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C O N T E N T

Editorial Note

Saving Practice Among Micro And Small Enterprise Operators In   Addis Ababa: Inter Sector Comparison In Yeka Sub City

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ABSTRACT : The purpose of the study was to examine the Saving Practice among Micro and Small Enterprise Operators in Addis Ababa Yeka Sub city. The study was guided by the following specific objectives: to identify the determinates of saving practice of micro and small enterprise operators, to compare the saving practice among micro and small enterprise operators of each operating sectors, to determine the relationship between financial literacy and saving practice of micro and small enterprise operators, and to find out the challenges of micro and small enterprise operators face in saving. A descriptive quantitative research design was used for the study, which focused on the 5048 MSE operators of Yeka Sub-city. A sample of 370 operators from the population was conveniently sampled. The completed questionnaires were keyed in the SPSS statistical software and data analyzed for descriptive statistics. In addition focus group discussion was conducted. The study measure the saving practice of the operators using five measurement factors which are saving behavior, financial literacy, peer influence, self-control and spending habit. Furthermore, the researcher establish the effects of gender, age, level of education, marital status, operating sector's, work experience and income range on the saving practice. The findings conclude that these factors strongly influenced the saving practice of the operator's. Moreover, manufacturing and construction sectors operator's has relatively good personal saving practice compared to other operating sectors and the results indicate that majority of the respondents save less proportion of their income. This can be attributed to the high cost of living and individual's financial discipline. In conclusion low income, inflation and distance between individual and financial institutions are the basic challenges for the saving practice of the operator's. Based on the research findings, the researcher recommends the Yeka sub-city better to organize training programs to their MSE operator's so as to improve their saving practices. From the research findings, the government is advised to initiate subsidy programs that will lessen the cost of living and cultivate a culture of savings and investment among its citizen. The study further recommends that individuals should develop a comprehensive saving and investment plans backed by prudent spending habits.

Key words – saving, saving practice, micro and small enterprise

Introduction

Innovations within the current technological banking has make millions of people in the world now have access to financial services. But, most of these individuals are not ready to cooperate with the growing complexities of financial products and services. From Lusardi & Mitchell (2014), results from both developed and developing countries indicate low financial literacy level, low skills and knowledge on basic individual financial management concepts and banking practices. Research connects financial education to savings outcomes in both advanced and developing nations. Bruhn et al. (2016), look at financial education which has been included in high school curriculum in Brazil and report an impact on financial literacy, attitudes, and change in behavior. Gibson et al. (2022), also looks at the effect of financial education on saving in Indonesia and find no substantial effect on savings behavior.

Savings means different things to different individuals from different economic status. To a group of people, saving is keeping money in a bank. To other it means buying stocks, securities,

jewelries, real properties, pension plan or insurance. People sometime believe that individual with high incomes save more than those with small income but this is not true (Karlan et al., 2013). From Fabiana and Fadul (2019), the three main motives for which individuals demand money are; transaction motive- for current transaction of the people; precautionary motive-for meeting unforeseen or unpredictable contingencies; and speculative motive- for the purpose of financial gain. Precautionary and speculative purposes induce people to save money.

The Ethiopian rate of national saving particularly the individual saving is expected to be very low and this low level of national saving is expected to limit the expected rate of economic growth of the economy (MOFED, 2012). According to Ministry of Finance and Economic Development (2010), one of the major challenges encountered in the past five years of GTP II implementation is low level of domestic savings to support the huge demand of the country's investment for accelerating growth and development in the process of eradicating poverty. The national saving was 9% of GDP at the beginning of the growth and transformation plan in 2010/11. Because of the low level of saving, the national investment of the Ethiopia is dependent on foreign direct investment rather than domestic investment. Though, foreign direct investment has paramount importance on Ethiopian economic growth and development, its importance is less than the domestic investment.

Micro and Small Enterprise operators in Ethiopia participated in five operating sectors which are manufacturing, service, trade, and urban agriculture and construction operators. The sector contribute significantly to the national economy by easing poverty through income generation, contributing to the socio-economic by empowering women, employment creation, contribution to the gross domestic product (GDP), being vanguards of industrialization and core pillars for economic and structural transformation by promoting saving and capital accumulation. Until recently, governments of developing countries, the development communities and development agents have never given the MSE sector apposite recognition and support from the Ethiopian government (Bekele & Worku, 2008). Besides, the MSE sector in Ethiopia faces several constraints that hold back its rapid growth and development and therefore reduce the weight of its potential contribution to the national economy(Dagne, 2017). In recent years, the Ethiopian government has articulated strategic policies to promote and support micro and small enterprises. As it has been an instrumental implementation stage of the Plan for Accelerated and Sustainable Development to End Poverty (PASDEP) (2005/06-2009/10). Besides, it is succinctly outlined in the Growth and Transformation Plan (GTP) (2011-2015/16) that this sector shall continue to play a critical role in achieving the GTP's envisaged objectives.

According to the Maps world of finance, saving behavior is defined as an understand on how people save in a country in order to realize the economic condition of that country. It is normal facts that if people are saving more, the levels of their personal disposable income are increasing as well. The study conducted in Kenya by Amponsah (2015), the following factors are likely to influence savings behavior: government monetary and fiscal policy, social security system, and economic growth, development of financial market, terms of trade, macroeconomic stability, demographics and financial literacy. The saving culture of the Ethiopian MSEs operators are low (GFDRE, 2016). MSEs shall be encouraged to make their own savings and contribute to their start-up capital. Assefa (2018), stated as the saving behavior of the operators needs an improvement through providing personal financial management training, creating awareness, and easily access financial services.

Therefore, this study were undertake to address the important aspects of saving practice of Micro and Small Enterprise operators and made comparison the five operating sectors (manufacturing, service, trade, and urban agriculture and construction operators) of Addis Ababa Yeka Sub City.

Statement of the Problem

A well institutionalized savings provide several benefits for the individual (Loayza et al., 2000). These benefits include interest earn on incomes, induce investment purposes, building of credit rating and as collateral security, achieve the feeling of self-reliance, security for the family. Saving plays important role for the MSE operators to overcome shocks and vulnerabilities. This can be substantiated by Steinberg, (2004), concluded that the ability to accumulate or access finance capital helps to smoothen consumption and cushion the poor against shocks(Steinberg, 2004). According Misztal (2018), the growth in savings also stimulates economic growth and development (as a whole) through investment. Even though MSE operators benefit from savings, most operators still do not access proper financial services. This is because most of the financial institutions are inaccessible in terms of proximity, time and procedures needed to complete transactions which are too much for MSE operators. The Ethiopian government has designed and implemented a National MSE Development Strategy in 2016 which facilitates the growth of the sector. However, the sector continues to perform below expectations due to various challenges including limited access to finance, poor saving behavior, lack of appropriate working premises and low quality business development services (BDS). Poor savings behavior be deviling micro and small scale business operators, they are faced with poor access to loan (Lanka, 1985). Recently savings is becoming a priority in the Ethiopian development agenda (MOFED, 2012).

The financial management and saving-related awareness of most MSEs operators in Ethiopia is generally low and they lack favorable attitudes (National MSE Development Strategy 2012). Concerted efforts exerted to ensure that enterprises will promote their saving culture, strengthen their own initiatives, enhance their entrepreneurial skills and create work attitudes that are free from dependency syndrome. A working mechanism implemented to facilitate access to startup capital, for those who have an interest to establish MSEs. As a prerequisite such people shall be encouraged to start their own savings. Those with their own savings shall be given priority to access loans from financial institutions (GFDRE, 2016).

Most of MSE operators in Addis Ababa had only small amount of monthly income that hinders to save money (Assefa, 2018). However, study conducted by Karlan et al. (2013), to find the difference among the high and low income earners in terms of savings shows that, those who have low income, it does not imply that they are unable to save at all. Saving is very essential and there is a lot of evidence to demonstrate its benefits to individuals and households, not excluding low income earners (Chowa et al., 2012).

Therefore, this study were investigate the existing saving practice of MSEs operators, the major possible factors which are expected to influence individuals saving and the role of concerned bodies in mobilizing saving in the case of Addis Ababa Yeka Sub City.

The general objective of study is to examine the saving practice of Micro and Small Enterprise Operators in Addis Ababa Yeka Sub city. The following are the specific objectives of this study:

- To identify the determinates of saving practice of micro and small enterprise operators
- To compare the saving practice among micro and small enterprise operators of each operating sectors.
- To determine the relationship between financial literacy and saving practice of micro and small enterprise operators
- To find out the challenges of micro and small enterprise operators face in saving

Materials and Methods

Research Approach

In this study the researcher have used concurrent triangulation mixed strategy. In concurrent triangulation strategy, both quantitative and qualitative data collected simultaneously and the qualitative data used to triangulate in the quantitative data during the analysis.

Research Design

The study used descriptive and explanatory research designs to determine the saving behavior of micro and small enterprise operators. According to Moronge (2016), descriptive research design determines and reports the way things are. He suggests that, the design describe possible behavior, attitudes, values and characteristics. The explanatory research design also refers to as analytical research design aims at identifying the causal links between the factors or variables (financial literacy and saving behavior) that pertain to the research problem.

Source of Data

Registered operators of micro and small enterprise data are available in the sub-city micro and small enterprise office. The primary data gathered from the sampled Micro and Small enterprise operators. The data relevant to the issues of the study collected using questionnaires. Then the questionnaire translated in to Amharic language for easy understanding of the respondents by the researcher prior of distribution. In addition, the researcher used focus group discussion with the sampled to obtain the necessary information. The secondary data collected from different manual, reports and strategic plan documents of micro and small enterprise office.

Data Collection Instrument

The researcher was use survey to collect information from respondents by asking questions in order to describe the characteristics of the population-sample. There is direct administration of questionnaires to ensure that respondents who need assistance in answering the questionnaires get them. The questionnaire is made up of both open-ended and closed-ended questions. Open-ended questions are to allow the respondents the freedom to express themselves in their own way and in their own words. The closed-end is to give the respondents alternative. Also the researcher conducted focus group discussion (FGD) with 3 groups of MSEs operators and interview conducted with officials of the sub-city.

Population of the Study

Due to the location advantage the researcher select operators of Micro and Small Enterprise of Yeka Sub-city of Addis Ababa are the target population.According to the data of the sub-city micro and small enterprise office (January, 2020) the total population represents 5048 Micro and Small enterprise operators

Sample Size and Sampling Technique

In order to take a sample form this number the researcher will use Yemane (1967) sampling formula using 95% of confidence interval.

$$n = \frac{N}{1 + N(e2)}$$
$$n = \frac{5048}{1 + 5048(0.05)2}$$
$$n = \frac{5048}{13.62}$$
$$n = \underline{\mathbf{370}}$$

Where: n=sample size   N=target population   e=margin of error (5%)

The sample size was systematically distributed for the five operating sector MSE which are manufacturing, service, trade, and urban agriculture and construction operators.

The questionnaires will be distributed randomly for each operating sectors. Finally, the researcher was conducted focus group discussion (FGD) with 3 groups of MSEs operators.

Data Analysis

The quantitative data is analyzed through descriptive statistics which comprise of frequency tables, mean and standard deviation. The data is presented using tables for ease of comparison and understanding. Qualitative data is analyzed using content analysis techniques and coded for entering into Statistical Packages for Social Science (SPSS). The study also uses multiple regressions to establish the relationship between financial literacy and saving behavior.

Data Presentation and Analysis

Introduction

The purpose of this study was to examine the Saving Practice among Micro and Small Enterprise Operators in Addis Ababa Yeka Sub city. This chapter presents the study results and findings in the form of figures and tables.

Response Rate

Out of the three hundred seventy (370) questionnaires sent to the target population, three hundred two (302) usable responses were collected representing a 81.6% response rate implying 18.4% of the questionnaires were not returned at all. Despite this, the target population was fairly represented considering that key personnel who are relevant to the study were reached. It is considered that a response rate of anything over 30 percent in a survey is acceptable (Creswell et al., 2007).

In addition, the data were collected from the MSE operators using focus group discussion (FGD).

Data Reliability

Before proceeding to analyze the results found from the questionnaires the reliability are checked using SPSS software. Cronbach's α (alpha) (Cronbach, 1951) is a coefficient of reliability. It is commonly used as a measure of the internal consistency or reliability of a psychometric test score for a sample of examinees.

The five factors were saving behavior, financial literacy, peer influence, self control and spending habit. Each factor was assessed for reliability using Cronbach's α. As cited by Tavakol & Dennick, (2011)the reliability coefficients of the factors, along with the measures of saving practice, exceeded the value of 0.5 recommended by (Peterson, 1994). Therefore, each of the factors and the related items are analyzed and interpreted.

Demographic Profile of the Respondents

The majority (71.9%) of the respondents were male while female represented 28.1% of the respondents who participated in the study. Furthermore, majority (65.4%) of the respondents indicated they were between 26 to 35years of age, 22.9% were between 36 to 45 years, 6.4% between 25 and below years while only 5.4% of the respondents were 46 and above years of age. From the result, majority (49.5%) of the respondents' level of education is up to grade 12, 25.1% had diploma level of education and 21.4% of the respondents had degree and the remaining 4.0% of the respondents had masters and above level of education. From the result, majority (62.4%) of the respondents' are married, and 37.6% of the respondents are unmarried. Out of three hundred

two (302) of respondents 180 (59.7 %), are involved in trade, service and urban agriculture and the remaining 122 (40.4%) involved in manufacturing and construction sector. Finally, from the findings, majority (62.0%) of the respondents has a work experience between 1 to 5 years, 14.6% had between 6 to 10 years, and 14.6 % had below 1 year. This implies that most of the respondents who participated in the study have been work for one up to five years in their respective areas.

Personal Saving Practice

The majority (59.0%) of the respondents reported a monthly income of between Ethiopian birr 500 and 2000, 20.0% reported between 2000 and 5000, 16.6% reported an income of 5000 to 10000 and 4.5 % above 10000. Besides, majority (83.4%) of the respondents said they had a saving plan that could sustain their recurrent expenditures in case of loss of employment while 16.6% reported lack of such a plan. Moreover, the above results shows that, majority (47.8%) of the respondents sustain their saving in case of loss of employment is 0-3 months , 22.9% reported between 4-6 months, 8.1% reported 7-12 months and 22.3 % above one year. In addition, majority (69.4 %) of the respondents reported that they save below 10% of their income every month, 21.9% of the respondents reported saving between 11 to 15 percent of their income every month, 4.3% save between 16 to 20 percent , 1.1% save between 26 to 30%, and 3.2% save above 30% of their income every months. A general rule of thumb is we should be saving at least 10% to 15% of our income. This is just a minimum amount; it is advisable to save more. This indicates that majority of the respondents save a small proportion of their income. Finally the results shows that, majority (94.8%) of the respondents put their money on bank, 2.1% of the respondents save their money on saving and credit association and 3.1% of the respondents save their money other than bank and saving and credit association, which stated in the open ended question they put their money at home and Equb.

Inter sector comparison of personal saving practice

For the inter sector comparison of personal saving practice of MSE operator's five measuring items are distributed to respondents and the responses are analyzed and interpreted according to the value of mean and mode

The study result shows that those MSE operators who participate in trade, service and urban agriculture the majority of the respondents monthly income ranges from 500-2000 birr and those who participate in manufacturing and construction sectors the majority of the respondents monthly income ranges from 2001-5000 birr. Form this researcher conclude that manufacturing and construction sector operators are relatively high monthly income compared to trade, service and urban agriculture operators. Regarding their saving plan almost all operators of each sector have saving plan and there is no significant difference between the sectors. Furthermore, trade, service and urban agriculture operators saving plan sustain from 0-3 months during unexpected loss of employment income whereas manufacturing operators form 4-6 months and construction operators from 7-12 months sustain their saving plan for the period of unexpected loss of employment income. From this the researcher conclude that construction sector operators are the highest mean value which indicates relatively their saving plan sustain for a long period of time compared to the other sector operator's. Although the proportion saving from their income trade, service, manufacturing and urban agriculture operators save from their earning from 0-10% and construction operators save from 11-15%. From this the researcher concludes that the construction sector operator's relatively high proportion of saving from their income. Finally service, construction and urban agriculture operators exclusively save their money on bank and trade and manufacturing operators the majority of the respondents save their money on bank but not limited to bank they also save money in credit and saving associations and 'equp'.

Saving Behavior

Saving behavior of Respondents by Category

Saving is defined as what is left out of personal disposable income. Alternatively, personal disposable income is defined as income after taxes are paid (Urban Institute, 2008). Saving may also be seen as the difference between income and consumption. This implies that savings automatically decline as consumption increases Lusardi & Mitchell (2014). The study result shows that cross tabulation saving behavior of respondents. Gender of respondents and their saving behavior has no significance difference between male and female. The male mean value is 3.5620 and the female mean value shows 3.5525. The age of the respondents from 26-36 has the minimum mean value (3.4532) as compared to others age categories which have almost no significant difference on the saving behavior measurement factors.

The educational level of the respondents has an influence on their saving habit of respondents. Diploma graduates have a mean value of 3.7119, up to grade 12 completed the mean value is 3.4584, degree holders has a mean value of 3.5968 and masters and above graduates mean value is 3.5313. From this the researcher concludes that diploma holders have a good saving behavior than grade 12 completed, degree holders and masters and above. The marital status of the respondents has no significant difference between married (3.5204) and unmarried (3.6218) on their saving behavior. Moreover, the operating sector's of the respondents urban agriculture operator's have the minimum mean value (3.2872) and manufacturing and construction sector operators has the maximum mean value of 3.7146 and 3.7172 respectively. From this the research concludes that urban agriculture sector operators have no good saving behavior as compared to other operating sectors. The finding shows respondents that have a work experience below one year has less attention to saving which is the mean value 3.3258. Finally when the saving behavior of the respondents compared using the income range from 5000- 10000 birr earners are low saving practices than the other category.

Financial Literacy

Financial literacy of Respondents by Category

Financial literacy is defined as ones" knowledge of facts, concepts, principles, and technological tools that are fundamental to being smart about money (Shaari et al., 2013). While several widely used definitions of financial literacy exist, all of them generally imply the ability of individuals to obtain, understand and evaluate information required to make decisions to secure their financial future as best as possible. After analyzing a host of papers on the subject, Huston (2010), proposed that financial literacy must also include application of financial knowledge; the argument being that absent demonstrated ability to apply financial knowledge, an individual cannot be regarded as being financially literate.

The result shows that cross tabulation financial literacy of respondents. Many Studies have argued that men perform well in literacy tests than women Lusardi & Mitchell (2014), but in this study the gender of the respondents have no significant difference between male and female on financial literacy measurement factors. Lusardi & Mitchell (2014), add that individuals within the ages of 51 to 56 years are the least financially literate. In this study the respondents have age of 25-35 are less financially literate then other age categories.

The educational level of the respondents has an influence on their financial literacy of respondents. A study by Matheson et al. (2020), on individual financial literacy in Southwestern Indiana, concludes there is deficiency of financial literacy in the midst of high school students. In this study also prove that the respondents that have an education level up to grade 12 completed less financially literate compared to others. The Study by Taft et al. (2013), reveals that married persons are more financially literate than those who are single but in this study the marital status of

the respondents have no significant deference between those married and unmarried. Furthermore, the operating sectors of the respondent's urban agriculture operators have the minimum mean value which is 2.731. From this the researcher concludes that urban agriculture operator's are less financial literacy as compared to others. On the other hand work experience and income of the respondents have no significant difference between the respondents on the financial literacy measurement factors

Peer Influence

Peer Influence Practices of Respondents by Category

Dangol & Maharjan (2018), mentioned that the influence of peers, parents remain strong socializing agents throughout young adult phase. They become less dependent on their parents and more oriented towards their peers as well as to the adult world as they compare their status with peer, discuss money management issues, spend their leisure time and involve in spending activities.

The result shows that cross tabulation of peer influence of respondents on saving practice. Gender of respondents and peer influence on saving practice has no significant difference between male and female. The male mean value is 2.6101 and the female mean value shows 2.7224. Also the finding shows that overall the respondents with the age of 26-35 are less influenced by peer as compared to others categories. Education and marital status of the respondents has no significant difference between the respondents on the peer influence measurement factors. On the other hand the operating sector's of the respondents those who participate on construction and urban agriculture less peer influence on the saving practice than compared to others operating sectors. The finding shows respondents that have a work experience between 1-5 years have relatively a less peer influence on the saving behaviors as compared to others.   Lately, the peer influences on saving practice respondents compared using income 5,000-10,000 and above 10000 birr earners are relatively less peer influence on saving practices.

Self Control

Self Control Practices Respondents by Category

The survey information provides description of self control practice of the respondents. This study result shows that cross tabulation self control of respondents. Gender of respondents and self control has no significant difference between male and female. The male mean value is 2.6257 and the female mean value shows 2.5643. Respondents with the age of 46 and above relatively have a good self control as compared to the other. In addition the education level who have masters and above relatively has a good self control compared to others. Furthermore regarding the marital status of the respondents have no significant difference between married and unmarried regarding self control measurement factors. When come to the operating sectors of the respondents also have no as such difference on self control measurement factors. Finally the work experience of the respondents has below one year and 1-5 years and the income rage between 5000-10000 birr has relatively good self control practices as compared to the others.

Spending Habit

Spending Habit of Respondents by Category

The survey information provides description of spending habit of the respondents. The study result shows that cross tabulation spending habit of respondents. Gender of respondents and their spending habit has no difference between male and female. The male mean value is 3.2309 and the female mean value shows 3.2212. Regarding age, education and marital status of the respondents also have no significant difference between their spending habits. Furthermore, between the

operating sector's, work experience and income of the respondents has no significant difference on their spending habits.

Training on Saving

The respondents were asked whether they have undergone any saving practice training. The result shows that 84.8% of the respondents reported having undergone saving training while 15.2% of the respondents did not.

Frequency of Training

From the analysis, (47.3%) of the respondents were take training on saving two times, 42.2% of respondents one times, 8.2% of the respondents three times and the remaining 2.3% of the respondents take training above three times.

The Impact of the Training on personal Financial Management

Majority 98.8% of the respondents believed that the training taken results an improvement on saving practices but, 1.2% of the respondents said did not results an improvement.

Challenges of Saving Practice

When the result triangulated using the focus group discussion results shows that the main challenges of the respondents for low saving practice are the income and expenditures are unbalanced, they said that most of the time the expenditure is greater the income so there is no money left for saving. Furthermore, the other challenges of the respondents not to save is the inflation, there is sustained increase in the aggregate or general price level in the country. This general price increase creates a feeling of uncertainty and pessimism about the future among the individuals. Inflation can erode the purchasing power of a person who saves if the current bank interest rate does not much the rate of inflation. The distance between individuals and financial institutions is also another challenge. Even though there is technological advancement that has brought about the development of online banking and automated teller machines (ATMs), the individual may like to do transactions in person, rather than by other means (e.g., telephone, mail or online). If the transportation costs are not so small, then they will tend to forget about saving in the financial institution especially the low income earners. Rahman (1998), demonstrates that, proximity is one of the main causes for which individuals do not deposits with financial organizations.

Conclusions and Suggestions for Further Researches

Conclusions

The aim of this study is to examine the Saving Practice among Micro and Small Enterprise Operators in Addis Ababa Yeka Sub city using the five measurement factors i.e saving behavior, financial literacy, peer influence, self control and spending habit.

Researcher has used five factors with 39 saving practice items. It is found that five of the factors are reliable for measuring saving practices of the MSE operators, and all of the factors of gap measuring are reliable using Cronbach's alpha (α).

A questionnaire survey is conducted to tabulate the respondent's demographic and the finding indicates that majority of respondents education level up to grade 12 with combined percentage of (49.5%), majority of age range 26 to 35 years (65.4) and majority of the respondents are male (71.9%).

The researcher also sought to establish effects of gender, age, education, marital status, operating sector's, work experience and income index on saving practice. The findings conclude that these factors strongly influenced the saving practice. This could be due to the age distribution of the respondents who were mostly aged between 26 and 35 years who are still considered as youthful hence are yet to settle in life hence have relatively low or no family commitments. The study findings further sought to establish whether saving behavior and financial literacy affects saving practice of MSE operators. The results conclude that saving behavior and financial literacy affect the saving practice of the operators. The other saving practice measurement variable which is peer influence, self control and spending habit of the respondents the result shows that it is moderately good in the three variables. In general saving practice, it needs an attention since poor saving behavior adversely affects wellbeing and by extension productivity at work place.

Suggestions for Further Researches

This study focused on to examine the Saving Practice among Micro and Small Enterprise Operators in Addis Ababa Yeka Sub city. It is therefore recommended that similar researches should be replicated in other sub city so as to establish whether there is consistency on saving practice among respondents in the remaining sub city of Addis Ababa.

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