The determinants of rural household savings in Kisumu district: a case study of South Nyakach location

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Saving play a very important role in economic development as it involves mobilization of resources, which is consequently invested with an aim to accelerate the growth process. Understanding the savings behaviour is therefore critical in formulating policy measures. As a result, the study has investigated the determinants of rural household savings behaviour. Both primary and secondary data were collected and fitted into a multiple linear regression model. Questionnaires were administered to the randomly selected households. Econometric tools were then used to analyze the data collected. The results show that income is the most significant determinant of savings. Other significant determinants include dependency, age, and education. The results also indicate a widespread existence of informal savings groups, which in contrast reveal a loose association with savings. Based on the empirical findings, the study recommends among others following: a.) That to increase savings, dependency level should be reduced through the enhancement of family planning measures. b.) That the informal savings and credit groupings be strengthened through some form of education and credit assistance, so that they can be able to undertake economic activities. c.) That programmes on the virtues of savings be included in the existing awareness and public education programme. d.) That income generating activities and self-employment be encouraged as they contribute more to savings than the wage employment. e.) That effective ways of availing savings and credit facilities, particularly banks and cooperative societies, to the rural areas be designed.