

# UNIT 9

## Saving

By the end of this unit, students will be able to:

- know the importance of saving.
- understand the need of avoiding unnecessary expense in order to improve saving habits.
- identify different methods of saving.

### 9.1 Saving

Saving means the ability to use money and other resources wisely. It also refers to saving money or resources regularly for future expenses. In economics, saving is defined as income minus consumption.

#### 9.1.1 The Importance of Saving

- Do you know anyone who saved a lot of money and who is self-sufficient in your kebele? Please discuss in groups by comparing the living standards of these people.

#### Tewabech and her brothers

One year has passed since the death of Tewabech and her two brothers' parents in a car accident. However, because of the savings made by their parents before their death, they are living without any problems. Tewabech is wise and responsible enough to head their home. She advised her younger brothers to use the money and properties for their education wisely. Thus, they managed their money.

They often say "What would happen to us if our parents had not save this money?" They always thank their parents for their kindness.

### Activity 1

Answer the following questions:

1. Did Tewabech's and her brothers' parents save money knowing their death was coming soon? If your answer is "Yes", how could they know about their madden death? And, if your answer is "No", why did their parents save money? Give your own reasons.
2. According to the passage, what do you think about the way that Tewabech and her brothers used their money?

**Saving** has many advantages. Some of the major important reasons to save are the following:

- Saving money or resources from time to time will enable an individual, or family to solve problems in times of emergencies.
- Saving is essential in order to fulfill our basic necessities like food, clothes and shelter. Individuals and families can develop a sense of self-sufficiency and self-confidence in their life through proper saving.

In other words, saving enables individuals and families to avoid a sense of dependency and inferiority.

Moreover, individuals and families can use their saved money for the purpose of educating their children and themselves.

For example, employed people can use their saved money in order to pay for schools, college, university or other short or long time trainings.

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People who lack the saving habit will not develop their level of education because of shortage of money.

Finally, saving helps people in times of sickness and retirement.

They can use their money in future to buy medicine. Generally, saving helps people in order to live a stable life.

### Activity 2

Answer the following questions:

1. Explain at least three important reasons to save on the basis of your experience.
2. Describe the importance of saving.

### 9.1.2 Methods of Saving

- What do we mean by methods of saving?
- Explain the advantages and disadvantages of traditional and modern saving.

#### Think twice

Having realized the coming shortage of rain in the village, the Woreda Agriculture Office decided to go to the village in order to create awareness and teach the people. They told them that there would be a shortage of rain in the coming season and thus the people should use their property wisely and save. Then, Ato Tumato and his wife, W/ro Faya decided to discuss what they would do in this and the next year.

On the other hand, their elder daughters had already convinced them to join a private college for education. They were also expecting their son's wife to need money when she gave birth. Thirdly, W/ro Faya had been preparing to change their hut to a corrugated roof since this was decided earlier according to their plan.

In order to cover the costs for all these activities, they decided to sell one of their three oxen, two

quintals of cereals which had been stored from last years' harvesting, hens and a goat.

But, after listening to the agricultural office workers' advice, they agreed to stop at once and reconsider their plans. In addition to this, they had the responsibility of leading the nine members of their family. As one of the most popular sayings tells us, "measure twice before cutting once" they should think carefully in order to fulfill their plans.

### Activity 3

Discuss the following questions in groups:

1. What are the expected plans of Ato Tumato and W/ro Faya this year?
2. Are their sources of income sufficient to cover the cost of their expenses?
3. Which plans of the family would be impractical to implement? If your answer is "Yes or No", please give your reasons?
4. What is the importance of taking the advice of agriculture officers?

Answer these questions on the basis of your experience and the passage you read:

1. It is very important to save money gained from different sources of income.
2. Do you know the different methods of saving? Describe some methods of saving.

There are different methods of saving. These include:

- A. Reducing or avoiding unnecessary expenses.
- B. Leading one's life and family's life based on planning.
- C. Saving a portion of one's income.

#### A. Reducing or avoiding unnecessary expenses

This method is a useful method to promote the saving habit. Individuals and families should not

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spend their income beyond their capacity to buy luxury goods.

In addition, they should avoid frequent visits for recreation, and excessive invitations in order to save more money.

### B. Leading one's life and the family's life based on planning

This method is also another way of saving. For example, in Ethiopian society there are usually large families. There are many children in each family that need the support of one or two people in the household.

The presence of many dependent family members needs a lot of food, clothes, medical treatment and school expenses. This means that much of the family income goes on these expenses, leaving little money to be saved.

As a result of little or no money saved, the family will face problems such as:

- Members of the family will be forced to move home and live on the street;
- Abuse of child labour;
- Shortage of clothing, food, etc. and misunderstanding among the family members. This again would lead to conflict.

Therefore, when spending money, we must make a list of our plans and needs of the family. Once, we have done this, we should prioritize according to their importance. Moreover, reducing the size of the family, living within our income and planning our expenses in relation to our income may help to improve our saving capacity.

### C. Saving a portion of one's income

Saving in the Bank, "Ikub", "Idir" and saving and credit associations are also very good methods of saving. It is possible to save an amount of money every month or at a fixed time.

## Activity 4

Answer the following questions:

1. What do we mean by leading our life through planning?
2. What are the commonly used saving methods in your family and other people's families in your kebele? Discuss.

Are there many people in your kebele and in your family who saved money either in the Bank, "Ikubs" or by joining saving and credit associations? If your answer is "Yes", interview those individuals face to face and write a report for your teacher.

- A. When do these people save money in the bank and take money from the bank?
- B. What are their major reasons when they take money from the bank?

## 9.2 Practices that Discourage Saving Habit



Picture 9.1. A large number of children are eating together

- What do you understand from the above picture?

### 9.2.1 Investing Money for Festivals Beyond One's Income

- Do you know anyone who faced problems because of making too many preparations for a festival or to celebrate a holiday?
- Discuss the problems they faced.

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### The problems of the family

The school dresses of Mulu and Masantu were bought three years ago. With no substitute, the dresses were very old and worn out and faded too. Their parents told them that they did not save any money to buy another dress when Mulu and Masantu asked them.

The reason for this was their plan to hold a wedding ceremony for their fostered child and having to pay accumulated taxes. Also they planned to celebrate the coming new year out of town as others do and their idea of buying an ox for the coming holiday of the True Cross (“Meskele”) will consume a lot of money.

### Activity 5

Discuss the following questions according to the passage you read:

1. What are the main problems of the family?
2. How can these problems be solved?

### 9.2.2 Backward Outlook

- Please explain what you think is a backward outlook, views and opinions?

#### Ato Mekele and his wife’s complaints

Ato Mekele and W/ro Tiringo’s daughter Tigist got seriously sick. In order to know the cause and get treatment, they went far to see a witch. The witch, after realizing why they had come to her, told them that the cause of their daughter’s sickness is due to the evil eye, so they should buy a white sheep for her in order to make a cure. After receiving the sheep she also asked them to bring gold from a place far away.

They had no money, but they are worried very much for the witch could not give them a cure for their daughter’s sickness, so, they decided to borrow from their neighbours in order to do what she ordered

them. This, however, got them into deep problems. They were losing their property and getting into debts. They could not even send their daughter to school in the coming year.

### Activity 6

Answer the following questions:

1. What do we mean by backward outlooks or views?
2. Prepare a report to be given to your teacher by asking your family and friends about backward outlooks or views.

Some common example of backward traditional thinking or outlooks are: under-estimating the role of females, investing a large amount of money for unnecessary and luxurious commodities beyond our income level, etc. These can discourage the saving habit.

### Activity 7

Give the correct answer for questions below:

1. How could backward traditional thinking retard the development of individuals and their family life?
2. List the common backward traditional outlooks in your locality.

## 9.3 Poverty

### 9.3.1 Effects of Poverty



Picture 9.2. People who are affected by drought and famine



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- Look at picture 9.2 and explain the effects of poverty and hunger.

Poverty has two faces. The poverty of lack of money and the poverty of lack of progressive outlooks, or views. Both of these are basic cause of the low level of living conditions and conflict among people. They can create dependency on other people's money, wealth and power.

An individual who lacks progressive outlooks or views cannot be a hardworking man or woman. He or she prefers making their living on other people's efforts. This indicates that the lack of progressive outlooks is more dangerous than the lack of money. This is because the lack of money can be solved through hard work and a planned life. On the other hand, the lack of progressive outlooks can only be solved through educating oneself, readiness to know new ideas and views as well as being motivated to learn and to know.

### Activity 8

Answer the following questions:

1. Explain at least three effects of poverty.
2. Poverty and the lack of a culture of hard work are considered as two sides of the same coin. Write a paragraph about this and give it to your teacher.

### 9.3.2 The Relationship between Extravagance and Poverty

- What do we mean by an extravagant person?
- What is his/her relationship with poverty?

Poverty may occur because of many factors. Among the factors, extravagance is one of the main reasons. Extravagance means excessive, or

unreasonable spending of money. An individual who wastes their saved money in order to consume alcoholic drinks without any planning can be considered as extravagant.

### Activity 9

Form groups and discuss the following questions:

1. What are the methods which help us to increase saving habits?
2. Extravagance causes poverty. How?

### 9.3.3 Reducing Extra Expenses and Developing the Saving Habit to Avoid Poverty

- What are possible ways of reducing unnecessary expenses?

In order to reduce extra expense, it is necessary to identify basic and luxury expenses. For example, basic expenses include expenses for water, electricity, food, etc. Non-basic expenses are extra expense for the purpose of buying luxury goods. In order to avoid poverty, individuals and family members should reduce unnecessary expenses and develop the habit of saving.

### Activity 10

Give answers to the questions below:

1. Explain some necessary and unnecessary expenses in your locality. Give examples for each.
2. Poverty can be avoided in various ways. Mention some possible methods and give a brief explanation. Discuss in groups.

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## Summary

In order to live a stable life, we need to develop the habit of saving. This is because developing the saving habit has much importance. For example, saving helps to accumulate money, or wealth that can be used in times of emergencies and to live a stable life.

There are different saving methods. Among them, living within one's income through planning is the main method of saving. In addition to this, saving an amount of money from your monthly income

and avoiding unnecessary and extra expenses are also essential methods of saving.

It is useful to know those bad cultural practices that discourage saving habits like backward traditional outlooks or views, spending beyond one's income level, etc.

Generally, the absence of the culture of saving is the main cause of poverty.

In order to eradicate poverty, we have to reduce extravagant use of money and resources, and develop the habit of saving.

## Key Words

<b>Poverty:</b>	Unable to satisfy basic needs such as food, cloth and shelter
<b>Extravagance:</b>	Use of money or resources without planning or excessive spending of money
<b>Stable life:</b>	A self-sufficient and sustainable life
<b>Credit:</b>	Money borrowed from the bank or credit associations with some interest to be paid in the future in order to solve an individual or family's financial problems

## Unit Review Exercises

Do these review exercises in your exercise book.

### I. Write "True" if the statement is correct and write "False" if the statement is incorrect

1. As a rich person may become poorer and poorer the poor individual may become richer and richer.
2. Having a low income and a lack of progressive outlooks are exactly the same.
3. Saving and planning are two sides of the same coin.
4. An individual cannot lead his or her life without borrowing money from another person.
5. Saving is useful to participate in any employment opportunities.

### II. Match words or phrases under column 'A' with correct items of column 'B'

A	B
1. Poverty	(A) Dependency
2. Traditional saving institutions	(B) Unreasonable expense
3. Extravagance	(C) Self-sufficiency
4. Modern saving institution	(D) Bank
	(E) Ikub

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### III. Copy the following questions on your exercise book and fill the correct answer on the space provided

1. Among the common cultural barriers that discourage saving habits are \_\_\_\_\_ and \_\_\_\_\_.
2. Some of the methods of saving include \_\_\_\_\_, \_\_\_\_\_ and \_\_\_\_\_.

### IV. Choose the correct answer for the following questions

1. Saving means
  - (a) A way of transferring resources from generation to generation
  - (b) A means of accumulating money or resources in order to use them in times of danger and emergencies
  - (c) A means of supporting one's relatives
  - (d) All of the above.
2. Avoiding unnecessary or non-basic expenses refers to
  - (a) A planned way of life
  - (b) Disregarding the needs of the family
  - (c) Harming one's self for his/her future satisfaction
  - (d) All are correct answer.
3. Extravagance means
  - (a) Avoiding saving
  - (b) Lack of sense of responsibility
  - (c) Greedy behaviour
  - (d) "(a)" and "(b)".
4. Developing a culture of the saving habit helps to build a stable and secure life. This means
  - (a) Saving one's income and resource will bring personal satisfaction
  - (b) Saving prevents the separation of family members
  - (c) "(a)" and "(b)" are correct
  - (d) None of the above.
5. What do we mean by poverty of lack of progressive outlooks or thinking?
  - (a) It is a negative attitude towards work
  - (b) It is the view against common interests
  - (c) It is the practice of backward outlooks
  - (d) All are correct.

### V. Give short answers for the following questions

1. Discuss the importance of developing the habit of saving in order to combat poverty. Give examples.
2. Describe at least two common cultural barriers that discourage saving. Give some possible solutions to minimize their effect.