How to increase savings in SSA: the case for Kenya

Presented By: Dr Rose Ngugi, Executive Director - KIPPRA

Date: Thursday, September 7, 2023
Outline

• Introduction – savings levels are low
• Interventions by government
• Savings channel and motivation
• Shocks and savings
• Saving behaviour-private and national
• Policy implications
Savings levels remain low
What initiatives the Government has used over time?

• Promoting saving culture to finance investment – making it a key agenda in the development plan. Vision 2030 expectation was to grow from 15.6% (2006/07) to 26% (2012/13) and 29% by 2030.

• Establishing channels to facilitate saving – including the NSSF, commercial banks, capital market reforms, and other platforms

• Liberalizing the financial sector – interest rate policy

• Commitment to fiscal sustainability

• Financial inclusion fund
The saving channels are shifting
The motivation to save is diverse

- Ordinary household needs
- Improving house
- Purchase vehicle
- Purchase/build house for family
- Investing in other business
- Expanding business
- Agricultural inputs
- Agricultural improvements
- Purchase stocks/shares
- Other
- Education

Significant shocks in the market

Inflation and saving

Deposit rate and saving
Other developments in the market

Demographic dynamics

Saving and Fiscal deficit
# Private savings

<table>
<thead>
<tr>
<th>Variables</th>
<th>Long run</th>
<th>Short run</th>
</tr>
</thead>
<tbody>
<tr>
<td>Public saving</td>
<td>Negative</td>
<td>Negative</td>
</tr>
<tr>
<td>TOT</td>
<td>Negative</td>
<td>Negative</td>
</tr>
<tr>
<td>Wealth</td>
<td>Negative</td>
<td>Negative</td>
</tr>
<tr>
<td>Inflation</td>
<td>Positive</td>
<td>Positive (-1)</td>
</tr>
<tr>
<td>Per capita income</td>
<td>Positive</td>
<td>Positive</td>
</tr>
<tr>
<td>Deposit rate</td>
<td>Negative</td>
<td>Negative</td>
</tr>
<tr>
<td>Age dependency</td>
<td>Positive</td>
<td>Positive</td>
</tr>
</tbody>
</table>
## National savings

<table>
<thead>
<tr>
<th>Variables</th>
<th>Long run</th>
<th>Short run</th>
</tr>
</thead>
<tbody>
<tr>
<td>TOT</td>
<td>Negative</td>
<td>Negative</td>
</tr>
<tr>
<td>Wealth</td>
<td>Negative</td>
<td>Negative</td>
</tr>
<tr>
<td>Inflation</td>
<td>Positive</td>
<td>Positive (-1)</td>
</tr>
<tr>
<td>Per capita GDP</td>
<td>Positive</td>
<td>Positive</td>
</tr>
<tr>
<td>Deposit rate</td>
<td>Negative</td>
<td>Negative</td>
</tr>
<tr>
<td>Financial Development</td>
<td>Negative</td>
<td>Negative(-1)</td>
</tr>
<tr>
<td>Age dependency</td>
<td>Positive</td>
<td>Positive</td>
</tr>
</tbody>
</table>
Policy Implications

- Fiscal sustainability
- External shocks
- Price stability
- Quality and inclusive economic growth
- Interest rate policy
- Job creation to absorb the increasing youth category
- Quantify non-cash savings
THANK YOU
For your Attention

2nd Floor, Bishops Garden Towers, Bishops Road
PO BOX 56445-00200, Nairobi
Tel: +254 20 4936000; +254 20 2719933/4
Cell: +254 736 712724; +254 724 256078
Email: admin@kippra.or.ke

www.kippra.or.ke

@KIPPRAKenya