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Determinants of Saving Mobilization in Microfinance: Evidence from Amhara Credit and Saving Institution

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ABSTRACT

Microfinance institutions (MFIs) are good instruments to fill the gap of conventional banks' limitations in reaching the poor and hence they are considered as one of the most effective interventions for empowering the poor in their economic and social involvements through saving mobilization scheme. However, experiences has shown that some MFIs recorded unsatisfactory growth in saving rates due to a different factors that can be emanated from both internal and external bases. This study is, therefore, aims to investigate the determinants of saving mobilization, which helps to assess the extent of savings mobilized by participants and assisting poor people to improve their saving taking the experience of Amhara Credit and Saving Institution (ACSI). A sample size of 270 households are derived from a household survey conducted in the three selected districts namely Dessie, Kombolcha and Hiak in south Wollo zonal branch of ACSI. Appropriate descriptive and econometric techniques are employed to analyze the data. In econometric analysis, the Tobit model is employed to examine the determinants of household's saving rate with the help of stata econometric software package. Among the potential factors identified and hypothesized, variables such as gender, occupation, social capital and source of money for saving were positively and significantly affect household saving rate whereas contribution of ACSI to enhance saving was negatively and significantly affect household saving rate. ACSI's contribution to enhance saving in terms of low level of contribution has negative significant effect implying that the lower the level of contribution by ACSI to encourage saving, the lower the client's saving rate. Thus, beyond the microfinance program there is a need to make an effort on adoption and implementation of long-term intervention programs in the study areas by the concerned bodies, for largely the government. This helps ACSI to reverse the vicious circle of "low income – low saving – low income."

Key Words: Amhara Credit and Saving Institution, Microfinance clients, Microfinance institution, saving mobilization, saving rate

INTRODUCTION

In the most recent time, there is a global consensus that Microfinance institutions (MFIs) are good instruments to fill the gap of conventional banks' limitations in reaching the poor and hence they are considered as one of the most effective interventions for empowering the poor in their economic and social involvements through saving mobilization scheme.

The continent of Africa has been identified as having an unsatisfactory growth in saving rates, which slows down capital accumulation. Africa's low saving rate influences the ability of banks to lend to small enterprises due to the limited availability of capital. Sub-Saharan countries are also facing low saving rate problem which is below 17%, so Ethiopia is not unique. Currently, only about six million households save money in financial institutions in Ethiopia with average of 875 Birr per year. Saving rate from GDP

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of Ethiopia is 9.5%, i.e., the lowest saving rate as compared to that of China, Bangladesh and South Africa which have better saving rates. Hence, Ethiopia envisaged to increase saving rate from 19.5% to 29.6% of the GDP (National Planning Commission, 2015).

The former perception of low savings capacity and low demand for deposit facilities has been shattered in the last decades. It is now generally acknowledged that households will deposit their surplus capital in financial institutions if the institutions are appropriately structured and offer the clients savings products that meet their specific needs (Vogel, 1984). Traditional credit led business model has contributed to a poor savings mobilization organization-culture in many MFIs lack of capacity to develop and implement good savings mobilization strategies.

Thus, The fundamental question that comes in the forefront is not are we really saving low, just because we are saving low, but what is the rate of saving per household, what makes we still to have low performance of saving, and what factors determine we to save. Motivated by the issues stated above, this research is conducted in the south Wollo zone of northeastern Ethiopia, in a need to investigate the determinants of saving mobilization, which helps to assess the extent of savings mobilized by participants and assisting poor people to improve their saving taking the experience of ACSI as an empirical evidence from south wollo zone, Ethiopia. This study also makes an effort to examine the extent of the role played by ACSI for saving enhancement. Besides this study attempts to assess demographic and socioeconomic characteristics of clients with special emphasis on client's saving profile.

REVIEW OF LITERATURE

Mostly the term microfinance refers to the provision of financial services to low-income clients; however some microfinance organizations also provide insurance and payments. In addition to financial intermediation, many microfinance institutions (henceforth MFIs) devoted to saving mobilization as the prominent instruments of most government's pro-poor development programs and strategies.

It is, therefore, recognized that saving is an important factor in economic development as it enables the conversion of resources into capital. Strong saving performance is crucial for macroeconomic balance and for the maintenance of financial and price stability. Sekgobela (2004) stated that adequate savings are important for capital formation and have a direct impact on economic growth, and for achieving macroeconomic stability. Saving is beneficial for the economy as a whole and thus for the citizens of the country. Furthermore, evidence shows that the accumulation of savings helps to create a domestic capital base that makes economies less dependent on foreign capital and more resistant to capital market fluctuation (CGAP, 2006). This is adequate evidence that poor people in developing countries including Ethiopia accredit high importance to savings.

Saving is one of the components of MFIs services that are provided for borrowers and non-borrower people. Some evidences, for instance, Getahun (2002) expressed by referring the study of Bass and Henderson (2000) that savings mobilizations for the poor people are minimizing risk and maximizing safety and benefits, creating emergency fund which will be used to smooth difficult periods, and giving ready access to cash. "Most people want to save most of the time, while they do not want to borrow all the time. Many people may not want to borrow at all because they feel that saving before undertaking major expenditure is less risky or for moral or religious reasons" (Hartmut, S.1997).

Micro-finance in Ethiopia has been considered as one of the best entry points for bringing sustainable development. Over the last decade, MFIs in Ethiopia have been able to serve the productive poor people mainly with savings and credit services. Governmental and other developmental organizations have played their own role for the positive achievements made in the country's MFI sector so far. As of July 2014, there were more than 33 MFIs operating with legal license at National Bank of Ethiopia (NBE) targeting on common objective. Thus, the government took the initiative to establish the regulatory framework in order to facilitate sound development of the microfinance industry. Following this, the government of Ethiopia launched a Proclamation No. 40/1996 which requires all existing microfinance providers to register as either a microfinance institution, a saving and credit cooperative or an agricultural cooperative before the deadline of April 1999 (Proc. No 40/1996).

Recently, microfinance institutions are emerging rapidly in the country based on the new approach and in line with the new microfinance law. In spite of the encouraging development, millions of poor in Ethiopia suffer from lack of savings and limit access to working and investment capital to start income generating activities. The potential demand for credit

in Ethiopia is high. For instance, at the households' level, 9 million poor households in Ethiopia need credit. This demand remains largely unmet with the existing capacity and structure of financial institutions in Ethiopia (Degefe, 2004).

Evidences in Amhara national regional state (ANRS) has shown that more than 67% of the rural households save mainly in non-financial assets like domestic animals and grain rather than cash. Only 33% of the households keep their savings in financial forms. The level of saving is minimal and the experience of keeping savings in financial institutions in the region is very poor. Depositing savings in financial institutions is limited at only 3% out of which 79% used ACSI and 19% in the Commercial Bank of Ethiopia.

DATA AND METHODOLOGY

Data Type and Source

The data employed in this study is a household survey, which is conducted in the three selected districts namely Dessie, Kombolcha and Hiak in south Wollo zonal branch of ACSI. The data for this study were mainly drawn from primary used to collect information from the client households of the institution by taking sample clients of the branch offices. In addition, interview questions are designed to ascertain the management and expert view on saving mobilization. In addition, data and reports of the south Wollo zone office and branch offices, manuals, pamphlets (flayers), magazines prepared by the institution, newspapers, journals, books and websites are used as per the requirement of the study.

The Study Area Description and Sampling

Currently, ACSI has 10 zonal offices distributed over the whole ANRS. A total of 412 branches are operating under those zonal offices. From 10 zonal offices South Wollo zone office has been chosen for the study for its convenience. Currently, there are 64 branches and 185 satellite offices operating under South Wollo zone office, out of these branches four branches are taken from the three selected study sites such as Dessie (2 branches out of 6), Kombolcha (1 branch out of 3) and Haik (1 branches out of 3). Under South Wollo zone office of ACSI there are 125,676 active clients using the services provided; in all branches. From the total active clients available 12,167 active clients are from branches of the study sites (South Wollo ACSI, 2018).

In designing a sample for a study, the researcher chooses the size effect that is considered to be important and representative so that the researcher believed that these samples are representative for this study (Abiy, Alemayehu, Daniel, Melese and Yilma, 2009). Although the target population is gigantic, time and financial constraints as well as greater homogeneity in branches and clients of the institution limits the sample to one MFI, three study sites and five branches.

For the determination of sample size, there is no defined rule that can be followed (Kothari, 2004). However, the sample size of 270 is determined using the minimum sample size formulae of Fowler (2001), which is indicated by:

$$n = \frac{[z_{\alpha/2}]^2 \, p[1-p]}{D^2}$$

where n= number of surveyed population; $Z_{\alpha/2}$ = the two-tailed critical value at 95 percent confidence interval (1.96); P = the proportion of clients to total target population or potential clients (0.129) by taking the data from south wollo zonal office; D = marginal error between the sample and population size (0.040), which refers to the estimated value has been lied within $\pm$ 4.0% of the true value which in turn is less than 5%.

Once the sample size has been selected, client households were selected in using a two stage random sampling method. In the first stage branches were selected randomly from each town. In the second stage sample client households were randomly drawn from a complete list of respective selected branches in conformity to proportionate to size random sampling procedure. As a result, from table 3.1 it is shown that the numbers of households selected in each branch are determined in line with the population size of the branches.

Table 3.1 Number of sampled client households by branch office proportionate to size

Sampled Woreda	Sampled Branch	Total No. of client households	No. of sampled households
Dessie City			
	Dessie No. 1	2285	**81**

	Dessie No. 2	1567	**56**
Kombolcha City			
	Kombolcha	1552	**55**
Haik City			
	Haik	2164	**78**
TOTAL		**7568**	**270**

Source: Own computation using data on South Wollo ACSI, 2018 and CSA, 2007

Data Collection Procedure

A combination of data collection instruments such as structured questionnaire and interviews were used. The structured survey was directed to 270 clients from each town in each selected branch. A pilot survey will be conducted at few branches taking thirty clients so as to pre-test the questionnaire which helps to refine and adjust the questionnaire before the main survey is going to be carried at full-scale.

Method of Data Analysis

Once the nature of data and method of sampling is identified, appropriate descriptive and econometric techniques are employed to analyze the data. In the descriptive analysis, the study used descriptive statistics such as percentages and summary statistics. In econometric analysis, econometric models particularly Tobit model are employed to address the stated objectives. The detailed specification of econometric tools and methods are presented below.

Censored Tobit Model

The Tobit model is adopted so as to examine the determinants of household's saving rate, measured by the ratio of saving to income. Stata econometric software package was used for the data entry and to perform statistical and econometric analysis. In this study, therefore, the researcher examined the effects of factors affecting household saving rate. So the implication of various factors on household saving rate is analyzed using the Censored Tobit model. Since all households those benefited from microfinance services provided by ACSI do not necessarily save, there might be a possibility that some values of the dependent variable (i.e., saving rate) become zero. With these so many zero values for the dependent variable, using ordinary least squares (OLS) to estimate the model would lead to biased and inconsistent results. Proper estimation of the model requires the use of a censored regression. For this, we used Censored Tobit analysis, which is given as

$$y_i = x_i\gamma + \varepsilon_i \qquad (i,...,n) \qquad (3.1)$$

Where Y_i is the household saving rate, measured as the ratio of saving to income, which is censored at zero; X_i is vector of determinant of household saving rate, including variables related to household and institutional characteristics, γ is vector of parameters, and ε_i is the error term.

The description of covariates and outcome variables included in this study is generalized in the following table 3.2.

Table 3.2 Description of covariate and outcome variables

Variables	Description of Variables
Dependent variables	
household saving rate	Ratio variable
Explanatory Variables	
Gender of the client	1 the client household head is male and 0 otherwise
Age of the client	Continuous variable
Marital status of the client	1 if the client household head is single 0 and otherwise
Years of schooling	Continuous variable
Family size of the client	Continuous variable
Occupation of the client	1 if the client household head is self employed and 0 otherwise
Source of money for saving	1 if own business and 0 otherwise
Interest rate on saving	1 if high and 0 otherwise
Situation of saving during the last 12 months	1 if increased and 0 otherwise
Participation in social capital	1 if the client household participates and 0 otherwise

Years of membership in social associations	Continuous variable
Access to training in the last 12 months	1 if the client household has access and 0 otherwise
Number of trainings taken the last 12 months	Continuous variable
Contribution of ACSI to enhance saving	1 if low and 0 otherwise
Availability of income source other than the main source	1 if yes and 0 otherwise
Total annual income	Continuous variable
Total annual income per capita	Continuous variable
Amount of first loan	Continuous variable
Amount of last loan	Continuous variable
Number of loans taken from ACSI	Continuous variable

Source: Author's definition, 2020

RESULT AND DISCUSSION

Descriptive Analysis

Demographic and Socioeconomic Characteristics

In this section the survey data is designed to assess microfinance customers' demographic and socioeconomic characteristics. Results of the demographic and socioeconomic characteristics of clients are presented below. As it can be seen from Table 4.2, about 62% and 38% of the respondents are male and female microcredit clients respectively. This shows that, the lion shares of the respondents were men that testify to the fact that most of the beneficiaries of microcredit program are men. Table 4.1 also revealed that the mean age of sample households was 34.37 years ranging from the age of 17 years up to the age of 82 years. This indicated Majority of the clients were in the productive and economically active age group.

Variation in marital status has an important bearing on the size and structure of households. 67.14% clients are married, 18.89% clients are single, 8.15% clients are widowed and the rest 5.55% clients are divorced. This indicates that the majority of clients are married followed by single, widowed and divorced. The result is steady with previous studies such as Schwartz (2013) and Feleke‟s (2011). Schwartz (2013) married clients have a better tendency to become beneficiaries of microfinance program. The marital status result contrast with that of Feleke‟s (2011) indicates that majority of the beneficiary households were married. In this connection, due to their marriage partners the beneficiaries find it easy to gain better business ideas and additional income from their partners in order to start income generating activities.

With respect to education in terms of years of schooling, the microcredit clients have 9.52 as the mean years of schooling ranging from 0 to 18 years of schooling. This implies that majority of clients have completed grade 9 with the illiterate and holder of second degree as minimum and maximum levels of education. Education is a key instrument in social capital which has a positive impact on household ability to save money and use it for intended purposes. According to Feleke (2011) indicates microfinance creates a much better positive effect on beneficiaries equipped with a better education and skill training on saving, business administration, income generating and loan repaying, than on beneficiaries have no education and training skills. In contrast with this empirical evidence, the result in the present study has shown that the MFI under study (ACSI) is providing MF services mainly to the lower class of the society or economically and academically weak people. Lack of sufficient education in turn negatively affects the diversified productivity of clients. It would also reinforce cultural factors and other variables that affect the effectiveness of micro finance institutions.

In addition, the average household size as to the survey conducted in 1999/00 was 4.6 and 4.9 for the Amhara region and at country level (MOFED, 2002). The survey conducted by the BOFED of the Region revealed that the average household size per household was five persons (BOFED, 2004). However, the clients of ACSI in urban areas of south Wollo zone have slightly smaller household size compared to the averages both at regional and national level.

The study also assessed the sample clients' sources of income for saving. 44.92% of the clients were reported own business activity as sources of money for saving. The rest 55.08% were involved in such activities as employment, gift and family business,

among others so as to generate income for saving. From the above discussion one can see that most of the clients' major source of money for saving was obtained from own business which could be taken as area of intervention so as to improve savings. As evidence, Bateman and Chang (2012) indicate microfinance targets on providing microcredit service to the poor segment of the society, enabling them to run their own business and generate income and defeat poverty.

Comparing their past and present saving, participants of the microcredit program revealed that they have progressed in their saving. 52.54% of the microfinance clients reported that their saving has shown a considerable growth in the last 12 months. Whereas 20.34% and 27.12% of them replied that their saving faced decline and remained the same, respectively. This could mean that ACSI has played its role for the progress of savings over time. The interest rate on saving seems to be medium for the majority (55.19%) and low for 33.33% of the clients. A very insignificant percentage (11.48) of clients mentioned that the interest rate for saving was high.

As regard to learning and growth undertaking of ACSI, less than half (49.63%) of the clients reported that they didn't receive training on saving for the last 12 months which is a reflection for the poor performance of the institution on awareness creation and capacity building. Orbuch (2011) accredits that the social service provided by microfinance contribute to the growth of human capital formation. Educational services including trainings contribute to the overall awareness of the beneficiaries, thereby making them productive in their life. However, as reported by the ACSI officials and experts, the reason for such low performance of the institution on capacitating the skill of the clients is due to the client's absenteeism and withdrawal during training programs. Concerning the overall contribution of ACSI to enhance savings of the clients, only 20.37% of the clients are satisfied but majority (79.63%) of them are not satisfied. The overall contribution of ACSI on saving mobilization should be enhanced for a better saving mobilization performance of the institutions and thereby satisfaction of its clients. Moreover, this point of investigation requires further investigation and should be supported with rigorous study.

The total annual income of the microcredit clients was on average Birr 19,608.66 per household per annum, which is also represented by Birr 7,000.00 and Birr 144,000.00 as minimum and maximum annual incomes of the household, respectively. However, the mean annual per capita income of the household was Birr 8056.66 ranging from 171.43 to 82560.74. The daily per capita income is Birr 22.07 (equivalent to USD 0.68 at the exchange rate during the survey period). This implies on average every household member earned income by far below the minimum stipulated daily per capita income, which is USD 1.25 per day. According to Khandker (1999), when the income of beneficiaries enhances saving and educational asset it ensures household economic security and basic needs. Moreover, the effect of the service from microfinance is first seen on income and employment. It is after this that it can be diversified to basic needs like consumption, nutrition and education. But the daily per capita income of the clients and their family earned is unable to cover these basic needs.

The average start up loan and current loan are amount to Birr 22,129.18 and 33,564.31 respectively. The maximum loan size is Birr 300,000 and Birr 320,000 for the startup loan and current loan respectively. According to the response from the borrowers, almost all the clients shared the loan taken with family members mainly with their spouse and most of them has replied that the loan size was small to utilize in time as intended. On top of this, the average time taken to get credit is long and its delivery is not timely.

Moreover, as per the discussion with the clients, out of the total loan they have taken they used fully or partly of the loan for non-intended purposes, mainly for consumption purposes which helps to by-pass the critical periods of survival. In consequence, they are forced to sell the assets they own in order to repay the loan. This in turn may further worsen the life situation of the clients than before. Indeed, this demands further investigation to found out the empirical evidence on the amount and percentage of loan taken is used for the non-intended purposes and vice versa. In connection with this, investigation on identifying the potential non-intended purposes and motives of using the loan for as such non-intended purposes is very important.

Table 4.1 Demographic and socioeconomic characteristics (Continuous variables)

Variable	Mean	Std. Dev.	Minimum	Maximum

Age	34.37	9.3957	17	82
Years of schooling	9.52	4.39	0	18
Family size	3.47	1.67	1	8
ACSI membership years	5.09	3.37	1	23
No. of trainings in the last 12 months	1.58	0.49	1	2
Annual income	19608.66	22469.81	7000	144000
Annual per capita income	8056.74	12089.73	171	82560
Startup loan size	22129.18	39623.06	1000	300000
Current loan size	33564.31	47055.39	2000	320000
No. of loan taken	2.32	1.64	1	8

Source: Own survey, 2020

Table 4.2 Demographic and socioeconomic characteristics (Discrete variables)

Variable		**Frequency**	**Percentage**
Gender	Male	167	61.85
	Female	103	38.15
Total		270	100.00
Marital status	Single	51	18.89
	Married	182	67.41
	Divorced	15	5.55
	Widowed	22	8.15
Total		270	100.00
Occupation	Farmer	65	24.08
	Petty trade	67	24.81
	Gov't employee	76	28.15
	NGO employee	17	6.29
	Self employed	45	16.67
Total		270	100.00
Membership in social network and cooperatives	Yes	249	92.22
	No	21	7.78
Total		270	100.00
Access to saving from ACSI	Yes	34	12.59
	No	236	87.41
Total		270	100.00
Source of money for saving	From own business	106	44.92
	From family business	15	6.36
	Employment	61	25.84
	From gift	26	11.02
	Others	28	11.86
Total		236	100.00

Situation of saving during the last 12 months	Increased	124	52.54
	Decreased	48	20.34
	Stayed the same	64	27.12
Total		236	100.00
Interest rate on saving	High	31	11.48
	Medium	149	55.19
	Low	90	33.33
Total		270	100.00
Contribution of ACSI for saving	High	113	41.85
	Medium	102	37.78
	Low	55	20.37
Total		270	100.00
Getting training or consultancy service in the last 12 months	Satisfied	134	49.63
	Not satisfied	136	50.37
Total		270	100.00

Source: Own survey, 2020

Econometric Analysis

The Determinants of Saving Mobilization

As an important step, data exploration has been undertaken before an estimation was done for the tobit model explaining the determinates of household saving rate. The chi-square statistics (50.70) on the likelihood ratio in the model summary shows the overall model is statistically significant at 1% level of significance, with p-value 0.000. The pseudo R-squared value 0.387 also ensures that the regression model is a good fit in which the explanatory variables are powerful to explain the variation on the saving rate. As a result, most variables entered with expected signs and are significant to determine household saving rate.

As it can be observed from table 4.3, gender and occupation have a significant positive impact on the saving rate of microfinance client households. This implies that male headed household rate of saving is higher than female headed household. Possibly, this is because the male headed households are more likely to participate in saving scheme. To this end, the saving rate of male headed household is exceeding by 6.41% as compared to the female headed households. Therefore, since the gender differential was observed in terms of saving mobilization female headed households might have lower welfare relative to the male headed households. This could be consistent with the related study by Harper, Marcus and Moore (2003) as it revealed that female headed households might have a lower probability of improved welfare and hence higher probability of being poor, if gender differential prevail in welfare programs.

Occupation of the household head is also significant at 1% level of significance and those households running their own business tend to save more as compared to others involved in government or non-government businesses. This suggests the importance of provision of self-employment to increase the income of the clients and hence improve their livelihood. As Bateman and Chang (2012) indicate microfinance targets on providing microcredit service to the poor segment of the society, enabling them to run their own business and generate income and defeat poverty.

In a similar manner, the effects of social capital and source of income on household's rate of saving have also been assessed by the present study and these variables are found to be positive and significant at 5% level of significance. While participation in social associations leads to increase clients saving rate by 14.77% own business as source of money for saving leads to increase the saving rate by 12.02%.

Emphasizing on the implication of social capital on saving, in the study areas there are a number of social institutions that the households were participated in. Data was collected on membership and participation of each household in these institutions such as edir, equb among others. In the sample, it is observed that the saving rate is high among households who have membership at least in one social institution, which is highly associated to traditional saving and credit club like equb, when compared to those households who have no membership in any of this type of social institutions. Importantly, membership in social institutions and the number of social institutions provide households with wider chance of improving their welfare mainly through increasing their savings. Moreover, households who maintain their

membership in local associations for a long period are better protected than otherwise. This could be due to primarily the culture of strong social interaction in the study area. For instance, one important pathway towards livelihood sustainability in the area is social connectedness and networks to share the shocks when an unexpected event occurs. As evidence from interview and observation, there is a tendency of high growth in the social capital of clients of microfinance program after they joined ACSI. In addition, the clients co-operate when one or more of their members are unable to repay their loans and thereby saving them of the moral and economic problems arising in consequence.

This finding is consistent with other findings. According Augusto and Ferriera (2007), current microfinance institutions shouldn't only come demonstrate the impact of their service towards financial wealth, but social benefits to the community be supposed to come together. Some more empirical evidence related to saving and livelihoods disclose the same concern. The study conducted by Bevan and Joireman (1997) found that informal and formal local institutions in Ethiopia are extremely important in determining life chances. Entitlement norms, especially social capital in terms of access to community support is crucial in determining household welfare in Ethiopia. Dercon et al. (2007) also found that groups and networks such as traditional burial societies, known as *iddir,* have helped many of Ethiopia's poor.

ACSI's contribution to enhance saving in terms of low level of contribution has negative significant effect implying that the low the level of contribution by ACSI to encourage saving, the lower the client's saving rate. This is due to the presumed relationship between the role of MFIs in creating their clients awareness on saving and the probability of improving the saving habit of the clients. In this regard, the result in this study indicates that the lower the contribution of ACSI to enhance saving leads to turn down the clients rate of saving by 13%. From the empirical literature, Orbuch (2011) accredits that the social service provided by microfinance contribute to the growth of human development. Educational services including trainings contribute to the overall awareness of beneficiaries, thereby making them productive in their life through a better understanding about importance of saving mobilization and proper utilization of loan. As we can see from results of descriptive analysis, however, very few percentage of the clients were satisfied with the overall contribution of ACSI on saving mobilization but majority of them are not satisfied. This has its own strong adverse effect on the saving mobilization performance of ACSI and welfare of its clients.

Table 4.3 Tobit regression for Determinants of saving

Variables	Cofficient	dy/dx	Standard Errors	z-values
Gender	0.0671	0.0641	0.0341	1.88*
Age	0.0025	0.00245	0.0021	1.18
Marital status	-0.0722	-0.0718	0.0477	-1.51
Years of schooling	0.0021	0.0015	0.0048	0.32
Occupation	0.1311	0.1320	0.0469	2.82***
Participation in social associations (social capital)	0.1717	0.1477	0.0640	2.31**
Years of membership in social associations	0.0018	0.0022	0.0052	0.43
Availability of income source than main source	-0.0499	-0.0554	0.0356	-1.56
Access to training	0.0028	0.0045	0.0327	0.14
Source of money for saving	0.1234	0.1202	0.0384	3.13***
Interest rate on saving	0.0219	0.0209	0.0515	0.41
Contribution of ACSI to enhance saving	-0.1325	-0.1301	0.0424	-3.07***
Constant	0.3716		0.1460	2.54**
Number of observations	270			
Left-censored observations at dep. var.<=0	35			
uncensored observations	235			

Log likelihood chi2 (12)	50.70
Prob > chi2	0.0000
Pseudo R-squared	0.3866
Sigma	0.2544

In the dummy variables, dy/dx is for discrete change of the variables from 0 to 1

* Significant at 10%; ** Significant at 5%; *** Significant at 1%

Source: Own survey, 2020

CONCLUSION AND RECOMMENDATION

CONCLUSION

The study reports a survey of 270 clients of ACSI in urban areas of south wollo zone specific to clients of four branches residing in Dessie, Kombolcha and Haik towns. The prime purpose of the survey is to assess the determinants of client household's saving rate under ACSI's microfinancing scheme large proportion of the client households are headed by males with fewer female-headed household clients. This survey result is found to be weakly consistent with the literature and objective of microfinance program which aims to have major participation of women in microfinance. The reason for this result might be because the male headed clients of the program have better decision-making role and spend more of their time in business activities than in social activities.

Greater parts of the client households were married implying that the married households are more participating in micro financing scheme than the single. Similarly, large portion of the client household heads are categorized under the productive age group having relatively smaller family size. The majority clients of beneficiaries of ACSI microfinance service are involved in social associations and cooperatives. The average number of years that they are being a member of these social associations is more than five years with a maximum of more than two decades.

As regard to learning and growth undertaking of ACSI, less than half of the clients reported that they didn't receive training on saving for the last 12 months which is a reflection for the poor performance of the institution on awareness creation and capacity building. Concerning the overall contribution of ACSI to enhance savings of the clients, only few of the clients are satisfied but majority of them are not satisfied. The overall contribution of ACSI on saving mobilization should be enhanced for a better saving mobilization performance of the institutions and thereby satisfaction of its clients.

In terms of income levels of the microfinance clients, the total annual income was on average Birr 19,608.66 per household per annum with the mean annual per capita income of Birr 8056.66. This implies on average every household member earned income by far below the minimum stipulated daily per capita income, which is USD 1.25 per day. The average start up loan and current loan are amount to Birr 22,129.18 and 33,564.31 respectively. According to the response from the borrowers, the loan size was small to utilize in time as intended. On top of this, the average time taken to get credit is long and its delivery is not timely.

The estimated tobit model showed that five variables were found to be significant in terms of affecting the saving rate of the households with different directional effects. Accordingly, variables such as gender, occupation, social capital and source of money for saving were positively and significantly affect household saving rate, measured as the ratio of saving to total income, whereas contribution of ACSI to enhance saving was negatively and significantly affect household saving rate. ACSI's contribution to enhance saving in terms of low level of contribution has negative significant effect implying that the lower the level of contribution by ACSI to encourage saving, the lower the client's saving rate.

Recommendation

Majority of the client households are headed by men

which may result to gender discrimination in turn also one of the major causes of lower standards of living and poverty as women are poorer and more disadvantaged groups than men. Besides, the finding of evaluating the microfinance program confirms that gender of the household head is extremely significant in explaining the household saving rate. Investing on gender-sensitive policies and programs, therefore, has paramount significant in enhancing the saving mobilization performance. In connection with this, microfinance institutions should expand their microcredit program service to economically marginalized groups of the society like women so as to significantly improve their saving and hence livelihood through self-employment opportunity creations, saving mobilization and economically empowering the poor women households.

Regarding the statistical significance of the factors influencing the saving mobilization capability, occupation, social capital, source of money for saving and role of ACSI to enhance saving were found to be most significant factors influencing client household's saving rate. Therefore, clear policy implication and interventions based on the findings has paramount significance so as to bring remarkable improvement on saving mobilization performance. For instance, the concerned government bodies, including ACSI, should pay attention to social capital so as to facilitate and exploit the positive implication of social capital on saving mobilization and hence improved livelihood of the beneficiaries. As a result, the members can cooperate in creating their own saving system in which the most disadvantaged members are helped by receiving a prior loan opportunity and thereby saving from financial and moral problems.

From the findings one can see that most of the clients' major source of money for saving was obtained from own business which could be taken as area of intervention so as to improve savings. The loan they are provided is mainly expected in enhancing these activities. It can therefore be said that improvements in their saving and thereby their lives are determined by the improvement of diversified self-employed activities. The overall contribution of ACSI to enhance savings of the clients was not promising. ACSI should renovate itself in a way to enhance the overall contribution to saving mobilization through introducing MFIs services such as training the potential existing clients, marketing ability of employees, and sharing saving experience of clients, among others.

Microfinance service may resolve a temporary shortage of food by smoothening current consumption from saving or credit but not capable to resolve the serious problem of household's livelihood that persist for over some periods. As evidence, on average every household member earned income by far below the minimum stipulated daily per capita income of 1.25 per day. Thus, beyond the microfinance program there is a need to make an effort on adoption and implementation of long-term intervention programs in the study areas by the concerned bodies, for largely the government. This helps ACSI to reverse the vicious circle of "low income – low saving – low income" into an expanding system of "high income – high saving – high income" areas of intervention.

To be effective in large scale, the coordination of different actors is crucial. For instance, program designers at higher levels, implementers at lower levels, and funding agents should re-evaluate the program design and implementation to bring the positive effect on the participants in terms of enhancing saving mobilization and hence ultimately community welfare. Moreover, measures should be taken to redesign and expand special urban financial institutions targeting on mobilization of saving and provision of loan for urban poor, for example, the financial institutions should design systems that enhance the saving habit of the urban people and establish insurance schemes by increasing the people's awareness about the importance of insurance against income risk.

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