view of developing the savings potential of the household sector

Borsch-Supan (1992) found that in Germany savings reduce among households below retirement age. Among the elderly however, the tighter safety net might actually increase net savings since the generous retirement income might not only prevent the German elderly from depleting their assets but even provide income levels sufficiently large to induce savings in old age (Borsch-Supan 1992).

2.1.3 Demographic Characteristics

2.1.3.1 Gender

Quartey and Blankson (2008) in the analysis of the GLSS 4 data observed the following. First the number of people who did not have savings account were more than those who had. Only 12.1% of the total sample held savings account and out of this proportion, females held more savings account than males (53.5% against 46.5%). It was observed that comparing this figure to that of 1991/2, the proportion of males with savings account declined. It was also noted that of the total people who held savings accounts, majority of them were sons and daughters of household head followed by household heads themselves and then the spouses of household heads and the least was the grandchildren of household heads.

Denizer et al. (2000) in the analysis of the household savings in the Transition using data from Bulgaria, Hungary, and Poland noted that households headed by women exhibit significantly higher savings rates than that of men in these three countries. Dupas and Robinson (2013) worked in collaboration with the Bumala village bank in Kenya to randomly provide small business owners with access to savings accounts. Four to six months after account opening; women in the treatment group had 45 percent higher daily investment in their businesses than women in the comparison group. Thus women have the capacity to save but were faced with a number of barriers

Embrey and Fox (1997) noted that combination of lower earnings, lower savings, longer life spans, and higher risk aversion pose greater challenge for financial educators and policy makers. Schmidt and Sevak (2006) also reasoned along this path by observing that the lower earnings and savings of women in the US had made them financially dependent on men for financial security. For these reasons in 2003, 28.0% of single female-headed households were living in poverty, as compared with 13.5% of single male-headed households. Researchers have suggested several possible reasons for a gender gap in wealth. Some observe that women typically have lower lifetime earnings than men, creating lower total wealth. Also women have historically completed fewer years of education than men, which also affects earnings (U.S. Bureau of the Census, 2007). Women and men also differ in their attachment to the labor force, which could lead to the observed differences in financial behaviors between men and women (Sierminska, Frick, & Grabka, 2008). Any difference in wealth may partly result from lower female labor force participation (Warren, Rowlingson, & Whyley, 2001), where women tend to have part-time work

arrangements, more diversified work histories due to child bearing and child rearing, and more frequent job changes.

The findings by Fisher (2010) also showed that women were less likely than men to have saved over the previous year, while the proportion of the male and female samples reporting to save regularly was similar. Women and men have been shown repeatedly in the literature to differ in terms of risk tolerance, which has then been shown to affect women's financial decisions and behaviors. The results show that risk tolerance also affects men and women in terms of whether they engage in saving. Interestingly, women reporting low risk tolerance were significantly less likely to save over the short term as well as to be regular savers, while this effect does not apply to the sample of men.

On the other hand, some researchers have concluded that no gender difference in savings and investment behavior exists. For example, Zhong and Xiao (1995) found no gender difference in the dollar holdings of stocks. DeVaney and Su (1997) concluded that the determinants of retirement planning knowledge were similar for men and women, and Masters and Meier (1988) found no difference in the risk taking propensity of male and female entrepreneurs.

2.1.3.2 Age

It was also observed that household members who are less than 18 years held greater proportion of the savings account including susu. Even though the members below held a large proportion of savings account, those aged 60 years and above had the highest mean savings balance followed by those who are less than 18 years. This

result contradicts the Life Cycle Hypothesis (LCH) which predicts that working population accumulate savings while the young and the old consume past savings (Quarney and Blankson, 2008).

Similarly, Chakrabarty et al (2008) in their analysis of the saving performance of Australia found results consistent to that of Quarney and Blankson (2008). The coefficients on age dummies suggest that households save more as heads become older. For example, the saving rates for households with heads aged 41–50, 51–60, and aged 61 or above were higher than those with heads aged 30 or below. One may argue that households with retired heads have different saving habits than those with non-retired ones but their findings showed that whether the head of the household is retired or not does not appear to affect savings. This evidence runs contrary to the lifecycle theory of consumption. Lifecycle theory predicts that households should start dissaving as they age. Chakrabarty et al (2008) also believed that savings of the households with heads over the age of 61 could be higher due to generous tax benefits of superannuation contributions. Another possible explanation behind this behaviour could be the increase in average life expectancy in Australia. Attanasio (1998) in his examination of the relationship between age cohort and personal savings in the United States using data from the Consumer Expenditure Surveys (CEX) from 1980 to 1991 found that age-savings profile is humped-shaped with the peak of savings occurring around age 57.

Kelly and Williamson (1968) regressed per capita household saving against per capita household income for five household age groups in Indonesia. They found that the age of the head of the household is an important determinant of household savings in

rural households and that the average and marginal saving rates rose with the share of agricultural income. However, Shultz (2005) who analysed the demographic determinants of savings in Asia found no significant relationship between savings and age composition.

The study of saving behaviour of populations undergoing demographic transition, rather than steady-state growth, emerged from the work of Modigliani and Brumberg (1954) who considered different cohorts of population in analysing the consumption and saving behaviours at different stages of life. In their view, households save during their working period and dis-save during their retirement period of life to support consumption at the habitual standard during retirement and this has popularly been referred to as the life cycle hypothesis (LCH) of consumption and saving. Hassan et al. (2011) noted that this theory does not relate population dynamics to the growth of an economy directly but by relating population age structure to saving it links population dynamics indirectly with a number of macroeconomic aspects, including international capital flows and the real exchange rate.

Dell'Amore (1977) believe that individual innate factors are always in various measures influenced by education, in so far as it enlarges the technical and social knowledge which directly or indirectly governs all human actions. Education increases people's awareness of the risks of economic activity, and at the same time imparts to them knowledge and skills by which to avert or mitigate those risks. Individual innate factors, tempered in varying degree by education are not normally the sole determinant of the propensity to save, because other influences are at work within the family. Chakrabarty et al (2008) emphasized that when education is

relatively stable across an individual's lifetime it tends to have a positive correlation with the permanent income.

Elbadawi and Mwega (2000) analysed the determinants of private savings in sub-Saharan Africa. In addition they narrowed down to the savings experiences of Kenya, Zimbabwe and Botswana. Collective results of sub-Saharan Africa revealed that per capita Gross Private Disposable Income (GPDI) influenced private savings positively. Youth dependency ratio (the ratio of the population under 15 years to the population of those over 15 years) and urbanization (the proportion of the urban population to the total population) had negative and insignificant influence on savings

2.1.3.3 Education

It was also observed that in 1991/2, higher levels of education (tertiary) significantly increased the probability of savings but this couldn't hold for 1998/9. Thus 'the probability of savings increases as one attains tertiary education but the marginal effect was not significant'. Schooling may enable people to appreciate the finer things in life or to be more efficient in making consumption decisions (Solmon, 1975). Generally it has been argued that one purpose of education is to instil an analytical ability in students. "Returns to saving will be high when the saver can estimate and analyse the effects of current and future prices of goods, current and expected returns to various financial assets, the investment alternatives available, and current and future conditions of other aspects of the economy. It is possible that people with the same income can purchase equally good investment data and advice. However, it would seem that an educated person can do whatever the less analytical person can do and more" (Solmon, 1975).

Fisher (1965) has provided a list of personal characteristics that would seemingly influence time preferences and hence savings: foresight, self-control, a habit of thrift, concern over the uncertainty of life, concern for heirs, and concern for fashion and fads. The argument has generally been that these characteristics are influenced by education. Watts (1958) has pointed out that "high education may imply lower consumption, quite apart from the income correlation, if better educated people are more farsighted and therefore have stronger retirement motives

2.1.3.4 Place of Residence

In the area of accommodation, it was observed that the probability of savings was also dependent on the type of household accommodation. Households living in rented or rent-free accommodation are likely to have more savings than those living in their own houses. Quartey and Blankson (2008) observed that in Ghana, those 'living in rented accommodation are more likely to have financial savings perhaps to pay for rent advance (deposit) or to put up their own houses than those living in their own houses. Those living in their own houses might have used their savings to put up houses - a form of savings'. Contrary to expectation, household size was also found to significantly increase the probability of household savings. Thus the larger the household size the more savings the household has.

2.1.3.5 Household size

It has been argued that the higher the household size, the higher the consumption pattern and all things being equal, the lower the excess money left for consumption. Elfindri (1990) conducted a study to examine the demographic impact of family size

on household savings in some part of central Sumatra in Indonesia. Using data from the 1987 Indonesian census, the results from the regression analysis show that the size of the household and the number of children at school going age negatively affect household savings. In contrast to the findings of Elfindri, Browning and Lusardi (1996) who analysed micro theories and data on household savings found that household size can have a positive effect on savings according to economies of scale. However, the composition of the family, rather than the size of the family per se, has a greater impact on savings. A young family member does not have the same effect on household savings as an elderly family member or an adult.

The difference in the findings of Elfindri (1990) and Browning and Lusardi (1996) stems from the fact that Elfindri looked at household size in general whiles Browning and Lusardi extended their study to include composition. Thus, by composition, a household with many of its members working while have a positive effect on savings whiles a household with many of its members being dependents will have a negative effect on savings. But taking the household size as a whole, there is likely to be a negative relationship with savings.

2.1.3.5 Locality

Curley and Grinstein-Weiss (2003) in their comparative analysis of rural and urban saving performance in of Individual Development Accounts noted a variation between monthly net deposits between residents in these localities. Those in the urban areas had higher savings than those in the rural areas even though when other factors were

controlled for, the difference was not statistically significant. Certain explanation were offered for this variations. First and foremost, a positive correlation was found to exist between average savings and financial education. Those who get access to financial education save more than those who do not and the urban areas are more privileged in this area than rural areas

Also access to financial institutions have been argued to influence savings. Savings among the “banked” people tend to be higher than the “unbanked” demonstrating that existing relationships with financial institutions may encourage higher saving amounts. The Federal Reserve Board’s 1995 Survey of Consumer Finances further explained that many low-income individuals have little or no experiences with financial institutions. Several reasons have cited for being “unbanked” including charges imposed by financial institutions, difficulties of establishing credit, inconvenience due to location, lack of trust in institutions and lack of information regarding options available (Woodstock Institute, 2000).

Kiiza & Pederson (2001) found that in Uganda, proximity of the financial institution to the household was associated with the probability of whether or not a household will open a formal saving account, as well as the level of net deposits among households owning a bank account. In the same study, urban households were more likely to open a deposit account than their rural counterparts. Higher transaction costs (due to reduced accessibility) were also found to have significant negative effects on the level of savings deposits among Ugandan (Kiiza & Pederson, 2001) and rural Kenyan households (Dupas & Robinson, 2009).

There are two conflicting views on issues relating to the ability of rural households to save or not. Proponents of these views were the traditional or old view and the new view. Those who argue from the traditional perspective argue that rural households are too poor and therefore they do not have the ability to save. Thus, they are unable to mobilize funds enough to have some for consumption and some excess left to save

Lambert and Lim (1986) explained that the inability of rural folks to generate enough funds to meet their consumption and excess to save emanate from the fact that rural livelihood is characterized by low productivity due to the use of traditional methods of farming. They do not have any savings to purchase new technologies for farming because of low income. It has also been added that rural households are poor and even if their incomes should increase over time due to some windfall, they will use that income on consumption and ceremonies (Adams, 1978; Von Pischke, 1978).

Unlike the traditional proponents, those who hold the modern viewpoint argue that it is untrue to assume that due to the traditional technologies the rural households use in production, they generate low income and are unable to meet their consumption pattern to get excess to save. They are of the viewpoint that rural households have the desire and capacity to save and where there are opportunities to encourage them to save, they respond positively to it like the households. They backed their position with some examples that unlike urban households, rural households predominantly save after harvest. Also the assumption that all rural based households are poor is totally wrong because the economics of rural households are characterized by heterogeneity in income levels. Thus, whiles some are poor, there are others who are also rich. Whiles the poor households save over a short period of time, the rich

households are able to save over a long period of time and they usually have larger farms, higher income, better education and better jobs (Issahaku, 2011)

2.1.3.7 Occupation

The amount of income one makes mostly depend on his or her occupation and as such, it has postulated that people whose occupation earn them higher incomes are able to have higher savings than those who are into menial jobs. In Ghana, Quartey and Blankson (2008) examined that majority of the households who save were engaged in agriculture but their mean savings were low. However those engaged in finance, insurance, real estate and business services had the highest mean current value of savings. Unlike Ghana, the findings from Dupas and Robinson (2013) work show that in Kenya, potential savers were market vendors, bicycle taxi drivers and self-employed artisans who did not have a savings account but were interested in opening one. The findings from both studies show that those within the medium to lower income group tend to have more savings account but those within the higher income group held the highest mean savings. This stands to support the assertion that the poor have the desire to save (Issahaku, 2011)

2.1.4 Expectation of future changes in income

Individuals across all the planet are periodically faced with the challenge of uncertainty. Whiles the rich are faced with the uncertainty of future changes in income due to some changes in both microeconomic and macroeconomic policies, the poor are also faced with uncertainty in meeting present and future expenditures. Thus, both the rich and the poor households are commonly faced with the problem of

uncertainty. Lusardi (1998) in her analysis of the importance of precautionary saving noted that individuals facing higher income risk save more. In a similar vein, Guariglia (2001) also found a significant relationship between earnings uncertainty and saving. The results implied that households save more if they expect their financial situation to deteriorate. Brown and Taylor (2006) have noted that even though financial expectation influence savings, they are also influenced by individual characteristics (such as age and education) as well as by business-cycle effects.

2.1.5 Incentives

Some banks provide contractual saving plan whereby the saver is obliged to regularly deposit a given sum of money, even small, in exchange for an interest payment or preferably , for the right to obtain certain financial services (credit and insurance). Some of these schemes have already been successfully introduced in a few African countries (example is the Mit Ghamr bank, now Nasser Social Bank, in Egypt). For instance, the contractual savers might be granted, upon certain conditions, loan for various purposes (to finance the building of their own house, to finance the purchase of particular farm inputs, to pay for their children's education, to meet unforeseen expenses such as funerals, medical treatment and the like) (Mottura, 1972)

Also instead of credit, savers could receive at their choice a multi-purpose insurance policy, whereby they are covered against certain risks such as natural death, death by accident, inability consequent to disease or accident etc. for an amount proportional to the sum deposited. Moreover, under certain conditions, savers might enjoy the

assistance of a 'social service fund', the main purpose of which should be helping adherents out of difficult situations, caused by unforeseen events not covered by the insurance service. This form of savings incentive had been experimented by Mit Ghamr in Egypt and had proven to be successful. Finally savers might receive, upon request, financial and technical advice from the bank on problems strictly concerning either economic activity or the management of their household budget (ibid, 1972)

Formerly, Germany had one of the best savings packages which induced higher rate of savings compared to United States and Borsch-Supan (1992) reported that the savings incentives in Germany have dramatically changed since the mid-eighties. While the favourable incentive programs are still in place and capital income frequently escapes taxation, many of the subsidies have been severely reduced, in particular since the 1990 tax reform. And, in fact, the aggregate savings rate went up from 1985 to 1989 in spite of a reduction in tax incentives.

Sherraden, et al. (2005) also noted that institutional model of saving suggests that institutional factors greatly influence an individual's ability to save. Thus institutional arrangements such as incentives and subsidies encourage people to save and further accumulate asset. For instance, people participate in retirement pension systems because it is easy and attractive to do so.

2.2 Motive for Savings

Although numerous studies have been carried out on saving behaviour, according to Xiao and Noring (1994) only a few of these have aimed to investigate motivations for saving directly. Research on motivations to save is, however, of both theoretical and

applied interest. It can help financial advisors and educators to have a deeper understanding of the goals of people's financial behaviours (Canova et. al, 2005).

The theme of saving motives was first treated by Keynes (1936). He identified eight different motives: (1) "Precaution", which implies building up a reserve against unforeseen contingencies; (2) "Foresight", which includes providing for anticipated future differences between income and expenditure (the life-cycle motive); (3) "Calculation", which refers to the wish to earn interest; (4) "Improvement", which means to enjoy a gradually improving standard of living over time; (5) "Independence", which refers to the need to feel independent and to have the power to do things; (6) "Enterprise", which means having the freedom to invest money if and when it is favourable; (7) "Pride", which concerns leaving money to heirs (the bequest motive); and (8) "Avarice" or pure miserliness

Browning and Lusardi (1996) added the ninth one which is to accumulate deposits to buy houses, cars, and other durables (the down-payment motive). They also believe that there is considerable heterogeneity in the motives for saving. 'It is unlikely that a single explanation will suffice for all members of a population at any given time or even for the same person over a long stretch of time'. There is also a widespread feeling that the wealthy have different motives to save from the less wealthy.

Many scholars from different parts of the world have conducted different studies using different methodologies on the savings habit of people in various countries and have outlined different savings motives. Katona's (1975) work, for example, showed that in the United States in 1960s, people saved, in order, for emergencies (ill-health, unemployment), to have funds in reserve for necessities, for retirement or old age, for

their children's needs, to buy a house or durable goods and for holidays. Few claimed to save to earn future income (in the form of interest or dividends) or to leave money to their heirs.

Issahaku's (2011) work in Ghana in the Upper West region revealed that the rural people saved "to cope with unexpected emergencies such as funerals, accidents, sicknesses, natural disasters, among others; To buy some assets (that is, target saving) such as grinding mill, motorbike, residential houses, sewing machines, among others; To pay for predictable expenses (such as school fees/levies, health insurance premium, among others); To allow for future consumption (that is food at a time when stores are used up); To make provision for retirement; To accumulate enough funds for investment; To employ the teaming unemployed youth; To reap higher returns; For luxury".

Kotlikoff (1989) revealed that about 30% of family saving in the United States can be explained by motives of a precautionary nature, in particular by anxieties about old age. From other studies conducted in Holland (Alessie et al., 1997) and in Sweden (Lindqvist et al., 1978), it emerges that the precautionary motive is one of the most important reasons for saving. Johnson (1999), in a study carried out on refugees of Asiatic origins, revealed that this group saves mainly for emergencies and their children's education.

Horioka & Watanabe (1997) revealed that Japanese families save mainly for retirement and for precautionary reasons, which is consistent with the life cycle hypothesis. In Australia, Harris et al. (2002) found that the three most frequently indicated reasons are "Retirement", a motivation linked to the life cycle, "Holidays"

and “Rainy days” (a precautionary motive). The next four motives were investing for a house, paying back debts, providing for children’s education, and purchasing durable goods. The bequest motive is relatively less important.

In a cross-cultural study, Webley et al. (2000) compared the saving motivations of Italians, English and Israeli respondents. In comparison to the English and Israeli group, Italians were more inclined to save as much as possible. They controlled their expenditure more easily and preferred to have more substantial reserves put aside. The important saving motives for them were to save for their children’s education and for medical care. For the English respondents, on the other hand, saving for future purchases was more important.

Souleles (2000) in his work on college tuition and household savings and consumption found that households appear to do a relatively good job smoothing their consumption into the academic year, despite large expenses. This was consistent with the Life-Cycle Theory of saving and consumption. There was some evidence of a delayed decline in consumption and of a decline for households with children first beginning college, but the magnitudes of these declines are rather small.

Warneryd (1995) distinguished between four motives for saving and stressed that a person can save for one or more motives at the same time. Warneryd (1995) labels the first “saving as a continuous habit”. This is a well-established habit of saving which is not related to any specific goal. The second, the so-called “precautionary motive”, is due to uncertainty about the future. The third motive for saving is the “bequest motive”, which is saving for the well-being of the family after the person’s death. The fourth and last motive is called the “profit motive” and consists of the wish to

make an income from money put aside. The results of a multiple regression analysis indicated that the motivations “saving as a continuous habit” and “precaution” contribute significantly to explaining the variance of the total sum of money saved.

2.3 Forms of Savings

Two major forms of saving and investment have been identified: financial and non-financial. Financial savings involve putting money in the form of shares, bonds, savings/current accounts and mutual funds. Non-financial savings involves putting money into buying assets with hopes of earning additional revenue. In recent times, the most popular form of non-financial savings or investment is real estate. However, for the local people, this takes the form of investing in livestock, cars/vehicle (for commercial purposes), land etc.

In the Nadowli district in the Upper West region of Ghana, Issahaku (2011) found that saving is normally held in financial form by a household which is contrary to the view that, rural households mainly hold the bulk of saving in the form of physical assets. They use their savings to make investment in the form of non-financial assets such as farmland, grinding mill, livestock, crops, poultry, houses, and other consumer durables.

2.4 Theories of Savings

Many disciplines and scholars have tried to explain savings behavior from different perspective and thoughts. For instance whiles economists explain savings from income and age perspective (Modigliani & Ando, 1957), sociologists see class and social stratification as the primary influence of savings (Sorensen, 2000). Also social

workers have outlined access, incentives, expectation, and facilitation as the factors that influence savings (Beverly & Sherraden, 1999). Behavioural economists and economic psychologists on the other hand see self-control, motives and other individual characteristics as the factors that influence savings (Katona, 1975). This section tried to explain some of these theories as they form the basis underlying the study.

2.4.1 Life cycle theory

One of the most important economic theories regarding saving is the life cycle hypothesis proposed by Modigliani and Brumberg (1954). The essential idea of the life-cycle hypothesis is that individuals (or households) try to keep their expenditures constant over the life-cycle. At times in life when income is lower than expected average life-cycle earnings, money would be borrowed; when income is higher than expected, the surplus would be saved. By doing this, consumption is smoothed at a certain (own standard of living) level. According to the life cycle hypothesis, old people should spend more than they do and young people should borrow (Ottoo, 2009). Saving behaviour is most often described as a function of income and consumption.

Wagner et al. (2005) explained that even though “the life cycle hypothesis (LCH) assumes that consumption and savings patterns represent an individual’s age or stage within the life cycle, with a majority of saving occurring in the middle years but recent LCH models suggest significant heterogeneity within and across age cohorts”.

To them low-income households do not exhibit savings behaviour predicted in original LCH models

According to the theory of life cycle (Ando and Modigliani, 1963), the financial behaviour differs for the youth and the elderly, as compared to the mature. A still important part of the young people who did not reach employment age yet diminish the savings rate, since their parents allot a big part of their incomes to supporting their children. In the same direction, the increase in the average life span imposes the increase of the saving rate during the active life with the view to maintaining the level of consumption (living standard) during the active life. Thus, the increase in the weight of the elderly in a population is equivalent to diminishing the population savings, since this segment is dissaving or is saving at a very reduced pace. The purpose of the elderly segment is very important from the point of view of its financial behaviour, this being a category that dissaves, thus consumes from the savings accumulated during the active life (Artus, 2002).

From the Psychological point of view in their behavioural life-cycle hypothesis, Thaler and Shefrin (1981) consider psychological factors such as mental accounting and self-control. According to this model, people do not treat all of their wealth in the same way, but spend differently depending on whether the money is seen as current income, current assets or future assets. Regarding self-control, Thaler and Shefrin (1981) claim that people often adopt rules that restrict opportunities to spend. These rules can be imposed from the outside, or self-imposed.

2.4.2 Friedman theory of permanent income

Friedman's (1957) permanent income hypothesis is an extension of the life cycle hypothesis. It is also based on the perception of one's present and future income. When income is higher than the permanent income somebody considers to be his or her comfortable (and realistic) level of income, money is saved for a period in life where income might be below this personal permanent income level. According to Friedman, people also save because of a bequest motive, the motivation for saving to leave an inheritance (Ottoo, 2009).

According to Schenk (1988) the central idea of the permanent-income hypothesis, proposed by Milton Friedman in 1957, is simple: "people base consumption on what they consider to be their 'normal' income. In doing this, they attempt to maintain a fairly constant standard of living even though their incomes may vary considerably from month to month or from year to year. As a result, increases and decreases in income that people see as temporary have little effect on their consumption spending". Thus, consumption depends on what people expect to earn over a considerable period of time. As in the life-cycle hypothesis, people smooth out fluctuations in income so that they save during periods of unusually high income and dissave during periods of unusually low income.

Schenk (1988) believes that both the permanent-income and life-cycle hypotheses loosen the relationship between consumption and income so that an exogenous change in investment may not have a constant multiplier effect. This is more clearly seen in the permanent-income hypothesis, which suggests that people will try to decide whether or not a change of income is temporary. If they decide that it is, it has

a small effect on their spending. Only when they become convinced that it is permanent will consumption change by a sizable amount.

In analysing the differences between the two theories, Schenk (1988) noted that the life-cycle hypothesis introduced assets into the consumption function, and thereby give a role to the stock market. A rise in stock prices increases wealth and thus should increase consumption while a fall should reduce consumption. Hence, financial markets matter for consumption as well as for investment. The permanent-income hypothesis on the other hand introduces lags into the consumption function. An increase in income should not immediately increase consumption spending by very much, but with time it should have a greater and greater effect. Behaviour that introduces a lag into the relationship between income and consumption will generate the sort of momentum that business-cycle theories saw. A change in spending changes income, but people only slowly adjust to it. As they do, their extra spending changes income further. An initial increase in spending tends to have effects that take a long time to completely unfold.

The existence of lags also makes government attempts to control the economy more difficult. A change of policy does not have its full effect immediately, but only gradually. By the time it has its full effect, the problem that it was designed to attack may have disappeared. Finally, though the life-cycle and permanent-income hypotheses have greatly increased our understanding of consumption behaviour even though data from the economy does not always fit theory as well as it should, which means they do not provide a complete explanation for consumption behaviour (Schenk, 1988).

2.4.3 Shortfall of the Life cycle and permanent income theory

Niculescu-Aron and Mihăescu (2012) in their analysis of these two theories identified the following shortfalls: One of the shortcomings is the fact that these studies either focus on a single country or a group of countries without comparing the developed with the developing ones. This leads to the conclusion that the samples used are inappropriate for highlighting differences between countries at different development stages.

Another drawback is the fact that national aggregate data was used, which implies the assumption that the most important part of savings comes from the private savings account. Thus, the inconsistencies between countries appear due to the fact that the computation method is different and also the use of aggregate data in such analyses is relevant only if private and public savings are substitutable but they are actually not.

They acknowledged that although there is consensus regarding the importance of the explanatory variables such as income and wealth for estimating household savings, other more controversial factors like demographics, inflation and rates of return need to be included in the analysis in order to be able to better and more accurately highlight differences between saving behaviour of households for different countries.

However, later investigations found that older people save or at least do not spend as much of their savings as predicted by the LCH (Deaton, 1992).

2.4.4 Keynes Absolute Income Hypothesis

Keynes (1936) introduced the notion of marginal propensity to save (Keynes' Absolute Income Hypothesis). The theory examines the relationship between income and consumption, and asserts that the consumption level of a household depends on its absolute level (current level) of income. As income rises, the theory asserts, consumption will also rise but not necessarily at the same rate. The idea is that saving is only possible, if someone has more than enough to meet the basic needs. This means that someone can only save what is left over once essentials have been paid for (Ottoo, 2009).

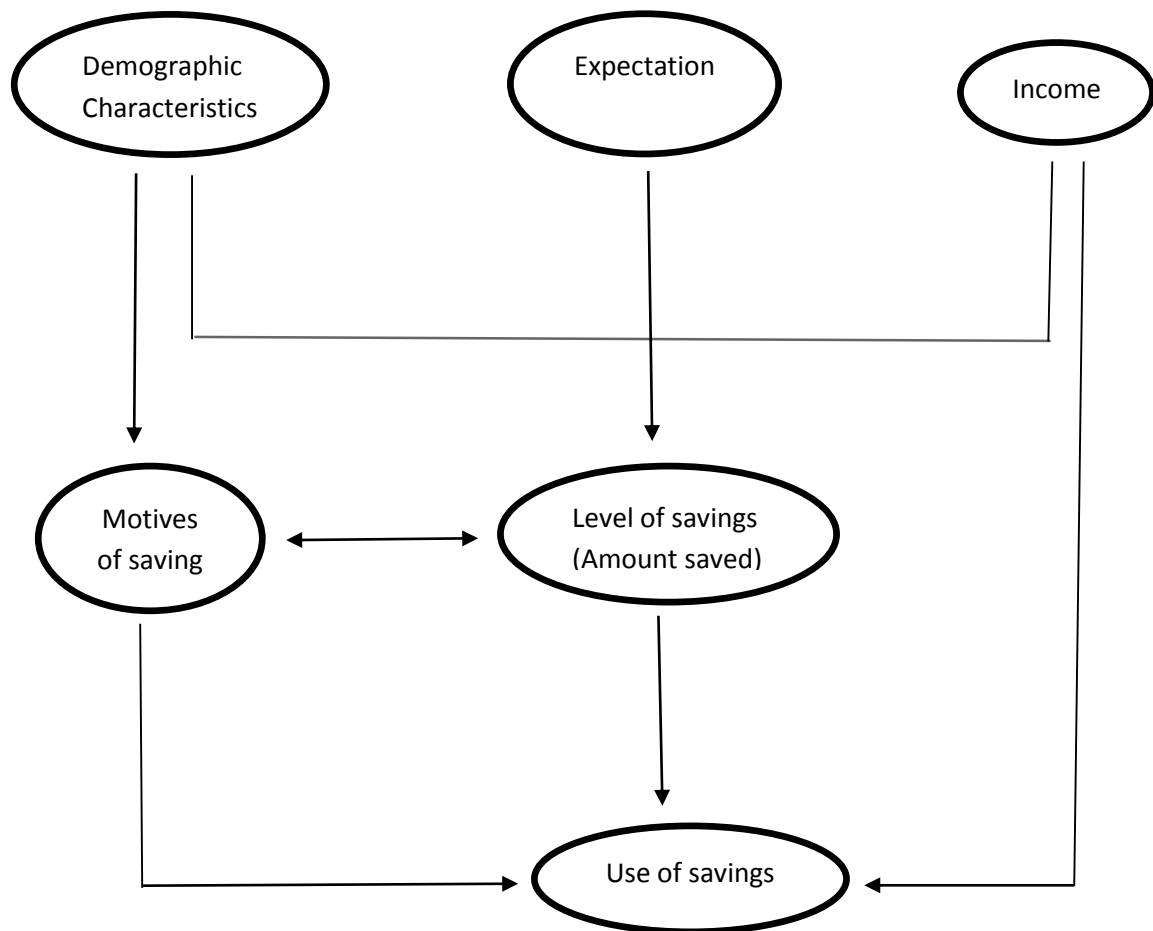
2.4.5 Relative income hypothesis

It was developed by James Duesenberry and it states that individual's attitude to consumption and saving is dictated more by his income in relation to others than by abstract standard of living. So an individual is less concerned with absolute level of consumption than by relative levels. The percentage of income consumed by an individual depends on his percentile position within the income distribution. Secondly it hypothesises that the present consumption is not influenced merely by present levels of absolute and relative income, but also by levels of consumption attained in previous period. It is difficult for a family to reduce a level of consumption once attained. The aggregate ratio of consumption to income is assumed to depend on the level of present income relative to past peak income (Dusenberry, 1949).

2.4.6 Katona's theory of savings

Otto (2009) noted that “Katona's theory of saving is based on the assumption that saving/consumption is dependent on the ability to save/ consume and the willingness to save/ consume. The theory stressed the importance of income but thought of the absolute income hypothesis as being too simplistic. Simply having money left over after expenditures on necessities does not mean that this money has been saved or will be saved. To predict saving, the willingness to save needs to be considered as well. In other words, those who are able to save still need to choose to do so, that is, they have to make a decision that requires some degree of willpower. Consumer expectations and consumer sentiment will impact on saving decisions as well as pessimism and optimism with regard to a general and one's personal evaluation of the economic situation. While people save for different reasons, Katona assumes that someone's personal evaluation of the economic situation will influence contractual as well as discretionary saving decisions”.

2.5 The conceptual framework of household savings habits and use of savings



Source: Author's own construct, 2013

The study conceptualised the saving habits of households as a function of their demographic characteristics and these among were age, occupation, level of education, household size and the place of residence. The level of savings is also influenced by future expectation of future increment or reduction in income. Thus if people expect future increment in their salaries or incomes, they will tend to save less now but when they expect a future reduction in income, they will tend to save more

now to help them smooth their consumption. It also conceptualises household savings as being influenced by income and includes not only income from employment but income from all other sources including rents and remittances.

The study argues that these factors influence the level of savings of the household which would then determine how the household will use the savings. This study broadly categorises the use of savings into capital and recurrent use. The capital use of savings encompasses all the uses that yield some form of returns to the household such as investing in economic activity or business (which also include investing in livestock) and investment in assets (such as house, cars, etc). The recurrent use on the other hand encompasses those uses such as buying food, paying children fees, buying clothes and related good, buying things to have fun, attending funerals and parties, etc.

This study also acknowledges that apart from the level of savings having influence on how a household uses its savings, the household characteristics such as age, occupation, household size and place of residence on one hand and the income are likely to have influence the use of savings. For instance, Quartey and Blankson (2008) noted that households living in rented apartments will save to buy landed property like house or land to put up their own building. This study share their view and adds that such households will equally use part of their savings for other recurrent expenditures like consumption and buying of clothes but these might not be the prime motives for the saving.

2.6 Definition of terms and concepts

2.6.1 Income

It is considered the total cash flow that an individual earns. The study used the total gross incomes as reported in the GLSS 5 not the net income even though it is an undeniable fact that many household decisions are made on net income not on the gross income. The use of gross income is because some portion of people's income especially those in the formal sector are normally deducted as social securities and workers welfare which are all forms of savings.

2.6.2 Savings

Savings has primarily been defined as the portion of income that is not consumed. Generally, includes not only money but also assets and other landed property. However for the purposes of this study, the amount of money people have in their savings account or susu as captured by the GLSS 5 is what is been considered.

2.6.3 Household

The conceptualization of household by the Ghana Statistical Service in the GLSS 5 formed the basis for this study. A household was defined as a person or a group of persons, who live together in the same dwelling, share the same house-keeping arrangements and are catered for as one unit (GSS, 2008).

CHAPTER THREE

METHODOLOGY

3.0 Introduction

This chapter on methodology includes the study design, the method of study adopted, the sampling technique and sample size. It also covers the ways the data was collected and the statistical methods used to analyse the data.

3.1 The Study Design

Within the scope of this study, this research analysed the GLSS 5 data and the responses of the units of study (households) with data from the field using quantitative methods. The reason for the use of additional data from the fields is that the GLSS 5 did not ask questions on people's expectation for future changes in income, motives and uses of savings. It must be noted that these factors especially expectation and motives of savings are of significant importance in understanding the savings decisions of both individual and household savings. The study therefore used a semi – structured questionnaire to gather data from the Ga-East municipality on expectations, motives and uses of savings.

3.2 Data from the GLSS 5

The study used cross section data from the Fifth Round of the Ghana Living Standards Survey (GLSS 5) with a nationally representative sample of 8,687 households from all administrative regions in Ghana.

3.3 Field data collection method

3.3.1 Sampling method and sample size

After the creation of Madina municipality, the Ga-East Municipality is left with 21 communities (as it appears on the map). The list of names and population of all the communities in the municipality was obtained from the municipal assembly. Based on population, the communities were divided into two frames; urban and rural. The urban frame had 9 communities and the rural frame had 12 communities. The sampling was done in two stages; first for urban communities and second for rural communities. The researcher decided to use a sample size of 200 due to time and financial constraints. The 200 was proportionately divided among the two strata thus, each of the stratum (Urban and local) was allocated 100.

At the first stage, 3 urban communities were selected by simple random selection without replacement out of the 9 communities. The three communities were Kwabenya, Dome and Agbogba. They represented the communities from which the urban household heads were selected. The average household size for the district (as it appeared in the district profile) was 3.8. Out of the total of 39,715 population in the three urban communities, the estimated number of household was approximately 10,451 (i.e $39715/3.8=10451$). Out of the total 10,451 urban households, 100 households (which is the proportion allocated to the urban stratum) were selected by systematic sampling technique to match the three communities. The systematic sampling procedure involved first, dividing 10,451 by 100 ($10,451/100 = 105$) which is the selection ratio. This was added systematically to a randomly selected starting point. The selected number for the selection was 100, and was added to the selection

ratio of 105 in succession to select the 100 household for the interview. A list of selected household heads was used to serve as a guide during the administration of the questionnaire.

The second stage involved the sampling of rural respondents. The same procedure for selecting the urban respondents was used to select the rural respondents. Due to the small population size for the rural communities, five rural communities were randomly selected sampled from the 12 rural communities. These communities were Abokobi, Boi, Quarters, Akporman and Abloradjei. The total population for the five rural communities was 2,886 and dividing this figure by the household size of 3.8, the number of households was 759. Out of the 759 households, 100 households were systematically selected. This involved dividing the 759 by 100 ($759/100 = 7.6 \approx 8$) which is the selection ratio. This was added systematically to a random selection point which is 10 in succession to select 100 household respondents. A list of household heads was used as a guide during the administration of the questionnaire.

Thus, in all, a total of 100 households were selected from the urban stratum and 100 from the rural stratum making a total of 200, which was the sample size for the study.

3.4 The Method of data analysis

The study set out to investigate seven main questions following from the objectives. For all the questions with the exception of question three, the study employed statistical tools such as descriptive statistics, frequency and cross tabs to examine any relationships that exist between them. Difference in means (T-test) was statistically used to determine the extent to which the mean income and savings between two

variables under consideration was significant. Chi-square test were also employed to ascertain whether or not some associations existed between some of the variables.

Motives for saving and uses of savings were ranked

3.4.1 Logistic regression model

Logistic regression model was used to assess the relation between household member's sociocultural and economic characteristic and the possibility to hold a savings account. The sociocultural factors considered were age, gender, marital status, education, locality, accommodation, NHIS registration, sector of employment and income. The logit model for this study considered the probability that a person with a set of certain socioeconomic and demographic characteristics (x) will have a savings account (y). Therefore $y = 1$ is the probability that a person has a savings account.

This is simplified as:

$$P(y=1/x) = p(x) \dots\dots\dots 1$$

This means that $y = 0$ is the probability that a person does not have a savings account given the same set of socioeconomic and demographic characteristics. This can therefore be summarised as:

$$P(y=0/x) = 1 - p(x) \dots\dots\dots 2$$

These two equations can further be simplified as:

$$E(y/x) = p(x) \dots\dots\dots 3$$

$$\text{Var}(y/x) = p(x) [1-p(x)] \dots\dots\dots 4$$

The linear regression model cannot estimate the parameters in x in this case but the ratio of the probability that a person will have a savings account to the probability that he/she will not have a savings account can be used to achieve an estimate of the parameters in x . Therefore the logit model for estimating the parameter of x is:

$$P(y=1/x) = \beta_0 + \beta_1 x_1 + \beta_2 x_2 + \dots\dots\dots \beta_k x_k \dots\dots\dots 5$$

The independent variables were operationalized to take categories of 1 and 0. For instance males were coded as 0 and females as 1 likewise similar independent variables like marriage, NHIS and others.

3.4.2 Ordinary Least Square (OLS) model

To examine factors that influence the level of savings (objective three) an OLS was used. The same model was used by Quartey and Blankson (2008) to assess the behaviour of Ghanaians in the 1990s using the GLSS 3 and 4 data.

$$S = \alpha_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \dots\dots\dots + \beta_k X_k + \mu \dots\dots\dots 6$$

Where S represents the level of saving

$X_1 \dots\dots X_n$ = Independent variables (Income, locality, Place of residence, Occupation, and certain demographic characteristics)

However, the income of the household is also defined as

$$Y = \sum (Y_E, Y_A, Y_{NF}, Y_R, Y_{RM}, Y_{OI}) \dots\dots\dots 7$$

Thus, a household total income is the summation of the income from employment (Y_E), agricultural income (Y_A), gross non-farm self-employment income (Y_{NF}), rental income (Y_R), income from remittances (Y_{RM}) and other income (Y_{OI}) (Quartey and Blankson (2008). The qualitative variables in the equation (level of education and occupation) were coded as dummy variables, where each of the dichotomous variables within each categorical variable took the value of 0 or 1.

3.5 A prior expectation of the determinants of savings

Table 1: A prior expectation of the determinants of savings

Variable	Expected sign	Comments/Expected outcome	Relevant literature
Income (Y)	Positive (+)	Higher income induce higher savings	Furnham (1999); Dalal (2011)
Locality (Urban)	Positive (+)	Urban dwellers saved more than rural dwellers	Curley and Grinstein-Weiss (2003)
Age	Positive (+)	Non-linear relationship between age and savings	Deaton (1992)
Age ²	Negative	Savings will increase to a	Attanasio (1998)

		certain age beyond which it will decline	
Gender (Female)	Negative	Female held many savings account but males saved more than females	Quartey and Blankson, (2008); Sierminska et al. (2008)
Education	Positive	Savings increased as the level of education increase	Solmon (1975)
Accommodation	Positive	People living in rented apartment save more than people living in their own homes	Quartey and Blankson, (2008).
Occupation	Positive	Households engaged in finance, insurance, real estate and business services had higher savings than those in other occupations	(Quartey and Blankson, 2008)
Household size	Negative	Household size decreases savings	Cornia and Jerger (1982); Elfindri

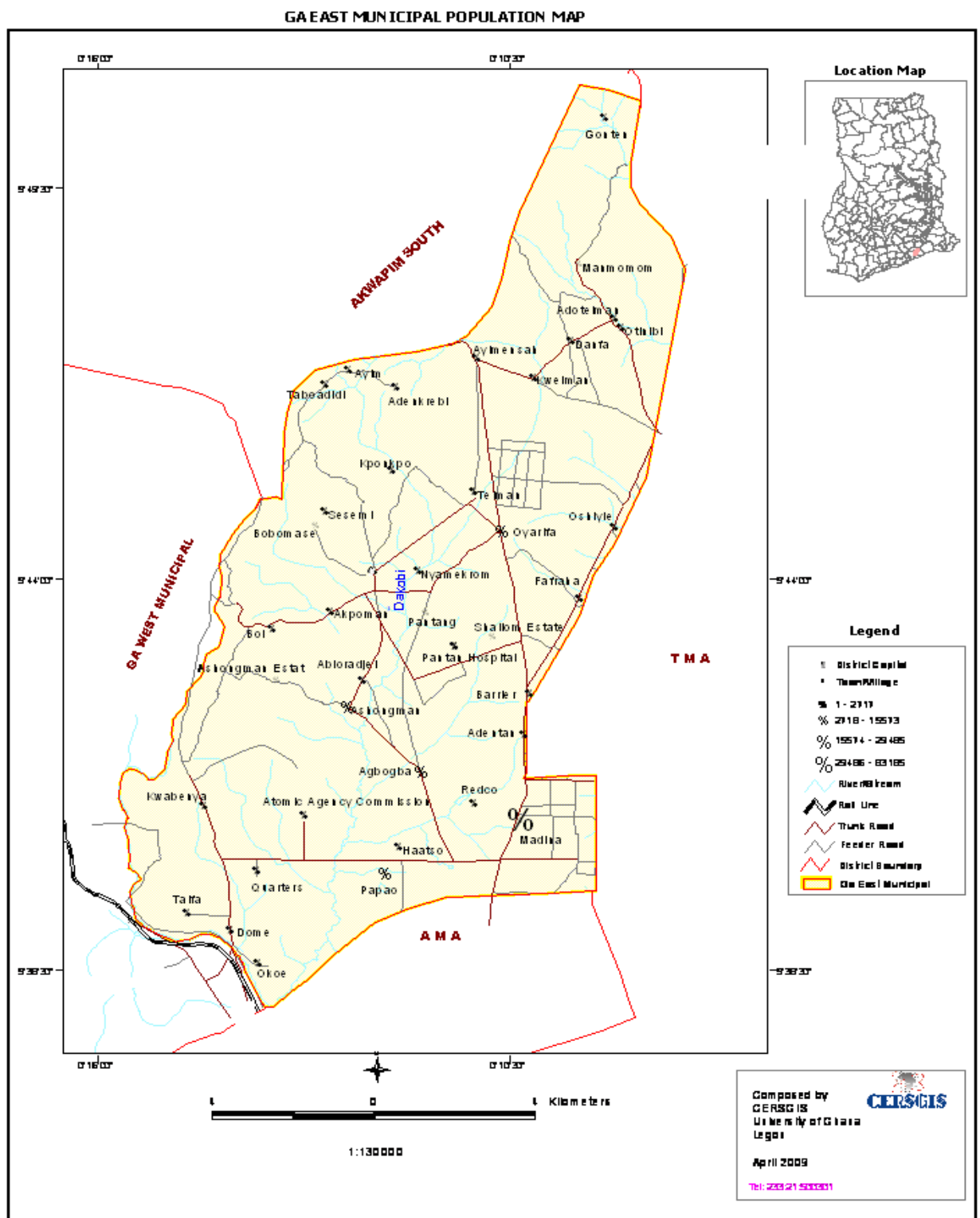
			(1990)
NHIS	Positive	People benefiting from the NHIS will save more than those who are not	Kotlikoff (1989)

3.6 Profile of the study area

3.6.0 Introduction

Savings is mostly considered as a habit and habits are created not only by the personal characteristics of an individual but also by other socioeconomic and cultural dynamics of the society in which an individual is born into. These dynamics shape one's life and perspective of life. To be able to therefore understand and appreciate the various factors that influence the savings habit of households in Ga-East municipality, it will be prudent to understand the sociocultural dynamics of the district. This section therefore presents some of the characteristics of the district as it appears in the Ga-East municipal profile.

3.6.1 Map of the study area (Ga-East)



Source: Ga-East Municipal Assembly, 2013

3.6.2 Location and Size

The Ga East Municipal Assembly is located at the northern part of Greater Accra Region. It was created in 2004 and it covers a Land Area of 166 sq km. It is bordered on the west by the Ga West Municipal Assembly (GWMA), on the east by the Adentan Municipal Assembly (AdMA), the south by Accra Metropolitan Assembly (AMA) and the north by the Akwapim South District Assembly.

3.6.3 Population Growth

The 2010 National Population and Housing Census put the Municipality's population at 259,668 comprising of 127,258 males and 132,410 females. It has a household population of 252,914 with 66,286 households and a household size 3.8. The growth of the population is mainly due to the influence of migration inflows. The population is concentrated mainly along the urban and peri-urban areas of the municipality particularly along the border with AMA to the south. These include Dome, Taifa and Haatso just to mention a few.

3.6.4 Rural-Urban Population

The urban/peri-urban population constitutes 87.5% (227,172) of the municipality's total population with the remaining 12.5% (32,496) residing in the rural portion towards the Akwapim Hills. The municipality can therefore be described as urban. Indeed the level of urbanization is above the national average of 43.4%. It is however important to note that the urban population resides in about 65% of the total land area of the municipality. This indicates a densely populated urban area with its associated pressure on social infrastructure and land. Land litigation, encroachment on the few open spaces; overcrowding and construction of illegal structures are some of the development challenges the Assembly has to manage. Of most important is the

pockets of slums that are fast developing in Taifa, Madina, Adenta West, Dome and Haatso.

The hitherto sparsely populated rural area is also gradually opening up with the location of the municipality's capital at Abokobi and the reconstruction of the Pantang to Ayimensah portion of the Accra-Aburi trunk road. Effective development control, upgrading and provision of the requisite social amenities are therefore some of the development issues to be addressed.

3.6.5 Climate and Vegetation

The Municipality falls in the savannah agro-ecological zone. Rainfall pattern is bi-modal with the average annual temperature ranging between 25.1°C in August and 28.4°C in February and March. February and March are normally the hottest months. The Municipality has two main vegetation namely shrub lands and grassland. The shrub lands occur mostly in the western outskirts and in the north towards the Aburi hills and consist of dense cluster of small trees and shrubs that grow to an average height of about five meters. The grassland which occurred to the southern parts of the district has now been encroached upon by human activities including settlements.

3.6.6 Education

Distribution of schools in the municipality is quite even. The Municipal Assembly can boast of two (2) well known senior secondary schools, namely, Presbyterian Boys' Secondary School, Legon and West Africa Secondary School, Adenta West. There are about 13 privately owned secondary schools, seventy-one (71) public Junior Secondary Schools and a number of private Junior Secondary schools which are sited mainly in the peri-urban areas of the municipality. Also, there are 68 public primary schools with about 40 Early Childhood Development Centers (ECDC) and enroll only

9.8% of children at that level. There are however a number of privately owned ECDCs. There are therefore 181 public schools in the municipality. Most of the schools lack libraries; ICT resource centers and recreational grounds.

It is also import to state that most of the school lands are also being encroached upon. Reclamation of these lands will have to be undertaken to ensure that land is available for future expansion projects

3.6.7 Top ten diseases

Malaria continues to be a major public health issue. It accounted for 33% of Out Patient Department (OPD) attendance in 2009. Lifestyle diseases (hypertension and diabetes mellitus) are posing a challenge to the health service delivery. For three years in succession, hypertension has occupied the 3rd position. Weekly specialized clinics are organized at Madina Polyclinic for these lifestyle disease clients. Regular health walks and screening of the community members have been adopted to ‘Catch them early’ and managed appropriately

The position of diarrhoeal diseases has not changed. An outbreak of cholera in the region trickled down to the municipality. Three of the cases that reported at Achimota Hospital in a neighbouring district hailed from this municipality (Kwabanya, Haatso). However, none of the cholera cases reported in the facilities during the period of review.

3.6.8 Sanitation

On the issue of sanitation in the Municipality, it appears that a number of people have access to some type of sanitation facilities either public or private. Others also resort to indiscriminate defecation in gutters, school compound and public refuse dumps. Total sanitation coverage is estimated at 31% for household facilities and 29% for institutions. The types of facilities in use include WC toilets, KVIPs, Household VIPs and public KVIPs. Pit latrine even though not approved by the Assembly is being used by some households even in the urban communities.

The urban communities, viz Taifa, Dome and Adenta West and Abgogba are in crisis and need urgent attention to clear the backlog and also provide for the ever increasing population

3.6.8 Waste Management

The rate of waste generation and management in the municipality is a matter of concern to the Assembly. With the increasing influx of people and the rapid urbanization, huge amounts of human and industrial waste are generated at an alarming rate. It is estimated that about 750 tonnes of solid waste is generated monthly out of which 490 tonnes are collected which represents 63%. This leaves a substantial amount of backlog that creates various kinds of inconveniences including health hazard to people in the municipality. Out of the 490 tonnes collected the private sector collects about 81% through door-to-door collection.

Apart from the door-to-door collection, waste is collected in containers placed at vantage points by the Assembly. The situation is compounded by the inadequate machinery and equipment by the Assembly and the private collectors. Also the absence of proper engineered final disposal site is a major constraint. In addition,

solid waste is brought from neighboring Assemblies that is the Adenta Municipal, Accra Metropolitan and Ga West Municipal Assemblies to the crude dumping site at Abloradjei. The constant burning of the waste at the dumping site is creating serious air pollution and threatening the life of people in the surrounding communities. The soil in the area is also being polluted.

3.6.9 Conclusion

As indicated in the district profile, Ga-East was created not long ago and it has been confronted with diverse challenges in the health, education, sanitation and waste management sectors. Though the district has been putting in much effort to minimize, if not remedy these challenges, the lack of funds to undertake projects and initiatives aimed at remedying the problems is a great obstacle.

In events where residents in the districts saves some portion of their income, payment of property rates and other taxes that the assembly collects from the people will not be a challenge to the people. This will enable the district generate and accumulate enough funds to undertake diverse and many developmental projects relating to sanitation and waste management, health, education, roads networks among other infrastructural developments. This will speed the growth of the district. However, when the savings attitude of the people are poor, the ability to pay the property rates and other taxes and charges by the assembly becomes difficult and this in effect hinders the growth of the district.

CHAPTER FOUR

Presentation and discussion of findings

4.1: Introduction

This chapter presents the analysis and discussions of the findings from the GLSS 5 data and also interviews conducted in some selected communities in the Ga-East municipality. The main focus of the study is to examine the factors that determine the level of savings of households and also assess their motives and uses of savings.

4.2: Savings and individual demographic characteristics

4.2.1 Saving and gender

Table 2: Savings and gender

2005/6			
Gender	<u>% with savings</u>	<u>Average Income</u>	<u>Average savings</u>
	<u>account</u>	<u>(GH¢)</u>	<u>(GH¢)</u>
Male	28.23	14,640.14	3,104.86
female	27.51	14,334.83	2,926.97
Overall	27.78	14,480.27	3,065
<u>1998/9</u>			
Male	46.5%		
Female	53.5%		
Overall	12.1		44.38
<u>1991/2</u>			
Male	48.2%		
Female	51.8%		
Overall	11.74		5.62

Source: 2005/2006 statistics generated from GLSS 5. The 1998/1999 and 1991/1992 were obtained from Quartey and Blankson (2008)

The statistics showed that only 27.78% of the total sample held savings account including susu and 72.22% do not. However, those who had savings account or participate in susu earned higher income than those who do not. The data in Table 3 above also shows that out of the 27.78% who held savings account, the proportion of females was higher than that of males. Thus more than 50% of those who held savings

account were females (60.93%) and only 32.07% were males. Even though females held more savings accounts than males, males earned higher income and saved more (GH¢3,104.86) than females (GH¢2,926.97).

The patterns of household savings in the GLSS 5 data are not different from the GLSS 3 and 4 as analyzed by Quartey and Blankson (2004). The data in the GLSS 3 showed that 11.74% of the sample size held savings account or susu and out of that 48.2% were males and 51.8% were females. Similarly, the GLSS 4 data showed that out of the 12.1% of the total sample size who held savings account or susu, 46.5% were males and 53.5% were females. Thus in both 1991/2 and 1998/9, comparative the proportion of females with savings account was higher than the males.

Assessing the proportion of people with savings account in all the three period showed that 2006 had the highest proportion than 1991/2 and 1998/9. However, it could also be noted that in all three periods, the greater proportion of the sample do not have savings account or participate in susu. Unlike Quartey and Blankson (2008) who assessed the proportion of males over females, this study analysed the proportion of males and females who held savings account over those who did not have. The data therefore showed that the proportion of males who held savings account was 28.23% and females was 27.51%. Thus the proportion of males who held savings account over those who did not was greater than females. But comparing the proportion of males over females, trends similar to those in the GLSS 3 and 5 were observed in the data.

The study also showed that males had higher savings balance than females. The average savings of males was GH¢3,104.86 and females was GH¢2926.97 but the

difference was not statistically significant. The lower savings by women have been strongly emphasized by many researchers (Sierminska, Frick, & Grabka, 2008; U.S. Bureau of the Census, 2007) who explained that women historically had lower education and lower labour force participation which tends to affect their earnings and savings.

4.2.2 Savings and educational attainment

Table 3: Educational attainment and savings

<u>Educational level</u>	% of people		<u>% with</u>	<u>Average Income</u>	<u>Average savings</u>
	living in Locality		savings		
	<u>rural</u>	<u>urban</u>	<u>account</u>	(GH¢)	(GH¢)
No school	69.25	30.75	28.79	14,088.19	2,896.95
JHS/Middle	45.87	54.13	36.67	15,399.73	3,350.86
Secondary	24.69	75.31	51.60	20,522.99	3,237.67
Post-secondary diploma	18.77	81.23	60.52	25,460.31	3,851.07
Degree/post-grad	17.95	82.05	67.09	48,343.04	7,059.57
Prob>F				0.00	0.00

Source: GLSS 5, 2005/6

As shown in Table 4 above, as the levels of educational attainment increases, the proportion of urban residents also increased. The proportion of the rural dwellers who have never been to school (69.25%) is higher than the urban dwellers. On the other, at all levels of educational attainment, beginning from Junior High School or middle

school, the proportion of urban dwellers is higher than the rural dwellers. For instance 82.05% of urban residents had degree or post-degree education but only 17.95% of rural residents had attained this level

The data also show that the proportion of people with savings account increased with higher levels of education. Whereas only 28.79% of people with no education had savings account, as high as 60.52% of those with post-secondary diploma education had savings account and 67.09% of those with degree and post-graduate education had savings account

In terms of income, the data show that the proportion of income increased as the level of education increased. Those with no education earned the least income of GH¢14,088.19 whilst those with degree or post-degree education earned the highest of GH¢48,343.04. These difference in mean income is highly statistically significant at 1% meaning that income increases with increase in education.

The level of savings also increased with higher levels of education. Whiles those with no education had an average savings of GH¢2,896.95, those with post-secondary diploma had GH¢3,851.07 and those with degree or post-degree education had GH¢7,059.57 and this is statistically significant at 1%.

4.2.3 Savings within the various ethnic groups

Table 4: savings within the various ethnic groups

Ethnic group	Freq.	% of		Proportion with savings account	mean	mean
		Rural	Urban		income (GH¢)	savings (GH¢)
Akan	9,136	54.37	45.63	35.52%	16,138.51	3406.83
Ewe	2,694	66.27	33.73	29.11%	15,295.51	3737.59
Ga-Adangme	1,594	46.63	53.37	32.49%	14,996.56	2920.93
Northern	7,644	80.85	19.15	16.6%	12,296.71	1903.32
Other tribes	449	59.22	40.78	21.73%	12,247.94	2006.36
Prob > F					0.00	0.00

Source: GLSS 5, 2005/6

The data above in Table 5 show that putting all the Northern ethnic groups together, the Akans are still the majority. Whereas more than 50% of Ga –Adangmes live in the urban areas, more than half of Akans, Ewes, Northern Tribes and all other tribes live in rural areas. However it is also event that about 81% of all the northern tribes live in rural areas.

The data also show that the proportion of Akans with savings account is higher than all the other tribes partly because their number is higher than all the other tribes. The Northern tribes again held the least savings account among all the other ethnic groups. Again the average income of Akans were higher than all the other ethnic groups and all other tribes had the lowest income. But it is evident that Ewes, though constituted

the third ethnic group with the highest population in the sample, their savings was higher than all the other ethnic groups (GH¢3,737.59) followed by Akans and Ga-Adangmes. All the Northern tribes, though form the ethnic group with the second largest sample saved the least (GH¢1,903.36). The variation in savings account and savings among the various ethnic groups is statistically significant at 1%

4.2.4 Savings and accommodation

Table 5: Savings and type of Accommodation

Accommodation	Proportion with savings account	mean savings (GH¢)
owning	24.04%	3301.07
renting	43.58%	3333.64
rent-free	25.75%	2047.43
Prob > F		0.00

Source: GLSS 5, 2005/6

Table 6 above, those living in rented apartment (43.58%) have more savings account or participate in susu than those living in their own homes (24.04%) and those living in rent-free apartment (25.75%). Those living in rented apartment tend to have higher incomes and higher expenditure than those who live in their own or rent-free apartment. As depicted in the table, the average savings of those living in rented apartment is higher (GH¢3,333.64) than those living in their own homes (GH¢3,301.07) or rent-free apartment (GH¢2,047.43)

4.2.5 Savings and Occupation

Table 6: Savings and Occupational profile

Employment Industry	Freq.	%	mean	mean	mean
		savings	income	expenditure	savings
		account	(GH¢)	(GH¢)	(GH¢)
Agriculture	8,583	17.79 %	12367.07	16412.6	2376.56
Mining/Quarrying	89	41.23%	17464.27	30690.78	6007.61
Manufacturing/Processing	1,608	32.17%	15655.29	24547.44	4187.32
Information/Communication	40	36.17%	28702.75	36965.59	3216.07
Construction	251	30.88%	12806.52	21102.17	1802.62
Wholesale/Retail	2,167	37.80%	16006.14	26529.51	3048.53
Restaurant/Hotel/Food sellers	284	39.08%	16965.44	28896.97	1456.49
Transport/Storage	383	36.17%	17773.59	27847.00	3184.25
Financial/Real Estate / Insurance/Business services	151	54.82%	27557.61	42772.49	5508.02
Public/Defence/Social/Community services	627	49.13%	17857.92	29626.37	3415.06
Education	432	64.6%	25632.55	31278.8	2522.87
Health	109	65.41%	28569.52	40090.41	4928.29
Arts/Entertainment/Sports	48	37.74%	16201.08	21503.75	2282.75
Prob > F		26.41%	0.00	0.00	0.22

Source: GLSS 5, 2005/6

The data shows that 26.41% of all people engaged in certain occupations had savings account. People employed in the health sector held the highest savings account (65.41%) followed by those in the educational sector (64.41%) and financial, real estate, insurance and business services (54.82%). Those engaged in Agriculture held the least savings account than all the other occupations (17.79%). This is consistent with the GLSS 3 and 4 data as analysed by Quartey and Blankson (2008).

There is also a significant relationship between people's occupation and their income and expenditure. From Table 7 above persons who working in the Information, communication, Health, Financial, Real estate and the Educational sector earner higher. The lowest earning people are those who work in Agricultural and construction sectors. Thus while those in the highest earning jobs earn above GH¢25, 000 per annum, those in the lower earning jobs receive around GH¢13, 000 per annum. Their expenditures also have similar trends as their incomes. Those engaged in the higher paying jobs spend more than those in the lower paying jobs and this is also statistically significant. For savings, those engage in mining or quarrying jobs save the highest (GH¢6007.61) while those engage in restaurant or hotel or sell food earn the lowest (GH¢1456.49). This differed from the GLSS 4 data where the highest saving people were those engaged in finance, insurance, real estate and business services.

For the industrial classifications of the occupations, the proportion of those working in the services sector held the more savings account followed by Agriculture. Industry held the least. However, the industrial sector saved more than those in the agricultural and service industry. Even though those in the services industry earn the highest

income, they save the least but the difference in savings is not statistically significant (refer to Appendix 4)

4.2.6 Savings and Industrial groupings

Table 7: Savings and Industrial groupings

Industrial grouping	freq	Proportion with savings account	mean income (GH¢)	mean expenditure (GH¢)	mean savings (GH¢)
Informal	19,897	25.43 %	14281.31	19718.11	2956.27
formal	3,038	32.82%	16231.37	24061.27	4028.61
Prob > F			0.00	0.00	0.08

Source: GLSS 5, 2005/6

From Table 8 above, it can be realized that the proportion of those who held savings account is greater for those engaged in formal sector employment (32.82%) than the informal sector (25.43%). Those working in the informal sector form 86.75% of the total population whiles the remaining 13.25% are those working in the formal sector. However the average income of those in the formal sector is higher than those in the informal sector and this is also true for expenditure. Also the mean savings of those in the formal sector is higher (GH¢4028.61) than those in the informal sector (GH¢2956.27) and this is statistically significant at 10% ($p=0.08<0.1$)

4.2.7 Savings and NHIS registration

Table 8: Savings and NHIS registration

Registered with NHIS	Freq.	Proportion with savings account/ susu	mean income (GH¢)	mean expenditure (GH¢)	mean savings (GH¢)
Yes	3,445	49.74 %	19076.18	30664.51	3435.48
No	18,557	23.94%	13624.84	21006.48	2847.13
Prob > F			0.00	0.00	0.11

Source: GLSS 5, 2005/6

The statistics in Table 9 showed that close to half of those registered under the NHIS (47.74%) held more savings account than those who are not registered. The data further show that the average income of those registered with the NHIS was higher than those who were not registered. NHIS registered clients also had higher expenditures than those who are not registered. This could be attributed to their higher income and the factor that they will be assured of health care without any payment. However, even though those who are registered save more than those who are not, the difference between their mean savings is not statistically significant.

The data also showed that the number of registered people under the National Health Insurance Scheme (NHIS) is very low in both the rural and urban localities. Comparatively, it is much lower in the rural areas than the urban areas. Thus, out of a total of 13,530 people living in the rural areas, only 1,604 people are registered under the National Health Insurance Scheme program whereas only 1,841 people in the

urban areas have registered for the National Health Insurance Scheme (refer to Appendix 5)

4.2.8: Savings within the various age groups

Table 9: Age categories and average income, expenditure and savings

2006/2006			
Age	<u>% with savings</u>	<u>Average Income (GH¢)</u>	<u>Average savings</u>
	<u>account</u>		<u>(GH¢)</u>
Below 18	29.11%	15436.86	2213.52
18 - 35yrs	28.39%	14909.97	3409.31
36 - 60yrs	28.46%	14107.07	2784.47
Above 60yrs	19.40%	10952.44	4339.02
<u>1998/1999</u>			
<18 yrs	53.8%		47.90
18 - 60 yrs	39.5%		41.09
>60 yrs	6.8%		35.55
<u>1991/1991</u>			
<18 yrs	53.1%		6.30
18 - 60 yrs	40.5%		4.53
>60 yrs	6.4%		7.00

Source: 2005/2006 statistics generated from GLSS 5. The 1998/1999 and

1991/1992 were obtained from Quartey and Blankson (2008)

From Table 10, the greater proportion of those who held savings account including susu were those who were below 18 years (29.11%) followed by the upper working class (36 – 60 years). Those above 60 years considered to be in their retired ages held the least savings account (19.40%). It can be realized that there exist a significant difference between the income earned by children, the working class and the aged. Interestingly, the children earn higher income than the working classes and the aged. In the same way the children spend more but for savings, the aged save more (GH¢4339.02) and the children save the least (GH¢2213.52). This is statistically significant at 1% ($p=0.00<0.1$)

First and foremost, the findings from this study confirm the findings by Quartey and Blankson (2008) in their analysis of the GLSS 4 data that household members aged below 18 years account for a greater proportion of households with savings account (including susu). Comparing the proportion of household members who saved in 2006 to that of 1991/2 and 1998/2, it can be seen that the proportion of household members who were below 18 years and held savings account (including susu) declined in 2006 than the previous years, likewise the aged. For instance, the proportion of those who save and were below 18 years in 1991/2 was 53.1%. This number rose in 1998/9 to 53.8% but reduced drastically in 2006 to 19.36%. For those in the working age those within the lower working age group (18-35 years) had more savings account than those in the older working age (36-60 years). Even though the proportion of the aged (60 years and above) who held savings account increased between 1991/2 (6.4%) and 1998/9 (6.8%), the figure reduced in 2006 (5.55%). Thus, unlike the analysis in the GLSS3 and 4 by Quartey and Blankson (2008), who found that the majority of those

who had savings account were children, the findings in this study showed that those with more savings account were the working class.

Secondly, the study showed that children saved less but as one enters into the lower working age (18-35 years), the amount saved increases. The savings again drop for persons with the upper working age (36 – 60 years) and after 60 years (into retirement), the savings again increases. Thus a non-linear relationship between age and savings. Part of this finding contradicts the Life Cycle Hypothesis (LCH) which states that working population accumulates savings while the young and the old consume out of their past savings. It is clear that the working population (younger working class) had higher savings but this does not hold for the older working class. It is also true that children had lower savings but the aged had higher savings which disputes the Life Cycle Hypothesis. This confirms the works by Deaton (1992) and Quartey and Blankson (2006) whose investigations found that older people save or at least do not spend as much of their savings as predicted by the LCH.

4.3: Motives and Uses of savings

Table 10: Motives of savings

Motives for saving	% of Urban	% of Rural	Chi2 test
Acquire asset for the household	100	99	-
Unexpected Expenses	99	99	0.319
Children future education	98	97	0.992
Purchase Asset for business	87	84	0.663
Retirement	89	78	0.050
Purchase vehicle	63	49	0.055
Funeral/Wedding/Similar function	16	19	0.554
Travel Outside	17	19	0.621
Pay loan/interest on loan	3	8	0.252

Source: Author's Field data, April, 2013

Table 11 presents household heads motives for savings and the data showed that people saved for different reasons. The major motives guiding household heads saving attitude were to acquire asset for the household; to cater for unexpected expenditures; to cater for children education; purchase asset for business; and retirement. There is no difference in the motives of saving between those living in the rural and urban areas except for retirement where many of the urban dwellers (89) save for this motive than the rural dwellers (78). This difference is statistically significant at 5% ($p=0.05=0.05$). Also many urban save because they want to

purchase a vehicle (63) than the rural dwellers (49) and this difference is statistically significant at 10% ($p=0.055<0.05$). Other motives for savings include to attend wedding/funeral/related functions, to travel outside the country and to pay for loan. For all the other motives, there is no statistically significant difference with respect to individual locality ($p>0.05$)

There are similarities between these motives and those that were outlined by Keynes (1936). We can equate saving to meet unexpected expenditures to Keynes precautionary motives; likewise purchasing asset for business to his enterprise motive. We can also equate saving to acquire asset (which include land, build a house and others) to Browning and Lusardi (1996) down payment motive.

The motives for saving in Ga-East are also consistent with Issahaku's (2011) finding in Upper West region of Ghana where people saved to meet emergencies like funeral etc.; to acquire asset; investment and other predictable expenses.

Table 11: Uses of savings within localities

Uses of savings	% of Urban	% of Rural	Chi2 test
Unplanned medical expenses	100	98	0.314
Unplanned Funeral/ marriage/ other functions	98	98	0.567
Planned Educational expenses	97	94	0.462
Planned investment	88	90	0.504
Planned household expenses (bills, food etc)	62	39	0.001
Unplanned other uses (church offertory, others)	20	7	0.314

Source: Field data, 2013

Table 12 presents that uses of savings in the order of priority. All the urban dwellers who save (100%) noted they use their savings for medical expenditures that have not been planned at all likewise 98% of the rural dwellers. Again, the next item that people usually use their savings for is unplanned funeral, marriage and related functions, for which 98% of the urban dwellers and 98% of rural dwellers stated to take part of their savings. The third item that people use their savings for is planned educational expenditures. Household heads also used their savings for planned investments and planned household expenses such as buying food items and paying of utility bills. However many of the urban dwellers (62) use their savings for planned

household expenses than the rural people (39) and this is statistically significant at 1%. Some of the household heads use their savings for other unplanned purposes such as church offertory, supporting relatives, contributing towards community services

It can be seen from the analysis of the studies that there were variations in the motives and uses of savings. Thus by priority, household heads do not use their savings for the intended purpose for which the money was saved. It was noted from the studies that the primary motive for saving was to acquire asset for the family but this was not the primary use. Household heads rather used their saving to pay for unplanned medical expenses. Meanwhile unplanned expenditures including medical expenses was the second most important motive for saving. It was interesting to know that one of the minor motives for savings was to attend funeral, marriage and related functions which by rank came seventh but it was the second item that household heads used their savings for. Thus people used much of their savings for items that have not been planned for more than items that have been planned. The planned motives (educational, investment and household expenses) came later after the two unplanned motives. Thus the main motives for savings were not the main uses of savings.

4.4 Determinants of savings

4.4.1 Determinants of the probability to save and its effect on employment given a set of individual and household characteristics

Table 12: Probability to save given a set of individual and household characteristics

Regressors	Logistics regression	Income and age		Individual & Household characteristics	
		<u>formal</u>	<u>informal</u>	<u>formal</u>	<u>If informal</u>
Income	0.435***	0.446***	0.498***	0.393***	0.443***
Urban	0.342***			0.089	0.397***
Formal	-0.013				
NHIS registered	0.743***			0.752***	0.735***
Rent	0.396***			0.604***	0.343***
Rent-free	0.032			0.177	0.003
Sex (Female)	0.254***			0.128	0.273***
Age	0.015*	0.018	0.058***	0.027	0.013
Age ²	-0.0002**	-0.000*	-0.001***	-0.000	-0.0002*
JHS/Middle school	0.388***			0.260***	0.409***
Secondary	0.742***			0.390**	0.827***
Post-sec diploma	1.019***			0.817***	1.068***
Degree/post-degree	0.954***			0.929*	0.971***
Married	0.008			-0.195*	0.056

Household size	-0.006			-0.015	-0.002
Constant	-8.650***	-8.12***	-10.15***	-7.687	-8.828***

Source: GLSS 5, 2005/6

*** p<0.01, ** p<0.05, * p<0.1

The logistic regression analysis in Table 13 above reveals a significant positive relationship between income, urban locality, being registered with NHIS, those living in rented apartments, female, age education; and the holding savings account or susu. Thus, as people's income increases, they tend to save. Those living in urban areas tend to save than those living in rural areas. Those registered with NHIS save than those who have not registered with NHIS. Those living in rented apartment tend to save than those living in their own homes. As people's level of educational attainment increases from JHS/Middle to the degree or post-degree (masters and doctorate) level, they tend save more than those with no education. This is consistent with the data in GLSS 3 where the probability of saving increased as one attains tertiary education (Quarthey and Blankson, 2006).

The age variables show a positive relationship between having savings and an increment in age. However, the negative coefficient of the age squared shows that the relationship between the probability of saving and age is non-linear. Differentiating the age and age squared variable shows that the maximum age limit for savings was 36 years after which savings begin to fall.

An assessment of the effect of employment on the probability of saving showed that taking age and income alone, difference exist in terms of age. Thus age has no influence on the possibility of those working in the formal sector to hold savings account whiles for those in the informal sector, it is a significant variable. The

analysis of the differentials of the age and age squared showed that the maximum age limit for savings among those working in the informal sector is 29 years beyond which the possibility of saving begins to fall. Thus the age limit is far lower than the general maximum age limit for holding savings account

At the individual level, it can be seen that age has no influence on the probability to hold savings no matter the sector of employment. However, whiles locality and gender influence the possibility to save in the informal sector, rent-free residential and marital status have effect on the formal sector. Thus those living in the urban areas and are working in the informal sector were more likely to hold savings account than those in the rural areas working in the same sector. Also females in the informal sector had more savings than males in the same sector. These are all statistically significant at 1% On the other hand, those living in rent-free apartments in the formal sector were more likely to save than those living in their own apartments. Couples working with the formal sector held savings account than singles. These were also statistically significant at 10%. For the rest of the individual variables like income, NHIS registered, living in rented apartments and education, there were no significant difference between the formal and informal sector employment.

At the household level, it can be seen that there were no difference between the variables that influence the probability to save in the informal sector and the formal sector except for those living in rent-free apartments in the case of those working in the formal sector which is no more a significant variable.

4.4.2 Probability to save and its effect on locality given a set of individual and household characteristics

In assessing the effect of locality on the probability to save, considering only income and age, it can be seen that age is not a significant variable for those living in the urban areas but for those in the rural areas, it is a significant variable. The maximum age limit for holding savings account was 40 years compared to the 36 years in the general analysis. Thus a bit higher (refer to Appendix 6)

It can be noted that at the individual level, those who work in the formal sector and reside in urban areas are less likely to save than those who work in the informal sector. However employment has no influence on the probability to save in rural areas. Those living in rent-free apartment and reside in urban areas held lower savings account as compared to those living in their own homes. In the case of the rural areas, the former held more savings account than the latter. Also age has no influence on having savings account among those in the urban centres while for those in the rural areas, the maximum savings age limit is 37 years. The maximum savings age limit does not change at the household level. Higher education induced people to hold more savings account both at the individual level and the household level. Also marital status has no influence on the possibility of people holding savings account both at the individual and household level. At the household level, no significant differences were seen from the individual level analysis. Household size did not have any influence on the possibility to hold savings account at the household level (Refer to Appendix 6)

4.4.3 Savings and employment given a set of individual and household characteristics

Table 13: Savings and employment

Regressors	OLS	Income and age		Individual & Household characteristics	
		<u>If formal</u>	<u>informal</u>	<u>If formal</u>	<u>informal</u>
Income	0.423***	0.332***	0.483***	0.281***	0.452***
Urban	0.208***			0.249**	0.200***
Formal	0.220***				
NHIS registered	0.172***			0.362***	0.125**
Rent	-0.036			0.003	-0.054
Rent-free	-0.120*			-0.309**	-0.083
Sex (Female)	-0.068			0.016	-0.071
Age	0.019*	0.068***	0.042***	0.062**	0.011
Age ²	-0.0003**	-0.0007**	-0.0005***	-0.0007**	-0.0002
JHS/Middle sch	0.255***			0.376***	0.226***
Secondary	0.400***			0.379**	0.416***
Post-sec diploma	0.612***			0.747***	0.609***
Degree/post-deg	0.855***			0.970**	0.859***
Married	0.115*			-0.009	0.136**
Household size	-0.028***			-0.025	-0.029***
Constant	5.907***			7.452***	5.632***
R ²	0.132			0.121	0.134

Source: GLSS 5, 2005/6

*** p<0.01, ** p<0.05, * p<0.1

Table 14 above presents analysis of determinants of the level of savings. From the OLS analysis, there statistics showed a positive relationship between the income, locality, employment sector, NHIS registered, age, education and marital status; and savings; and a statistically significant negative relationship between rent-free accommodation and household size; and savings. Thus as income increases, the amount saved also increases. The positive relationship between income and savings have been strongly emphasized by many researchers (Quartey and Blankson, 2008; Athukorala and Sen, 2004; Collins, 1989; Dirschmid and Glatzer, 2004)

Those registered with NHIS saved higher than those who had not registered. This contradicts the work by Kotlikoff (1989) who noted that those not under any insurance policy will have more savings than those who are under insurance policy. Similarly the finding from this data also contradict the work by Chou et al. (2003) who saw that the implementation of National Health Insurance in Taiwan reduced average savings (by an average of 8.6-13.7%).

A positive relationship exist between savings and age and this showed a linear relationship but the negative coefficient of the age squared showed a non-linear relationship between age and savings. Therefore taking the differentials of the coefficient of age and age squared, the findings showed that, the maximum saving age is 31 years beyond which savings begins to reduce. Thus as people grow in years, their savings also increases till they reach 31 years where their savings is at its peak. Beyond this age, savings start to reduce. The peak savings around for the United stated from 1980 to 1991 was 57 years (Attanasio, 1998).

As people's educational level increases, their savings increases comparative to those who had never been to school. The findings of this study is also consistent with the work of Solmon (1975) and fisher (1965) that increasing education are associated with high incomes, and the fraction of income saved probably depends upon the level of income. The more educated may be better able to realize the worth of future goods and therefore may save more. The impact of education has been through its effect on the incomes or the tastes of individuals. Married couples saved higher than unmarried or single individuals.

People living in the urban sector saved higher than those in the rural sector. Also those working in the formal sector saved higher than those working in the informal sector. This confirms the work by Curley and Grinstein-Weiss (2003) that the average savings of the urban dwellers are higher than the rural because of the easy access to financial education, easy access to financial institution, lack of transportation rigidities and availability to information among others. However as the household size increases, the amount saved decreases and likewise those living in rent-free apartments saved less than those living in their own houses. This study confirms the work by Elfindri (1990) who also found a negative relationship between household size and amount saved.

On the other hand, analysing the effect of age and income alone on the level of savings with respect to employment sector showed that age is a significant determinant. However, the analysis of the age and age squared showed that for those in the formal sector, the maximum age was 49 years whiles for those in the informal

sector the maximum age was 42. Thus the age at which savings is at its peak is lower for those in the informal sector than those in the formal sector.

On the effect of the individual characteristics on the level of savings, those living in rent-free apartment saved less than those living in their own apartment for formal sector employees but has no effect on the level of savings of the informal sector. Age influences the level of savings of those employed at the formal sector where at age 43, savings is at its maximum and declines afterwards. It could also be seen that married couples working in the informal sector saved higher than those in the formal sector at a statistical level of 10%.

When the household size was added to the individual characteristics, the maximum saving age limit is 44 years beyond which savings fall for those in the formal sector but for those in the informal sector, there is no effect. Married couples in the informal sector saved more than the singles in the same sector but marital status has no effect on the level of savings of those in the formal sector. Household size has a negative effect with the level of savings of those in the informal sector but has no effect on the level of savings of those in the formal sector. Thus as the household size increases in the informal sector, the level of savings reduces

4.4.4 Savings and locality given a set of individual and household characteristics

The data in Appendix 7 is an assessment of the effect of location on the level of savings given certain individual and household characteristics. Given only income and age alone, there exist age differentials in the level of savings. Whereas savings was at its maximum at age 60 for those in the urban areas, it was 40 years for those in the rural areas. But assessing the individual and household characteristics, it can be seen that age is not a predictor of the level of savings for those living in the rural areas but a good predictor for those living in the urban areas. With individual characteristics alone, the age for the maximum savings was 38 years while that of the household level it was 40 years.

At both the individual and household level analysis, females and those living in rent-free apartment saved less than males and those living in their own homes for those in the urban sectors respectively but has no effect on those living in the rural areas. Also marital status had influence on the level of savings of those living in the urban areas but had no influence on those living in the rural areas where couples saved higher than singles. At the household level, there exist a negative relationship between household size and the level of savings for those living in the urban areas but no effect for those living in the rural areas. Thus, as the household size gets larger, the level of savings reduces.

4.5: Expectation of future increment in income and savings

Table 14: Savings and expectation

Expect	freq	% of Education					% of Employment		Income (GH¢)	Saving (GH¢)
		No Sch	JHS	SHS/ SSS	diplo	Degree/ post-de	Formal	Informal		
Yes	17	0	5.88	5.88	41.18	47.06	67.73	32.27	10,77.71	2,185.66
No	2	50	0	0	50	0	50	50	673.53	1,276.88
Don't know	181	42.5	7.73	29.83	8.84	11.05	37.79	62.21	698.23	1,217.92
	5									
Prob>F							34%	66%	0.00	0.03

Source: Author's Field data; April, 2013

The statistics in Table 15 above showed that majority of the sample do not have any knowledge of any future changes in their incomes even among the elites. The statistics show that 181 people representing 90.5% of the total are uncertain about any future changes in their income. Only 17 people representing 8.5% of the sample expected their future incomes to increase. Majority of those who did not know has no education and were mainly engaged in the informal sector. Therefore they had little knowledge about futures changes in prices and income. Majority of those who expected future increment in their incomes had higher education. 41.18% had post-secondary diploma and 47.06% had degree or post-graduate education. They were also engaged in the formal sector. Therefore they had knowledge about future increment in salaries.

The study also showed that the income of those who expected future increment in income had higher current income than those who did not know or do not expect future changes in income. Similarly, since higher income induce higher savings, the average savings of those who expect future increase in their income was higher than those who do not expect future income to increase. Those who expected future increase in their income had an average savings of GH¢2,185.66 while the majority who do not know had GH¢1,217.92 and those who do not expect future increase had GH¢1276.88

This contradicts the findings of Lusardi (1998) and Guariglia (2001) who saw an inverse relationship between expectation and savings. Thus when people expect their incomes to reduce in the future, they tend to save more but in the case of this study, majority of the people had no knowledge about the future changes in their income saved less. This is partly because, those who do not know or do not expect future increment in income have less education and are mainly engaged in the informal sector.

CHAPTER FIVE

Summary, recommendation and conclusion

5.0 Introduction

The study sought to investigate the determinants of household savings habit, motive and uses of savings in Ghana in 2006, using the Ghana Living Standard Survey (GLSS) 5 data. The approach used for analysis involved the use of descriptive, logit and OLS regression analysis to ascertain how savings has been influenced by various factors. Another survey was conducted at Ga-East municipality where 200 household heads were interviewed to obtain data to assess the effect of future expectation of income on the level of savings and the motives and uses of savings.

5.1 Summary of findings

5.1.1 Savings account and Average savings

The data showed that the proportion of household members with savings account increased in 2005/6 than in 1991/2 and 1996/7. The findings from the descriptive statistics show that male held more savings than females and also had higher men savings than them. The number of people with savings account and average savings increased with higher levels of education. Akans held mores savings account and the northerners held the least but for average savings, Ewes had the highest savings. Urban residents held more savings account and had higher savings than rural dwellers. Those living in rented apartments had higher savings account and average savings than those living in rent-free apartments. Workers in the health and education

sector held more savings account and those in the agricultural sector held the least. But those in the mining and financial, real estate, insurance and business services had the highest average savings while those working in restaurants, hotels and food sellers had the least savings. Those employed in the formal sector held the highest savings account and had the highest savings. Finally those registered under the NHIS held the highest savings than those who are not registered.

5.1.2 Savings and age

The findings show that those below 18 years held more savings account than the working class and the aged. However, the aged (60 years and above) had higher savings balance than the children and the working age. This was contrary to the life cycle hypothesis. The logistics regression analysis showed that the maximum age limit where people held much savings account was 36 years and the highest savings was recorded at 31 years. Beyond these age limits, the proportion with savings account and the average savings declined.

Assessing the effect of employment on savings showed that considering only income, the proportion with the highest savings account was recorded at 29 years for informal sector workers but age was not significant for formal sector workers. For the mean savings balance, the maximum savings was recorded at 49 years for those in the formal sector and 42 years for those in the informal sector. Thus those in the formal sector are able to save much of their income within a longer lifespan than those in the informal sector. At the individual and household level, age was not a significant determinant of the possibility of people to hold savings account. But for average savings. It was a good predictor for only those in the formal sector but not those in the

informal sector. At the individual level the highest savings was recorded at 43 years and 44 years at the household level for those in the formal sector. Thus there is no significant difference at savings with the lifespan at both the individual and household level

Also an analysis of the effect of locality on savings also showed that age is a good predictor for those in the rural areas in determining the possibility to hold savings account but is not a good predictor for urban residents. For instance, considering only income and age (holding all other factors constant), the maximum age at which people held the highest savings account was 40 years and 37 years at both the individual and household levels. For the level of savings, considering only income, the age at which savings was at its peak was 60 years for urban residents and 40 years for rural residents. But at the individual and household levels, savings was only a significant predictor for urban residents and not rural residents. The maximum savings was recorded at 38 years at the individual level and 40 years at the household level. Thus at the household level, urban residents are able to save for a longer lifespan than at the individual level

5.1.3 General determinants of savings

The findings from the study show that various innate and policy driven factors determine the possibility of an individual to hold a savings account and the amount he saves. The study showed that for the possibility to hold savings account, income is a good predictor. As people's income increases, they open savings account or participate in susu. Those living in urban areas held more savings account than rural residents. NHIS clients held more savings account than non-clients and those living in

rented apartments held more saving account than those living in rent-free apartments. Females also held more savings account than males. The proportion of savings account increased with higher educational levels. The study however found that marital status, sector of employment and household size do not have any effect on the possibility to hold a savings account.

Form the analysis of the levels of savings, the data also showed a positive relationship between income, urban residents, formal employment, NHIS registered, education and married couples and mean savings. However there was a negative relationship between the average savings of those living in rent-free apartments as compared to those living in their own home. Thus those living in rent-free houses saved less as compared to those living in their own homes. Household size also had a negative relationship with savings.

5.1.4 Savings and expectation of future changes in income

People will expect that in an ideal situation, those who expect income to fall in the future will save more today so that they can smooth their consumption in the future. This has been the position of many scholars among which are Lusardi (1998) and Guariglia (2001). However, these notions do not hold for all people given the fact situations prevailing in two places are not the same. There exist social, economic and cultural difference between people living in different geographical areas, especially the advanced and developing countries.

The results of the data collected from the field also showed that those who expect a future increment in their salaries saved higher than those who do not expect or do not

know of any future changes in income. This is because, those with future expectation in income are the most educated and working in the formal sector. Therefore they get higher incomes and also access to information about future changes in prices and incomes. Majority of the people (90.5%) were not certain about future changes in their incomes. Those who did not expect their incomes to increase over time even had lower savings compared to those who expected their incomes to increase over time.

5.1.5 Motives and uses of savings

Savings is not only driven by income but also by individual expectation and motivation. People are therefore expected to channel their savings to satisfy their motives for saving. However, there were variations in the motives for savings and the uses of savings. People had planned motives for savings which included acquiring household asset, unexpected expenditures, children future education, purchase business asset, retirement among many others. The results from the study showed that after saving, the planned motives are not satisfied but priorities are given to unplanned motives. For instance, majority of savings are channelled to unplanned medical expenses, unplanned funeral or marriage functions before the planned educational expenses, investment and household asset acquisition which formed the primary basis for the savings. Thus unplanned expenditures tend to take come first in the use of savings than the planned expenditures.

5.2 Conclusion

This research recognized the fact that the determinants of the savings habit of households are versatile and are influenced by demographic and economic factors based largely on income. The findings showed that the main predictors of the probability of an individual to have savings account were income, locality, NHIS registration, place of accommodation, sex, age and education. For age it was clear that the level of savings at the various age levels do not conform to the life cycle hypothesis as the aged had higher savings than the working class. On the other hand, the main determinants of the level of savings were similar to the determinants of the possibility of saving namely income, locality, sector of employment, NHIS registration, age, education, household size and marital status.

From the determinants of savings above, it is clear that aside the innate factors which drive savings, there are other policy driven factors which influence the level of savings. Some of these factors are income, employment, education and NHIS. Acknowledging the fact that mobilizing domestic savings is a primal to the attainment of a sustained economic growth and development, initiatives directed at these determinants will impact positively on the economic and financial life of the Ghanaians as it will ensure the effective management of money.

5.3 Recommendation

Based on the findings and conclusion that were drawn from both the GLSS 5 data and the data collected from the Ga-East municipality on expectations, motives and uses of savings, the study recommends the following. First and foremost, a limitation to the study was the inability to explore the ways or forms of savings. It is an undeniable fact that many of the rich have diversified their savings from just saving it with financial institutions to putting them into assets (e.g. acquisition of landed properties) partly because of the unstable nature of the Ghanaian market. This study only focused on the amount of savings as reported by the people in the GLSS 5 and did not include assets. The ability of future studies to value assets and capture it in the savings will give detail understanding of household savings behaviour. It will be interesting to add a qualitative approach to gain more in-depth understanding for household savings habit than using only quantitative approach. Attention could also be focused to ascertain reasons to the variation in savings with respect to age and locality.

Also, it was found that in many instances (if not all), the average expenditures were higher than the average incomes. Thus, people consumed more than they earned and this is quite interesting. This might partly be as a result of the fear of depreciation and inflation which reduces the real value of income. The study proposes that future studies will investigate much deeper into finding reasons that have accounted for this. Also the government can pursue policies that will increase the income base of the people and help them cut down their expenses to induce savings. Thus policies that will encourage savings and reduce consumption.

People had little knowledge about future changes in the income perhaps due to the lack of information flow. Future studies can equally shift attention to assessing the reasons that accounted for the lack of knowledge about future changes in the income. Even though it might partly be explained that in our part of the world, people hardly give accurate information about their income and also the economic and market systems revolve around uncertainty of price changes, an in-depth study will be of great value addition. It will still be prudent to be able to establish the facts around this since it might help people to make better savings decisions.

The educational system should be strengthened as education has proven to have a positive relationship on savings. The study acknowledges that the country at the moment is on course implementing the free compulsory basic education (FCUBE) as it is enshrined in the constitution. However, higher savings were recorded at higher educational levels (secondary and beyond). Therefore, the government should make initiative and budgetary allocation to subsidize the educational cost at these levels to make it more affordable. This is because, developing the human resource base of a country is developing the drivers of development of the country.

Unplanned medical expenses took the bulk of people savings. This is partly because until 2005/6 when the data was collected, only 14.88% of the population had registered with the NHIS and as many as 85.12% had not registered. The picture might be different today but this still calls for the attention of the government to intensify the sensitization and education of the public especially those in the rural areas to encourage them to enrol on the NHIS since it will help them use their savings for other intended or unintended purposes.

In the 21st century where all efforts are geared towards achieving sustainable development and it becomes evident that funerals, marriages and similar functions rank second in the use of people accumulated savings, then it raises issues of great concern. To move into self-sustaining economic development, accumulated savings should be channelled into investing in developing human capital, creation of jobs and building of infrastructures necessary for the take-off into self-sustaining economic growth. The question worth asking is what sociocultural factors are causing people to shift savings intended for planned activities to be channelled into unplanned funeral, marriage and related activities? The answer to this question calls on all stakeholders to engage the public especially traditional and religious leaders to help cut down certain unproductive cultural practices that are gradually becoming obstacles to our socioeconomic development. Even though the argument will be that these cultural practices define who we are as Ghanaians, it should be realised by the proponents of such thought that they should not be encouraged once they do not help to improve upon the livelihood of the people especially the poor.

The analysis of household consumption and saving is of utmost interest to policymakers since, for households, saving facilitates the movement of consumption over time and, for the economy as a whole, saving is a means to finance investment. Long-term sustainable growth in developing countries, most especially Ghana, requires high level of investment and thereby domestic savings. Ghana has been incurring high domestic and international debt because the amount of domestic savings needed to make investments to improve the wellbeing of Ghanaians is low. It is for this reason that the successive governments have been borrowing to fill the savings-investment gap in the country. In the face of the increasing annual debt

burden, the goal of sustainable development is nothing but a mirage most especially in the recent crisis of the cedi depreciation. The awareness of the fact that economic growth not always stimulates savings leads us to the proposition that during economic booms, the financial policies should aim with priority at stimulating savings.

The findings of this study has proved that households have the potential to save, and even increase their savings when their incomes and educational level among other factors improve. In view of the myriad of saving and investment potentials in Ghana, the government, financial and non-financial institutions and other corporate bodies have a role to play to take advantage of these potentials and opportunities. Households also have a responsibility to turn their fortunes around. If Ghana can develop in the face of all the diverse economic, social and political challenges confronting the nation, all stakeholders must come on board, to help generate internal funds (through domestic savings) to make investment in all sectors of the economy, instead of depending heavily on loans and grants from bilateral and multilateral corporations and governments, to which end, the country can achieve the rate of development it seeks. Ghana can develop and develop sustainably if it can enact and implement policies that can induce it citizenry to save.

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Appendix A

Appendix 1: Having savings account and average age, income, expenditure and savings

have savings account/participate in susu	freq.	mean age	mean income	mean expenditu re	mean savings
yes	6,302	34	20605.07	32668.74	3010.21
no	15,700	36	12019.14	18444.46	0.00
Prob > F			0.00	0.00	

Source: GLSS 5, 2005/6

Appendix 2: household size by average age and household size

Locality	Household size	Average age	Average Income	Average savings
rural	7	33	12737.58	3059.91
Urban	5	32	17704.97	3073.04
Prob>1	0.00	0.00	0.00	0.97

Source: GLSS 5, 2005/6

Appendix 3: NHIS distribution within localities

NHIS registration	Locality		Total
	urban	rural	
yes, registered	1,841	1,604	3,445
no	6,631	11,926	18,557
Total	8,472	13,530	22,002

Source: GLSS 5, 2006

Appendix 4: Industrial Classification and mean income, expenditure and saving

Industrial classification	Proportion with savings account	Mean income	Mean expenditure	Mean savings
Agriculture	40.62%	12885.27	16298.47	3193.69
Industry	15.42%	15729.65	23459.18	3765.06
Services	43.91%	17667.47	27710.39	2853.20
Prob > F		0.00	0.00	0.38

Source: GLSS 5, 2006

Appendix 5: NHIS distribution within localities

NHIS registration	Locality		Total
	urban	rural	
yes, registered	1,841	1,604	3,445
no	6,631	11,926	18,557
Total	8,472	13,530	22,002

Source: GLSS 5, 2006

Appendix 6: Probability to save and locality

Regressors	Logistics regression	Income and age		Individual and household characteristics	
		<u>If urban</u>	<u>If rural</u>	<u>If urban</u>	<u>If rural</u>
Income	0.435***	0.574***	0.426***	0.508***	0.379***
Urban	0.342***				
Formal	-0.013			-0.127*	0.128
NHIS registered	0.743***			0.593***	0.887***
Rent	0.396***			0.274***	0.514***
Rent-free	0.032			-0.157**	0.119***
Gender (Female)	0.254***			0.268***	0.209***
Age	0.015*	0.004	0.016***	-0.004	0.022**
Age ²	-0.0002**	-0.0001***	-0.0002***	-6.250	-0.0003**
JHS/Middle school	0.388***			0.220***	0.508***
Secondary	0.742***			0.561***	0.952***
Post-sec diploma	1.019***			0.823***	1.418***
Degree/post- degree	0.954***			0.748***	1.403***
Married	0.008			-0.056	0.079
Household size	-0.006			-0.008	0.002
Constant	-8.650***	-9.664***	-8.358***	-8.75***	-8.098***
Source: GLSS 5, 2005/6		*** p<0.01, ** p<0.05, * p<0.1			

Appendix 7: Savings and locality

Regressors	OLS	Income and age		Individual and household characteristics	
		<u>If urban</u>	<u>If rural</u>	<u>If urban</u>	<u>If rural</u>
Income	0.423***	0.373***	0.468***	0.434***	0.411***
Urban	0.208***				
Formal	0.220***			0.272***	0.183*
NHIS registered	0.172***			0.241***	0.068
Rent	-0.036			-0.183**	0.055
Rent-free	-0.120*			-0.386***	0.083
Gender (Female)	-0.068			0.049	-0.198**
Age	0.019*	0.024***	0.016**	0.048***	-0.0002
Age ²	-0.0003**	-0.0002***	-0.0002**	-0.0006***	-5.260
JHS/Middle school	0.255***			0.212***	0.283**
Secondary	0.400***			0.326***	0.443***
Post-sec diploma	0.612***			0.522***	0.776***
Degree/post-deg	0.855***			0.743***	1.201***
Married	0.115*			0.073	0.205**
Household size	-0.028***			-0.067***	-0.007
Constant	5.907***	6.950***	5.113***	5.679***	6.310***
R ²	0.132	0.054	0.083	0.122	0.109

APPENDIX B: Questionnaire for data collection

Community: [A] Urban [B] Rural

Community Name:

A. BASIC HOUSEHOLD AND BACKGROUND INFORMATION

A1. What is your age? yrs

A2. What is your Gender? [1] Male [2] Female

A3. What is your religious affiliation? [1] Christian [2] Moslem [3] Others

A3. What is your ethnic origin? [1] Akan [2] Ga [3] Ewe

[4] Other (specify)

A4. What is your marital status? [1] Married/Co-habiting [2]

Divorced/separated [3] widowed [4] single/Never married

A5. What is your highest educational level? [1] No school [2] Primary/Basic

[3] Middle/JHS [4] SSS/SHS/GCE O level

[4] Tertiary

A6. What is your place of dwelling? [1] Own house [2] Rented Apartment

[3] Rent-free

A7. How many people usually live in your household? (This includes you but excludes people who do not usually live there and who are financially independent.)

.....

A8. How many members of your family are financially dependent on you? (They have no income of their own and you and/or someone else in your household supports them)

.....

A9. How many children do you (and/or your spouse, if you are married) have?

.....

A10. How many members of your household are above the age of 65?

.....

B. CULTURE AND ATTITUDES

This section asks you several questions regarding your beliefs. Please be as open and honest as possible, but feel free to leave out the ones you feel uncomfortable answering.

For the following statements, please indicate whether you agree or disagree

	Agree	Disagree	Not Applicable
• I value my children's future more than my own current life	[1]	[2]	[99]
• Saving money is a virtue	[1]	[2]	[99]
• One should never be in debt	[1]	[2]	[99]
• Making sure that my children get a good education is one of my top priorities. (If your children have already finished their education, think about the time when they were still young)	[1]	[2]	[99]

B2. Do you plan your life ahead all the time, or do you live more from day to day?

[1] Plan ahead [2] Sometimes plan ahead, sometimes not [3] Live more from day to day

B3. Would you rather spend your money and enjoy life today or save more for the future? On a scale of 1 to 3, please indicate where you stand.

[1] Would rather spend money and enjoy life today [2] Neutral

[3] Would rather save more for the future

B4. Are you more often satisfied or dissatisfied with your current financial standing?

[1] More often satisfied [2] Satisfied in some ways, dissatisfied in others

[2] More often dissatisfied

B5. In general, do you think it is a good idea or a bad idea for people to buy things on an installment plan?

[1] Good idea [2] Neutral [3] Bad idea

Money Management Behaviours

Now, I'd like to talk about what you do with money

	Never	Once in a while	Sometimes	Most of the time	Always
I pay close attention to how much money I spend	1	2	3	4	5
Before I buy something for myself, I compare prices on similar items	1	2	3	4	5
I save money for things I might <u>need</u> later	1	2	3	4	5
I save money for things I might <u>want</u> later	1	2	3	4	5

C. Employment, Income, Savings and Assets

This section asks a number of questions that have cedi denominated answers. The most useful answer is always an exact amount that truly reflects your situation. However, this is not always possible--you may not know the figure, or you may not feel comfortable answering. Because your answers are so important to the study, you may give cedi ranges when no better information is available.

C1. What is your current employment status?

[1] Full-time employee [2] Part-time employee [3] Self-employed

[4] Unemployed [5] Retired [6] Student [7] Homemaker

C2. What kind of work do you do?

[1] Professional, technical and related work [3] Clerical and related work

- [2] Administrative and managerial work [4] Sales work/trading
- [5] Agriculture, animal husbandry, forestry, fishery work
- [6] Production, transport and equipment operation work
- [7] Other (specify)

C3. For a typical month, how many cedis do you earn from the following sources?

Source	Amount in Cedis
Full time job	
Part time job	
Rental income (income from properties)	
Pension/remittances	
Other (specify):	
TOTAL	

C4. Do you expect your income within the next six month?

- [1] Yes [2] No [3] Don't know

C5. Do you have savings?

- [1] Yes [2] No

C6. Where do you save your money?

- [1] Bank [2] Savings and Loans, susu, cooperative association, trade union etc.
- [3] Home [4] Give to a friend to keep
- [5] Other (specify)
-

C7. How much savings do you have? (Both in your savings account and informal ways)

.....

C8. How often do you set aside money?

[1] Once a month [2] once a week [3] twice a month

[4] _____ Other _____ (specify):

.....

C9. How much of your income do you often set aside whenever you are savings money?

.....

D. Motives of savings

Why do you save money?

	Agree	Disagree
Unexpected expenses (illness, home repairs etc.)	1	2
Retirement	1	2
Funeral/wedding for a family member	1	2
To purchase s vehicle	1	2
To purchase asset for my business	1	2
To save for my child(ren)'s future education	1	2
To acquire household asset (land, house, clothes, tv etc.)	1	2
Other (specify):	1	2
Other (specify):	1	2

E. USES OF SAVINGS

What do you generally use the money you have saved for?

	Strongly Agree		Strongly Disagree	
	[1]	[2]	[3]	[4]
1. To pay children fees	[1]	[2]	[3]	[4]
2. To buy food & other household household expenses	[1]	[2]	[3]	[4]
3. To expand my business	[1]	[2]	[3]	[4]
4. To buy items to sell	[1]	[2]	[3]	[4]
5. To pay medical expenses	[1]	[2]	[3]	[4]
6. To build house or acquire asset	[1]	[2]	[3]	[4]
7. To attend funerals, engagement, and similar functions	[1]	[2]	[3]	[4]
8. To support my household income	[1]	[2]	[3]	[4]
9. Other (Specify)	[1]	[2]	[3]	[4]
10. Other (Specify)	[1]	[2]	[3]	[4]
11. Other (Specify)	[1]	[2]	[3]	[4]

This is the end of the interview.

Thank you for your patience