

**FACTORS INFLUENCING PERSONAL SAVINGS IN WOMEN  
GROUPS IN KENYA: A CASE OF VOLUNTARY SAVINGS  
GROUPS IN MACHAKOS COUNTY**

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the Award of the Degree of Master of Arts in Project Planning and  
Management of The University of Nairobi**

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## DECLARATION

I declare that this research project report is my original work and has not been presented for any academic award in any other university.

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## **DEDICATION**

I dedicate my work to my dear daughters, Latasha and Pearl and finally my Mother Rabeccah for their prayers, encouragement, assistance and incredible support during my study.

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## **ABBREVIATIONS AND ACRONYMS**

<b>ASCA</b>	Accumulating Savings and Credit Associations
<b>NGO</b>	Non-Government Organizations
<b>SHGs</b>	Self Help Groups
<b>VSGs</b>	Voluntary Savings Groups
<b>VSLAs</b>	Village Savings and Loan Associations

## ABSTRACT

At the macroeconomic level, individual saving benefits the entire nation. Saving has a positive impact on the economy because funds that are placed in financial assets are then channelled through financial intermediaries to fund investments by firms. Subsequently, investments by firms will ultimately benefit the nation through higher productivity and economic growth. Furthermore, high savings can also hedge countries against economic downturns and financial crisis. One of the avenues to boost national saving is by encouraging individuals to increase personal savings. The role of savings in investment and therefore in the development of a country cannot be exaggerated. In developing countries like Kenya, most of the savings is done by households. In this study the behavior of women savings in Voluntary Saving Groups in Machakos County was examined. However, savings among women in groups in Machakos County have been wanting and deemed to be influenced by several factors such as level of education, level of income and trust in the voluntary savings groups. The purpose of this study was to find out the factors influencing personal savings in groups for economic growth among women in Kenya, a case of voluntary savings groups in Machakos County. The research objectives of the study was; to find out how income levels influence personal savings of women in groups in Machakos County, to find out the influence of level of education on personal savings of women in groups in Machakos County, to examine how trust on the voluntary saving groups influence personal savings of women in Machakos County and to find out the influence of motivation for future expectations on personal savings of women in groups in Machakos County. The study was guided by the Life Cycle Theory which proposes that individual's changes in resources over time and influenced by education among other factors have an influence on savings. The study might be beneficial to groups on savings as well as policy makers who come up with regulations concerning savings through groups. The study employed the descriptive survey design. The target population was all the 1,482 group members of the various voluntary savings groups in Machakos County from which a sample of 148 was obtained. The study established factors that influence personal savings amongst the women in VSGs as level of education, level of income, trust in financial institutions and motivation for future expectations are some of the factors that influenced the savings decisions. Concerning influence of income on personal savings, 68.3% agreed that having other sources of income would increase their ability to save while another 54.7% agreed that their level of income influences their personal savings. In addition, the respondents indicated that (51.9%) those with high incomes are able to save in groups. On educational levels and savings, the findings indicated that (60.5%) level of education influences savings behaviours. Those with high levels of education saved more than those with lower levels. Consequently, the study found out that 50.9% agreed that trust on savings group influences savings on VSGs. Results on motive for future expectations showed that 51.8% agreed that they save to own a home in the future and others for unforeseen contingencies. The study concluded that income levels, education levels, trust and motivation for future expectations played a critical role towards the savings behavior of women. Based on the findings, the study recommends the individuals to seek other sources of revenue be it from farming or selling of clothes just to name but a few other sources of income, groups and individuals to undertake regular financial literacy courses. The study further recommends that for more transparency and honesty in VSGs in order to increase the level of trust among the members.

## CHAPTER ONE

### INTRODUCTION

#### **1.1 Background to the Study**

Globally, women face more restrictions on their choices and opportunities than men whereas sustainable development requires the participation of both men and women (Fukuda-Parr, 1999). A growing body of evidence indicates that gender equality contributes to poverty reduction and sustainable growth (United Nations Development Programme, 2001). Women's increased education and participation in the labor force has been associated with improved economic performance. Indeed, global experience and a multitude of studies have proven that women have the potential to be a significant entrepreneurial force- contributing to the growth of local, national and global economies. (ESCAP, 2002). Women's empowerment is the process in which women individually and collectively become active, knowledgeable and goal oriented actors who take support initiatives to overcoming gender inequalities. PurbaBasu (2004) indicates that Self Help Groups in India have emerged as a successful means of improving the socio-economic conditions of rural families with very little administrative expenses. Seibel and Khadka (2002) state that vast number of SHGs had been established in India in the recent past are self-reliant, autonomous and despite the fact that they were mostly from the lowest and other disadvantaged groups, they had proven to be the better savers, borrowers and investors. Again, the SHGs mobilized their own savings, transformed them into loans to members and ploughed back their interest income into equity.

More than 5 million poor people around the world participate in Savings Groups that provide essential services to help manage their daily lives (Allen & Panetta, 2010). In Africa, there are over 1.5 million saving group (SGs) members who participate in various small and medium

enterprises. In Mali for example, one of the world's poorest countries, there are 400,000 members participating in SGs where over half of the members are rural village women. Saving Groups are composed of 15 to 25 self-selected individuals who meet regularly and frequently to save; amounts are based on each member's ability to save. Groups then pool the savings to make loans on which they charge a relatively high service fee or interest rate which in turn increases the loan fund. Member's savings and loans are recorded in individual passbooks or one central ledger, some use memory-based systems that require no paper records at all, while most recently some SG members are using smart phones to record all their cash transactions using e-recording application.

SGS have emerged as the most popular and durable of the community-based models in reaching the poor (Allen & Panetta, 2010) who are mainly women. CARE pioneered the SG model they call Village Savings and Loan Associations (VSLAs) in the 1990s as an adaption of Accumulating Savings and Credit Associations (ASCA). Savings groups have grown in numbers in the world and reach most rural poor communities in the world. According to research done by Aga Khan Development Network SGs are simple transparent cost effective and sustainable means of providing entry level financial services to people who are so poor and are isolated by other formal financial service providers. For this reason many NGO like AGA KHAN, Catholic Relief Services CARE, Oxfam America, and Plan international to mention but few are actively promoting SGs to reach the poorest of the poor who are on average 80% women. In Kenya where the largest number of SGs resides there are over 18,000 SGs promoted by Catholic Relief Services with over 350,000 members using SGs as vehicles of savings. Its worthy to note that South Africa has one of the most developed formal banking sector in Africa compared to other

countries in the continent where 63% of the country has access to formal banking as of 2011(Khumalo,2011). A further survey has shown that nearly 90% of members that save primarily through ISGs also have a formal savings account (Irving, 2005). These members choose to participate in an informal savings groups because the social structure it provides creates benefits that cannot be realized by saving in any bank.

### **1.2 Statement of the Problem**

Voluntary Savings Groups (VSGs) are increasingly becoming very important method of organizing women to take action and transform their situation. The strength of these groups is based upon the fact that the people who are facing problems are likely to be the most committed to solve them. The inability of formal credit institutions to cover rural poor is generally attributed to high cost of administering the large number of small loans. This has promoted large number of Non-Government Organizations (NGOs) to enter the rural credit scheme for organizing the poor into informal groups to enhance personal savings. For mutual help, these groups are instrumental in promoting structure of the poor to help them save and promote self-reliance in financing these needs through VSGs.

Lihiku (2006) conducted a study to investigate factors that determine household savings in Malawi overtime and found that the personal savings is influenced by factors like income, liabilities, dependence ratio, location and other demographic factors. Amino et al (2003) they find that the rural Mozambican household saving decisions are responsive to income and amounts of assets owned by the households. Mukhongo (2014) further examined the rural household saving situation in Bungoma County with the ultimate goal of providing a tenable answer to the principal policy question of what are the determinants of rural household saving in

Bungoma County. The study results indicated that permanent income, education level and wealth significantly contribute to rural household saving in Bungoma County.

A research carried out by Mutoro (2007) in North Maragoli revealed that formation of women groups, especially with welfare objective was not a new phenomenon. The aspect that was new for many women in that area was the formation of income-generating groups and the formalization of groups through registration. Voluntary saving groups are a common phenomenon among most Kenyan communities and their role in economic improvement of households has been controversial for long because some women have failed to effectively save in these groups. The main purpose of formation of women groups is to ensure that women are economically empowered and hence improved livelihoods. Thus, this study sought to fill the research gap by examining the factors influencing personal savings in groups for economic growth among women in Kenya, a case of voluntary savings groups in Machakos County.

### **1.3 Purpose of the Study**

The purpose of this study was to assess the factors influencing personal savings in groups for economic growth among women in Kenya, a case of voluntary savings groups in Machakos County.

### **1.4 Objectives**

- i. To find out how income levels influence personal savings of women in groups in Machakos County.
- ii. To find out the influence of level of education on personal savings of women in groups in Machakos County.
- iii. To examine how trust on the voluntary saving groups influence personal savings of women in Machakos County.

- iv. To establish the influence of motive for future expectations on personal savings of women in Machakos County?

### **1.5 Research Questions**

- i. How do income levels influence personal savings of women in groups in Machakos County?
- ii. How do the level of education influence personal savings of women in groups in Machakos County?
- iii. How does trust on the voluntary saving groups influence personal savings of women in Machakos County?
- iv. What is the influence of motive for future expectations on personal savings of women in Machakos County?

### **1.6 Significance of the Study**

The information gathered in this study is aimed at assisting the Machakos County to closely monitor the social development projects by women through empowerment. Also, to come up with the appropriate measures to counter challenge that are currently being experienced by women in relation to the area under study. Women will be made aware of the need to save and invest the money they earn wisely no matter how little it is. They will be able to see the different solutions to the challenges facing their saving decisions. Voluntary savings groups will be able to develop programs and trainings based on the recommendations of this study to advise women appropriately. Policy makers will be able to come up with laws and regulations that will prevent the exploitation of women who save their money in groups. Researchers will benefit from this study in that areas for further study will be recommended at the end of the study. They can build on the findings and also help improve on the situation that is currently there. The government



can mobilize, train, and educate the women on savings and investment decisions as significant contributors to economic growth.

### **1.7 Delimitation of the Study**

This study was carried out in Machakos County, in Eastern part of Kenya. The study also targeted women in voluntary savings groups in the area. Groups under study were drawn from the sub-counties Masinga, Mwala, Yatta, Matungulu, Kangundo, Kathiani, Machakos Town and Mavoko which make up Machakos County. Furthermore, the study only focused on level of income, level of education, trust on the VSGs and motive for future expectations as the factors likely to influence personal savings of women in groups. The researchers choose Machakos County since she was familiar with the region through working with VSGs.

### **1.8 Limitations of the Study**

The respondents from the various groups might have failed to be truthful in their answers especially on their education and income levels. However, the researcher encouraged the respondents to be as honest as possible since the findings of the study could be beneficial in helping to generate interventions that might improve their savings habits and performance of the groups. Further, since the respondents were scattered in different sites, some difficulties might be faced in giving orientations, following up respondents and collecting responses. Therefore, these conditions affected the quality of the paper to some extent. However, the researcher utilized motorbikes services to visit the areas which eased transport problems.

### **1.9 Assumptions of the Study**

One of the assumptions made by the researcher in this study is that honest responses were received from the respondents. The study also assumed that the sample selected was an accurate

representation for the proposed study. The study further assumed that the information obtained from the women in the groups would help determine factors influencing personal savings among women.

### **1.10 Organization of the study**

The study comprises of five chapters. Chapter one comprises the introduction of the study with properly explained statement of the problem. Included also in chapter one is the purpose of the study, objectives of the study and well formulated research questions the study seeks to answer. The significance of the study, limitations of the study and delimitation of the study are also clearly indicated as well as the assumptions made for the study. The review of the literature related to the study is encompassed in chapter two under the heading Literature Review which comprises of the introduction of the contents in the chapter and then presented based on the study objectives. The theoretical and the conceptual framework are also included in this chapter and a summary of the literature review. Chapter three comprises of the research methodology to be employed during the study. The contents of the chapter are research design, the target population, sample and sampling procedure, study sample size, research instrument to be used, procedure for data collection, data analysis techniques and the operational definition of the study variables. The study further comprises chapter four noted as data analysis, presentations and interpretations in which the data collected was analyzed, presented and interpreted according to research objectives after analysis of personal information of the respondents. Chapter five, which is the final chapter comprises of summary, conclusions, discussions, recommendations and suggestions for further studies.

## **CHAPTER TWO**

### **LITERATURE REVIEW**

#### **2.1 Introduction**

This chapter reviews previous literature on the topic of study: ‘factors influencing personal savings in women groups in Kenya: a case of voluntary savings groups in Machakos county. The chapter reviews literature based on the research objectives. Theoretical and conceptual underpinnings of the study are also discussed in the chapter and a summary of the reviewed literature provided.

#### **2.2 Personal Savings**

Savings is the share of income not spent on current expenditures. In another words saving refers to the process of setting aside extra cash for future use. According to the Keynesian economics, savings consist of the amount left over when the cost of a person's consumer expenditure is detracted from the amount of disposable income earns in a given period of time.

Salam and Kurlsam (2001) define savings as the difference between income and consumption. There is an inverse relationship between savings and consumption, other things being equal. Furthermore, the demographic characteristics of the population dictate the saving behaviour of a country (Schultz, 2004). Above all, income distribution is potentially an important factor that determines the capacity to save of the population. On the level of individual households, saving also plays a role as a protection mechanism against the vagaries of economic changes. According to Plessis (2008) such protection is of particular importance in developing economies, where governmental financial protection mechanisms are often lacking. Having cognizance of the importance of household saving as a contributor to a country's domestic saving (and therefore a

factor in ensuring financial stability and growth) and as a shield for individual households, as well as the potential negative impact of consumerism on the inflation rate, the low African household saving rate is of significant concern.

Households' savings in financial institutions take the form of savings account, treasury bonds, corporate bonds, shares and stocks, mutual funds, cash value of life insurance, retirement plans and in non-financial assets such as land, houses, vehicles and other real property. Household savings in non-financial assets can be partly explained by the lower transaction costs of acquisition as compared to financial assets, and also households' perceptions that real assets have higher real rates of return as compared to bank deposits (Carpenter & Jensen, 2002). In addition, real assets can help households to hedge against domestic inflation (Kiiza & Pederson, 2002). Financial savings can be held in formal institutions such as banks, in semi-formal financial institutions such as Savings and Credit Cooperative Societies (SACCOs) and Micro Finance Institutions (MFIs), and in informal financial institutions such as rotating savings and credit institutions (ROSCAS). The place where savings are held has a great impact on their transformation into productive investments.

Njung'e (2013) observes that Savings play a major role in economic development since an increase in savings leads to an increase in investment hence improve gross domestic product. If a women saves too little, it means that the households eventually struggle financially and for the broader economy it means that there will be insufficient funds available to finance investment in physical and social infrastructure. Low savings in an economy also means unfavorable growth of

the economy, poor job creation and inferior overall living standards relative to nations with a better savings performance.

### **2.3 Income levels and Personal Savings**

According to Lusardi and Browning (1996) “the distribution of saving across income groups shows a very strong positive relationship between income and saving. In particular, a large proportion of total saving is due to families in the top part of the income distribution.” This is supported too by Avery and Kennickell (2011), an overwhelming proportion of total saving is due to top income deciles of families. The same finding is reproduced in Bosworth, Burtles and Sabelhaus (2012) where they find that saving is usually negative for the first and second income quintile and highest in the top quintile. The aforementioned studies show that income is positively related to individual saving, simply because people have or should have more money to save. So they may be able to save more, or at least have some saving. A rising income will often be accompanied by increased saving, and a falling income by decreased saving, on a greater scale at first than subsequently.

Increases in current income increase both consumption and saving. Because the marginal propensity to consume the fraction of additional income consumed is less than 1. Higher expected future income raises current consumption even at the same current income level, so current saving declines (Modigliani & Brumberg, 1954). Katona (1949) states that the effects of income on savings decisions can be summarized into 3 different hypotheses. Hypothesis I: A decline in income will tend to lead to a reduction in the amounts saved or to a change from saving to dissaving. This will be the case particularly if those whose income declined are optimistic (consider the decline in their income temporary). Hypothesis 2: An increase in

income, and especially a large increase, may result in a reduction of the amounts saved or even in a change from saving to dissaving. In place of a smooth adjustment to the new income level, such behavior may occur especially if people believe that their financial situation improved permanently or if they anticipate further income increases. Hypothesis 3: Expected income declines will tend to increase the amounts saved, irrespective of past income changes. These hypotheses have the advantage of linking the analysis of the consumption function with business cycle theory. This means, however, that they must be tested at different phases of the cycle, so that the conditions under which they are valid may be determined

A Malawian study attempted to investigate factors that determine household savings in Malawi overtime. Lihiku (2006) found that the household savings function in Malawi has been unstable overtime and is influenced by factors like income, liabilities, dependence ratio, location and other demographic factors. Female and illiterate managed households are seen to save more on average than their counterparts. Amino et al (2003) they find that the rural Mozambican household saving decisions are responsive to income and amounts of assets owned by the households. They also found that the financial sector plays a crucial role by providing services that local people need. Aryeetey (2004) conducted a study in Ghana seeking to ascertain the assets kept by households and the relationship between choice of assets and the socio economic characteristics of rural households. The findings indicated that female headed households tended to concentrate more on non-farm enterprises while male headed households concentrated more on livestock. Women had more loans and fewer saving in their portfolio as compared to men, possibly due to more involvement in non-farm enterprises that required more capital.

Mukhongo (2014) examined the rural household saving situation in Bungoma County with the ultimate goal of providing a tenable answer to the principal policy question of what are the determinants of rural household saving in Bungoma County. The framework for analysis involved the estimation of an extended saving model derived from the Permanent Income Hypothesis (Friedman, 1957). The study results indicated that permanent income, education level and wealth significantly contribute to rural household saving in Bungoma County. However, expenditure on children education and landholding significantly lead to negative rural household saving.

#### **2.4 Level of Education and Personal Savings**

Rogg (2000) conducted a study among micro-entrepreneurs in Ecuador, Paraguay and Salvador to analyze the impact of access to credit on saving behavior of micro-entrepreneurs. The study used a probit model to look at factors affecting individual's decision to save regularly. The variables included in the model were: age, age squared, gender of the micro-entrepreneur, number of children in household, marital status, level of education, other incomes, type of business, length of time in business, value of business, ownership of business premises, access to credit from commercial banks and access of credit from micro-finance institutions. In all the three countries, age, education and other income were found to be statistically significant in increasing the likelihood of saving regularly. Micro-entrepreneurs who had access to credit in the three countries were found to save more than those without access to credit. In addition, they were more regular savers compared to non-borrowers.

It is hypothesized that education level has a positive impact on individual saving. Higher education levels imply that people have a better understanding of their personal financial matters, so they will be better able to make financial decisions and have more ability to plan for their

future. There is evidence to show that more educated people can manage their money in terms of insuring, investing, saving and budgeting (Hogarth & Hilgert, 2002). Results of a study by Lusardi & Mitchell (2007) show that people with a low level of education, females, African-Americans and Hispanics, demonstrate low levels of financial literacy, which subsequently affect financial decision-making. Results of the study found that these groups of respondents fail to plan properly for their retirement period, have less participation in the stock market, and have poor borrowing behavior, possibly due to lack of knowledge in basic financial concepts. Another study conducted on financial literacy of Malaysian degree students, explored student's background, financial attitude and knowledge (Ibrahim, Harun, & Isz, 2010). The study found that most of the students required more proper practice on money management skills.

Chen and Volpe (1998) examined financial literacy amongst more than 900 students in 14 American universities. By linking the scores to individuals' socioeconomic and demographic attributes, results showed that young females with non-business majors and little work experience have very low degrees of financial literacy. In a survey of an Australian regional university, most of the participating students scored well for financial literacy and knowledge. Business students scored better in comparison with other majors (Delpachitra & Beal, 2010).

In a study of household saving in Kenya, Njunge (2011) Results showed that savings is positively related to total income, gender and education but negatively to employment status, age and age squared of the household head. Being a male household head indicate that the household saving would increase by Ksh. 2,824.26 while being a female household head, the household saving would increase by Ksh. 13,047.4. Similarly Mukindia (2012) sought to determine the



influence of social cultural factors on household savings among Maasai community in Transmara District, Narok County. According to the findings education plays a big role in influencing household savings. Gender also influences household savings; individual attitude also determines household savings and the household size determine the level of household savings. From the above literature, it can be clearly seen that there is a strong correlation between one's education level and their financial decision making capabilities. It seems the higher one goes academically the better their financial decision making skills.

## **2.5 Trust and Personal Savings**

Trust has been defined as the confidence that money is safely invested. This encompasses two aspects. Firstly, the security that money will not be stolen. This is a concern even for those investors that operate in an environment where investor protection exists and law enforcement is high (Filipiak, 2016 and Gennaioli, Shleifer & Vishny, 2015). Secondly, trust may vary depending on not only personal characteristics, but also on type of financial institution (Guiso et al., 2008; Stix, 2013).

Trust also may explain some shortfalls in the relationship between savers and formal financial institutions. Trust affects the willingness of individuals to use a particular financial institution based on their subjective assessment of its reliability. Regulatory barriers, often defended as enhancing overall trust in an institution, frequently include requirements such as “know your customer” rules, which can hinder participation in the banking system for the poor. Trust thus affects relationships between regulators and financial institutions as well. In any economic transaction, one party's lack of trust in the other acts as an implicit cost due to moral hazard and either increases monitoring and enforcement costs, or leads to unconsummated transactions.

Guiso, Sapienza & Zingales, L. (2004) measure how trust and the development of financial markets are related in Italy using a large panel survey, and find that low-social-capital provinces use fewer checks and hold more cash. Similarly, Coupé (2011) looks at representative survey data from the FINREP Ukraine survey, and reports that more than half of the samples save in cash at home, with those who self-report as having low trust in banks being 10–15 percentage points more likely to keep all their savings in cash.

Dupas & Robinson (2013) conducted a study in western Kenya, with a sample of 1565 unbanked individuals; they found reasonable take-up (62 percent) but lower active usage (18percent) of free savings accounts. A qualitative survey on a subset of study participants, found that low trust in the financial institutions is often cited as a key concern that deters people in their sample from using formal bank accounts. As many as 15–37 percent of those who did not open or use the free savings account with one of the two participating banks cited unreliability as a concern, and 7–24 percent mentioned risk of embezzlement by the given bank as a concern. In contrast, Miranda, Seira, & Sharma(2008) reports on a survey of 4765 Mexican banked and unbanked households, of whom 2182 households did not have a bank account. When asked to pick their main reason for not having a bank account from a list of options, only 2% of the unbanked sample mentioned not having confidence in the institution as opposed to 89% who stated they did not have enough money and 6% who said that they did not want an account. There is a sizeable behavioral economics literature that varies trust experimentally in lab settings, to evaluate the impact of trust on risk-taking (Karlan, 2007); (Schechter, 2007). But to our knowledge, there are no randomized field evaluations that directly tackle the issue of low trust in formal banking services as a barrier to saving. The challenge, from an experimental perspective, is clear: one cannot

easily randomly assign trust. One could, for example, randomize the marketing of a bank, in which some advertisements focus on why the bank should be trusted.

While many factors can be expected to affect consumer trust in a financial institution—reputation, brand, product quality, price, etc.—governments are thought to play a central role in building and maintaining client trust in all formal financial institutions and in facilitating contractual exchanges between strangers who are not bound by pre-existing social ties or reciprocal norms (La Porta, Lopez-de-Silanes, & Shleifer, 2002). Through prudential regulation, central banks aim to assure investors that a country's retail banks and other regulated financial institutions will honor their deposits. Such prudential regulation have two basic goals: to protect small depositors in particular from losing their savings, and to ensure trust in the financial system as a whole and preserve the stability of the economy (Conroy, 2000). Banking institutions fall into two main regulatory categories: those granted full banking licenses, i.e. allowed to accept deposits from clients and on-lend funds and those with a non-banking financial institution license (often covering most microfinance institutions) that allows them to lend to clients but restricts them from accepting deposits and/or from on-lending funds. The former are always regulated by the central bank while the latter institutions are sometimes overseen by a separate regulator and subject to less oversight given their limited scope. Small banks may also escape some regulatory scrutiny, given lack of systemic importance, and the difficulties of monitoring compliance forensically with data.

According to Christen & Rosenberg (2000) and Conroy( 2000) there appears to be a general tension between prudential regulation and access/outreach objectives: the bigger institutions are

easier to regulate with limited resources, but limiting the ability of smaller institutions to offer saving products presumably forgoes some access and innovation. The recent policy discourse on “proportional” regulation might offer a way out, but that notion is still very vague and needs to find actionable guidelines. This is clearly an area that deserves more systematic inquiry and experimentation to identify the most promising ways to improve consumer confidence and trust in the formal banking sector.

## **2.6 Motive for Future Expectations and Personal Savings**

According to Keynes (2017) people save for the following reasons to build up a reserve against unforeseen contingencies, to provide for an anticipated future relationship between the income and the needs of the individual, to enjoy interest and appreciation, to enjoy gradually increasing expenditure, to enjoy a sense of independence, bequeath a fortune, to satisfy pure miserliness and to accumulated deposits to buy houses, cars and other durables which is the most common. Saving money is rooted in the psychological need and desire to be financially stable and having the ability to purchase and fulfill one’s needs or desires. The security that accompanies saving is one of the motivational principles of behind saving money for the things one wants and needs. Various reasons for saving money motivate individuals to make certain that money is budgeted accordingly, and savings are kept earmarked for use later.

Home ownership is one of the motivations for saving money stemming from the desire to become a homeowner. The cost associated with purchasing a home is usually high; requiring you to save to help ensure home ownership can become a reality. The down payment required to purchase a home can run to more than 20% of the selling price which in some cases is usually

high (Porpiglia, Martha, & Ziegelmeier, 2017). Another reason is usually retirement. The desire to retire with enough money saved up is a motivation for many people's savings. You need to save money to ensure that once you stop working, you will have enough money in the bank or in investments to fund your lifestyle for the rest of your life. Many people are motivated to save money for retirement so that they can afford the things they both want and need (Luu, Lowe, Butler, & Byrne, 2017).

Travel and luxury are motivations for some people. Motivation for saving comes because they want nice things. Not everyone craves luxury items or travel. However, for those who enjoy such things, saving money may be a necessity. Planning for a big trip or a large purchase, such as a boat or car, can provide the motivation one needs to be disciplined in terms of saving money (Freshman & Clingen, 2017).

Older parents demonstrate a strong desire to help their children and grandchildren through important or difficult transitions to "build or rebuild secure lives and futures". Those with young children are motivated by the prospect of that child eventually going off to college. The rising cost of a college education drives people to save money so that a child can attend college without having to worry about finances. Some parents also are motivated to save for other things for their children such as a car, braces, a wedding or helping grown children buy a home (Ploeg, Campbell, Denton, Joshi, & Davies, 2004). Unexpected events and situations can arise at any time. Situations such as a job loss, sickness, long-term illness and even economic issues can all cause a financial shift. Having a healthy savings account at the ready can help you get through challenging financial situations and health situations (Smith, 1999).

## **2.7 Theoretical Framework**

This study will be guided by the life cycle theory which is one of the major neoclassical theories of savings, which represent consumption under certainty. In the life cycle hypothesis, consumption and savings level reflects the age of a person or his/her stage in the life cycle. The theory was proposed by Modigliani and Brumberg (1954) and Ando and Modigliani (1963). It proposes that individuals smooth consumption over time by taking into account anticipated changes in their resources induced by education and age as well as movements in the expected rate of return on savings. The resources consist of the existing net wealth and the present value of all his current and future labor incomes. A rational consumer plans consumption expenditure on the basis of all the resources available and allocates them to consumption over time such that he/she maximizes the total utility over his life time. According to this theory, there is little connection between the current income and current consumption. The consumption expenditure is constant over time.

In the early years of a typical individual's life, earnings are relatively lower while consumption is high, hence consumption exceeds earnings and to finance the deficit, individuals borrow. During the early years of life, individuals also build up their human capital, hence increasing the probability of higher earnings in later years. In the middle age, a person would have built up higher levels of human capital, which helps to improve earnings that are higher than consumption expenditure. It is in middle age that an individual pays off debts acquired earlier in life and also saves for old age, hence savings are positive. As years progress, income starts to decline, especially if the individual was employed and has retired. At this stage, the income often goes down and would be lower than consumption, leading to a stage of negative savings. An

individual continues to adjust expenditure downward and dis-save until death, in order to maintain consumption close to the ability to pay for it.

In any given population, the young save relatively less as they anticipate increases in their future incomes. Middle aged individuals who are nearing the peak of their earnings tend to save the most as they pay earlier debts and accumulate savings due to the anticipation of relatively low incomes after retirement. Generally, the elderly have low or even negative saving rates, but a desire to leave a bequest or cover for contingencies of living longer than expected can motivate them to save even after retirement.

Life cycle hypothesis assume that households have a perfect vision of their future income flows, their consumption levels and their lifespan and in addition they behave rationally and with self-control as they prepare for retirement. However, “the life cycle decision is extraordinarily complex, in that it requires an individual to contemplate labor earnings, investment strategies, macroeconomic trend and a vast assortment of risks, all over a very long time frame. It would be surprising if the average individual in isolation, with no practice and little or no training, would act as a perfectly rational, farsighted utility maximize” (Bernheim and Scholz, pg.87, 1993). Low income households are likely to have limited financial information; hence, they are likely to make sub-optimal long term decisions on consumption and savings. In order to smooth lifetime consumption, a household income in the middle age or during their working life should exceed their consumption expenditures. In addition, they should have access to credit or have some savings to finance extra expenditure when incomes are low (Friedman, 1957; Ando and Modigliani, 1963). The presence of imperfect credit markets and uncertainties of future incomes

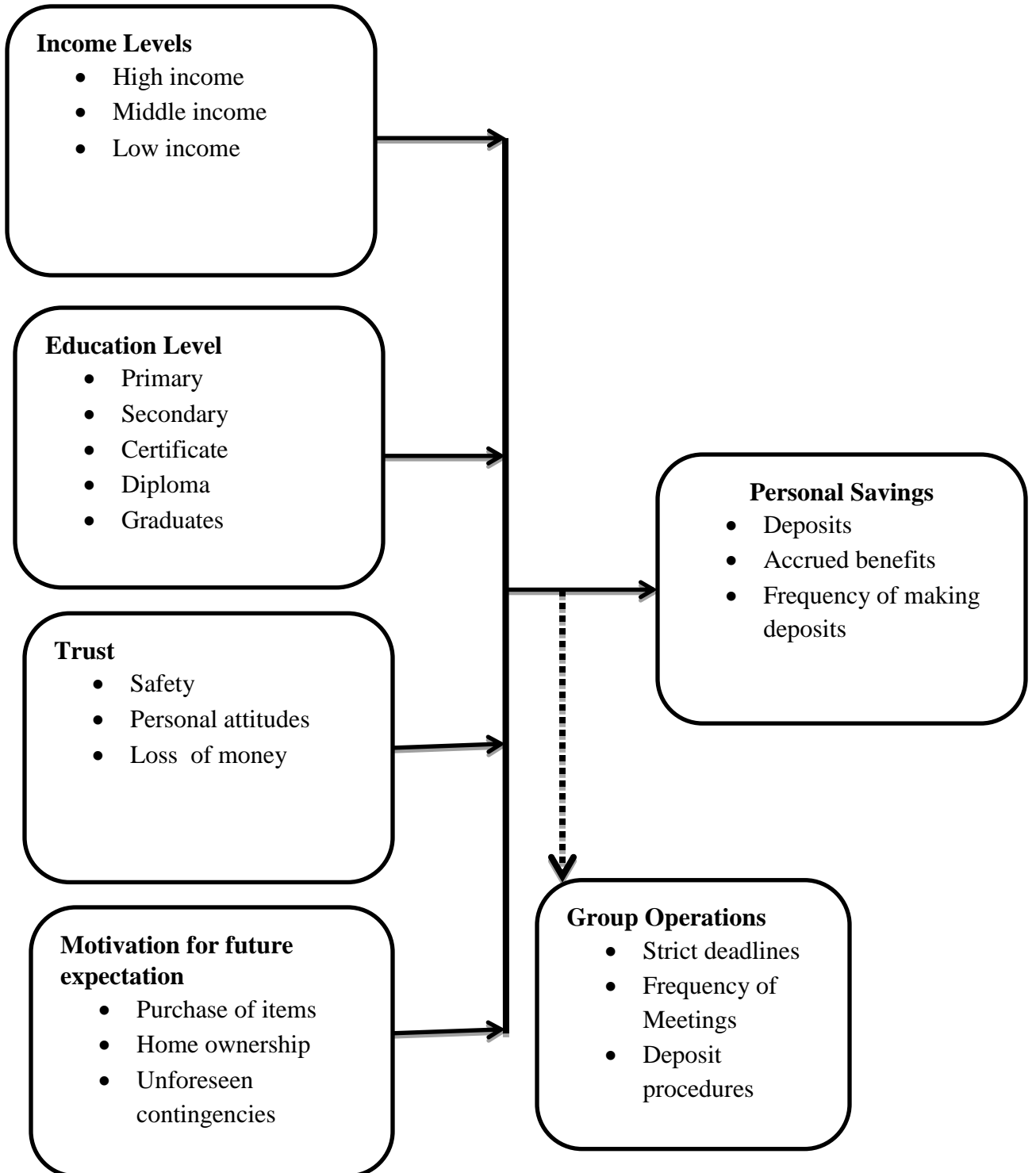
constraints the household borrowing, hence consumption is sub-optimal (Beverly, 1997). Most low income households are faced with low and irregular incomes, hence they are credit constrained. Most of the households rarely have incomes that exceed their consumption needs. Household consumption is more sensitive to current or transitory income rather than the permanent income as suggested in the permanent income hypothesis. Any predictable changes in income affect both the savings and the consumption, contrary to life cycle and permanent income hypothesis (Wilcox, 1991). This theory is crucial in this study since it explains how factors such as income levels and motivation for future expectations influence personal savings among women.

## **2.8 Conceptual Framework**

A Conceptual framework is a model presenting how the researcher represents or conceptualizes the relationships amongst the variables in the study. Basically, it shows the relationship between the dependent and the independent variables as the key variables in the study. The conceptual framework for this study, as shown in figure one identifies level of income, level of education and trust as the independent variables. These factors are studied in their ability to influence the dependent variable presented as personal savings of women in groups.



**Independent Variables    Dependent Variable**



**Figure 2.1: Conceptual Framework**

The conceptual framework clearly illustrates that personal savings for women are explained by independent variables namely income levels, educational levels, trust on VSGs and motivation for future expectations. However, there is a moderating variable namely group operations which also affect the dependent variable. In particular, income levels of women in terms of high income, middle income and low income have ability to influence women's personal savings in VSGs. Similarly, educational levels of women influence the dependent variable. Whether women are literate or illiterate according to the conceptual framework, their savings decision are influenced. In addition, the trust levels and motive for future expectations included in the conceptual framework have influence on women's personal savings in VSGs in Machakos County. Apart from the relationship between dependent and the independent variables in the study, other factors likely to affect the study included group operations in terms of meetings, remittances procedure and strictness of rules on savings. Personal savings on the other hand, the dependent variable for the study will be measured in terms of deposits made to VSGs, accrued finances and frequency deposits are made.

## **2.9 Summary of Literature Review**

From the above reviewed literature, level of income, level of education and trust were established to possess a substantial effect on personal savings of women in groups. This shows that much knowledge has been added to the field of women personal savings in the last few decades, but the researcher has noted from the study that little has been done on factors influencing personal savings in groups for economic growth among women in Kenya especially among voluntary savings groups in Machakos County. Specifically, no similar study has been conducted to investigate factors influencing personal savings in groups for economic growth among women in voluntary savings groups in Machakos County in relation to factors such as income levels, level of education and trust, a gap that the researcher also sought to address.

These are the factors that this study sought to investigate and how they influence personal savings in groups for economic growth among women in voluntary savings groups. The researcher therefore carried out the research with the hope that it would assist women group's stakeholders in knowing the best strategies to employ in personal savings and recommend on better ways of ensuring that women increase their savings for economic growth.

## 2.10 Summary of Research Gap

Author/year	Study Focus	Findings	Research Gap	Current Study
Lihiku (2006)	Determinants of savings in Malawi: a household level analysis.	Savings is influenced by income	Concentrated on households only.	How income influence savings in VSGs.
Rogg (2000)	The Impact of Access to Credit on the Saving behavior of Micro-entrepreneurs:	Education statistically increased the likelihood of saving regularly	Focused on micro-entrepreneurs only ignoring women groups.	Focuses on education but not on women.
Dupas & Robinson (2013)	Savings constraints and microenterprise development: Evidence from a field experiment in Kenya	Low trust in the financial institutions deters people in from saving.	Did not focus on women in groups as the target.	How trust in VSGs influences savings among women.
Porpiglia, Martha, & Ziegelmeyer (2017)	Household wealth in the euro area,	Home ownership motivates people to saving money	Ignored other motivations for savings like contingencies in the household.	Focuses on retirement, unforeseen contingencies

## **CHAPTER THREE**

### **RESEARCH METHODOLOGY**

#### **3.1 Introduction**

This chapter outlines the research design that was used in the study, the target population, sample size and sampling procedures, data collection instruments, validity and reliability of data collection tools, data collection procedures, data analysis techniques and ethical considerations in the research process.

#### **3.2 Research Design**

A descriptive survey research design was used in the study. A survey is a process of collecting data from existing population units with no particular control over factors that may affect the population characteristics of interest in the study (Gupta, 2008). The aim is to determine the current status of that population with respect to one or more variables. A descriptive research determines and reports the way things are. The design was chosen because the study does not purpose to manipulate variables but to describe things as they are at the time of the study. Therefore, the research design was appropriate in establishing factors influencing personal savings in groups for economic growth among women in Kenya, a case of voluntary savings groups in Machakos County.

#### **3.3 Target Population**

According to Mugenda & Mugenda (2003), a target population is that population to which a researcher wants to generalize the results of the study. The study targets all the 1,482 voluntary savings group members from Machakos County spread across all the sub-counties. The study further targeted all the five county officials of these groups.

### 3.4 Sample Size and Sampling Procedures

According to Webster (1985), a sample can be defined as a finite part of a statistical population whose properties are used to make estimates about the population as a whole. Mugenda and Mugenda (2003) recommends that a sampling frame is required before sampling in order to select a representative sample of 10-30% is good enough if well-chosen and the elements in the sample are more than 30. Singh (2007) defines a sampling frame as a list of entities from which sampling units are selected for observation in the study.

The register of voluntary savings groups available at the office of Youth and Gender Affairs was used as a sampling frame where the 1,482 VSGs members were clustered as per sub-county. The researcher then randomly selected 10% of the group members from each cluster to make a total of 148 respondents according to the recommendations by Mugenda & Mugenda. The leaders of the VSGs were also selected as the respondent for this study to act as key respondents.

**Table 3.1: Sample Size Matrix**

<b>Sub county</b>	<b>Ratio</b>	<b>Sample size (10%)</b>
Masinga	144	14
Yatta	243	24
Machakos	277	28
Kangundo	176	18
Kathiani	184	19
Mavoko	94	9
Mwala	172	17
Matungulu	192	19
<b>Total</b>	<b>1482</b>	<b>148</b>

### **3.5 Data Collection Instrument**

Data was collected using a semi-structured questionnaire that had both closed and open ended questions. The questionnaires were divided into four sections each covering the various variables of the study. This ensured that all the necessary information required to answer the research questions was obtained. The questionnaire as a data collecting instrument was chosen because it is easy to use and requires limited time. It was also appropriate for the study because it produced a descriptive data that would be used to provide the representative views and opinions of the population under study.

### **3.6 Validity and Reliability of the Instruments**

The reliability and validity of the research instruments used in the study are presented in this section.

#### **3.6.1 Validity of the Research Instrument**

Validity in research refers to the degree to which results obtained from the analysis of the data accurately represent the phenomenon under study. It has to do with how accurately the data obtained in the study represents the variables of the study (Mugenda, O. and Mugenda, A.1999). Content validity in this study was determined by the supervisors and lecturers in the department of extra-mural studies. To ensure that the instrument has content validity, all the possible indicators that can be used to measure the variables under study were identified and a representative sample of the domain of indicators selected. Then, the questionnaire was developed to measure the selected indicators.

#### **3.6.2 Reliability of the Research Instrument**

Reliability is a measure of the degree to which a research instrument yields consistent results or data after repeated trials (Mugenda and Mugenda, 1999). To determine the reliability of the research instrument the test-retest method was used. This shall involved administering the

questionnaire to the same group of respondents more than once in order to gauge the consistency of their responses hence determine the reliability of the information gathered from the research instruments. Analysis and interpretation of pilot study's data was done to establish whether the instruments can be depended on for the study. The study used the Cronbach's Alpha test to test the reliability of the instruments where a reliability coefficient of 0.7 was obtained.

### **3.7 Data Collection Procedures**

Primary data was collected using questionnaires which were distributed to the selected voluntary savings groups' members in Machakos County. The researcher obtained a permit to carry out the research from the National Council of Science, Technology and Innovation (NACOSTI). The researcher identified research assistants and trained them on data collection techniques. The questionnaire was further reviewed according to the findings of the pilot test. The reviewed research tool was then used in the final study. With the help of the research assistants, the researcher collected data from the sampled group members and the group officials. The researcher administered the tools by the use of 2 research assistants to ensure that there is 100% return rate.

### **3.8 Data Analysis Techniques**

The completed questionnaires were collected for data cleaning, coding and analysis. Data was presented according to objectives and research questions of the study using descriptive statistics and analyzed using statistical package for social sciences (SPSS). The analyzed data was in the form of frequencies and percentages. Tables were used to present the result and they were generated using SPSS software version 21.

### **3.9 Ethical Considerations**

Mugenda and Mugenda (2003), states that ethical considerations are essential for any research. Throughout this study, ethical research practices were observed. First, consent to carry out the research was sought from NACOSTI. This helped in eliminating any kind of conflicts that would arise from the respondents. Secondly, the purpose of the study was clearly explained to the respondents where participation was also made voluntarily and the researcher sought informed consent from the respondents to participate in the study. Finally, the researcher ensured anonymity and confidentiality of the respondents who participated in the study.

### **3.10 Operational Definition of Variables**

This section outlines the study variables, their indicators, measurement scale and tools of analysis.



**Table 3.1: Operational Definition of Variables**

<b>Objective</b>	<b>Variable</b>	<b>Indicators</b>	<b>Measurement Scale</b>	<b>Tools of Analysis</b>	<b>Type of analysis</b>
To find out how income levels influence personal savings of women in groups	Income levels	<ul style="list-style-type: none"> <li>• High income</li> <li>• Middle income</li> <li>• Low income</li> </ul>	Ordinal	Non-Parametric	• Descriptive
To find out the influence of level of education on personal savings of women in groups	Educational levels	<ul style="list-style-type: none"> <li>• Illiterate</li> <li>• Certificate</li> <li>• Graduates</li> </ul>	Ordinal	Non-Parametric	• Descriptive
To examine how trust on the voluntary saving groups influence personal savings of women.	Trust levels	<ul style="list-style-type: none"> <li>• Safety</li> <li>• Personal attitudes</li> <li>• Loss of money</li> </ul>	Ordinal	Non-Parametric	• Descriptive
To establish the influence of motive for future expectation on personal savings of women.	Motive for future expectations	<ul style="list-style-type: none"> <li>• Purchase items</li> <li>• Unforeseen contingencies</li> <li>• Home ownership</li> </ul>	Ordinal	Non-Parametric	• Descriptive

## **CHAPTER FOUR**

### **DATA ANALYSIS, PRESENTATIONS AND INTERPRETATION**

#### **4.1 Introduction**

The purpose of this study was to investigate the factors influencing personal savings in groups for economic growth among women in Kenya, a case of voluntary savings groups in Machakos County. This chapter contains; demographic information of the respondents, presentations and interpretations of the research findings. The presentation was done based on the research questions.

#### **4.2 Questionnaire Response rate**

Data was obtained by use of questionnaires which were administered to the respondents and an interview schedule for the group officials. Out of the 148 questionnaires which were administered, only 111 were returned which represented 75.0% response rate. This is a satisfactory response rate to be able to make conclusions for the study. According to Mugenda & Mugenda, (2003), a response rate of 50% is adequate for analysis and reporting, a response rate of 60% is good and a response rate of 70% and over is very good. This implies therefore that the achieved rate was representative of the target population and was adequate and good enough to enable the researcher generate a conclusive report.

#### **4.3 Demographic Characteristics of Respondents**

This involved looking at the personal characteristics of respondents based on their age bracket, marital status, educational level and the position held in the group.

##### **4.3.1 Distribution of Respondents by Gender**

The distribution of age of respondents can be presented in table 4.1 as follows.

**Table 4.2: Age of the Respondents**

<b>Age of the Respondents</b>	<b>Frequency</b>	<b>Percent</b>
18- 24 years	15	13.5
25-29 years	28	25.2
30-35 years	39	35.1
Over 35 years	29	26.1
<b>Total</b>	<b>111</b>	<b>100.0</b>

On their age category, 39 (35.1%) were aged between 30-35 years, 28 (25.2%) were aged between 25-29 years, 29 (26.1%) were aged over 35 years while 15(13.5%) were aged between 18-24 years. The result suggests that the study collected information from a wide section of age category thereby validating the responses of the study.

#### **4.3.2 Distribution of Respondents by Marital Status**

The study also sought the marital status of the respondents and the results were presented in Table 4.2.

**Table 4.3: Marital Status**

<b>Marital Status</b>	<b>Frequency</b>	<b>Percentage</b>
Married	53	47.7
Single	31	27.9
Widow	9	8.1
Separated	12	10.8
Divorced	4	3.6
Missing	2	1.9
<b>Total</b>	<b>111</b>	<b>100</b>

Most 53 (47.7%) indicated that they were married, 31 (27.9%) were single, 9(8.1%) were widows, 10.8% were separated while 3.6% were divorced. Additionally, 1.9% was missing data.

#### 4.3.3 Educational Level of Respondents

The study sought to establish the education level of the respondents and the findings are as shown in Table 4.3.

**Table 4.4: Level of Education**

<b>Education Level</b>	<b>Frequency</b>	<b>Percentage</b>
Primary	36	32.4
Secondary	45	40.5
Certificate	15	13.5
Diploma	13	11.7
Degree	2	1.8
<b>Total</b>	<b>111</b>	<b>100</b>

The respondents with the highest proportion had secondary school education that had 40.5%, primary level had 32.4%, and Certificate had 13.5% while diploma and degree had 11.7% and 1.8% respectively as shown in Table 4.3. The information on educational level was important since it influences savings of individuals.

#### 4.3.4 Presence of Savings

From the findings, the variable presence of savings showed that 84.4% of the respondents save, 14.1% do not save as shown in the table 4.4 below.

**Table 4.5: Presence of Savings**

<b>Presence of Savings</b>	<b>Frequency</b>	<b>Percentage</b>
Yes	94	84.7
No	17	15.3
<b>Total</b>	<b>111</b>	<b>100</b>

#### **4.4 Income Levels and Personal Savings**

The first objective was to find out the influence of income levels on the personal savings of women in VSGs. From their responses, 62.1% said yes while 37.9% indicated no, which shows that the personal savings of women was being influenced by the income levels of the women. Further, in order to establish the influence of income levels, the researcher sought for responses to statements related to income. The data collected was analyzed and the results obtained by cross tabulating them with the respondents' response on the extent to which income levels influence the personal savings on VSGs. The results were summarized in table 4.5.

**Table 4.6: Influence of Income levels on Personal Savings**

Statement	SA		A		U		D		SD	
	f	%	f	%	f	%	f	%	f	%
Having other sources of income will increase my ability to save.	40	36.0	38	34.2	3	2.9	18	17.3	12	11.5
My level of income influences my personal savings	36	27.8	28	26.9	5	4.8	24	23.0	18	17.3
Those will high incomes are able to save in groups	28	20.2	33	31.7	13	12.5	19	18.2	18	17.3
Low income levels hinder my savings behavior	26	18.2	31	29.8	11	10.6	28	26.9	15	14.4
Having many assets encourages members to save	30	28.8	30	28.8	9	8.6	23	22.1	19	18.2

The study findings indicated that 38(36.5%) agreed, 33(31.7%) strongly agreed that having other sources of income will increase their ability to save. This was a high significant number of residents compared to 18(17.3%) who disagreed and 12(11.5%) who strongly disagreed that such influences women’s ability to save. The study also showed that majority (26.9% agreed and 27.8% strongly agreed) that their level of income influences their personal savings and 31.7% agreed and 20.2% strongly agreed that income influences my personal savings.

In addition, the respondents indicated that 51.9% agreed that those with high incomes are able to save in groups while 35.5% disagreed. The results further showed that 48% agreed that low

income levels hinder their savings behaviour while 44.3% did not. Having many assets encouraged savings as indicated by 57.6% who agreed while 40.3% disagreed.

#### 4.5 Educational Levels and Personal Savings

The second objective sought to find out the influence of educational levels on personal savings. From the study, 78.9% indicated yes, that educational level influences personal savings while 21.1% said no. In addition, to establish the influence of educational levels, the researcher sought for responses to statements related to education and their responses analysed as summarized in table 4.6.

**Table 4.7: Influence of Educational Levels on Personal Savings**

Statement	SA		A		U		D		SD	
	f	%	f	%	f	%	f	%	f	%
Level of education influences my savings	29	26.9	36	33.6	10	8.6	19	17.3	15	13.4
Financial literacy programs encourage me to save.	19	30.7	32	29.8	12	10.6	33	17.3	13	11.5
I have information about savings	27	25.0	34	31.7	13	11.5	18	16.3	17	15.4
I have been trained on savings	37	34.6	30	27.8	6	4.8	19	17.3	17	15.4
Those with high levels of education save more than others	32	29.8	31	28.8	9	7.7	17	15.4	20	18.2
There are frequent trainings on savings among the group members.	27	25.0	36	33.6	12	10.6	14	12.5	20	18.2

The responses shows that 60.5% of respondents agreed that level of education influences savings behaviours while 30.7% disagreed, 60.5% further agreed that financial literacy programs influence personal savings while 28.8% disagreed. Also, 56.7% agreed that they have information on savings while 31.7% disagreed. The findings further shows that majority (34.6% and 27.8%) of residents said that they strongly agreed and agreed respectively that they have been trained on savings. Those with high levels of education save more than others as agreed by 58.6% while 33.6% disagreed. There were also frequent trainings on savings as agreed by 58.6% and disagreed by 30.7%. This shows that the level of education influences the savings behaviours of women in VSGs.

#### **4.6 Trust and Personal Savings**

The third objective was to establish the influence of trust on personal savings of women. The respondents were asked whether their trust in financial institutions would influence their savings decisions, 86.7% said yes while 13.3% said no. The results were displayed in table 4.7 as follows.



**Table 4.8: Influence of Trust on Personal Savings**

Statement	SA		A		U		D		SD	
	f	%	f	%	f	%	f	%	f	%
Trust on the savings group	28	25.9	27	25.0	12	10.6	30	27.8	12	10.6
I feel that my savings are secure	30	27.0	27	24.3	9	8.6	20	19.2	22	21.1
I fear losing my money in the group	31	29.8	29	27.8	6	5.8	21	20.2	17	16.3
I don't trust the savings groups with my money.	29	27.8	27	25.9	1	1.0	28	26.9	19	18.2
The savings group is honest and transparent and hence members are motivated to save	26	23.4	37	33.3	4	3.6	21	18.9	23	20.7
The manner in which members savings are handled suits you well	28	26.9	17	16.3	10	9.0	31	29.8	25	22.5

The study found out that 50.9% agreed that trust on savings group influences savings on VSGs while 38.4% disagreed. Another 51.3% agreed that their savings are secure while 40.3% disagreed. Concerning fear for losing money, 57.6% agreed they fear losing their money in the VSGs while the rest have no such fear. As a result, the respondents also agreed (53.7%) or disagreed (45.1%) that they don't trust the savings groups with their money. However, most respondents (23.4% agreed and 33.3% strongly agreed) that the savings group is honest and transparent and hence members are motivated to save. Whether the manner in which members' savings are handled suits 43.2% well while the rest disagreed.

#### 4.7 Motive for Future Expectations and Personal Savings

The final research objective was geared towards to finding out how motive for future expectations influences personal savings. Table 4.8 shows the results obtained from the study on monitoring and evaluation.

**Table 4.9: Influence of Motive for Future Expectations on Personal Savings**

Statement	SD		D		U		A		SA	
	f	%	f	%	f	%	f	%	f	%
I save to own a home in future.	18	16.3	22	20.2	13	11.5	30	27.8	26	24
Am motivated to save due to unforeseen contingencies in the future.	20	18.2	24	22.1	12	9.6	26	25.0	27	25.0
Purchase of items in future motivates me to save in VSGs	13	12.5	28	26.9	9	8.6	31	29.8	23	22.1
I save for travel and luxury	19	18.2	18	17.3	6	5.8	33	31.7	28	26.9
Retirement motivates me to save	31	29.8	27	25.9	7	6.7	21	20.2	18	17.3

Results on motive for future expectations show that 51.8% agreed that they save to own a home in the future and 36.5% disagreed. Further, 50% agreed that they are motivated to save due to unforeseen contingencies in the future while 40.3% disagreed. The purchase of items in the future motivated people to save in VSGs as agreed by 51.9% with 39.4% disagreeing. Also, 58.6% agreed and 35.5% disagreed that they save for travel and luxury. Retirement rarely motivated people to save as disagreed by 55.7% while only 37.5% agreed.

**CHAPTER FIVE**  
**SUMMARY OF FINDINGS, CONCLUSIONS, DISCUSSIONS AND**  
**RECOMMENDATIONS**

**5.1 Introduction**

This chapter focuses on the summary of the study findings, conclusions, recommendations, and suggestions for further research and contributions to the body of knowledge. These are presented based on the objectives of the study, research questions and the findings. The purpose of this study was to investigate the factors influencing personal savings in groups for economic growth among women in Kenya, a case of voluntary savings groups in Machakos County.

**5.2 Summary of Findings**

The purpose of this study was to investigate the factors influencing personal savings in groups for economic growth among women in Kenya, a case of voluntary savings groups in Machakos County. The objectives of the study were to; find out how income levels influence personal savings of women in groups in Machakos County, find out the influence of level of education on personal savings of women in groups in Machakos County, examine how trust on the voluntary saving groups influence personal savings of women in Machakos County and establish the influence of motive for future expectations on personal savings of women in Machakos County. Questionnaires and an interview schedules were used to collect data which was descriptively analyzed using percentage and frequencies. The analyzed data was presented using tables.

The first research objective of the study was to establish how income levels influence personal savings of women in VSGs. From the responses, 62.1% said yes while 37.9% indicated no that the personal savings of women was being influenced by their income level. Having other sources

of income was found to increase ability to save as agreed by 68.2%. The study also showed that majority 54.7% agreed that their level of income influenced their personal savings. In addition, the respondents indicated that those with high incomes are able to save in groups compared to those with low incomes. The results further showed that 48% agreed that low income levels hinder their savings behaviour while having many assets encouraged savings as indicated by 57.6% who agreed in table 4.6. Thus, income levels influence personal savings in women VSGs.

Concerning level of education and personal savings, 28.1% of the respondents strongly agreed, while 34.4% agreed that their level of education would influence their savings decision. The responses shows that 60.5% of respondents agreed that level of education influences savings behaviours and that financial literacy programs influence personal savings. Those with high levels of education save more than others as agreed by 58.6% as presented in table 4.7. This shows that the level of education influences the savings behaviours of women in VSGs.

Based on the third objective, the participants indicated that trust on savings groups highly influenced their personal savings decisions where more than 50% agreed on this statement as presented in table 4.8. Members feared losing their money and others never had trust with the savings groups. A significant number also felt that the savings groups were honest and transparent while others were not comfortable with the way member savings were being handled. Therefore, trust in VSGs influences personal savings.

Finally, as presented in table 4.9, the motive for future expectation as indicated by savings to own a home, unforeseen emergencies and purchase of items influenced the personal savings of the women. Majority of the respondents either agreed or strongly agreed that these elements of

motivation for future expectations influenced personal savings among women in VSGs. On further interview, it was indicated that the more people expected to own items and build homes in the future, the more their savings behaviour increased. As such, motive for future expectations influences personal savings.

### **5.3 Discussion of the Findings**

On analyzing the variable level of income, it was revealed majority agreed that it does influence their level of savings. This tends to agree with the findings according to Lusardi and Browning (1996) which shows a very strong positive relationship between income and saving. And that a large proportion of total saving is due to families in the top part of the income distribution.” This is supported too by Avery and Kennickell (1991), who state that an overwhelming proportion of total saving is due to top income deciles of families. The same finding is reproduced in Bosworth, Burtles and Sabelhaus(1991). They find that saving is usually negative for the first and second income quintile and highest in the top quintile. This tends to agree with the findings from the majority of our respondents.

The findings established that most respondents believed that the level of education influenced their savings decisions. According to Lusardi, Mitchell (2007a), for example, show that people with a low level of education, females, African-Americans and Hispanics, demonstrate low levels of financial literacy, which subsequently affect financial decision-making. Results of the study found that these groups of respondents fail to plan properly for their retirement period, have less participation in the stock market, and have poor borrowing behavior, possibly due to lack of knowledge in basic financial concepts (Lusardi, Mitchell, 2007a). Furthermore, Clark and Madeleine (2008) showed that financial knowledge and saving programs can be very effective in overcoming the decrease in saving. According to Hogarth (2002) more educated people can

manage their money in terms of insuring, investing, saving and budgeting .This literature tends to agree with the research where the majority of the respondents agree that their level of education influences their savings decisions.

On analysis of trust in the financial institutions, majority of the respondents agree that it affects their savings decision. In recent years the banking industry all over the world have witnessed legislation and authorities have introduced many new regulations with the main aim of ensuring the banking sector reduces risks and become more stable (Altuntas, Berry-Stölzle, & Hoyt, 2011). Such prudential regulations are deliberated to safeguard the banking system from crises that are typically capable of affecting the entire economy. In Kenya we have heard of banks going into receivership the most recent example being Chase Bank and Imperial Bank. These incidences tend to erode the confidence of people who bank in them. Through prudential regulation, central banks aim to assure investors that a country's retail banks and other regulated financial institutions will honor their deposits. Such prudential regulations have two basic goals: to protect small depositors in particular from losing their savings, and to ensure trust in the financial system as a whole and preserve the stability of the economy (Conroy, 2000). This will increase savings in the long run when done effectively.

Finally, the motive for future expectation was found to influence personal savings among women. These findings were in tandem with Keynes 2017 who argued that people save for the various reasons to build up a reserve against unforeseen contingencies, to provide for an anticipated future relationship between the income and the needs of the individual, to enjoy interest and appreciation, to enjoy gradually increasing expenditure, to enjoy a sense of independence, bequeath a fortune, to satisfy pure miserliness and to accumulated deposits to buy houses, cars and other durables which is the most common.

## **5.4 Conclusions**

Factors influencing personal savings decisions were noted to be many. The study established that most of the respondents saved one way or the other be it formal or informal. Their trust in VSGs played a major role too in where they saved. Many of the respondents also believed that their education level, income level and motivation for future expectations played a critical role towards their savings behaviour. With the majority stating that the more educated they would be the more they would save. The study concludes that the set of trust measures significantly increases the likelihood that women will save in VSGs. Trust in the safety of deposits has the highest average marginal effect for personal savings. Trust in the VSGs increases the most the likelihood of holding formal personal savings. It is therefore concluded that trust in different financial institutions significantly affects personal savings behavior.

## **5.5 Recommendations**

The study makes various recommendations based on the findings.

From the findings majority of the respondents agreed that the low income was one of the major hindrances facing their savings decisions. In order to solve this women in VSGs are encouraged to learn how to budget using the resources they have which can take them a long way and not to squander their resources on temporary non-essential things. In addition, the individuals should seek other sources of revenue be it from farming or selling of clothes just to name but a few other sources of income.

From the findings, it is necessary for the groups and individuals to undertake regular financial literacy courses that would ensure knowledge acquisition and keeping up to date with current financial products and services available in the market to improve their personal savings

decisions. In addition, it is important to encourage groups to continue in saving schemes as well as regular training and preparation for life after the retirement.

Since the study found that some respondents normally saves money depending on how much they know, the research recommend civic education to be conducted among the women in order to embrace saving culture. Indeed, saving should be done by every account holder irrespective of how much they earn.

The study recommends that the VSGs should be more transparent and honest in order to increase the level of trust among the members. This will help increase savings behavior among the members.

### **5.6 Suggestions for Further Studies**

The study focused only on mostly individual factors influencing savings decisions, it is recommended that other studies be done to determine how group factors and external factors that cannot be controlled influence personal savings decision.



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## **APPENDICES**

### **APPENDIX I: LETTER OF TRANSMITTAL**

**P.O. BOX 737,**

**Machakos**

**30/3/2019**

**TO ALL PARTICIPANTS**

---

**Machakos,**

**Dear Madam,**

#### **RE: PARTICIPATION IN RESEARCH**

I wish to invite you to participate in this research that endeavours to investigate the factors influencing personal savings in women groups in Kenya, a case of voluntary savings groups in Machakos County. I am a post graduate student in the University of Nairobi pursuing Masters of Arts degree in Project Planning and Management. This study will be used as part of the requirements for the award of this degree.

I, therefore, kindly request you to cooperate and assist in filling in this questionnaire. The information you provide will be strictly and confidentially used for the purpose of this study only and your identity kept confidential. I will be grateful for your co-operation.

Thank you in advance.

Yours faithfully

**Loise Syekonyo Jacob**

**University of Nairobi**

## APPENDIX II: QUESTIONNAIRE FOR THE WOMEN GROUP MEMBERS

### Introduction

This study is being conducted as part of the requirements for the award of Masters of Arts degree in Project Planning and Management, University of Nairobi. The research topic is *'Factors influencing personal savings in groups for economic growth among women in Kenya, a case of voluntary savings groups in Machakos County.'* The information you provide will, therefore, be used for academic purposes only and will be treated with confidentiality. Please, answer the questions as honestly as possible.

Do not indicate your name anywhere in this questionnaire.

### SECTION A: Demographic Data and General Questions

Please, tick (✓) the response true of you as appropriate.

1. Please indicate your age.

18 - 25 yrs ( )

25 -30 yrs ( )

30 -35 yrs ( )

Above 35 yrs ( )

2. What is your marital status?

Married ( )

Single ( )

Widow ( )

Separated ( )

Divorced ( )

3. Highest educational level attained.

Primary ( )

Secondary ( )

Certificate ( )

Diploma ( )

Bachelor's Degree and above ( )

4. Name of your savings group.....

5. Year of formation of the group.....

6. What position do you hold in the group?

Chairperson ( )

Vice chairperson ( )

Secretary ( )

Treasurer ( )

Member ( )

7. Do you save any money with your group?

( ) Yes

( ) No

**Section B: Influence of Income Levels on Personal Savings**

8. In your own opinion, do you think levels of income affects members personal savings in savings groups?

Yes ( )

No ( )

9. Please tick the extent to which you agree with the following statements concerning the influence of income on personal savings.



**1- Strongly Disagree (SD), 2-Disagree (D), 3-Not Sure (NS), 4-Agree (A), 5- Strongly Agree (SA)**

<b>Statement</b>	<b>SA</b>	<b>A</b>	<b>NS</b>	<b>D</b>	<b>SD</b>
Having other sources of income will increase my ability to save.					
My level of income influences my personal savings					
Those with high incomes are able to save in groups					
Low income levels hinder my savings behaviour					
Having many assets encourages members to save					

**Section C: Influence of Education Levels on Personal Savings.**

10. In your own opinion, do you think the level of education affects member's personal savings in savings groups?

Yes ( )

No ( )

11. Please tick the extent to which you agree with the following statements concerning the influence of education on personal savings. **1- Strongly Disagree (SD), 2-Disagree (D), 3- Not Sure (NS), 4-Agree (A), 5- Strongly Agree (SA)**

Statement	SA	A	NS	D	SD
My level of education influences my savings					
Financial literacy programs will encourage me to save.					
I have information about savings					
I have been trained on savings					
Those with high levels of education save more than others					
There are frequent trainings on savings among the group members.					

#### Section D: Influence of Trust Levels on Personal Savings

12. In your own opinion, do you think levels of trust on savings groups' affects members' personal savings in savings groups?

Yes ( )

No ( )

13. Please tick the extent to which you agree with the following statements concerning the influence of trust on personal savings. **1- Strongly Disagree (SD), 2-Disagree (D), 3-Not Sure (NS), 4-Agree (A), 5- Strongly Agree (SA)**

Statement	SA	A	NS	D	SD
Trust on the savings group					
I feel that my savings are secure					
I fear losing my money in the group					
I don't trust the savings groups with my money.					
The savings group is honest and transparent and hence members are motivated to save					
The manner in which members savings are handled suits you well					

**Section E: Influence of Motivation for Future expectations on Personal Savings**

1. In your own opinion, do you think motivation for future expectations affects members' personal savings in savings groups?

Yes ( )

No ( )

2. Please tick the extent to which you agree with the following statements concerning the influence of motivation for future expectations on personal savings. **1- Strongly Disagree (SD), 2-Disagree (D), 3-Not Sure (NS), 4-Agree (A), 5- Strongly Agree (SA)**

Statement	SA	A	NS	D	SD
I save to own a home in future.					
Am motivated to save due to unforeseen contingencies in the future.					
Purchase of items in future motivates me to save in VSGs					
I save for travel and luxury					
Retirement motivates me to save					

**SECTION F: MEASUREMENT OF THE DEPENDENT VARIABLE**

1 Indicate the extent to which you think the independent variables influence on personal savings in VSGs. **1- Strongly Disagree, 2-Disagree, 3-Not Sure, 4- Agree, 5- Strongly Agree**

Factors	5	4	3	2	1
Income levels					
Educational levels					
Trust on VSGs					
Motivation for future expectations					

**Thank you for your cooperation!**

### APPENDIX III: INTERVIEW SCHEDULE LEADERS

#### Introduction

This study is being conducted as part of the requirements for the award of Masters of Arts degree in Project Planning and Management, University of Nairobi. The information you provide will, therefore, be used for academic purposes only and will be treated with confidentiality. Please, answer the questions as honestly as possible.

1. In your own opinion, how do you think levels of income affects members personal savings in savings groups?

.....  
.....

2. In your own opinion, how does the level of education affects member's personal savings in savings groups?

.....  
.....

3. In your own opinion, do you think levels of trust on savings groups' affects members' personal savings in savings groups? Please explain.

.....  
.....

4. Explain how you think motivation for future expectations affects members' personal savings in savings groups?

.....  
.....