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## The Factors Affecting the Trust and Risk Attitudes of Ethiopian Households

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### Abstract

Trust and risk attitudes are two implicit features of human behaviour that play a significant role in the decision making process. This study examines the determinant factors of trust and risk attitudes of individuals and the relationships between them. A number of studies underline that the availability of information is crucial to develop trust among the subjects whereby mitigating their risk attitudes. Trust and risk attitudes are also determined by socio-economic factors that vary across different societies. Ethiopia is a low income country, which has a multi-ethnic society that exhibits economic and social distinctions between different groups of people. Hence, the determinant factors of trust and risk behaviours of the households in our study area would include both societal and individual variables.

Data were collected from 400 randomly selected Ethiopian households residing near the southern part of the Awassa city, using survey questionnaire and a game with real money at stake. Unlike Ethiopians from the other regions of the country, the people of Awassa have encountered less severe drought and flooding. This allows the people to maintain their behaviours and daily activities, as they have been less affected by the natural phenomenon. We examine whether this plays a role in determining the risk attitude of the households, in comparison to a previous study that was conducted in other regions of Ethiopia.

Ordinary Least Squares method will be employed to analyse and explain the determinant factors of trust and risk attitudes of the respondents. Conventional draught power use, land size, off-farm activity, and previous experience of drought and flooding will be included in the regression analysis and they are expected to have a negative impact on risk preferences while availability of help during emergency, inheritance, remittance, and the revenue earned from the sale of agricultural products are expected to increase the willingness to take risks.

The findings of the study will contribute to enhancing the understanding of risk behaviour, which is important for future research and devising new policies that will promote investments and adoption of new technologies.

**Keywords:** Ethiopia, household survey, risk attitudes, OLS