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DETERMINANTS OF SAVING CULTURE AMONG HOUSEHOLDS IN KENYA. A SURVEY OF WORKING POPULATION IN NAIROBI COUNTY.

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Abstract

Purpose: The purpose of this study was to establish the determinants of saving culture among households in Kenya's survey of households residing in Nairobi County**.**

Methodology: The research used a descriptive research design. The target population for this research study included the working population in Nairobi County. According to 2009 Census, the entire working population is over 985,016. This study adopted convenience sampling method. The sample size of 150 was arrived at using a sampling formula. Descriptive statistics such as mean and frequencies and inferential statistics such as correlation were used. These measures were calculated using Statistical Package for the Social Sciences (SPPS 17.0) software.

Results: The study finding was to establish the motives for savings among working population in Nairobi County. Results led to the conclusion that the top five rated motives for saving were; saving for down payment for durable goods, saving for future emergencies, accumulate funds for starting a business, reserve for future necessities and to gain financial independence in the future.

Other motives that were also rated highly include; to secure the future of their children and their needs, savings plan for the long term, save as a precaution since the future is unknown, inheritance for my children. The least ranked motives were to buy a house or durable goods, old age, holidays, and to have their money tied up for longer periods of time. The study findings also indicated that the level of education is a significant demographic factor that influences saving culture. The study findings indicated that respondents who were more likely to save were highly educated and those that were lowly educated were less likely to save. Furthermore, study findings led to the inference that age is a significant demographic factor that influences saving culture. The study findings revealed that young and middle aged people are more likely to save than old people. Results indicate that marital status is a significant demographic factor that influences saving culture. The study findings indicated that the married were more likely to save than single. Results also indicate that the monthly income is a significant demographic factor that influences saving culture

The results led to conclusion that interest rates affect the amount they saved. This implies that interest rate has a significant effect on savings. Results led to conclusion that statement that the

higher the interest rate the higher they save. This implies that higher the interest rate leads to low saving. This further implies that a negative significant relationship exists between interest rate and saving. The study findings also indicate that majority disagreed with the statement that inflation affects the amount they save. The results also indicated that majority agreed with the statement that they tended to save more in an unstable inflation environment. This implies that inflation had a positive effect on saving among working population in Kenya. The majority agreed that the level economic growth affected the amount they saved. The results also indicated that the majority agreed with the statement that they tended to save more during periods of high economic growth. This led to conclusion that economic growth had a positive and significant effect on savings among the working population in Kenya.

Unique contribution to theory, practice and policy: In line with study results, it is recommended that the government and women empowerment organizations need to encourage savings among women. The education systems should be friendly to the working population in Nairobi through lowering of university entry costs and the improvement in the quality of education offered by middle level colleges. This is because it would positively influence savings. The government of Kenya may improve the income of the working population by reducing taxes on income and creating more employment opportunities. This would effectively boost savings. According to results, it is recommended that the government should adjust its fiscal policies by collecting more taxes and spending more as this will improve the level of national income.

Keywords: *Saving, Culture, Gross Domestic Product, Economic factors, Demographic Factors*

1.1 INTRODUCTION

Sufficient national saving provides an economy with enormous benefits. A country with a high savings rate could generate both foreign and domestic investments and need not depend on foreign debt. The financial sector in every economy is responsible to put these savings back into the income and expenditure circular flow, through investment. Furthermore, Miles and Scott (2004, pg7) commented that: “The more investment a country does, the higher its steady state standard of living.” It also seems as if saving and investments are more beneficial if they come from the domestic sector and more specifically from the household sector (Samuelson and Nordhaus, 1995). All stakeholders in an economy should note that total savings equal to individual savings plus business savings plus government saving (Slavin, 2005). There are several explanations for saving out of personal income. The Life Cycle Hypothesis captures one important reason; that people want to have smooth income over their life time. Another reason is that people want to invest in tangible assets e.g. accommodation and are not allowed to borrow the full amount of money needed. Yet another reason is that people save out of precautionary motives for the uncertain future, to have money when they may need it (Mankiw, 2007). Further, people may save out of desire to leave bequests (Berube and Cote, 2000). The personal savings rate is the fraction of savings out of income that a person saves during a year. The most basic definition of saving is the difference between income and consumption (Hopf, 2006).

An intuitive approach to the determinants of savings may simply point out to the role of relative income levels. However a number of high income countries have shown decreasing rate to low saving rate in recent years: in this regard, Guidolin and lajeunesse (2007) states that the US saving rate is at its lowest level since 1933 the bleakest year of the great depression. The savings rate of U.S. households generally declined from the end of the 20th century into the beginning of

the 21st century (Bucks, Kennickell, Mach, & Moore,2009; Federal Reserve Board, 2002; U.S. Department of Commerce, 2011). That trend, as seen in the National Income and Products Accounts (NIPA) personal saving rate, though still low, has reversed since the 2007 Great Recession from around 1% in the first quarter of 2008 to 5% of disposable income as of May 2011 (National Bureau of Economic Research, 2011; U.S. Department of Commerce, 2011). Less than one half of households in the Survey of Consumer Finances (SCF) indicated that they saved on a regular basis, with only about 57% reporting to have spent less than income in 2006 (Bucks et al., 2009). In addition, both the proportion of households in the U.S. holding debt and the average amount of debt continue to increase, leaving many households unable to buffer unplanned expenses or the loss of employment and income during an economic.

A new survey by the Ipsos Synovate group carried out in December 2011, has laid bare the poor saving culture among Kenyans (Ipsos Synovate, 2011).This in turn has stifled investments, a situation that could lead to many Kenyans suffering during old age due to insufficient income according to research. This therefore indicates that Kenya will not attain its ambitious target if the situation persists because only nations with a saving culture like Japan prosper according to the findings of the research. The savings ratio has hovered at about the 12% mark. Compared to other countries, this seems to be rather low when you compare it to countries like China and Botswana whose savings rate has historically been in the 20-40% range (Ipsos Synovate, 2011).

Factors influencing savings through the microeconomic view are hence identified from the perceived household utility. Choice of a financial institution directly implies a choice of saving, credit and transaction services thereof. This choice concerning financial modes selected by a household depends on the perceived utility that can be derived from the financial modes. The perceived utility depends on the attitudes or behavioral intent of the decision takers, which are a function of the institutions' and individual, attributes respectively (Shem, 2002). The main factors influencing the choice of savings institutions include: security for saving membership to the savings institutions and being able to qualify for group assistance. According to Shem (2002), personal attributes include: individual level of monthly income; individual level of education; individual's age; gender; size of household and; major source of income. Institutional characteristics are: interest rate on loans; distance from financial institutions; collateral for loan; time required to process a loan; minimum balance requirement; loan repayment method; restrictions on loan use; loan repayment period, and; loan amount.

1.2 Problem Statement

Savings are important for economic growth. Sufficient national saving provides an economy with enormous benefits. A country with a high savings rate could generate both foreign and domestic investments and need not depend on foreign debt. The savings ratio in Kenya has hovered at about the 12% mark (Ipsos Synovate, 2011). Compared to other countries, this seems to be rather low when you compare it to countries like China and Botswana whose savings rate has historically been in the 20-40% range, the research showed.

The problem is that while developed economies have high rates of savings brought about by a good saving culture, developing economies in general and the Kenyan economy in particular has witnessed low rate of savings due to a poor saving culture (Ndung'u and Ngugi, 2000). Low saving rate may have a negative impact on vision 2030 achievements. Its therefore important to come up with policies to boost the saving rate.

Studies indicate that there is indeed a host of factors which determine savings culture among households. Reviewed studies for instance Manasseh (2012) noted that population growth, age composition of the household and high birth rates affect savings and investments on a national level. Prema-Chandra and Pang-Long (2003) noted that increased availability of social security provisions and enhanced credit availability also seem to reduce saving. Ahmad et al, (2006) that income and growth variables have a significant positive effect on household saving. Unny (2001) note that age of the head of the household affects savings. Shultz (2005) found no significant relationship between savings and age composition. Whyley et al., (2000) found out that interest rates do not influence the savings behavior of people in low-income categories. Kibet et al., (2009) noted that a change in real interest rates has an uncertain effect on saving, largely because of the competing income and substitution effects resulting from the change in interest rates. One emerging research gap from research is that past studies fail to be conclusive about the determinants of savings culture among households in Kenya. While some studies found a positive relationship between various demographic and economic factors and saving culture, for instance, Manasseh (2012), others found a negative relationship (Prema-Chandra and Pang-Long, 2003), while others still found no relationship (Shultz (2005). In addition, none of the identified studies focused on Nairobi residents. Putting into consideration the large contribution of Nairobi County to the National GDP, it was important to investigate the determinants of savings culture among working population in Nairobi County since savings is important in determining economic growth of both Nairobi County and the Kenyan Economy.

1.3 Purpose of the Study

The purpose of this study was to establish the determinants of saving culture among working population in Nairobi County.

1.4 Research Questions

1.4.1 What are the motives for savings among Kenyans?

1.4.2 What are the demographic factors influencing the savings culture among Kenyans?

1.4.3 What are the economic factors that influence the savings culture among Kenyans?

2.0 LITERATURE REVIEW

2.2 Motives for Savings among Households

Keynes (1936) identified eight saving motives, and Browning and Lusardi (1996) added another, providing a title for each motive: (a) precautionary motive, (b) life-cycle motive, (c) intertemporal substitution motive, (d) improvement motive, (e) independence motive, (f) enterprise motive, (g) bequest motive, (h) avarice motive, and (i) down payment motive. Katona (1975) offered six more general saving motives: (a) for emergencies, (b) to have funds in reserve for necessities, (c) for retirement or old age, (d) for children's needs, (e) to buy a house or durable goods, and (f) for holidays. Devaney, Anong and Whirl (2007) state that saving motive is organized in hierarchy and individuals move up that hierarchy as the lower level motives are satisfied

2.2.1 Precautionary motive

In this theory, households save because they are risk-averse, i.e. the greater the uncertainty about future income, the greater the saving. Romer(2001).Rha, Montalto, &Hanna (2006) states that

Precautionary savings provide households with an emergency cushion in case of a sudden loss of income or an unexpected spike in expenditures.

Dynan, Skinner, & Zeldes(2004) asserted that households may save for precautionary reasons but expect any unspent balances to be left as a bequest. It is unlikely that one motive will be sufficient for all members of a population at a given time or for the same person over a long period of time, and many motives are complementary. In recent years, the importance of co-existing saving motives in research on saving has been noted (e.g., Canova,Rattazzi, & Webley, 2005).

2.2.2. Life-cycle motive

Harris, Loundes, and Webster (2002) conducted a study on the determinants of saving in Australian families. The study, carried out on a random sample of 1200 families who were interviewed by telephone, shows that the three most frequently indicated reasons are ‘‘Retirement’’, a motivation linked to the life cycle, ‘‘Holidays’’ and ‘‘Rainy days’’

Deaton (2005) noted that one of the most important motives for putting money aside was the need to provide for retirement. Young people will save so that when they are old and either cannot or do not wish to work, they will have money to spend. The life-cycle story is one in which the wealth of the nation gets passed around; the very young have little wealth, middle aged people have more, and peak wealth is reached just before people retire. As they live through their golden years, retirees sell off their assets to provide for food, housing, and recreation in retirement. The assets shed by the old are taken up by the young who are still in the accumulation part of the cycle.

2.3 Intertemporal substitution motive

Economists, psychologists, and sociologists have also discussed the importance of “time horizon” in intertemporal choices. Rabinovich and Webley (2007) argue that saving horizon is one of the most robust covariates of saving behavior in previous research, and aids in predicting saving behavior. Lusardi (2000) found a positive relationship between planning and saving, and Lee et al. (2000) and Fisher and Montalto (2010, 2011) found that a long-term financial planning horizons positively related to saving. Households that are willing to have their money tied up for longer periods of time have been found to have higher levels of saving.

2.4 Bequest motive

The altruism model of Barro (1974) and Becker (1974, 1981, 1991) assumes that people harbor intergenerational altruism toward their children and thus implies that they will leave a bequest to their children regardless of whether their children take care of them and/or provide financial support and that bequests will be compensatory (i.e., that they will give more to the child or children with less earnings capacity and/or greater consumption needs).

2.5 Demographic Factors as Determinants of Saving Culture among Households

Demographic factors have been identified by researchers as exerting significant influence on individual and household saving and investment habits. These include growth, age composition of the household and high birth rates. Normally, families who save little amounts save more frequently than those who save huge sum **(**Manasseh, 2012).

2.5.1 Growth and Saving Culture

Prema-Chandra and Pang-Long (2003) examined the determinants of household saving in the process of economic development, in the light of the Taiwanese experience during the period 1952. They found that the household saving rate rises with both the level and the rate of growth of household disposable income and that the real deposit rate has a significant positive impact on saving. Public saving they discovered seems to crowd out private saving, but less than proportionately and that while both old- and young-dependency in population have a negative impact on the saving rate, the magnitude of the impact of the former is far greater than that of the latter. Finally, they concluded that increased availability of social security provisions and enhanced credit availability also seem to reduce saving.

2.5.2 Age and Saving Culture

Akpokodje et al (2004) conducted a study on determinants of household savings in Nigeria. They found out that the effect of age and dependency ratio as demographic characteristics on saving is mainly derived from the life-cycle model which postulates that when the share of the working population relative to that of retired persons' increases, savings is likely to increase. They concluded that the youth and the elderly have low incomes and low savings. Those in middle age have higher productivity, income and save more.

2.5.3 High Birth Rates and saving culture

Unny(2001) conducted a study on determinants of savings of rural households in Kerala. He noted that High birth rates and dependency ratios particularly in the case of underdeveloped countries may entail a sub optimal allocation of resources due to physiological and institutional rigidities. That is, children are born to parents who might prefer not to have them born, but, who are thereafter committed to supporting them. These dependents absorb a large portion of the resources potentially available for increasing the stock of physical and human capital. Using the variation in family size induced by the One Child Policy in the 1970s, Banerjee et al., (2010) find that family planning policies have contributed to an increase in household saving and wealth accumulation for retirement, with a large portion of the increase coming from households that have a daughter.

2.5.4 Gender and Saving Culture

Floro and Seguino (2002) studied the gender effects on aggregate savings by investigating the hypothesis that shifts in women's relative income, which affects their bargaining power in the household, have discernible effects on household saving, and by extension on aggregate saving due to differing saving propensities by gender. An analytical framework for pooled and non-pooled savings households was developed to examine why women and men's saving propensities may differ and how a change in women's wage earnings relative to men's influences household savings which constitutes a significant component of gross domestic saving. An empirical analysis was conducted using panel data for a set of 20 semi-industrialized economies, covering the period 1975-95. The results indicate that as some measures of women's discretionary income and bargaining power increase, aggregate saving rates rise, implying a significant effect of gender on aggregate savings. These findings demonstrate the importance of understanding gender relations at the household level in planning for savings mobilization and in the formulation of financial and investment policies.

2.5.5 Other Demographic Factors Affecting Saving Culture

The Daily (2011) noted that there was a close relationship between saving and the education level of the parents. About 45% of parents without a high school diploma had savings for their child's postsecondary education. This compares with 63% of parents whose highest level of education was a high school diploma and 78% among those with a university undergraduate degree. In addition, the proportion of parents who had saved for their child's postsecondary education was strongly related to average undergraduate tuition fees for full-time students.

2.6Economics Factors as Determinants of Saving Culture among Households

The economic factors that may influence savings include interest rates, inflation and economic growth.

2.6.1 Interest Rate and saving culture

Among the economic factors the interest rate is considered as an important factor affecting the level of savings. Many studies have indicated a positive effect of interest rates on savings in several countries. No such evidence has been concluded in others. Still other ones have reported an inverse relationship between interest rates and savings (Frączek, 2011).

Kibet et al. (2009) conducted a study on determinants of household saving by focusing on a case study of smallholder farmers, entrepreneurs and teachers in rural areas of Kenya .They asserted that the adoption of liberalization measures in Kenya culminated in a rise and spread of interest rates in the financial sector. The saving rate has however remained low. Earlier expectations of the institutions that supported financial liberalization included increase in savings and investment through increases in interest rates. However, this has not been the case with the developing countries.

2.6.2 Inflation and saving culture

Nga(2007)argued that household saving also responds to the rate of inflation. Higher inflation tends to lead to higher nominal interest rates and hence higher measured household income and savings. According to Hopf (2006)., inflation variability affects saving in opposite directions: to the extent that it increases uncertainty about future income, a high degree of price variability may lead to an increase in the saving rate, as a result of a precautionary motive to save but to the extent that a highly rate of inflation goes together with more uncertainty on the real rate of interest (or the return on saving), it may have a depressing effect on the decision to save

3.0 RESEARCH METHODOLOGY

The research used a descriptive research design. The target population for this research study included the working population in Nairobi County. According to 2009 Census, the entire working population is over 985,016. This study adopted convenience sampling method. The sample size of 150 was arrived at using a sampling formula. Descriptive statistics such as mean and frequencies and inferential statistics such as correlation were used. These measures were calculated using Statistical Package for the Social Sciences (SPPS 17.0) software.

4.0 RESULTS AND DISCUSSIONS

4.1 Response Rate

The realized sample became a representation of the study's results and findings as per the questionnaires administered to the selected respondents. A total of 100 responses/Questionnaires were received out of a possible 150 Questionnaires. This indicated that a response rate of 66.67% was obtained.

4.2.1. Level of Education of the Respondents

The study sought to establish the level of education of the respondents. The findings are presented in Figure 1. From the study findings, majority of the respondents (34%) were middle level college while 31% of the respondents were university degree. Fourteen percent (14%) of the respondents were both post graduate and secondary education and lastly 7% were others meaning they either fall below the secondary level of education or are not educated. The findings imply that the respondents were literate thus it is assumed that they were able to interpret the questions posed to them with ease.

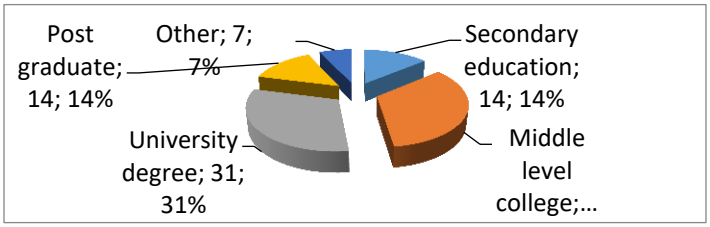

Figure 1: Level of Education of the Respondents

4.2.2. Monthly Income Range of the Respondents

The study sought to establish the monthly income of the respondents. The findings were presented in Figure 4.6. From the study findings, majority of the respondents (61%) indicated that they were earning less than 50,000 monthly while 18% indicated that they were earning an amount between 50,000 and 150,000 monthly. fourteen (14%) of the respondents indicated that they earned an amount between 150,000 and 250,000 monthly and finally 7% of the respondents indicated that they earned more than 250,000 monthly.

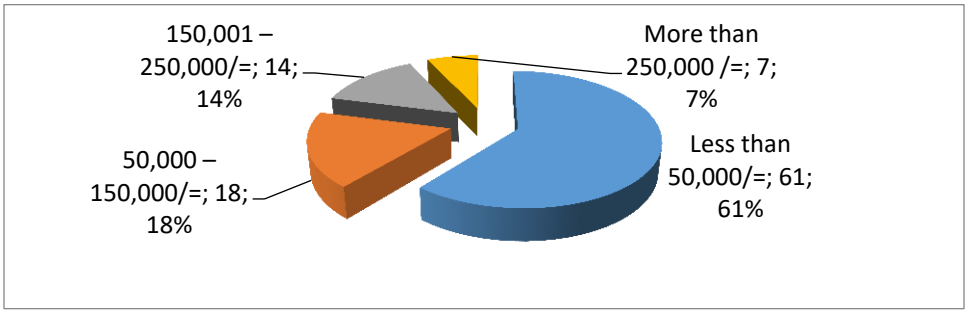

Figure 2: Monthly Income Range of the Respondents

4.2.3. Saving Per Month of the Respondents

The study sought to establish the monthly savings of the respondents. The findings were presented in Figure 3. From the study findings, majority of the respondents (38%) indicated that

they save nothing per month while the majority (34%) saves 1% to 10% monthly. Eighteen (18%) of the respondents indicated that they save (eleven) 11% to 20% and finally 10% of the respondents indicated that they save over 20% monthly.

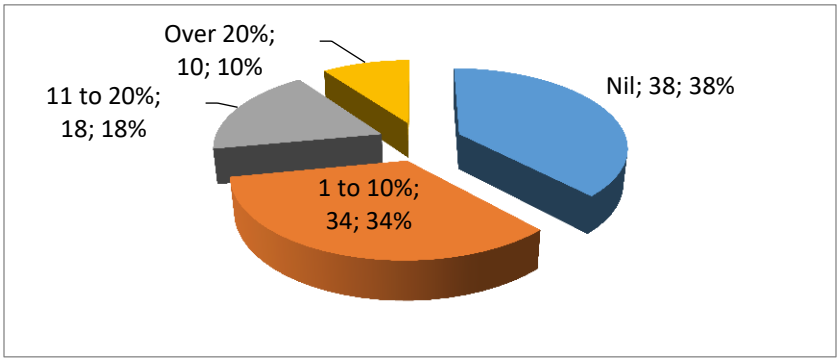

Figure 3: Saving Per Month of the Respondents

4.3 Objective 1: Motives of Savings Among Kenyans

The study sought to establish the motives for savings among working population in Nairobi County.

4.3.1 Save in order to prepare for future emergency

The respondents were asked to indicate if they saved in order to prepare for future emergency whereby a majority of 62% of the respondents agreed with the statement while 22% of the respondents strongly agreed, bringing the total of those who agreed to (84%) .However, 8% of the respondents disagreed and 5%strongly disagreed with the statement while 3% were neural .The results are presented in Figure 4.

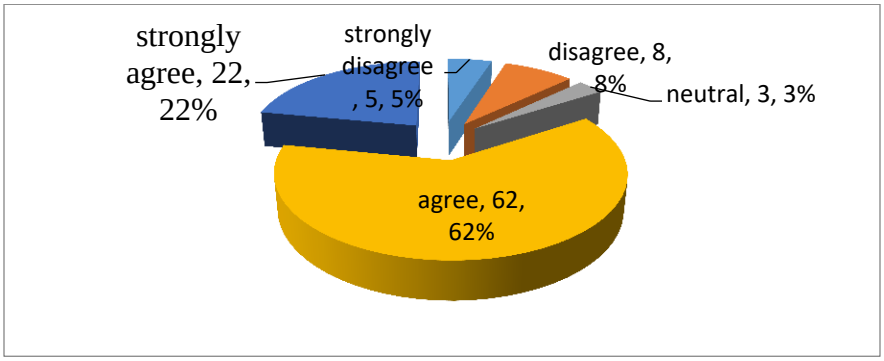

Figure 4.; Save in Order to Prepare for Future Emergency

4.3.2 Save as a Precaution for the Unknown Future

The respondents were asked to indicate if they saved as a precaution for the unknown future. A majority of 38% of the respondents agreed while 16% strongly agreed bringing the total of those who agreed to 54% of those who agreed. However, 27% of the respondents disagreed and 15%strongly disagreed while 4% were neural. The results are presented in figure 4.8.

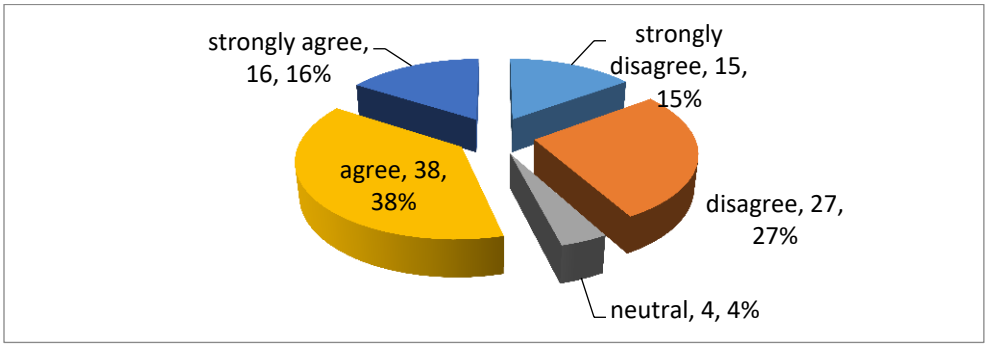

Figure 5: Save as a Precaution for the Unknown Future

4.3.3 Save so as to reserve for future necessities

The respondents were asked to indicate if they saved so as to reserve for future necessities. A majority of 38% of the respondents agreed while 35% strongly agreed bringing the total of those who agreed to (73%). However, 20% of the respondents agreed and 5%strongly disagreed while 2% were neural. The results are presented in Figure 4.9.

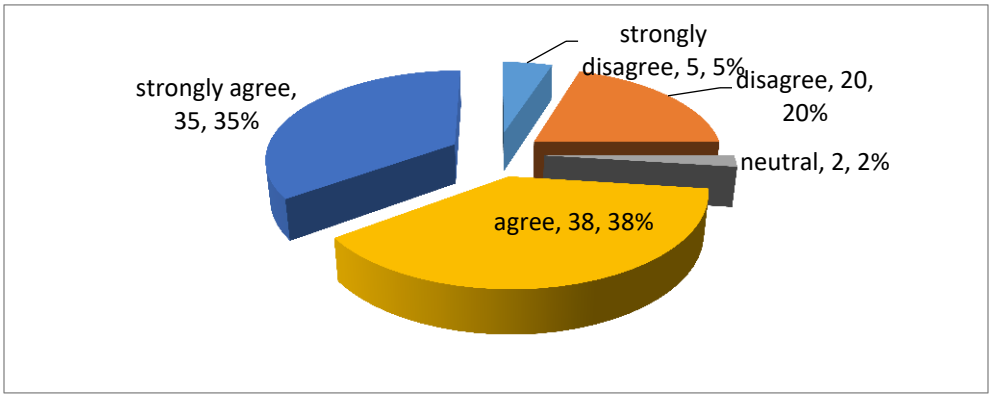

Figure 6: Save so as to reserve for future necessities

4.3.4 Ranking Factors

The means of the saving factors were ranked in order to establish their order of importance. The results indicate that the most important saving factor is down payment for durable goods, followed by save for future emergencies, accumulate funds for starting a business, reserve for future necessities, to gain financial independence in the future, to secure the future of my children and their needs, savings plan for the long term, save as a precaution since the future is unknown, inheritance for my children. To buy a house or durable goods, old age, holidays , to have my money tied up for longer periods of time and for were least ranked. The results are presented in table 4.1.

Table .1:Ranking Factors

	N	Minimum	Maximum	Mean	Std. Deviation	Rank

I save for down payment for durable goods	100	1	5	4.11	.963	1
I save in order to prepare for future emergencies	100	1	5	3.88	1.008	2
I save to accumulate funds for starting a business	100	1	5	3.81	1.308	3
I save to have a reserve for future necessities	100	1	5	3.78	1.260	4
I save to gain financial independence in the future	100	1	5	3.72	1.223	5
I save to secure the future of my children and their needs	100	1	5	3.57	1.273	6
I have a savings plan for the long term	100	1	5	3.41	1.319	7
I save as a precaution since the future is unknown	100	1	5	3.13	1.376	8
I save so a to leave an inheritance for my children	100	1	5	2.65	1.388	9
I save so as to buy a house or durable goods	100	1	5	2.55	1.140	10
I save for old age	100	1	5	2.33	1.248	11
I save for holidays	100	1	5	2.29	1.192	12
I am willing to have my money tied up for longer periods of time	100	1	5	2.20	1.015	13
I save for retirement	100	1	5	2.15	1.132	14

4.3.5 Correlation between Gender, savings per month and saving Culture

Correlation results in Table 4.2 indicates that the relationship between gender and saving per month is positive and significant (r=0.340, p value < 0.001). The relationship between gender and savings culture is also positive significant. r of 0.676 implies that those with high savings

are male (r=0.676, p value < 0.000). The findings imply that gender has significant effect on savings per month and saving culture.

Table 2:Correlation between Gender, savings per month and saving Culture

		Gender	savings_per_month	saving_culture
Gender	Pearson Correlation	1	.340**	.676**
	Sig. (2-tailed)		.001	.000
	N	100	100	100
Savings per month	Pearson Correlation	.340**	1	.219*
	Sig. (2-tailed)	.001		.028
	N	100	100	100
Saving culture	Pearson Correlation	.676**	.219*	1
	Sig. (2-tailed)	.000	.028	
	N	100	100	100

**. Correlation is significant at the 0.01 level (2-tailed).

*. Correlation is significant at the 0.05 level (2-tailed)

4.3.6 Correlation between level of education, savings per month and saving Culture

Correlation results in table 4.3 indicates that the relationship between level of education and saving per month is positive and significant (r=0.651, p value < 0.000). The relationship between level of education and savings culture is also positive and significant, r of 0.278 implies that those with high level of education save more (r=0.278, p value < 0.005). The findings imply that level of education has significant on savings per month and saving culture.

Table 3: Correlation between level of education, savings per month and saving Culture

		Level of Education	Savings per month	Saving culture
Level of Education	Pearson Correlation	1	.651**	.278**
	Sig. (2-tailed)		.000	.005
	N	100	100	100
Savings per month	Pearson Correlation	.651**	1	.219*
	Sig. (2-tailed)	.000		.028
	N	100	100	100
Saving culture	Pearson Correlation	.278**	.219*	1
	Sig. (2-tailed)	.005	.028	
	N	100	100	100

**. Correlation is significant at the 0.01 level (2-tailed).

*. Correlation is significant at the 0.05 level (2-tailed).

4.3.7 Correlation between Age, Savings per Month and Saving Culture

Correlation results in Table 4.4 indicates that the relationship between age and saving per month is positive and significant (r=0.523, p value < 0.000). The relationship between age and savings culture is also positive significant r of 0.403 implies that young people save more (r=0.403, p value < 0.000). The findings imply that monthly income has significant effect on savings per month and saving culture.

Table 4; Correlation between Age, savings per month and saving Culture

		age	Savings per month	Saving culture
Age	Pearson Correlation	1	.523**	.403**
	Sig. (2-tailed)		.000	.000
	N	100	100	100
Savings per month	Pearson Correlation	.523**	1	.219*
	Sig. (2-tailed)	.000		.028
	N	100	100	100
Saving culture	Pearson Correlation	.403**	.219*	1
	Sig. (2-tailed)	.000	.028	
	N	100	100	100

4.4.2.4 Correlation between Marital status, savings per month and saving Culture

Correlation results in Table 4.5 indicates that the relationship between marital status and saving per month is positive and significant (r=0.219, p value < 0.000). The relationship between marital status and savings culture is also positive significant r of 0.347 implies that married people save more (r=0.347, p value < 0.000). The findings imply that marital status has significant effect on savings per month and saving culture.

Table 5: Correlation between Marital status, savings per month and saving Culture

		Marital Status	Savings Per Month	Saving Culture
Marital_Status	Pearson Correlation	1	.000	.347**
	Sig. (2-Tailed)		1.000	.000
	N	100	100	100
Savings_Per_Month	Pearson Correlation	.000	1	.219*
	Sig. (2-Tailed)	1.000		.028
	N	100	100	100
Saving_Culture	Pearson Correlation	.347**	.219*	1
	Sig. (2-Tailed)	.000	.028	
	N	100	100	100

**. Correlation Is Significant At The 0.01 Level (2-Tailed).

*. Correlation Is Significant At The 0.05 Level (2-Tailed).

4.3.8 Correlation between monthly income, savings per month and saving Culture

Correlation results in Table 4.6 indicates that the relationship between monthly income and saving per month is positive and significant (r=0.617, p value < 0.01). The relationship between monthly income and savings culture is also positive significant r of 0.578 implies that majority earned less thus low saving (r=0.578, p value < 0.000). The findings imply that monthly income has significant effect on savings per month and saving culture.

Table .6: Correlation between monthly income, savings per month and saving Culture

		Monthly income	Savings per month	Saving culture
Monthly income	Pearson Correlation	1	.617**	.578**
	Sig. (2-tailed)		.000	.000
	N	100	100	100
Savings per month	Pearson Correlation	.617**	1	.219*
	Sig. (2-tailed)	.000		.028
	N	100	100	100
Saving culture	Pearson Correlation	.578**	.219*	1
	Sig. (2-tailed)	.000	.028	
	N	100	100	100

**. Correlation is significant at the 0.01 level (2-tailed).

*. Correlation is significant at the 0.05 level (2-tailed).

4.5 Objective 3: What are the economic factors that influence the savings culture among Kenyans?

4.5.1 Interest Rates

The study sought to establish the extent to which the respondents agreed with the statement that Interest rates affect the amount they saved.

Results were presented in figure 4.39. A majority of 53% of the respondents agreed while 16% strongly agreed bringing to 69% of those who agreed with the statement that Interest rates affect the amount they saved. However, 13% of the respondents disagreed and 4%strongly disagreed while 14% were neutral.

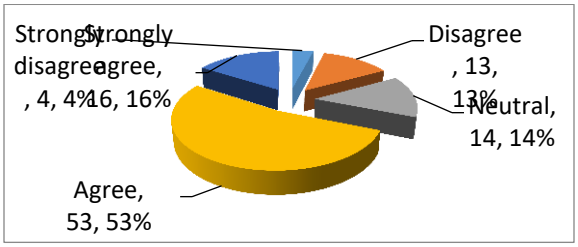

Figure 7: Interest Rates Affects Saving

The study sought to establish the extent to which the respondents agreed with the statement that for a higher real interest rate, they saved a larger fraction of their income. Results were presented in figure 4.40.

The results indicate that 65% disagreed while a further 15% strongly disagreed with the statement that for a higher real interest rate, they saved a larger fraction of their income, bringing to a total of 80% of those who generally agreed. However, 7% of the respondents agreed and 6%strongly agreed while 7% were neutral. The results are presented in figure 7 .

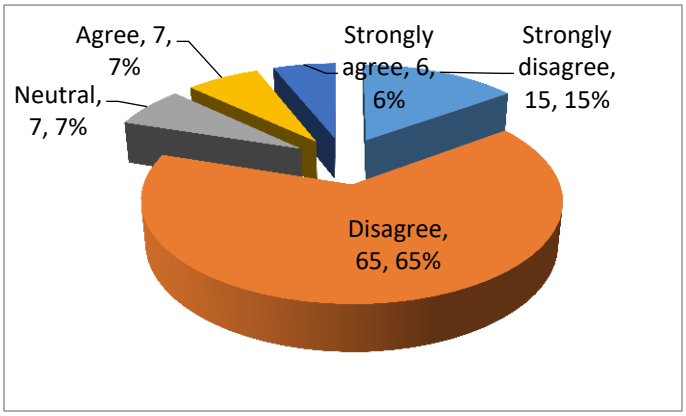

Figure 7 : Interest Rate and Income

4.5.2 Inflation and its effect on saving culture

The study sought to establish the extent to which the respondents agreed with the statement that Inflation affects the amount they save.

Results were presented in table 4.35. 43% of the respondents disagreed while 37% strongly disagreed with the statement that Inflation affects the amount they save, bringing to (80%) of those who disagreed. Further, 13% of the respondents agreed and 2%strongly agreed while 5% were neutral.

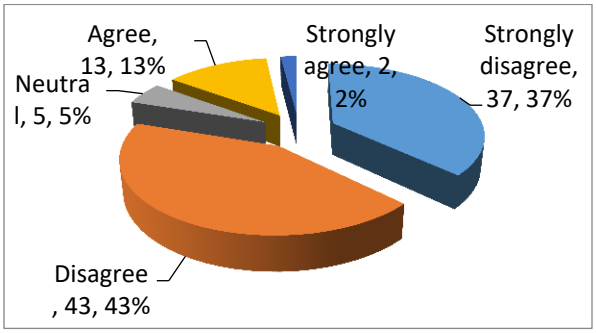

Figure 8 : Inflation affects the amount they save

The study sought to establish the extent to which the respondents agreed with the statement that they tended to save more in an unstable inflation environment.

Results were presented in figure 4.42. A majority of 69% of the respondents agreed while 16% strongly agreed with the statement that they tended to save more in an unstable inflation

environment, bringing to (85%) of those who agreed. .However, 4% of the respondents agreed and 3%strongly agreed while 8% were neural .

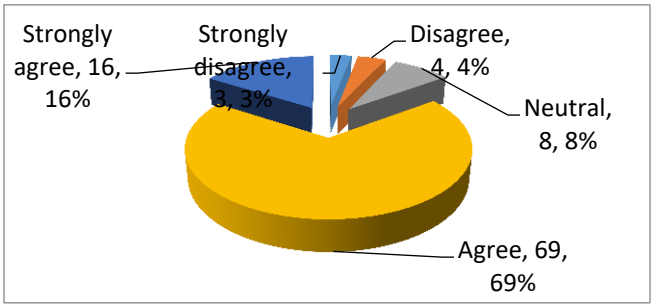

Figure 9 : Unstable inflation environment

4.5.3 Gross Domestic Product

The study sought to establish the extent to which the respondents agreed with the statement that the level economic growth affected the amount they saved.

A majority of 83% of the respondents agreed while 9% strongly agreed bringing (92%) of those who agreed. .However, 4% of the respondents disagreed and 4%stronglydisagreed with the statement. The results are presented in Figure 10

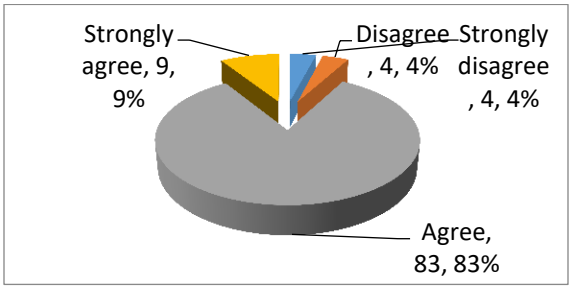

Figure 10 : Gross Domestic Product

The study sought to establish the extent to which the respondents agreed with the statement that they tended to save more during periods of high economic growth.

A majority of 72% of the respondents agreed while 7% strongly agreed bringing (79%) of those who agreed. However, 12% of the respondents disagreed and 5%strongly agreed while 4% were neutral. The results are presented in Figure 4.44

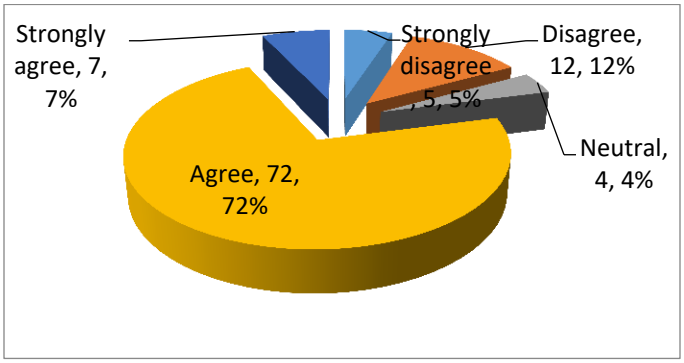

Figure 11 :Save more during periods of high economic growth

5.0 DISCUSSION CONCLUSIONS AND RECOMMENDATIONS

Conclusions

This section presents the conclusions of the key findings of the study based on the already reported research questions.

5.4.1 Motives of savings

The study finding was to establish the motives for savings among working population in Nairobi County. Results led to the conclusion that the top five rated motives for saving were; saving for down payment for durable goods, saving for future emergencies, accumulate funds for starting a business, reserve for future necessities and to gain financial independence in the future.

Other motives that were also rated highly include; to secure the future of their children and their needs, savings plan for the long term, save as a precaution since the future is unknown, inheritance for my children. The least ranked motives were to buy a house or durable goods, old age, holidays , and to have their money tied up for longer periods of time.

5.4.2 Demographic factors affecting saving culture

The second research questions attempted to establish the demographic factors affecting saving culture. Results led to the conclusion that gender is a significant demographic factor that influences saving culture and that men were more likely to save than women. The study findings also indicated that the level of education is a significant demographic factor that influences saving culture. The study findings indicated that respondents who were more likely to save were highly educated and those that were lowly educated were less likely to save. Furthermore, study findings led to the inference that age is a significant demographic factor that influences saving culture. The study findings revealed that young and middle aged people are more likely to save than old people. Results indicate that marital status is a significant demographic factor that influences saving culture. The study findings indicated that the married were more likely to save than single. Results also indicate that the monthly income is a significant demographic factor that influences saving culture.

5.4.3 Economic factors affecting saving culture

The study finding attempted to establish the economic factors that influence the savings culture among working population in Kenya. The results led to conclusion that interest rates affect the

amount they saved. This implies that interest rate has a significant effect on savings. Results led to conclusion that statement that the higher the interest rate the higher they save. This implies that higher the interest rate leads to low saving. This further implies that a negative significant relationships exists between interest rate and saving. The study findings also indicate that majority disagreed with the statement that inflation affects the amount they save. The results also indicated that majority agreed with the statement that they tended to save more in an unstable inflation environment. This implies that inflation had a positive effect on saving among working population in Kenya. The majority agreed that the level economic growth affected the amount they saved. The results also indicated that the majority agreed with the statement that they tended to save more during periods of high economic growth. This led to conclusion that economic growth had a positive and significant effect on savings among the working population in Kenya.

5.5 Recommendations

5.5.1 Recommendations for Improvement

5.5.1.1 Motives for saving

Following study results, it is recommended that the policy makers in Kenya who are concerned with the factors that affect saving need to investigate why the working population in Kenya ranked some motives lowly. For instance; the working population should consider saving to buy a house or durable goods. In addition, saving for old age should be emphasized since its never too early to save for old age however young one is. Nairobi County should be encourage to save for holidays since failure to save for holidays may imply that they may engage in unplanned expenditure especially over Christmas and other holidays. The working population in Nairobi should be encouraged to have their money tied up for longer periods of time by investing in insurance policies such as life insurance, education policy and medical policies.

5.5.1.2 Demographic factors affecting saving culture

In line with study results, it is recommended that the government and women empowerment organizations need to encourage savings among women. This is because the results found that women were less likely to save compared to the men. These can be achieved through improving the income and earnings of women and also offering higher interest rates for women savers. Chamas/women groups which facilitate saving should also be encouraged.

The education systems should be friendly to the working population in Nairobi through lowering of university entry costs and the improvement in the quality of education offered by middle level colleges. This is because it would positively influence savings.

Religious institutions and other family based organizations should encourage marriage since youth and mature people who are married are more likely to save that the single individuals. Perhaps this is a result of the increased responsibilities and dependency.

The government of Kenya may improve the income of the working population by reducing taxes on income by creating more employment opportunities. This would effectively boost savings.

5.5.1.3 Economic factors affecting saving culture

According to results, it is recommended that the government should adjust its fiscal policies by collecting more taxes and spending more as this will improve the level of national income.

Hence, the study recommends that expansionary monetary and fiscal polices may expand the earning capacity of the working population and hence improve the savings.

The government may also lower the interest rates as doing so would improve the savings rate. Perhaps this will happen out of the income effect of low interest rates (low interest rates improve National income/GDP) as economic agents are able to borrow funds cheaply.

The government through the monetary authority should also reduce the inflation up to the targeted level of less than 10%. This is because very high inflation rates leads to low savings. In addition, very low inflation rates imply that the gross domestic product suffers and this may reduces savings.

5.5.2 Recommendations for Further Studies

The study recommends that further investigation be done on factors affecting saving culture in other counties namely Kisumu, Mombasa among others. Such a study would establish whether underlying social economic problems such as HIV/AIDS pandemic affects the saving culture. In addition, studies on strategies to popularize long term saving instruments such as insurance policies need to be conducted.

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