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Analysis of Socio-Economic Factors Affecting the Saving and Investment Habits of Local Government Employees in Nasarawa State

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Abstract: Saving is very important and is responsible for preventing any emergency met by the individuals or the households or any other users, as well as essential for capital formation of any Economy. Savings is referred to as the amount of money which we keep aside from our income. Saving is a significant macroeconomic variable which is studied under the economic scenario of any individual as well as household. This study seeks to empirically explore the socioeconomic factors affecting savings habits of local government employees in Nasarawa state. For analyzing the effect, a questionnaire was prepared to study the impact of income, family Size etc. The sample selected involved 395 Respondents. The results revealed that, most of the respondents saved money, and saving is one of the key qualities of a successful entrepreneur. The study established that savings and investment habits are significantly affected by income, household size, age and financial wellbeing. On the other hand, educational level, spouse spending habit, availability of credit facility, inflation and societal norms has no significant effect on savings and investment habits of the respondents.

Keywords: Savings, Socio-Economic, Factors, Inflation, Economic Development.

1 Introduction

Workers in Nigeria are predominantly employees of government establishments, agencies and institutions, especially the three tiers of government (Federal, state and local governments)[1]. They are employed and entitled to monthly income which is relatively fixed, except for some small annual increments that serves as incentive for recognized performance or promotion[2]. Nigerian civil servants' retirement after 35 years of service or at the attainment of 60 years of age is not negotiable[3].

With a sudden drop in income, a large proportion of civil servants in Nigeria suffer hardships, depends on meager salary and pension which often times payment is delayed to the detriment of the suffering beneficiaries due to bureaucratic administrative process[4]

Unfortunately, it is often found that most of these persons do not have investment return to smooth their consumption, e.g.

1 Nwana A., "Development Adult Education in Nigeria". Ibadan University Press Limited. 1984.

2 Andre, O. and Odejimi, D., "Empirical Assessment of Socio-economic Determinant of Portfolio Investment Decisions of Civil Servants in Nigeria", Journal of Emerging Trends in Economics and Management Sciences (JETEMS), Vol. 5, N0. 1, October 2013.

3 Iyoha, M., "Rekindling Investment for Economic Development in Nigeria: The Macroeconomic issues", Nigeria Economic Society, selected papers for the 1998 Annual conference. Vol. 34, No. 1, January 1998.

4 Ipumbu W, and Kadhikwa G., "Savings and investment in Namibia". Bank of Namibia Occasional Paper, Vol. 2, No. 1, August 1999.

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Nasarawa state local government employees[5]. It is often said that there is a little difference in people that makes a great difference; the little difference in habit, the great difference is whether it is positive or negative. Saving and investing money regularly, no matter how small, is a positive habit. The amount one saves is not as important as establishing the habit of savings[6]

It is against this background that the study seeks to empirically explore the socioeconomic factors affecting savings habits of local government employees in Nasarawa state.

It is a generally trend that the gap between income earned or cash inflow during the periods of active service and after retirement of the local government employees in Nigeria is considerately large. Perhaps, it reflects the fact that most workers do not accumulate supportive investments to augments their income while in active service. The resultant effect is that most of them do not have sufficient investment returns to smooth their consumptions at all times.

In Nigeria today, the saving ratio is so low, this situation has affected productivity growth in Nigeria. Corroborating this, Iyoha (1998) maintained that the negative growth in real GDP in the Mid-1980s could be attributed to a host of factors which decline in investment and savings are a major factor.

This research will be of immense help to policy makers and formulators particularly those involved in the development of the Nigeria economy. It will help them in choosing the appropriate policy in the macro-economic policy management, particularly those affecting savings in Nigeria. The study shall also assist in a modest way to increasing students' knowledge on the practical and real-life situation of the theoretical discussion in the classroom and also serves as a basis on which further research could be carried out.

The research seeks to answer questions like What are the effects of socio-economic factors on Local Government employees' savings habits, what are the constraints to savings habits of Local Government employees in Nasarawa state, how does the trend affect the lives of local government workers.

2 Review of Literature

Ogbokor (2014)[7], empirically investigated the determinants of savings in Namibia through the use of co-integration and error correction mechanisms for the period running from 1991-2012. The study made use of quarterly and annual time series data sets. The paper relied heavily on unit root tests, co-integration and error correction procedures as ways of investigating the characteristics of the variables and the long-run relationship between savings and its determinants. The results of the co-integration tests suggest that there is a long-run relationship between savings and the explanatory variables used in the study. The results suggest that inflation and income have positive impact on savings, while population growth rate has negative effects on savings. They also explained that the deposit rate and financial deepening have no significant effect on savings. In addition, the results reinforced the work of Ipumbu and Kadhikwa (1999) who opined that the need to achieve a high rate of savings in Namibia by improving upon income levels cannot be overstretched.

Teshome (2013)[8], examined the determinants of rural household savings in the East Hararghe Zone, Oromia Regional State of Ethiopia, using survey data generated from 700 samples household. The results of this study showed that 79.2% of the entire sample households had savings during the survey time/. From the probit model used for analysis, nine (9) variables, namely household head education level, livestock holdings, access to credit service, income investment, training participation, contact with extension workers, forms of savings and saving motives were found to have significant influence on the number of households' savings. The results of the study showed that rural households do save mainly in an informal savings institution showing that there is high need for the provision of formal financial savings institutions for easy accessibility.

Kudaisi (2013)[9], investigated the determinants of domestic savings in West Africa from 1980-2006. The theoretic foundation for the study was anchored on Hall hypothesis of consumption. The hall hypothesis stats that consumption is a function of lifetime "permanent income", rather than income in each period independently. The model assumes that capital markets are perfect and interest rate varies over time across countries and consumers have rational expectation regarding the income

5 Kudaisi BV., "Savings and its determinants in West Africa countries". Journal of Economics and Sustainable Development, Vol. 4, No. 1, May 2013.

6 Ogbokor CA., "Samahiya OM. A timeseries analysis of the determination of savings in Namibia". Journal of Economics and Sustainable Development. Vol. 5, No. 8, September 2014.

7 Ibid

8 Teshome G. Kassa B, Emana B, and Haji J., "Determinants of rural household savings in Ethiopia: The case of East Hararghe zone, Oromia Regional state". Journal of Economics and Sustainable Development. Vol. 4, No. 3, February 2013.

9 Kudaisi BV, Op cit.

generating process. The result showed that the sizes of effect of the dependency ratio and interest rate on domestic savings were negative and insignificant, growth of GDP though positive but statistically insignificant, only the government budget surplus and inflation rate are found to be statistically significant. The development of West Africa financial market has a positive effect on savings, and finally, the real interest rate, and terms of trade have insignificant impact on the level of savings in West Africa.

Methodology

The following methods shall be adopted for the research: population, sample size, primary and secondary sources of data.

Population

According to Teshome (2013), population is a totality of all actual or conceivable objects of a certain class under study or consideration. The study is focused generally on the Local Government employees in Nasarawa state.
Therefore, the population of this study shall be the entire Local Government employees across the 13 local governments. According to Nasarawa State Ministry of Local Government and Chieftaincy Affairs there are 31,508 local government employees in Nasarawa state.

Sample size

A sample is a subset of the population which is being investigated with the aim of generalizing the result. For this study, the sample size of 395 local government's employees will be drawn from the population of 31,508 using[10,11] Sample size determination formula.

$$n = \frac{N}{1+N\,(e)^2}$$

where

n = sample size
N = size of population
e = precision level

Given the population size of 31,508 with precision level of 0.05, the sample size is determined as:

$$n = \frac{31{,}508}{1+31{,}508\,(0.05)^2}$$

$$n = \frac{31{,}508}{1+31{,}508\,(0.0025)}$$

$$n = \frac{31{,}508}{1+78.77}$$

$$n = \frac{31{,}508}{79.77}$$

$$n = 394.98 = 395$$

Primary and Secondary Sources of data

The study will utilize both primary and secondary data. The primary data will be sourced through the use of questionnaire. While secondary data will be source through publications, journals, text books and other relevant materials related to the topic.

3 Results and Discussion

Results

Socioeconomic status of the respondents

Table 1 showed that, those between the age of 18 and 29 constituted 30% of the respondents, while those between the age of 30 and 49 constituted 36.7% of the respondents and those between the age of 50 and above constituted 33.3% of the respondents. Male- headed households were 62.5% while 37.5% households were headed by females as presented in Table 1. The same Table 1 also revealed that, about 30% of the respondents were single and widows, while about 40% of the respondents were married.
About 16.9% of the respondents has no formal schooling, while 21.13% belongs to primary level, 25.35% belongs to

10 Gagneet K. Bhatia, Meenakshi Tyagi, "An Impact of Socio-Economic Factors on Saving Behaviour of Individuals". Asian Journal of Management, Vol. 9, No. 1, January 2018.

11 Rimamnde Rikwentishe, Buba Musa Pulka, Hauwa Aliyu Yamta, "Analysis of Socioeconomic Factors Affecting Savings Habits in Jalingo, Taraba State". IOSR Journal of Business and Management (IOSR-JBM), Vol. 17, No. 8, April 2015.

secondary level while 36.62% belongs to tertiary level. About 30.77% of the respondents are within the family size of 01 to 05, about 30.77% of the respondents belonged to the family size of 06 to 10 while 35.9% belonged to the family size of 11 and above. Family size may be the reason for the low savings of those respondents within 11 and above, because a large share of the income would be spent on the feeding. Those that owned one business or the other constituted about 62.5% of the respondents on business status while those that owned no business constituted about 37.5% of the respondents.

Table 1: Socioeconomic Characteristics of Respondents.

S/No.	Variables	Frequency	Percentage (%)
1	**Age in years**		
	18-29	18	30.00
	30-49	22	36.70
	50 and above	20	33.30
	Total	60	100.0
2	**Sex**		
	Male	25	62.50
	Female	15	37.50
	Total	40	100.0
3	**Marital status**		
	Single	15	30.00
	Married	20	40.00
	Widowed	15	30.00
	Total	50	100.0
4	**Educational level**		
	No formal schooling	12	16.90
	Primary	15	21.13
	Secondary	18	25.35
	Tertiary	26	36.62
	Total	71	100.0
5	**Size of family**		
	01-05	12	30.77
	06-10	13	33.33
	11 and above	14	35.90
	Total	39	100.0
6	**Business Ownership**		
	Owned business	25	62.50
	Owned no business	15	37.50
	Total	40	100.0

Households' Patronage in different Banks, and Savings Experience

Table 2 shows the frequency distribution of the respondents' patronage in the different banks of the area. About 26.58 % of the respondents patronized Bank of Agriculture (BOA), while 20.25 % of the respondents choose Commercial Banks, on the other hand, 16.46 % choose Microfinance Bank, while 13.92 % choose Cooperative Bank, and 12.66 % of respondents patronized Cooperative Banks while 10.13 % of respondents patronized a banking method called Asusu. The same table also shows that 22.03 % of the respondents had a banking experience ranging between 01 and 05 years, 20.76 % has experience ranging between 06 and 10 years, 16.96 % has experience ranging between 11 and 15 years, 15.95 % has experience ranging between 16 and 20 years, 13.16 % has experience ranging between 21 and 25 years, while 11.14 % had experience ranging between 26 above years.

Table 2: Households' Banking Patronage and Banking Experience.

Banking Patronage			**Banking Experience**		
Banking Methods	**Frequency**	**Percentage (%)**	**Banking Experience (yr)**	**Frequency**	**Percentage (%)**
Conventional	80	20.25	01-05	87	22.03
Microfinance	65	16.46	06-10	82	20.76

Bank of Agriculture (B.O.A.)	105	26.58	11-15	67	16.96
Asusu	40	10.13	16-20	63	15.95
Mobile Banking	50	12.66	21-25	52	13.16
Cooperative Bank	55	13.92	26 above	44	11.14
Total	395	100.0	Total	395	100.0

Discussion of Findings

Precisely, the results show that there is significant positive relationship between income, age, household size, financial wellbeing and saving rate. It means that the higher the income of an individual, the greater the amount to be saved for investment. Age also affects the saving and investment habits. The age increases, the more individual may save money for investment. The number of dependant/family members strongly influences the way and amount an individual will save. If a person is having a small number of dependants family members, the greater the chances of saving for investment. Individuals work with what will bring benefits or reword to them. Therefore, the respondents‟ perceived savings and investment will bring about financial wellbeing. Therefore, they prefer to make saving in order to invest it in future. Therefore, the greater the positive perception of financial wellbeing the greater will be the amount to be saved by an individual. The results have established that educational level, do not have significant effect on savings and investment habits of the respondents. This signifies that educational qualifications are not a determining factor affecting savings and investment habits. Even an illiterate person can save and invest. Spouse spending habit has insignificant effect on savings and investment habits. Likewise, availability of credit facilities, rate of inflation and societal norms has no significant effects on savings and investment habits. In order words, these factors are not predicators of savings and investment habits to the respondents. With or without them they can save and invest.

4 Conclusions

The conclusion drawn based on the findings is that most of the respondents saved money, and saving is one of the key qualities of a successful entrepreneur. The study established that savings and investment habits are significantly affected by income, household size, age and financial wellbeing. On the other hand, educational level, spouse spending habit, availability of credit facility, inflation and societal norms has no significant effect on savings and investment habits of the respondents.

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