

**FARM HOUSEHOLD SAVING AND ITS DETERMINANTS IN TRANS NZOIA COUNTY, KENYA**

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**A Thesis submitted in Partial Fulfillment of the Requirements for the award of the Degree of Master of Arts (Economics) of Masinde Muliro University of Science and Technology**

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## DECLARATION

This thesis is my original work prepared with no other than the indicated sources and support and has not been presented elsewhere for a degree or any other award.

ROBERT PSAKIT BORTER



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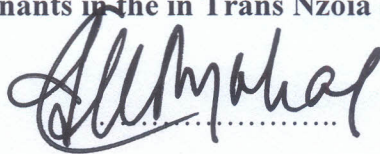
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## CERTIFICATION

The undersigned certify that they have read and hereby recommend for acceptance of Masinde Muliro University of Science and Technology, a Thesis titled "**Farm Household Saving and its determinants in the in Trans Nzoia County, Kenya**".

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## ABSTRACT

Funds available for investments are either from credits acquired from financial institutions or from household savings. Although some research has shown that rural households in Sub-Saharan Africa save, little is known about the factors that influence saving and asset accumulation among them. Low investment in Kenya is easily attributable to decreased savings. The study aimed at developing a broader understanding of the savings habits and practice of farm households in Trans-Nzoia County by providing an appropriate answer to the question: what are the determinants of farm household saving. The study was organized round three objectives: to determine how much savings, on average, farm households actually undertake in a year, to establish their forms of saving and to examine the determinants of saving, consistent with the Kenya Vision 2030's explicit concern for rural sector participation in mobilizing savings for investment. A cross-sectional survey was conducted with 140 households drawn from Kinyoro (70) and Saboti (70) Divisions of Trans Nzoia County. Data was collected using structured questionnaires and analysed through the use of Ordinary Least Squares (OLS).. A households saving function estimated showed that  $S = -16,517 + 0.080 I - 16,358YS - 4,757HS + 1,160AGE - 14,816GH$  and that Income, Level of Education of the household and household sizes were the most significant determinants of saving. Age and gender of the household head had effects on the level of savings but not significant at 5% level. What was surprising, though, was the negative effect of education giving an impression that the more educated household heads are, the less they save and also the positive relationship between age and saving, implying that older people save even more. To enhance household saving, Policies to promote income growth, lowering cost of education and family planning are recommended.