

# UNIT 9

## Saving

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

- describe different methods of saving.
- explain the importance of planning one's life and the habit of saving.
- explain the importance of managing oneself and the family according to one's income.

### 9.1 Types of Saving

- Why is saving important?

A stable and peaceful life depends on our culture of saving. Therefore, people always need to be aware of saving. Saving is the wise use of income and putting aside what is not needed for our present consumption but needed for future use. We can save either in cash or in kind. This means it is not only money that we save but also time, energy, materials, resources and other valuable things. Thus, we have to pay equal attention to our present consumption and to saving. There are people who consider saving as miserly, but this is wrong assumption.

Greedy is, hesitation to spend any money, even where it is really necessary. Saving is putting aside the remainder of our resources after reasonable consumption. It is also our determination not to consume resource wastefully. A greedy person wants to accumulate resources and money at the expense of his present consumption. He may also accumulate excess by consuming resources belonging to others. Therefore, greediness is a bad behaviour, whereas a person with the habit of saving helps himself, his family and even others in need. He can live, fulfilling his basic needs, without suffering and without being extravagant.

As was noted earlier, saving does not only concern money. There are three types of saving. These are saving in cash (money), in kind and in the form of time.

#### Activity 1

Answer the following questions:

1. Is saving the same as greediness? If not, why?
2. How can we save resources for future consumption?

#### 9.1.1 Saving in Kind

- What form of saving is saving in kind?

##### Memorial statue

The three children of W/ro Tringo are much admired in their locality for being clever. For example, this year they built their reading room by themselves. They built it at no cost, using eucalyptus trees in their compound, which they had planted four years ago. They had planted the trees not for house construction, but as a memorial to their dead father, following their mother's advice. They did it saying "We hear that Urban people build tombs with stone in memory of their dead relatives. Why do not we plant trees in the memory of our dead father"?

#### Activity 2

Answer the following question based on the above story:

1. Have you ever created a permanent asset in your locality like the children of W/ro Tringo? How?

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Saving in kind is the form of saving which involves keeping precious stones, breeding cattle, planting trees, building houses, and planting cereals and vegetables which can be harvested for a long period of time (such as coffee, enset).

Saving in kind is a saving mechanism that should be used by people of any economic status. Some rural parents teach the habit of saving to their children from early childhood, for example, by keeping (saving) chickens and calves as gift for their later years. Then the children grow up protecting and taking care of their gifts. As the children grow up and the animals multiply, the children develop sense of ownership and happiness.

As a result of care of their inheritance like this, the children will develop their own saving mechanisms when they are old enough. Urban people also make savings in kind by building houses, buying cars etc.

### Activity 3

Answer the following questions:

1. What is the basis for saving in kind according to the above passage?
2. Write a report to your teacher about saving materials in your locality, by interviewing people, or from your own observation.

### 9.1.2 Saving in Cash

- ገንዘብ ካለ በሰማይ መንገድ አለ/Money talks/
- ወርቅ የተጫነች አህያ በሮች ሁሉ ይከፈቱላታል

Explain the messages of the above proverbs/sayings.

### Kemal and Yesuf

Kemal and Yesuf are two friends from Worabe (*Silte*) who joined Addis Ababa University two years ago. Since then Kemal's parents have regularly sent him pocket money every month. He spends this money on stationery, gifts, and transport when he goes to visit his relatives in Addis. However, he does not spend all of the money sent to him, he deposits the surplus in his bank account.

In contrast Yesuf's parents are not as well-off strong as those of Kemal, so they buy clothes and stationery for him once a year, but they cannot send monthly pocket money to him, so to solve his lack of money, Yesuf came up with a new idea.

While he was trying to generate income for himself, he found jobs which he was able to do without affecting his study time. The jobs were tutoring students and writing articles of awareness creation for newspapers and magazines. This did not mean that Yesuf had a regular weekly and monthly income. This is because he stopped the jobs whenever he had a lot of academic work to do. He saved part of the money he earned at the beginning of semesters when he was relatively free.

Through his own efforts, Yesuf was able to have sufficient money for his needs, just like Kemal. Having satisfied their own needs, the two friends are able to help other students who face financial shortage. Because they have saved money, Kemal and Yesuf do not need any financial support for travel at the end of the year.

### Activity 4

Answer the following questions based on the above story:

1. Why did Yesuf and Kemal need money while they were at the university?
2. Did Yesuf's jobs create problems for his education? Give reasons for your answer.

Money is essential in our day-to-day life for buying things and for getting services. The money to buy goods and services is obtained in many ways such as through hard work, gifts, aid, loans and pensions. Using the money from these sources, through proper planning and savings, is necessary. Since the basic necessities in our daily life are money-related, effective use of money and saving is essential.

Besides awareness about the effective use of money, depositing money is equally important to chose. Money deposited in a secure place safely for not to be stolen. Moreover, a guaranteed place to

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save money will also encourage saving. Banking is among such safe places for saving.

The advantage of banking is not only to provide a safe place to deposit money, but also to ensure that only the depositor can withdraw the money.

The depositor can deposit and withdraw the money at any time he wishes. Furthermore, the bank pays interest on the deposit and gives loans for investment.

### Nuria

Nuria is a 20 year old young woman who lives in Misrak Subcity of Hawassa. Two years ago she had no income. Her elder brother and sister funded her for a six month vocational training.

Since her hobby is listening to radio and TV, she heard that Omo Micro-finance gives loans to those who want to become self-reliant through their own efforts. So, she planned to get a loan and generate her own income by working hard.



Picture 9.1. Working for self-reliance

She went to the micro-finance institution and took the loan so that she could open a barber-shop. She started work by renting a house and employing an assistant. She allocated her earnings for the salary of the assistant, buying materials for the barber-shop, returning her loan and for her daily consumption. Every week she put some savings in the bank.

### Group Work

1. Conduct a debate on the topics “Work is the basis for money” and “Money is the basis for work.”
2. Conduct an interview with a local savings institution about the types of services it renders and advantages it has. Report the result to your teacher.

### 9.1.3 Saving of Time

ካልተሳፈሩበት ቶሎ ተሽቀዳድሞ

ጊዜ ታክሲ አይደለም አይጠብቅም ቆሞ

- Give your opinion about the expression given above.

Time has a great role to play in our day-to-day life and one who does not understand the wise use of time has already surrendered to poverty. For example, if you had been late for an exam, you would have repeated class or dropped out. This in turn would have had an adverse effect on your future life.

Saving time is not only doing much work in a little time, but also completing assigned tasks in the given deadline. For example, the registration date for schools is a scheduled one. If a student comes late for registration he/she cannot register. Likewise, agricultural activities follow natural seasons and one cannot cultivate during the season of harvest and vice versa. This is because during winter there is a shortage of rainfall and that it is impossible to sow seed. Similarly, during summer it is impossible to harvest. Hence to save time we have to do our tasks efficiently, as we have planned. Efficient work is needed because if our work lacks quality we will waste time or have to do it again.

### Activity 5

Discuss the following question:

1. What is the impact of not doing a task at the correct time?

Having a timetable is very helpful for good time management. Every person should have a schedule for his short-term and long-term work. A schedule differs according to the type of job and the environment. For example, students in rural areas should make a time schedule for looking after the cattle, visiting the farm land with their parents, planting and caring for vegetables, watering plants, swimming and other activities during their vacation.

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### Group Work

A grade 8 teacher promised to give a prize for a good study time-table and she ordered every student to prepare schedules for a month for themselves. The following are some of the schedules presented to her by the students. Consider the schedules and answer the questions follow it.

Table 9.1. Managing one's time

No.	Activities	Time allotted	
		Student A	Student B
1	For study	1:00–2:00 hours	2:00–3:00 hours
2	Time at school	6:00–7:00 "	6:00–7:00 "
3	For sleeping	10:00 "	8:00 "
4	For rest and play	2:00 "	_____ "
5	For domestic work (helping parents)	1:00 "	2:00 "
6	Reading books	1:00 "	1:00 "
7	Watching TV and listening to the radio and reading newspapers	_____ "	2:00 "

- Which time schedule is better? Why?
- Which student spends more time studying?
- Which student has a lot of work to do outside the school?
- Plan your own time schedule based on the above example.

## 9.2 The Habit of Saving

A man and his mother used to lead a hand to mouth life. When his mother died he had no money for the funeral ceremony. Then he hid himself leaving the corps (dead body) thinking that the neighbours would do their best to bury it. He came back after two days and asked his neighbours what they had done with the corps. They told him that it was still waiting for him.

Knowing that the responsibility still lay with him, he borrowed some money. With the money he bought a new 'Kuta' which his mother had never worn while she was alive. He used it to cover the corps. In the burial ceremony, he sang the following mourning song.

ለብሳ የማታውቀውን ጃኖ ከታ ለብሳ  
ተመለሼ, በላጊት በየጊት ተመልሳ  
ፍሰሽ እናቴ ፍሰሽ,  
እኔን በአዳ ለውሰሽ.

(Source: Addis Admass 1992 E.C.)

## Activity 6

Answer the following questions:

- What does the story teach us?
- Do you think that he would lead a proper life in the future having a debt to pay? Explain your answer.

The life of most Ethiopians depends on interdependence. They do not have a social security service that can support them when they get old. Thus, since the old have no permanent property or deposited money, they are forced to depend on their children.

The extravagant ceremonies of sorrow and joy aggravate the situation of their dependency. Developing the habit of saving is essential to allow us to celebrate cultural ceremonies and solve our problems.

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### Group Work

#### Interview about the burial and mourning ceremonies in your locality:

- (A) Identify the major activities in the ceremony.
- (B) List the preparations and expenses for the ceremony. Indicate how far the things in your list contradict or go with the idea of saving.

According to economists people make savings mainly for the following reasons:

#### A. To pay for expected and unexpected happenings:

Expected problems (expenditures) include expenditures that occur in the regular process of

social life. For example, people daily need food and shelter. Also Christmas, the finding of the true cross day, Easter, Meuled and Id-ul-fitre etc., are holidays which come at different times in the year and which entail expenses. Furthermore, educational fees, house rent etc., are expected expenditures. In contrast, expenditures during illness, accident or death are unexpected expenditures.

#### B. To create a permanent asset:

Expenditures made to create a permanent asset include expenditure such as for building a house, planting coffee and enset, afforestation, cattle breeding, opening an enterprise, buying cars etc. The asset we make secures our future life and even that of our generation.

## Activity 7

Copy the following table on your exercise book and answer the question:

1. Identify the events in the table as expected and unexpected expenditures. Support your classification with reasons.

**Note:** You may face expenditures that may be expected and unexpected at the same time.

No.	Issue/Happening	Expected	Unexpected
1	Wedding		
2	Death		
3	Tezkar (Death Anniversary)		
4	Mahiber		
5	Guest (Engida)- A visitor		
6	Visiting historical and cultural sites		
7	Birthday		
8	Medical cost		
9	Entertainment		
10	Aid for people (Alms)		
11	Other		

### 9.3 Planning

- Explain to your classmates what you know about planning and how it is done?

A plan is a design strategy to carry out a certain task or achieve a certain result. When we make a plan we need strategies for implementation.

Therefore, for the success of a plan the following three conditions are essential. These are the task we need to accomplish, strategies that help to achieve the required result and instruments to do the task. For example, let us say that a person plans to buy a car, including saving the amount of money needed

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to buy the car, learning to drive and paying for a driving licence. We can also see the following example.

**Plan:** Learning to get a diploma in the coming three years.

### Necessary conditions

- Education fee
- Transport cost
- Stationery cost
- Study time: If the person making the plan is a worker he needs to allot his time for study and work.

Strategies are needed to implement the above plans. For example, with regard to money, the person may need to join the local “Ekub” or he may need to pass the first year by saving money and psychologically preparing himself.

With regard to time, the man may need to stop what he used to do after work. This is to save time for studying. For example, if he used to pass his time after work doing domestic activities, he has to allot another time for domestic activities. If he has no time for study during the day, he has to reduce his sleeping hours so that he can study.

### Activity 8

Answer the following questions:

1. How can a plan be implemented?
2. What activities should a person who wants to build a house do first?

### 9.3.1 The Impacts of Living beyond One's Income

- Explain the difference between knowing and not knowing one's capacity, with examples.

#### Not knowing one's capacity

Ato Degefu earns money from his pension and his motor mill at the centre of a village. He is known in the village for preparing banquets for different

reasons. He prepares himself early for any banquet. Even for the birth day of his child he holds a very big festival.

His niece who has been attending her college education and living with him will graduate in the coming June. Though he was asked to make a contribution for road construction in the village, he did not do so. He was thinking of nothing but giving a big feast on the graduation of his niece. He relived that even with the money he could take from his two “Ekubs” in the village he would have enough and decided to take out a loan as well.

The niece does not get any money from her parents in the country, but she is positive that her uncle will give a feast on her graduation day. He persuaded her that she has to pay back the money that he is borrowing from the village lender when she gets a job. She agreed with him thinking only of her present happiness. They continued to prepare a big ceremony dreaming that the money would be repaid later.

### Activity 9

Answer the following questions:

1. Is there any saving mechanism that Ato Degefu follows? If yes, has he used the method properly or not? How?
2. List the problems which may result from Ato Degefu's living beyond his capacity.

Wise people can lead a life that looks like the life of an eagle. Eagles pass the whole summer in their nests. During this time they eat the excess food which they collected by hunting during the winter.

Many people become extravagant while they have wealth in their youth and suffer a lot when they become old. This is one of the major problems that could result from unplanned life. The following are the advantages of a planned life and the habit of saving:

**Short-Term Advantages of Saving:** These include changes in the daily life of a person. For example, people who were unable to provide for their own basic necessities become able to do so due to saving.

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Moreover, people may buy clothes, and continue their education.

In general, the short-term advantages of saving refer to building the capacity to provide basic necessities and avoid hunger.

**Long-Term Advantages of Saving:** The long-term advantages of saving are enjoyed after a long period time. These advantages include the creation of permanent assets. It means the ability of people to have their own house, to have cattle, and to properly bring up children.

Proper bringing up of children is considered as a permanent asset because the knowledge and skill children get enables them to become self-reliant and to help their families and country.

### Activity 10

Debate on the following questions:

1. Of natural resources and skilled man-power, which one is more important for national development?
2. Based on the above argument, suggest which parents contribute to combating poverty: Parents who send their children to school or those who do not?

### 9.3.2 The Impacts of Unplanned Life

- What is a plan? What are the strategies for the implementation of a plan?

**'One who saves benefits, one who does not loses'**

Ato Forsido and Ato Yala are neighbours working in the same factory.

Ato Forsido is a drunken man who does not lead a good family life. His family lacks peace because in addition to his addiction he also gambles.

He often extravagantly spends money for this reason. Even the bicycle which was used by the family was taken because of his failure to pay his debt. Moreover, his wife is unhealthy because of repeated childbirth and he is unable to properly fund the education of his children.

Ato Yala has four children. Every month he saves three hundred birr at the Saving and Credit Association at his office. All his four children properly attend schools. His wife also attends night school. They are supported by the Saving and Credit Association and by his efforts.

### Activity 11

Answer the following questions based on the above story:

1. What is the difference between the life-styles of Ato Forsido and Ato Yala? Who has the habit of saving?
2. Is the expenditure for education and taking care of children planning for the future? How?

Unplanned life harms both the life of an individual and the society. Planning enables us to use money, time and energy properly and only for essentials. Not planning results in wastage of money and hinders us from doing our tasks properly and affects our personal lives and our families.

### Summary

Human beings are the only creatures who can plan for their future life. Hence, they have to save what is beyond their present consumption in order to implement their future plans.

The proper utilization of time, money and resources guarantees our future life. For example, completing tasks within the specified time and

working according to a plan are essential for development. Saving enables us to improve our livelihood in the short-term and even to create an asset for our future generation in the long-run.

Saving is helpful for personal improvement, social stability and national development. Thus, there is a need to develop the culture of saving at

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the national level. Then, when there are natural and man-made disasters and displacement of people, the government can provide immediate relief assistance. It can only do this if it has reserves of cereals and other resources. Many developing countries fail to feed their people in the absence of foreign aid because they do not make saving a habit.

Thinking about our future generations and securing their economy is the moral responsibility of all human beings. Therefore, planning and saving

ensure the survival of an individual and the country as a whole. There are three types of savings. These are saving in kind, in cash and of time. There are many extravagant situations in our societies that lead to backwardness. Some of the manifestations of extravagancy include unplanned lives, excess feasting and improper expenditure of assets for temporary consumption. Thus, people have to learn to wisely use their income and think for their future.

### Key Words

<i>Home loan:</i>	Money lent by the village creditor, interest must be paid
<i>Greedy:</i>	The habit of not spending money even for essentials or living at the expense of other and unwillingness to share
<i>Consumption:</i>	Clothes, of goods and services for us
<i>Finance:</i>	Money
<i>Input:</i>	Instruments and ingredients used to produce something
<i>Hand to mouth:</i>	An income which is not beyond daily consumption, or low standard of life
<i>Precious stones:</i>	Rare and expensive minerals such as diamonds and rubies

### 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. Saving is the wise use of our income.
2. Wise use of public property is part of saving.
3. Unplanned life harms both the life of an individual and the society.
4. A short-term saving is the basis for long-term saving.
5. There is no poverty where there are natural resources.



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

#### A

1. Long-term effect
2. Calculating income and expenditure
3. Time schedule
4. Cereal storage
5. Banking

#### B

- A. Saving in kind
- B. Mill
- C. Work order
- D. Place for saving money
- E. Knowing wise use of money
- F. Long-term plan
- G. Source of income

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

1. Giving a sequence to our deeds in life is called \_\_\_\_\_.
2. The two basic reasons for saving are \_\_\_\_\_ and \_\_\_\_\_.

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

1. Which of the following is not saving in kind?  
(a) Car (b) Diamond  
(c) Enset (d) Knowledge.
2. What is meant by 'time is gold'?  
(a) Time can be changed into money like gold  
(b) We can borrow time from others like gold  
(c) Time is as shiny as gold  
(d) Time is very important resource.
3. Greediness differs from saving in that it  
(a) depends on harming oneself  
(b) shows a high degree of selfishness  
(c) does not motivate people to work hard  
(d) All are answers.
4. A better deposit of money than putting it as disposal is  
(a) Depositing at a bank  
(b) Getting insured  
(c) Spending on a permanent asset  
(d) All of the above.

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

1. Explain how investing shows profitability and saving better than depositing.
2. Identify the main types of saving with examples.