INDIVIDUAL SAVINGS AS A MEANS OF POVERTY ALLEVIATION IN ZAMBIA.

A CASE STUDY OF KAFUE DISTRICT

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Abstract.

Due to inadequate information and education on sustainable individual's savings using the formal way of savings, the economic growth of the country has been hindered. Sustainable Savings are important for the economic growth of a country and hence would contribute to the alleviation of Poverty in Zambia.

Poverty reduction is the main policy objective of the Zambian government, and since poverty is multifaceted, deprivation of individual needs differs.

The poverty levels in the country have been stagnantly high, despite the country having the major Poverty Reduction Programs such as Food Security Pack, Program Against Malnutrition (PAM), Social Cash Transfer and the famous Farmer Input Support Program (FISP) as the government main anti-poverty programs.The purpose of this study was to establish if sustainable Individual Savings can be a solution to reducing poverty levels in people in Zambia.

The objective of the study is to establish whether sustainable individual savings can contribute to alleviating poverty in people in Zambia

The study adopted a mixed- method research design, specifically the concurrent triangulation mixed method design.

In order to present a comprehensive report on the finding of whether saving can be a means to poverty alleviation, the author has attempted to synthesize the findings from 200 respondents comprising of those in formal and informal employment who were interviewed on what mode of saving they use and the challenges faced.

It is hoped that this study will ensure policy makers understand the extent to which savings contribute to the alleviation of poverty so as to enable them improve and design better policies that will promote both domestic and commercial savings. It is also hoped that the acquired knowledge from this study will essentially contribute to the field of researchers.

Keywords—Individual savings, poverty, income, age, Chilimba, Saving group.

1.0 INTRODUCTION AND BACKGROUND

In contemporary Africa, Poverty is wide spread and much effort has been devoted to alleviate it.

In 2012, after the Maya declaration and through the Financial Sector Development Plan, the Government of Zambia made a commitment to increase financial access for its citizens as one of the channels of addressing poverty. Subsequently, the country's mobile network operators and commercial banks started offering mobile services for bill payments and money transfers.

Estimates indicate that 2.9 billion adults, or half the world's adult population, are unbanked, and 2.7 billion of them, or 90 percent, are from low- and middle-income countries. Household surveys in developing countries consistently find very few have a bank account, often less than 20 percent of households. The few poor people who do have access to financial services are often poorly served. Many clients open a formal savings account only to find them too costly or inconvenient to maintain, (Jake Kendell 2010).

According to the bank of Zambia, Zambia is one of the countries where a large population remain outside the formal financial sector. Very few people save with the banks, hence making the price of money high on the financial market.

It is believed that Zambia has a saving ratio below 20 percent of GDP compared to western countries.

Many sub-Saharan African countries introduced financial sector reforms to improve the performance of the financial sector in general, and financial savings levels in particular in the 1980s and 1990s. Yet, despite these reforms, for many countries, the expected increase in financial savings levels was short lived. Compared to East Asian economies, sub-Saharan African countries like Zambia continue to register very low levels of savings mobilization, which is of great concern for policy makers working on the country's poverty reduction strategy. (Samuel Munzele Maimbo, 2003).

Although the country recorded steady economic growth during the period 1990-2015, poverty remained the greatest challenge to national development. Poverty trends suggest that overall income poverty prevalence was reduced between 1991 and 2015 by 24.6 percent, although an increase was observed in the late 1990s. The reduction in poverty was more significant in urban areas, where it declined by 25.6 percent, from 49 percent in 1991 to 23.4 percent in 2015. Income poverty in rural areas decreased from 88 to 76.6 percent (7NDP, 2017).

Poverty reduction remains an important policy objective of the Zambian government. Through various policies and programmes, the government endeavours to achieve broad based pro-poor growth. In the last decade the country has experienced significant poverty reduction in urban areas whilst rural areas remain behind. To create a balance of development between the urban and rural areas, the government will need to formulate and implement programmes that deliberately target areas that are lagging behind. Since poverty is multidimensional in nature, dimensions where people are deprived will differ greatly from place to place. Areas where most people are deprived in energy require a different poverty reduction strategy compared to an area where most people are deprived in unemployment. Because of this, policy makers require adequate information on the state of poverty in order to formulate appropriate strategies to reduce it (Masumbu & Mahrt, 2014)

According to Finscope 2015, Acccess to secure savings products and other financial services will better enable the poor to build financial security, manage financial shock and invest in eductaion, health, housing and income generating opportunities, the cumulative effect being poverty

reduction through greater participation in economic activities and increased quality of life.

According to Chow 1993 as quoted by Jagadeesh, 2015, countries that had made sustainable accumulation of fixed capital have been able to achieve higher and sustain economic growth and development than other countries. The accumulation of fixed capital can only be possible throught sufficient savings. Developing countries are always constrained by inadequate savings and investment, for instance economic development in sub saharan Africa has been constrained by inadequate savings and investment, this is one of the reason behind Africa being known as "the world poorest continent".

According to Saasa (2002), The Zambian governement defined poverty as " lack of access to income, employment opportunities, normal internal entitlement by citizens to such things as freely determined consumption of goods and services, shelter and other basic needs of life that include education.

According to the Interim Poverty reduction Strategy Paper of 2002, Worldwide experience in recent years has shown that although the standard economic reforms measures can help to restore economic growth, this may not necessarily lead to satisfactory poverty reduction. Realising this, the current internationally accepted view is that national development programs and their international support must put poverty reduction at the centre of economic reforms

In order for the country's economy to grow, saving ratio must increase, because these are the funds which will be used to grow the country.

1.1 Problem Statement

Percentage Shares by Employment Status in Zambia,2015.	
	Percentage
Self Employed	57.0
Unpaid Family Worker	18
Public Sector Employee	13.4
Central Government Employees	4.2
Piece Worker	2.9

Source: CSO 2015

Despite 57.0 percent of individuals being self-employed, 18.0 percent being unpaid family worker, 13.4 percent being Public sector employees, 4.2 percent being central government employees and 2.9 percent being piece workers, savings mobilization is very low and poverty levels in the country continue to be on the rise.

Low level of income among individual in Zambia poses the greatest challenge to saving mobilization in Zambia.

It is not clearly known as to why poverty levels continue to increase.

In Zambia there are few theoretical and empirical studies which have been done to establish if sustainable individual savings can be a solution to reducing poverty levels in people in Zambia, hence the identified gap. This study therefore has endeavored to establish whether sustainable individual savings can contribute in alleviating poverty.

1.2 Purpose of the study

The purpose of the study is to establish if sustainable individual savings can be a solution to reducing poverty in people in Zambia

1.3 Objective of the study

The study is guided by the following General and specific objectives

General objective

To establish whether sustainable individual savings can contribute in alleviating poverty in Zambia.

Specific objectives

i. To investigate what mode of saving individuals, use in Kafue District
ii. To establish the reasons why individuals, use a particular mode of savings.
iii. To evaluate the merits and demerits of the different individual modes of savings
iv. To identify challenges hampering formal individual savings
v. To solicit proposals on how the challenges faced can be mitigated to ensure individual savings contribute to poverty alleviation.

1.4 Research questions

The following research questions were derived from the above general and specific objectives.

i. What are some of the reason's individuals save?
ii. What are the challenges individuals' faces when it comes to savings?
iii. How can the challenges faced on individual savings be mitigated?
iv. Does sustainable savings and wealth creation help alleviate poverty?

1.5 Research Hypothesis

In order to determine the validity of the information gathered two main Hypothesis were tested.

i. *H_0: Individual savings does contribute to the growth and development of the economy.*
   H_1: Individual savings does not contribute to the growth and development of the economy
ii. *H_0: Savings, as evidenced by positive real interest rate has led to economic growth*
   H_1: Savings as evidenced by positive real interest rate has not led to economic growth.

1.6 Significance of the study

It is hoped that this study will ensure that policy makers understand the extent to which savings can contribute in the alleviation of poverty so as to enable them improve and design better policies that promote both domestic and commercial savings. It is also hoped that the acquired knowledge from the study will contribute to the field of researchers.

1.7 Conceptual framework
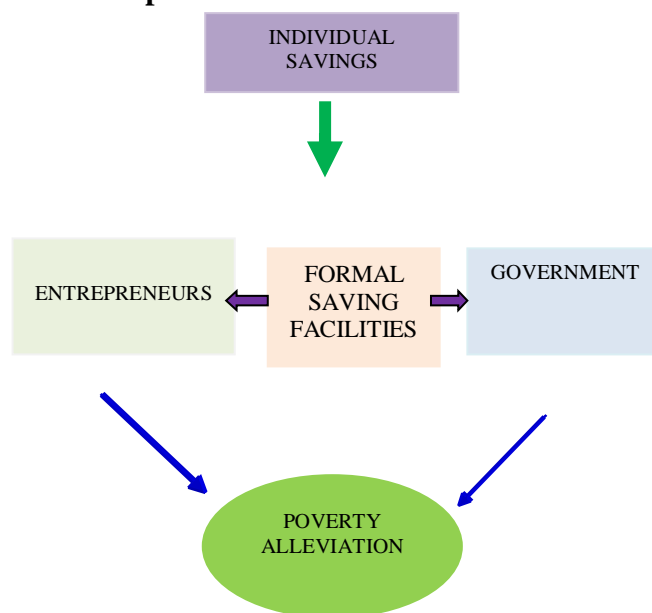
Source: Researcher2018

The model above shows how individuals' savings can contribute in the alleviation of poverty. It shows that when conditions on savings such as interest rates are favourable, distance to the banks and time spent in the banks are short, individuals will be encouraged to use the formal way of saving, the funds which will be saved in banks will then be used by the Entrepreneurs and the Government to grow the economy, hence poverty will be alleviated.

1.8 Definitions of key terms.

Chilimba: It refers to an informal rotating savings scheme involving a group of individuals who come together at regular intervals to pool an agreed upon amount of money which is then

paid out (the full sum of money pooled) to Chilimba member in turn.

Individual: A person earning an income.

Kaloba: An informal way of money lending by individuals

Poverty: It is a condition where people 's basic needs for food, clothing and shelter are not being met.

Poverty Alleviation: These are measures for both economic and humanitarian aimed at lifting people out of poverty.

Savings: It refers to setting aside money you don't spend now for emergencies or for future use

2.0 LITERATURE REVIEW AND THEORETICAL FOUNDATION.

2.1 The concept of saving and income

Saving is normally defined as an act of not consuming a given outlay of disposable income. Through savings, present goods are transformed into future goods. Thus, savings are used to produce capital goods that produce a greater flow of consumer goods at a further point in time. Viewed this way, savings are important in the complex process of accumulation of capital: These savings include both public and private sector savings (Mphuka, 2010).

The literature on savings generally concedes that low domestic saving rates are detrimental to growth since low savings act as a constraint to investment. This is especially true if domestic savings cannot be supplemented with a reliable steady inflow of international savings (Andres & Mario, 2006).

Savings are valuable to lower income households as a buffer against unexpected changes in income or expenditure. Individuals have to restrict their current consumption to accumulate savings. This saving effort and reduced current welfare is compensated with interest paid. However, the rewards from saving are received in the future, compared to current consumption where rewards are immediate (Beverly & Koppe, 2014).

According to Harrod Domar, the rate of growth of GDP is determined by the saving ratio (the marginal propersity to save) in the economy and capital ouput ratio.

The power to save or saving capacity of an economy mainly depends upon the level of per capita income and the distribution of national income. The greater the level of per capita income, the greater will be the amount of savings. The countries having higher levels of per capita income can save more than those with low levels of income. The greater the inequalities of income, the greater will be the amount of savings in the economy. If the national income is equally distributed, much of the income will be consumed and a little would be saved. On the contrary, if national income is unequally distributed, a larger amount of savings will be done by richer people. (AHUJA, 2008)

This model postulated that for an economy to be on an equilibrium growth path, the national savings rate (the fraction of income saved) has to be equal to the product of the capital-output ratio and the rate of growth of the (effective) labour force. One implication of the Harrod-Domar model is that doubling the savings rate may lead to the doubling of the rate of economic growth. (Mphuka, 2010)

For an individual or household, according to economics.com, the relationship between saving and income is called saving function. Simply put, saving function relates the level of saving to the level of income. It is the desire or tendency of the individuals to save at a given level of income. Thus, saving (S) is a function (f) of income (Y).

$S = f(Y)$

At this stage it's important to note two important features of saving

(i) Saving can be negative (-) at zero or low level of income and

(ii) As income increases, savings also increase but not more than the increase in income.

It is important to note that, saving is residual income of households/individual that is left after consumption.

The modern theory on saving and consumption behavior arises from a combination of Milton Friedman's permanent income hypothesis and Franco Modigliani's life-cycle hypothesis

The first theory which is Franco Modigliani and the Life cycle hypothesis which emphasized that income varies systematically over people's lives and that savings allows consumers to move income from those times when it's low.

The second theory is Milton Friedman's Permanent income hypothesis which emphasized that people experience random and temporary change in their income from year to year. Friedman suggested that we view current income $Y = Y^P + Y^T$.

Where:

Y^P = permanent income

Y^T = Transitory income

As a matter of theory, the life cycle-permanent income hypothesis is widely accepted as the proper application of the theory of the consumer to the problem of dividing consumption between the present and the future. According to the hypothesis, consumers form estimates of their ability to consume in the long run and then set current consumption to appropriate fraction of that estimate (Hall, 1978).

The theories relate savings behavior to various stages in an individual's lifetime including periods of schooling, work and retirement and hypothesizes that utility-maximizing consumers rationally act to allocate their resources in order to smooth consumption over their lifetime and thus vary their savings and consumption levels accordingly in order to achieve this goal. Another key proposal emerging from Modigliani (1986) is that income growth impacts significantly on personal savings. The life-cycle theory also asserts that the marginal propensity to consume (MPC) out of wealth should be very small, as spending out of wealth is spread over the remaining years of life. Thus, the effect of wealth on savings is, under this theory, assumed to be insignificant. Moreover, because most households have little wealth, their consumption and savings behavior is influenced mainly by their income (Simleit, et al., 2011)

Savings theory further deviates from the life-cycle hypothesis by suggesting that people save not only to finance retirement and smooth consumption spending but also for precautionary savings purposes, whereby savings are used as a buffer stock (Carrol, 1996).

A further assumption that is made of the impact of savings on poverty is that savings will automatically be used towards reducing poverty i.e. savings has an automatic transmission towards alleviating poverty, which may be presumptuous. In this case, the motive for saving is important. The motive for saving for a poor household is generally assumed to be that of the precautionary motive, i.e. the savings amount made in the previous period is in anticipation of an income shortfall or in anticipation of anything unexpected that may cost more than the household has on hand. (Ting, 2013)

Richer people are expected to save more as a proportion of their income than poor people (savings is, in a way, a superior good). Some formulations make savings depending upon functional income distribution where as others make a link between personal income distribution and saving. While for the most part, the empirical literature based on cross section micro-data suggest a positive relation between personal income inequality and overall personal savings, the evidence on this issue is more mixed at aggregate, country level (Andres & Mario, 2006).

A serious problem confronting many developing countries is the savings gap, which essentially means that these countries find it difficult to finance investments needed for growth from domestic saving. Since saving depends on income, low levels of income that characterize developing countries translate into low levels of saving. Moreover, in developing countries, the majority of the people are poor and the distribution of income is skewed in favor of a small group of businessmen, workers in the government bureaucracies, and the elite whose consumption behaviour tends to mimic the consumption behaviour of their Western counterparts. To the deleterious effects of low income on saving, one might add the low average propensity of the poor to save and since in terms of sheer numbers the poor outstrip the rich in developing countries, on that account, saving is also low (Sawani & Patterson,2010).

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2.2 Interest rate and Transaction cost

There is little consensus in the empirical literature on the interaction between saving and the real rate of interest in developing countries (Reinthart, et al., 1996). Economists decompose the impact of an increase in the real interest rate on consumption into two effects being: an **income effect** and a **substitution effect**.

According to Economics Help, the substitution effect to change in interest rate – lowers interest rates reduces the incentive to save because of relatively poor returns. There is a relative bigger incentive to spend rather than to save. And the income effect of a change in interest rates – lower interest rates reduces the income received from saving and so people may need to save more in order to gain a reasonable return from your saving.

According to Mckinon (1973), an increase in real interest rate in developing countries should encourage saving and expand the supply and credit availability to domestic investors, thereby enabling the economy to grow more quickly.

To promote savings policy of following positive real interest rate has been suggested by several economists. Positive real rate of interest has been suggested for raising household savings. Advocates of the policy of real rate of interest argue that negative real interest rate will divert savings to informal financial markets, unproductive investment and will cause flight of capital from the country. (AHUJA, 2008).

Zero transaction costs are a critical assumption for generating perfect markets, markets that maximize social welfare. Accessing and using formal savings products involves monetary costs such as account opening fees, minimum balance requirements, withdrawal fees, and transportation costs (time and money) to make transactions. Many policies also use price as a lever to encourage more savings. This may solve a problem, but indirectly (which one can reasonably argue is irrelevant, for policy, as long as there are no unintended consequences and it is cost-effective). Monetary costs can be a major barrier for accessing and using formal financial services, especially since the fees are often a large proportion of poor people's savings. These can be fixed costs like account opening fees and minimum balance requirements,

or marginal costs such as transaction fees and yields. Subsidizing the costs of opening and maintaining bank accounts has been shown to increase the take-up of formal savings accounts and, in some cases, savings balances (Karlan, 2014).

2.3 Inflation and Saving

Inflation is defined as a persistent increase in the average price level in the economy, usually measured through the calculation of a consumer price index (CPI).

According to the Fisher effect, it states that higher inflation leads to a higher nominal interest rate. The Fisher equation states that a 1 percent increase in the rate of inflation in turn cases a 1 percent increase in the nominal interest rate. Inflation, a continual increase in the price level, affects individuals, businesses, and the government. Inflation is generally regarded as an important problem to be solved and has often been a primary concern of politicians and policymakers. To solve the inflation problem, we need to know something about its causes (Mishkin, 2004).

An important factor which determines the household saving in the country is the price situation. In the economy where there is high inflation rate or prices are continuously rising, value of money declines. The rise in prices or the fall in value of money has an adverse effect on the savings in the economy. (AHUJA, 2008)

2.4 Poverty

Don't ask me what poverty is because you have met it outside my house. Look at the house and count the number of holes. Look at my utensils and the clothes that I am wearing. Look at everything and write what you see.
What you see is poverty.
A poor man, Kenya 1997

According to the World Bank (2000), poverty is pronounced deprivation in well-being. This of course begs the question of what is meant by well-being. One approach is to think of one's well-being as the command over commodities in general, so People are better off if they have a greater command over resources. In this view, the main focus is on whether households or individuals have enough resources to meet their needs. Typically,

poverty is then measured by comparing an individual's income or consumption with some defined threshold below which they are considered to be poor. This is the most conventional view. Poverty is seen largely in monetary terms and is the starting point for most analyses of poverty.

According to (Grusky & Kambur 2006) as cited by (Handy et al, 2009), Poverty is not an easy concept to define. As a result, a range of definitions exist, influenced by different disciplinary approaches and ideologies. The dominant Western definition since World War II has defined poverty in monetary terms, using levels of income or consumption to measure poverty (Grusky and Kanbur, 2006: 11) and defining the poor by a headcount of those who fall below a given income/consumption level or 'poverty line.

There is a sizable literature in economics that tries to explain the persistence of poverty. Most of this literature assumes that individuals are rational and that the poor, like other individuals, care about their own and their offspring's future wellbeing and therefore are willing to give up part of their present consumption for the sake of the future, (Moav & Neeman, 2012).

In contemporary Africa, poverty is widespread and much effort has been devoted to its alleviation. The success of this endeavor depends on the speed of economic and social development on the continent. Unfortunately, development has not really permeated Africa, a situation that is compounded by global economic arrangements that have become more competitive and sophisticated than African economies can cope with (Onwuka, 2006).

Poverty any where is a threat to prosperity everywhere. It is a scrooge and one of the worst curses and miseries that a human can face. Poverty can be measured either in absolute term, e.g., number of those who cannot afford more than two pairs of shoes, or in relative term for example the number of the poorest ten percent of households. In either sense it is a concept which is defined arbitrarily. Poverty exists not only because incomes are low, but also because the needs of certain low-income households are high. Poverty has many dimensions, which includes economic, political, social environment and human dimension. In economic terms a country, a region or a household is poor when per capita income of purchasing power of a poor country or household is below a certain minimum standard, there are low medical care and health facilities, productivity is low and there is illiteracy. (scribd, 2016).

The vicious circles of poverty in developing countries can also be broken through sufficient savings, and it is the main key to economic development as well. Additionally, it is notable that the slow rate of development in third world countries are usually attributed to the low levels of national savings, that constraint their capacity to invest in capital formation. This leads to lower level of economic growth and development than other countries that contribute enough savings. So, saving is usually considered as the main source of economic growth (Jagadeesh 2015).

The majority of Zambians have continued to live in poverty (MoNP, 2015).

2.5 Fiscal Policy

The stance of fiscal policy is expected to affect savings. One channel is the size of the fiscal deficit or surpluses that has been found to affect the level of national saving rates. Low fiscal deficits or surpluses contribute to national savings, as complete Ricardian equivalence has been refuted empirically (i.e. an increase in public savings is not fully offset by a decline in private savings). This effect is stronger in developing countries subject to subsistence consumption and liquidity constraints (see Corbo and Schmidt-Hebbel, 1991). (Andres & Mario, 2006).

2.6 Demographics

The Life-Cycle Hypothesis posits that the main motivation for saving is to accumulate resources for later expenditure and in particular to support consumption at the habitual standard during retirement. According to the model, savings should be positive for households in their working span and negative for the retired ones, and wealth therefore should be hump-shaped yet, if one looks at the microeconomic evidence on household saving rates by age, dis-saving by the elderly is seldom observed. While it is obviously true that households are not individuals, and that there is no reason to suppose that household behavior varies with the age

of the household head in the same way that individual behavior varies with the age of the individual, these assumptions are largely forced upon us by the data, and it is not immediately clear what sort of biases they might introduce (Deaton & Pason, 2000)

3.0 METHODOLOGY

3.1 Study area

The study was conducted in Kafue District of Lusaka province. The district was purposively sampled due to the fact that most major companies have closed and that most of the people are out of formal employment doing their own business. According to (Masumbu & Mahrt, 2014) ranking of districts, Kafue District is ranked 8th in the fifth quintile: Spatial FOD ranking and probability of net domination.

3.2 Research design

The study adopted a mixed method research design, specifically; current triangulation mixed method design, because qualitative and quantitative data will be collected at the same time.

3.3 Sample Size and Sampling Procedures

This study had a total of Two hundred (200) respondents, comprising of Marketeers, small scale farmer, fishermen and women, street vendors, taxi and bus drivers, maids, casual and general workers, and those in formal employment (Public and Private).

In order for the targeted sample to have an equal chance of being selected, a simple random sampling method was used.

3.4 Data Collection Instrument.

Primary data was collected using the self structured questionnaire.
Generation of secondary data was through document analysis obtained from documents such as books, reports and journals.

3.5 Data Analysis

The model specification in line with the theoretical frame work used Eviews to determine the significance of individual saving, individual income and individual age as the key variable used in this research, as the significant variables.
Quantitative data was analyzed also using the IBM statistical Package of Social Science (SPSS).
Qualitative data from open ended questions in the questionnaire has been subjected to constant review in order to identify common responses. The analysis started with transcribing, coding, categorizing the data into different sets and then comparing them. The relevant and common responses were categorised into themes, each reflecting a single and specific thought and it is these various themes that have been used to develop an overall description as perceived by the respondents.

3.6 Delimitation of the study

The study was limited only to individuals in Kafue district of Lusaka province

3.7 Limitation of the study

The current political environment may affect the research findings as some respondents' views may be biased towards the views of their preferred political parties.

4.0 RESULTS AND PRESENTATION

The findings and presentation of data is divided into four (4) sections: (1) background, (2) income and saving, (3) Insurance/pension and finally (4) poverty causes and alleviation

4.1 RESPONDENTS BACK GROUND

A total of 200 respondents participated in this research and Figure 4.1 shows that 44.50 percent of the respondents were female, which is less than 50 percent women participation in national affairs, and 55.50 percent were male.
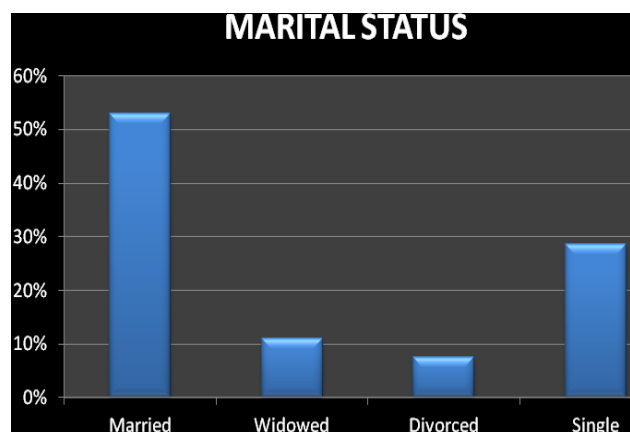
Figure 4.1 Gender
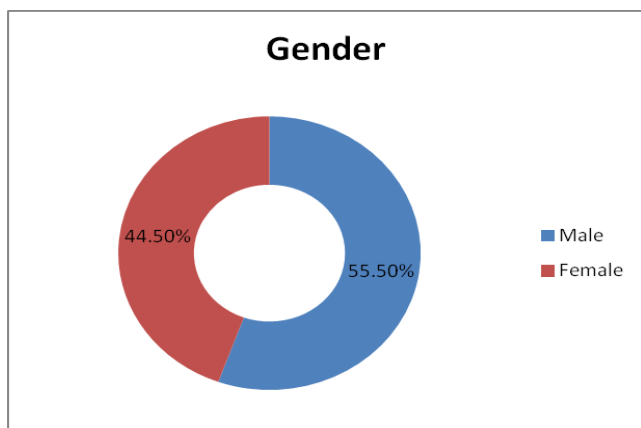
Source: Field data compiled by Researcher

Figure 4.2 below shows that 53 percent of the respondents were married, 11 percent were widowed, 7.5 percent were divorced and 28.5 percent were single.

Figure 4.2 Marital Status

Source: Field data compiled by Reseacher

From the figure above most of the youths where captured within the 28.5 percent.

4.2 INCOME AND SAVING

Based on the theoretical review, it is the desire or tendency of an individual to save at a given level of income and age, and that saving is the function of income. Based on the literature, the following equation has been specified.

Equation 1

$$IdSg = \beta_0 + \beta_1 inc - \beta_2 Ag + \varepsilon$$

See full description of variables in equation 1

Table4.1: Description of variable

Variables	Description of Variable
IdSg	Individual Savings
Inc	Individual Income (from Business, Salary etc)
Ag	Individual Age
β_0	Intercept
β_1, B_2	Slope coefficient which measure the marginal propensity
$\acute{\varepsilon}$	Error term or Disturbance (affect income but are not taken into account explicitly)

The interpretation of the coefficient of an explanatory variable in a regression model depends on what other explanatory variables are included in the model. A regression coefficient indicates the number of units of change (increase or decrease) in the response variable caused by an increase of one unit in the explanatory variable (with the constant values of the other variables). A positive coefficient means that the predicted value of the response variable increases when the value of the explanatory variable increases. A negative coefficient means that the predicted value of the response variable decreases when the value of the explanatory variable increases (Kolcz,2012)

The data used in this research is primary data collected from respondents using self structured questionnaires. The analysis in this research, certerus paribus, did observe three (3) variable to be statistically significant variable in estimating individual saving in this model, see table 4.2 below.

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Table 4.2: Coefficients of statistically significant variables

Coefficients					
Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	A	Std. Error	Beta		
1 (Constant)	138.016	36.311		3.801	.000
Ag	-1.833	.832	-.120	-2.202	.029
Inc	.076	.007	.633	11.605	.000
a. Dependent Variable: IdSg					

Source: Field data compiled by research

For the variable to be statistically significant at 95 percent confidence interval, the variables should be less than 0.05. The p value of Age and income are 0.029 and 0.000 respectively meaning that they are statistically significant.

Other variables such as sex, Insurance/pension, Mode of saving where also tested to determine how statistically significant they were for this study. See table 4.3 below.

Table 4.3: Coefficients of non-statistically significant variables

Coefficients					
Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
1 (Constant)	246.132	51.737		4.757	.000
Sex	-27.490	25.890	-.076	-1.062	.290
Insurance	-31.506	34.705	-.080	-.908	.365
Mode of saving	17.982	16.634	.096	1.081	.281
a. Dependent Variable: IdSg					

Source; Field data compiled by researcher

Table 4.3 above shows that sex, Insurance/pension and mode of saving were not statistically significant in estimating individual savings in the model. The p value for sex was 0.290, Insurance was 0.365 and mode of saving 0.281, which are all above the p value of 0.05.

A study by Bovenberg and Evans (1990) quoted by (Pailar, et al.,2010) shows that the higher the old aged population in the nation the lower is the saving rate of the economy.

Equation 2

$$IdSg = 138.016 + 0.0765Inc - 1.8334Ag + \varepsilon$$

According to equation 2 above, this research study has established that, it is true that an increase in income holding other variables constant will increase individual's savings and an increase in age of an individual will also decrease savings. But mixed results also showed that individuals above the retirement age of 65 years continued to save.

Figure 4.3 below shows that the 11.5 percent of the respondents where above 65 years (mandatory retirement age) and where still saving.

*Figure 4.3 Savers above the retirement age*
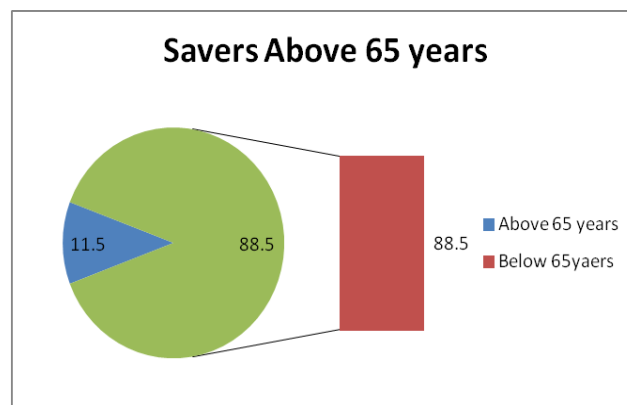
Source: Field data complied by the researcher.

The data collected and analyzed show that individuals do save, but using either the formal way and the informal way of saving.

The formal way of saving in this research is a method were commercial bank accounts, mobile money services such as Airtel money, MTN money, Zamtel and Zoona services are used to save money,

and the informal way of saving is through saving groups, chilimba or hiding money in the house under a mattress or putting the money in bombasas (underpants).
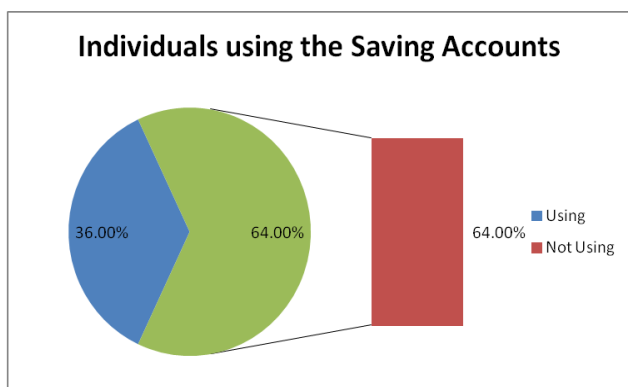
Figure 4.4: Individuals having or not having a saving account
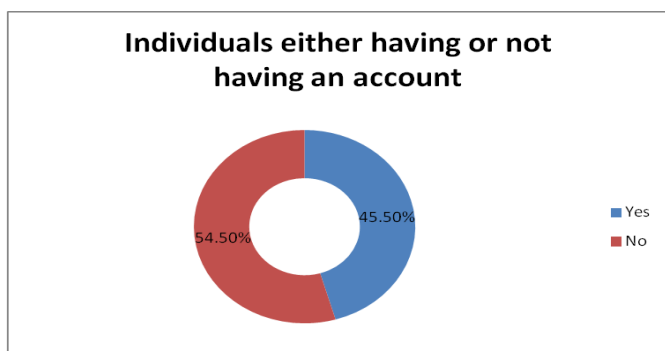
Source: Field data compiled by Researcher

Figure 4.4 above shows that 54.50 percent of the respondent did not have a saving account and 45.5 percent had a saving account.

*Figure 4.5: Individuals using and not using the saving account*

Source: Field data compiled by the Researcher

Despite 45.5 percent of the respondent having a savings account in figure 4.4, figure 4.5 above shows that only 36 percent of the individuals used the accounts to save and 64 percent did not use the accounts.

Individuals where not using the accounts because of the hinderances and challenges which discouraged individuals to save. Some of the hinderances and challenges were high monthly and withdrawal charges, proximity to the nearest saving point and the time spent in a queue at the bank or saving point leaving there businesses unattended to.

A research carried in South India indicated that financial inclusion drives succeeded in getting many clients to open accounts, but these new customers often never used them because the bank branch was too far away or they had not been instructed on how to use the account by the bank(Jake Kendell,2010).

With the above challenges identified, Figure 4.6 below shows the net monthly income for individuals during the period under review.

Figure 4.6: Net monthly Income
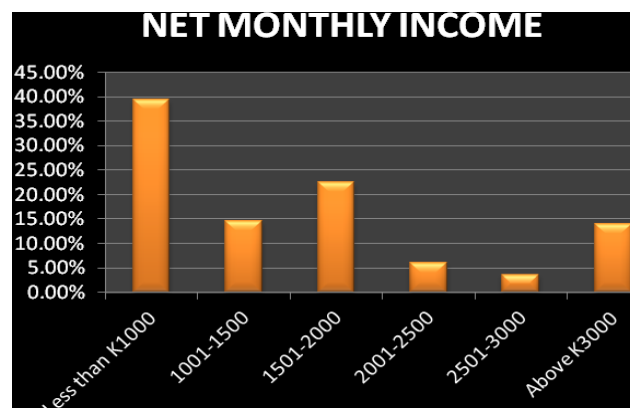
Source: Field data compiled by the Researcher

The figure above shows that 39.50 percent of the respondents were getting below K1000, 14.50 percent got between K1001 – K1500, 22.5 percent got between K1501-K2000, 6 percent got between K2,001-K2,500, 3.50 percent got between K2,501-K3,000 and 14 percent got above K3000.

The study was also carried out to ascertain whether individual income and age affects individual savings. Its was established that income affects individual savings. It was also established

that income is the major variable to save. More than 50 percent of the individuals not using the formal way of saving attributed income as one of the major cause of not saving.

Despite, equation 2 showing that as an individual age increases, individual savings reduces, the research has established otherwise and that individuals above 65 years (retirement age) continue to save. This is because of the high prevalence rate of HIV and AIDS which has increased the death rate and subsquently increased the number of orphans in the communities. The orphans are left in custody of their grand parants for sustainablility. As a result, the old are left with the responsibility of taking care of the orphans, as such their survival is dependant on them. Despite their age,they have to continue saving in order to sustain themselves as a family.

According to Focus note 2006, informal mechanisms out compete formal financial institutions when it comes to both dimensions of accessibility. In terms of proximity, it is hard to beat saving at home: Cash stuffed into a mattress or in a pant is always accessible and carries no extra costs to the saver in terms of time or travel.

Figure 4.7 below shows the breakdown of the mode of individual savings used during the period under review.

Figure 4.7: Individual Mode of Savings
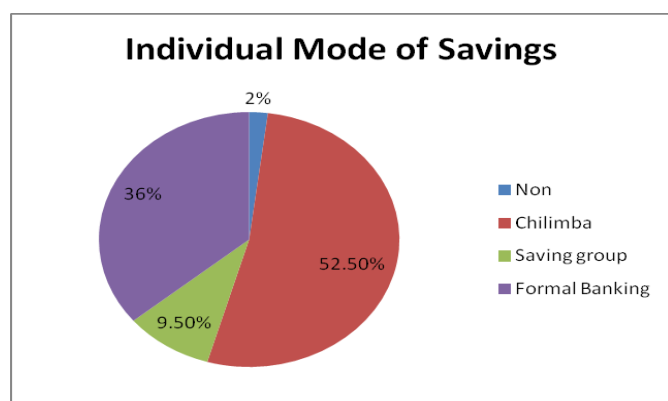
Source: Field data compiled by the Researcher

Figure 4.7 above shows the different percentages on the modes of savings of individuals. 2 percent of the respondents did not save using any method, due to the fact that their income was not enough to warrant one to open an informal or formal account as they relied on hand to mouth type of survival. 52.5 percent used Chilimba to save, 9.50 percent of the respondents use saving groups and 36 percent use the formal way of banking.

The majority of the respondents save through an informal option as shown by figure 4.7 above. This shows that the merit outweighs the demerits as exhibited by the informal saving over the formal option.

The primary advantage advanced by the respondents for the informal option is that the services are available and easily accessed. Another reason was that, it is cheaper. The same amount will be returned without money being subjected to any charges. A lump sum is received at once and that gives the saver or group member to take care of their need area promptly. It is in this regards that such monies will not be saved in a formal way.

Most of the agro and fish farmers (including the youths) are encouraged to form saving groups in order to obtain loans and attract other investments which will increase their production in order to increase the food security of the country: cumulatively poverty reduction.

Despite these farmers belonging in a saving group, the groups do not have any formal saving account, and the funds contributed are kept by individual members

Over fifty percent of the individuals who receive the Chilimba money spend it mostly on consumable goods. The money does not even pass through the formal way of banking hence depriving the country of the much-needed finances to grow the economy.

Informal saving discourages savings resulting in fewer monies savings available in the economy for investment. There are negative implications on economic growth, as they will be no funds for the entrepreneurs' and the government to grow the economy.

According to Prina 2013, access to formal financial services that enables savings and asset building might be important for low-income households to smooth sudden income fluctuation due to negative shocks such as medical emergencies. Savings can also provide capital to be invested in education, health and to start or improve an income generating activity.

4.3 PENSION AND INSURANCE

According to Phiri 2004, Social security is basically a means to mitigate the greater effects of poverty upon which the vulnerable may rely in terms of need. One way of ensuring such production is through pension. Consumption can be smoothened by individuals utilizing the service of pension funds and insurances. Unplanned events such as illnesses and funeral expenses can be mitigated by signing of insurance policies or medical schemes.

Figure 4.8: Contribution to pension funds or insurance
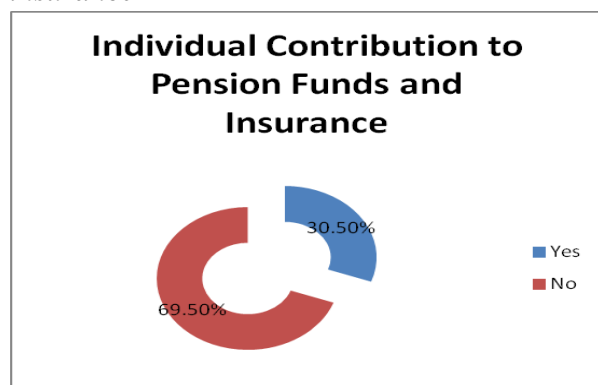
Source: Field data compiled by the Researcher.

Figure 4.8 above shows that only 30.5 percent of the individuals do contribute to Pensions or Insurance and 69.50 percent of the respondent do not contribute to either the pension fund or insurance.

Despite Table 4.3 showing that sex, insurance and the mode of saving are not statistically insignificant in estimating individual savings in the model, social security is one of the means which can be used to mitigate poverty in individuals. Money contributed by the individual will be used later during an individual's life time. In time of death surviving children can use the money contributed by the parents for school fees and other needy areas.

4.4 POVERTY, CAUSES AND ALLEVIATION

According to the World Bank 2005, a poverty profile describes the pattern of poverty, but is not principally concerned with explaining its causes. Yet a satisfactory explanation of why some people are poor is essential if we are to be able to tackle the roots of poverty.

Figure 4.9 below shows that 85.5 percent of the respondents understood what poverty was and only 14.5 percent did not understand.

Poverty in Zambia can be attributed to several factors, one of it being illiteracy. 69.50 percent of the respondents in figure 4.8 attributed their reason for not contributing to a pension fund or insurance to lack of knowledge about the service providers and their benefits. It is in this regard that poverty can easily be alleviated with constant education and training on the benefits of insurance and pension.

The amounts contributed to insurance and pension funds usually are reinvested in real estates and other entrepreneurial ventures.

14

*Figure 4.9 Understanding of poverty*
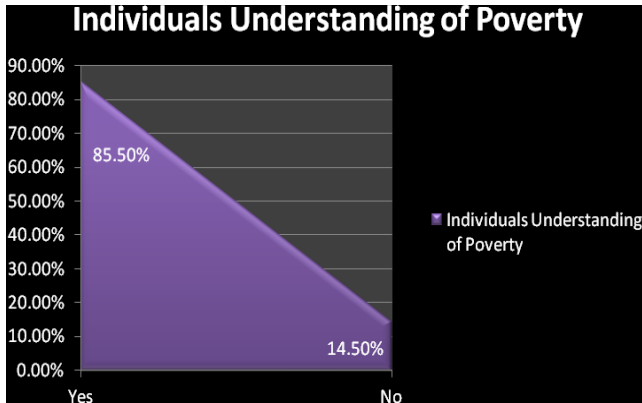
Source: Field data compiled by the Researcher

It is the duty and responsibility of the government that poverty levels are reduced.

It is there important that government should use insurance to fight poverty by making it mandatory for every individual to be insured.

Figure 4.10 below shows that 62.50 percent of the respondents feel that the government has not provided much support in the alleviation of poverty and 37.5 percent feel that the government has provided.
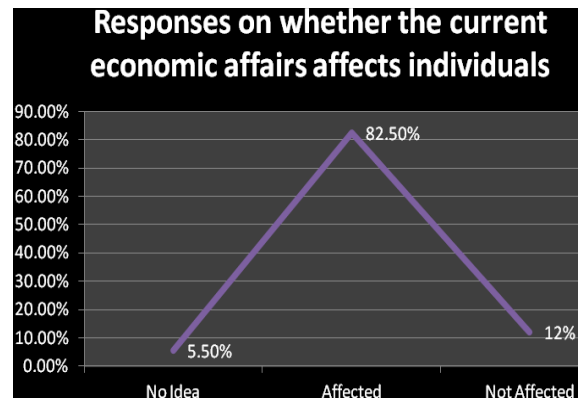
Figure 4.10: Solution to alleviation of poverty
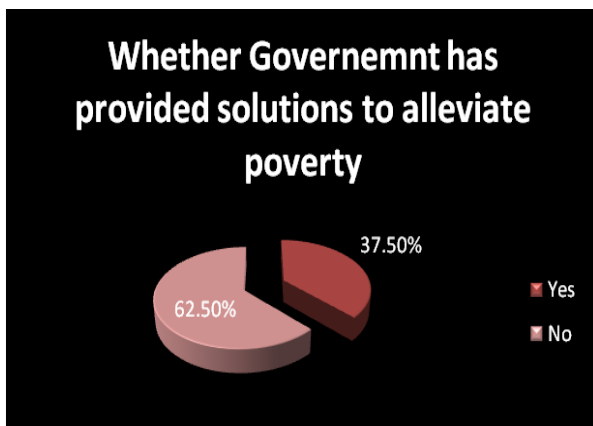
Source: Field data Compiled by the Researcher.

Government policies and pronouncements do affect individuals differently.

Figure 4.10 Current economic affairs

Source: Field data compiled by the Researcher

Figure 4.10 above shows that 82.50 percent are affected by the current economic affairs such as corruption, 12 percent of the respondents are not affected and 5.50 percent have no idea.

5.0 DISCUSSION

Access to secure saving products and other financial services will better enable the poor to build financial security, manage financial shocks and invest in education, health, housing and income generating opportunities.

According to the Bank of Zambia, the saving culture for the country among individuals has been very poor and very few people in Zambia save money in banks, hence making the price of money high on the financial market.

Looking at the results and response from individuals in this research it is evident that a positive real interest rate, zero transaction costs, etc will encourage individuals to save, because there is an incentive to save.

Kafue district has four commercial banks namely Zanaco, Barclays, Stanbic and Indo Zambia bank, and all the three mobile operators provide mobile money services, including Zoona and Speed pay.

All the commercial banks are centrally located in Kafue town with a few bank agents around town.

Chanyanya area which has a high activity of fishing and farming located approximately 30 km from Kafue town has no banking facilitates, as a result some fishermen and farmers a forced to save their daily sells at home or use the informal way of saving such as Chilimba to safe guide their finances.

Most of these informal ways of saving are illegal and are not formally registered with the relevant authorises hence posing a serious risk to individual funds.

If sustainable individual savings are encouraged some of the government projects would be financed locally by the same savings. Entrepreneurs would be able to borrow funds at an affordable rate to start or expand their businesses; in return they would employ more people and the cumulative effect to that is poverty alleviation.

According to the IMF 2017, Zambia's outstanding public and public guaranteed (PPG) external debt stood at nearly US$8 billion by the end of 2016. If the country's saving rate was high such debts would not have been incurred as most of the development projects could have been financed domestically.

For economic development, growth is a must which cannot be achieved without investment or capital accumulation and saving through investment plays a vital role in this process. Although investments can be financed by external capital inflow, it involves huge uncertainty, politically humiliating terms and economically unfavorable conditions. Apart from this, the amount of such assistances is very much negligible in relation to our need. So, it will be beneficial to achieve the ability to move in the direction of increasing self-reliance in terms of financing investment or capital formation. It is the savings, which plays a dominant role in achieving self-reliance and then growth and stability. It can help a developing economy like Bangladesh to get rid of the so-called low-level equilibrium trap or vicious cycle of poverty by creating a big push. (Uddin, 2012).

As a country, if policies are made that compile each and every individual to save using the formal way of banking, cheaper pool of funds will be available for the entrepreneur and investors to borrow and grow the economy.

6.0 CONCLUSION ANDRECOMMENDATION

Saving is one of the important variables in economic development that has emerged as the central issue in developing countries at least for two reasons.

Firstly, foreign aid inflow to the developing economies has declined during recent years.

Secondly, saving positively affects the growth and development of any country. The greater the saving rate, the higher the growth rate a country can attain.

Accoding to the Harrod Domar model, there are two important determinates of economic growth namely: (1) the rate of investment and (2) capital-output ratio.

Without cheap pool of funds in the banks, the rates of investment would not increase because they would be no funds for enterpreneurs and the government to use in there investments. As a result capital output rate would be low.

In Zambia, same of the developmental projects can be financed by the government and private institution borrowing domestically. The debt ratio the country has could have been avoided if the country's saving ratio was very high.

The principal objective of this research study was to ascertain whether Individual savings can be the solution to reducing poverty levels for people in Zambia.

From the data collected and analysed, it was established that most of the individuals (64 percent) fall outside the formal financial bracket in terms of

saving. This entails that most of the funds from these individuals have not been tapped for economic growth.

In order to grow the economy, the country's saving ratio has to go up because this is the money which will be used to finance and grow the economy.

The country's saving ratio is estimated to be below 20 percent of GDP.

When formal savings are encouraged it is more likely the economy will grow and wealth will be created through savings.

According to Thornton, 2009, saving rates are associated with faster economic growth.

Through various policies and programmes, the government attempts to achieve pro-poor growth and there are many ways in which poverty can be alleviated in Zambia, this thesis concentrated on sustainable individual savings as one of the means of alleviating poverty.

Despite the analyzed data showing that individual income and Individual savings have a positive relation (see equation 2), very few individuals were using the formal way of saving, hence depriving the country of the much-needed funds for its financing and economic growth. Through individual savings domestic borrowing by the government can be possible; as a result, they can reduce on the huge external debt in the country.

Based on the findings of this research paper, I am recommending that policy makers:

6.1 Should encourage individuals to save through the formal way such as using banks, mobile money services etc. Such savings will not only earn interest but it will also be made available to entrepreneurs to finance and grow the economy.

6.2 Should encourage commercial banks to design saving products that will take into contemplation the follow observation:
   - Low transaction cost
   - Proximity of the saving product to the clients
   - Flexibility with which the saving services can be provided.

6.3 Should encourage commercial banks and mobile money service providers to design products that are simple to use and people centered

6.4 Should educate the masses on financial literacy.

6.5 Should encourage commercial banks and mobile service providers to provide saving facilities specifically for small scale farmers, marketeers, fishermen and fisherwomen, taxi drivers, maids etc.

6.6 Should encourage individuals in saving groups and those involved in Chilimba to formalize these groups.

6.7 Should endeavor to stabilize the inflation in the country as that is one of the contributors of dis-saving.

6.8 Should make sure that individuals are educated and encouraged to make use of the insurance and pensions services.

6.9 The consumption of imported goods must be restricted. This would boost up domestic investment, employment, income, savings and growth.

6.10 Should make sure that insurance should be mandatory for everyone.

6.11 Should make sure that the citizens are educated on the importance of the introduction of TPIN on all personal accounts.

6.12 Should come up with some policies to restrain growth in consumption goods so that the rate of saving can be increased deliberately.

7.0 ACKNOWLEDGEMENT

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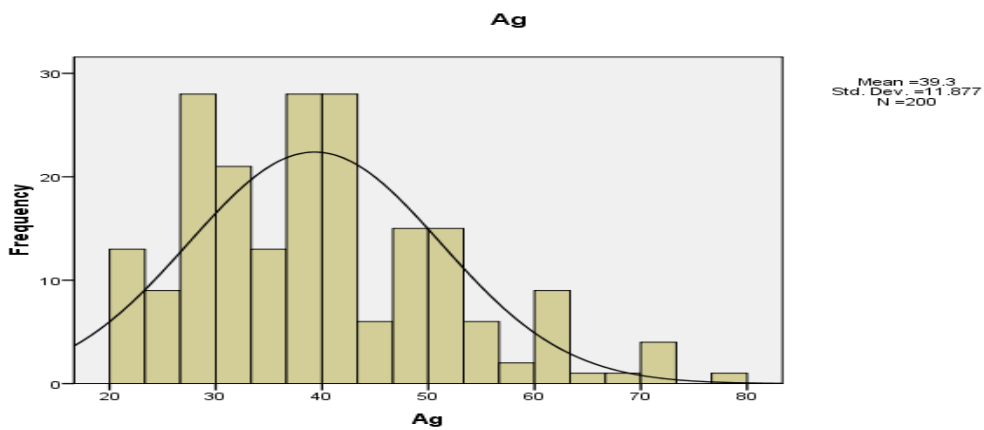[28] Kerlan, D., n.d. (2016). *Saving by and for the poor*: A research review and Agenda.

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8.0 APPENDICIES

Appendix 1: Mean and Standard deviation of individual saving.
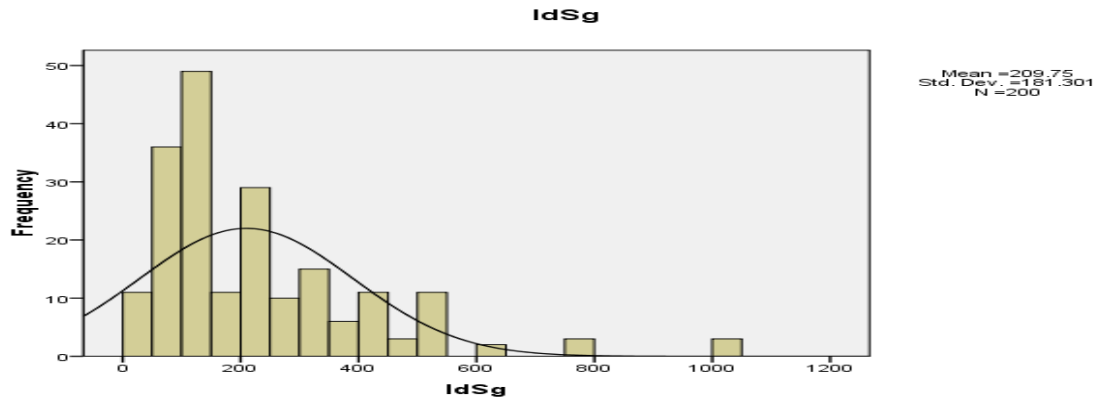
Appendix 2 : Mean and Standard deviation of Individual age

Appendix 2 : Mean and Standard deviation of Individual income