

This paper investigates the determinants of rural household savings in Bondo district, Kenya. The endogenous variables examined in this study include: age, bank distance, dependency, education level, employment status, income, interest rate, wealth and urbanization. The urbanization variable was later dropped as it gave conflicting results.

A total of 120 household heads were interviewed and both qualitative and quantitative results were obtained. The main empirical findings of the paper are:-

- i) The most significant factor determining household savings is income. The other variables that were found to be significant are wealth, interest rate, employment status and education level.
- ii) Dependency was found to have a positive coefficient in Rarieda division. Thus, high dependency was found to reduce savings only in urban areas but in the rural areas, a positive relationship was found to exist between savings and dependency.
- iii) Education motive was found to be the most important motivation for household savings in Bondo district.
- iv) Businesslike occupations contributed more to rural household savings than wage employment.
- v) Contrary to expectations, bank distance was found to have a positive coefficient, implying that the long distances to the saving institutions encouraged savings in the rural areas.
- vi) Wealth may not encourage savings in rural areas.

Based on these findings, it was suggested that rural households savings could be increased through:-

- i) Promotion of non-wage occupations in rural areas
- ii) Encouraging the wage earners to engage in businesses that would boost their income levels.
- iii) Implementation of savings policies at lower levels such as the divisional and locational level.
- iv) Promotion of public awareness programmes by financial institutions. This would lead to increased awareness by the rural folk on the advantages of financial savings.