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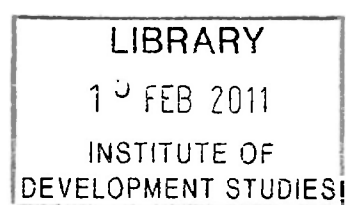
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THE EFFECTS OF KENYANIZATION ON PERSONAL SAVING  
PRELIMINARY REPORT ON DATA COLLECTION AND  
SOME TENTATIVE CONCLUSIONS

by

C. M. Kamau

April 1973



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ABSTRACT

The replacement of foreigners by Kenyans in the Kenya economy (Kenyanization) is expected to affect personal saving. This paper is a preliminary report on the collection of data and on changes in personal saving.

THE EFFECTS OF KENYANIZATION ON PERSONAL SAVING:  
PRELIMINARY REPORT ON DATA COLLECTION AND  
SOME TENTATIVE CONCLUSIONS\*

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INTRODUCTION

In the absence of studies of changes in personal savings resulting from replacement of foreigners by nationals in the economy in Kenya, or elsewhere, it seemed important to conduct a study which would indicate such changes. Such a study would complement studies on the functioning of institutions established for the purpose of Kenyanization, and the performance of Kenyanized firms. Knowledge of changes in personal saving can be used to take corrective measures to attain desirable ends. If, for example, it is found that personal saving decline with Kenyanization, public saving could be increased through increased personal taxation to maintain the percentage of saving out of total national income.

To find if there are changes in personal saving resulting from Kenyanization it is essential to have data on personal saving of foreigners - Asians and Europeans - and nationals Africans.<sup>1</sup> Unfortunately no saving data covering all the three groups are available. It is possible to calculate the saving of low and middle income Africans in Nairobi as residual from published expenditure surveys, but the data would not cover the important high-income group of Africans. No such a calculation could be made for Asians and Europeans for lack of comparable expenditure surveys.

Since Kenyanization is now mainly an urban phenomenon, and a countrywide collection of data is prohibitively expensive, it was decided to collect data on household saving in Nairobi. The survey was to cover medium and high income households. That is, those earning £300 or more a year. The exclusion of low income households seemed appropriate since members of those

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\* The author wishes to thank J. Ascroft, S.R. Lewis Jr. and D.P. Ghai for suggestions on the improvement of the questionnaire, and K.B. Patel for the supply of maps of Nairobi. Special thanks are also due to all the householders in Nairobi who supplied information on their savings.

<sup>1</sup> Not all Asians and Europeans in Kenya are foreigners, neither are all Africans Kenyans. Kenyanization, however, usually involves the replacement of Asians and Europeans by Africans.

households are unlikely to be replacing foreigners. Hardly any European or Asian households are included in Nairobi areas classified as low income areas which were to be excluded in the survey.

#### SAMPLING METHOD

To get a representative sample of Africans, Asians and Europeans in the high and medium income groups a stratified sample of some 1052 households was selected. The sampling method used was developed by K.B. Patel for the Urban Study Group.<sup>2</sup> It was found satisfactory by Ed Whitelaw in his survey of low and middle income Africans households.<sup>3</sup> The use of Patel's method proved time saving. Maps were supplied by the Urban Study Group and Whitelaw provided a good description of grid square boundaries in his working paper.

Here is a summary of the sampling method for the benefit of those who are not familiar with it. In the absence of a voter registration roll and/or comprehensive street numbering system, which can be used in sample selection, Patel uses grid squares to cover areas of Nairobi city proper. The sides of the grid squares are 1000 feet (300 m) for most of the city and 2,000 feet for three low households density areas (Karen, Langata and Spring Valley/Redhill). The grid squares are numbered starting from the North West corner of the map of Nairobi. Grid squares in undeveloped areas are not numbered. The city is divided into low income, medium income, and high income areas. Within the three areas groups are formed on the basis of average households per grid square. Since an estimate of required sample households for the grids making up the groups are available (based on 1969 Population Census), it is easy to select grid squares randomly to yield the sameple households.

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<sup>2</sup> Kakubhai B. Patel, "A Study of the Socio-Economic Characteristics and Travel Habits of Households within the Survey Area," Preliminary Draft, Nairobi Urban Study Group, Nairobi City Council, March, 1971.

<sup>3</sup> W. Ed. Whitelaw, "Nairobi Household Survey: Description of the Methodology and Guide to Data," Institute for Development Studies, University of Nairobi, Staff Paper No. 116.

Where the number of households to be sampled is  $x$ , and the density per grid square is  $y$ , the number of grid squares to be sampled is  $x/y$ . If the grid squares covering a group area are  $x$ , the sampling interval is  $z/y/x$ . The first grid square is selected by picking the grid square corresponding to the first random number between one and  $z/y/x$ . In areas where the density of households per grid square exceed 100 only half of the households in the grid are selected so that a wider area may be covered by the sample households.

The grid squares selected by Patel were available and were used in this survey. Half of the households in the high and medium income areas were selected. This was done by delivering questionnaires to every other household in the areas where all households were covered and every other fourth household where only half grids were covered in the Patel selection. Where questionnaires could not be delivered, research assistants were instructed to go to the next household. Some households refused to take questionnaires. None delivery was more common in the high income areas. There were about two cases where research assistants were threatened with prosecution for trespassing.

Patel had 771 successful interviews of high income areas households (excluding domestic servants households) and 1322 successful medium income areas households. Taking a half of each group would have yielded 386 and 666 households for a total of 1052 households. The high income areas would have been over represented partly because "financial holdings of high income groups are subject to the largest errors of estimation both relatively and absolutely".<sup>4</sup> The refusal rate was expected to be higher for the high income households. Moreover the high income groups holds most of the financial assets in the economy, and there are hardly any studies on this group.

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<sup>4</sup> Robert Ferber, Collecting Financial Data By Consumer Panel Technique (Urban: Bureau of Economic and Business Research, University of Illinois, 1959) p.7.

#### DATA COLLECTION

The method of collecting data was home delivered and home collected questionnaires. In this way it was hoped to combine the low cost advantage of none personal interview with the convenience and privacy afforded by written answers. It was assumed that high income households would be more likely to supply information if they wrote it down than if they had to supply it verbally.<sup>5</sup> During the distribution of questionnaires four high income households asked the delivering assistants not to return back since they would mail back the questionnaires. The questionnaires, however, were never received.

In the questionnaire information was requested on household characteristics, occupation, income, taxes, paid, changes and balances in financial assets, and motives for saving.

The questions followed very closely those used by Robert Ferber (1959). All the questions on saving refer to calender year 1971. Information was sought from each saving unit. For the purpose of the survey the following terms were used as follows:

Saving is the change in the stock of financial assets between two time periods. In the survey saving is the change in financial stock between January 1, 1971 and December 31, 1971.

Saving refer to the stock of financial assets minus financial liabilities,

Financial assets include cash, bank accounts, postal and building societies savings; book value of shares and stock, annuities, and pension plans; cash value of life insurance, equity in home, land and durable goods, and saleable value of business property.

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<sup>5</sup> There was good foundation for this assumption. In a study of savings in a study of savings in Uganda some 86 percent of the professionals who agreed to supply information choose written questionnaires over personal interview. See G. Hubner, "Private Saving in Uganda," in P. Marlin ed. Financial Aspects of Development in East Africa, (Munchen: West forum Verlag, 1970) p. 118.

Financial Liabilities include debts owed by any saving unit member to an outsider. Loans to other members of the saving unit are excluded.

Saving Unit is made up of members of a household unit who combine their income and savings. Minors do not constitute a saving unit when they have separate savings. They belong to the same saving unit with one of the parents or guardians.<sup>6</sup>

The survey was carried out from October 16 to December 10, 1972. Unfortunately the survey could not be conducted earlier during the year to minimize the problem of recall as it had been intended. It took two weeks to hand out the questionnaires using five research assistants all of whom had at least four years of high school education. The working hours were 4.30 p.m. to 8 or 9 p.m. Monday to Friday, 2 p.m. to 8 or 9 p.m. on Saturday, and 10 a.m. to 4 p.m. on Sunday. The research assistants were instructed to ask how many saving units there were in the household and hand in the necessary number of questionnaires. Sometimes it was necessary to return to the same grid square areas since questionnaires could not be delivered to total sample households.

The research assistants had to write daily reports on the grid squares covered, the number of households covered, number of questionnaires handed out, and whether the household was African, Asian or European. The reports were checked the following day. Even with this check on the assistants activities, it was revealed by some of the assistants that one<sup>of</sup>/their colleagues had been inflating the number of questionnaires handed out. Fortunately this particular assistant dropped out before the survey was completed.

At the end of two weeks the task of collecting the questionnaires started. The working hours remained the same. The assistant who had been inflating the number of questionnaires dropped out on the first day of collection. Two days latter another assistant claimed to be sick and did not collect any questionnaires from that day on. As a consequence of these drop-outs the intended

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<sup>6</sup> The definitions used here are from Ferber, Ibid. pp. 5 - 6.



number of grid squares and households were not covered. An unsuccessful effort was made to collect questionnaires in areas the two assistants had made delivery. Householders claimed that they never received the questionnaires or that questionnaires were handed to people working in shops instead of householders in the case of the central part of the city where business and residence are to be found together in the same building. Since the two assistants handed out questionnaires in the central area, self-employed saving units are under-represented in this survey. Except for the central area, the two assistants covered areas similar to those covered by the remaining three assistants. The following grid squares remain in the sample.

Medium Income Area --	069,	112,	167,	189,
	192,	198,	226,	231,
	249,	282,	377,	446,
	561,	571,	580.	
High Income Area --	030,	049,	084,	120,
	181,	208,	241,	260,
	269,	291,	313,	350,
	385,	390,	396,	420,
	459,	464,	525,	615,
	621,	627,	645,	627,
	699,	705,	711,	808,
	809,	814,	826,	832.

A total of 537 questionnaires were distributed in these grid squares.

The collection of questionnaires took five weeks although the planned period was two weeks. One of the assistants who was supposed to work for only two weeks worked an extra unpaid week. A second Assistant worked unpaid for two weeks. The third assistant was hired for an additional month.

SOME PROBLEMS OF FINANCIAL DATA COLLECTION IN KENYA

The delivery and collection of questionnaires revealed problems which should be solved if the collection of financial data is to be successful in Kenya. There was noticeable tendency on the part of the assistants to prefer to distribute questionnaires to African households. The same preference was shown by the assistants in going back for questionnaires which could not be collected on the first visit.

Undoubtedly this was due to ease of communication between the assistants, and the African householders and the better reception accorded the former by the latter. In some cases house servants tried to keep away the assistants from talking to European and Asian heads of households. Before the assistants could make their request some European and Asian householders informed them that there was no employment available or that they had made their contribution to some charitable cause.

Given the past and present social relations in Kenya it may be desirable to employ collectors of financial data to work with members of their own community. During the hiring of research assistants it was hoped that some high school standard Asians could be employed but none were available.

The difficulties of collecting data from Europeans and Asians are partly revealed by the relatively higher refusal rate and the relatively lower rate of units answering all the questions. This is the case even when allowance is made for the expected direct relationship between refusal rate and income.

In all areas it was found necessary to remind respondents to fill the questionnaire. They kept on requesting the research assistants to go back for the filled questionnaires. A few never said they would not fill the questionnaire. Time just run out. Persistence often paid. In many cases, waiting while respondents filled in the questionnaire resulted in complete answers to the questions. There were a remarkable few cases where respondents asked for help, which was offered, in clarifying the questions even though the questionnaire was in English.

Apart from the hiring representatives of the three groups for data collection, the response rate can be improved if financial information is sought by an institution instead of by an individual.

There was some negative newspaper comment on the information requested which perhaps would not have occurred if the survey was being conducted by an institution. Surveys of savings in other countries are conducted by institutions.

#### SURVEY RESULTS

Taking all the questionnaires which contain information which can be used in the study of personal savings the response rates varied directly with income (Table 1). Medium income areas Africans response rate was 45 percent. High income areas Africans response rate was 43 percent. Asian medium income saving units response rate was 32 percent. High income Asian units rate was 29 percent. The response rate of Europeans high income units was 26 percent. There were only four European units in the medium income areas. One of them filled in the questionnaire.

The medium income areas response rate for all groups was 41 percent while that of high income areas was 32 percent. The overall response rate was 38 percent (Table 2). The response rate of 38 percent would be considered good in a mailed questionnaire. But as in mailed questionnaire surveys, in this survey incomplete answers and contradicting answers were common. Used returns were 34 percent of the sample. Even this figure does not indicate the poor response rate in respect to amount of change in savings.

Rejecting questionnaires which give only household characteristics, and obviously nonsense answers leaves questionnaires which give some information on holding of financial assets and in some cases actual changes in the assets. Usable questionnaires as a proportion of those handed out are as follows:

Medium income Africans	40 percent
High income areas Africans	43 "
Medium income Areas Asians	26 "
High Income Areas Asians	29 "
High Income Areas Europeans	20 "

When high income areas Asians and Africans responded they tended to fill the questionnaires better than those in medium income areas. Europeans, however, were more reluctant to supply information on savings and saving than any other group.

The response rate by Community (Table 3) in part reflects the differences in income. From the reports on income one is struck by the relatively lower incomes of Africans living in the same areas with Asians and Europeans. Even the average income of Africans living in high income areas is smaller than that of Asians living in medium income areas. The average reported income of high income areas Africans is £1800. That of middle income areas Asians is £2268. The average income of Asians in high income areas is £3623. That of Europeans is £3243. Asians in the high income areas thus appear to have the highest average income. Africans in the medium income areas have the lowest average income of £883.<sup>8</sup>

While respondents were willing to answer questions on ownership of assets, many of them were not willing or were unable to give actual amounts of changes or balances of their assets. The response in relation to changes in the balance of assets is very poor. It is particularly poor in the case of Europeans in high income areas. Only nine out of 100 gave figures on changes of their assets which could be used with any degree of confidence. Response rate of usable information by Africans and Asians was about the same - 19.3 and 19.5 percent respectively (Table 4). Again, the medium income areas saving units response was higher than that of high income units. Usable saving data were supplied

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<sup>7</sup> This average excludes the incomes of three saving units with less than £500. They do not seem to be representatives of African saving units living in high income areas.

<sup>8</sup> If the reported income is taken to correspond roughly with family income, the greater inequality in underdeveloped countries thesis is supported by Nairobi data. Although low income units are excluded, it is found that the top 5 percent of the units receive 21.5 percent of the income which is higher than the 16 percent received by the top 5 percent of the families in the U.S.A. in 1962 (using census data). See Bernard F. Haley "Changes in the Distribution of Income in the United States", in Jean Marchal and Bernard Ducros (eds.) The Distribution of National Income, (New York, St. Martin's Press, 1968). Table 3, p.6

TABLE 1  
RETURNS BY INCOME AREAS AND COMMUNITY

	Middle Income Areas Africans		High Income Areas Africans		Middle Income Areas Asians		High Income Areas Asians		Middle Income Areas Europeans		High Income Areas Europeans	
	No.	% of Total	No.	% of Total	No.	% of Total	No.	% of Total	No.	% of Total	No.	% of Total
Received Returns	108	45.4	29	43.2	28	32.1	12	29.2	1	25.0	26	26.0
Moved Away	6	2.5	-	-	4	4.6	-	-	-	-	4	4.0
Refusals	124	52.1	38	56.7	55	63.2	29	70.7	3	75.0	70	70.0
Rejected Returns	12	5.0	-	-	4	4.6	-	-	-	-	6	6.0
Used Returns	96	40.3	29	43.2	23	26.4	12	29.2	1	25.0	20	20.0
Total Sampled Units	238	100.0	67	100.0	87	100.0	41	100.0	4	100.0	100	100.0

TABLE 2  
RETURNS BY INCOME AREAS

	Middle Income Areas		High Income Areas		Middle & High Income Areas	
	No.	% of Total	No.	% of Total	No.	% of Total
Received Returns	137	41.6	67	32.2	204	38.0
Moved Away	10	3.0	4	1.9	14	2.6
Refusals	182	55.3	137	65.9	319	54.4
Rejected Returns	16	4.9	6	2.9	22	4.0
Used Returns	121	36.8	60	28.8	181	-
Total Sampled Units	329	100.0	209	100.0	537	100.0

TABLE 3  
RETURNS BY COMMUNITY

	Africans		Asians		Europeans	
	No.	% of total	No.	% of total	No.	% of total
Received Returns	137	44.9	39	30.5	27	26.0
Moved Away	6	2.0	4	3.1	4	3.8
Refusals	167	54.7	84	64.1	73	70.2
Rejected Returns	12	3.9	4	3.1	7	6.7
Used Returns	125	41.3	36	28.1	21	20.2
Total Sampled Units	305	100.0	128	100.0	104	100.0

TABLE 4

SUPPLY OF SAVING AMOUNTS BY COMMUNITY AND INCOME AREAS

	<u>Questionnaires Handed Out (1)</u>	<u>Questionnaires Used (2)</u>	<u>1 as percent of 2</u>
Africans			
Middle Income areas	238	46	19.3
High Income Areas	67	11	16.4
Total	<u>305</u>	<u>57</u>	<u>18.7</u>
Asians			
Middle Income Areas	87	19	21.8
High Income Areas	<u>41</u>	<u>6</u>	<u>14.6</u>
Total	<u>128</u>	<u>25</u>	<u>19.5</u>
Europeans			
High Income Areas	<u>100</u>	<u>9</u>	<u>9</u>
All Groups Total	<u>537</u>	<u>92</u>	<u>17.3</u>

by 17.3 percent of the sampled units.<sup>9</sup>

While the useful number of questionnaires is relatively small, some tentative conclusions can be reached regarding possible changes in the holding of assets. Most of the results are what would be expected by those who are acquainted with the economic position of the three communities.

There are remarkable differences in the holding of financial assets (Table 5). Saving accounts are by far the most prevalent method of saving among Africans. Some 55 percent of those reporting changes in financial assets own saving accounts. Only 32 percent of the Africans reported current accounts ownership. While a large proportion of Asians owns saving accounts (69 percent), this is not so striking as in the case of Africans since a high proportion of them - some 56 percent - report ownership of current accounts, Europeans show a marked preference for current accounts over saving accounts. While only 20 percent reported ownership of saving accounts, almost all (85 percent) reported ownership of current accounts.

There is clear indication that ownership of saving accounts first increases with income and then declines. Some 49 percent of the middle income Africans report ownership as compared with 64 percent of the high income Africans. In the case of Asians the ownership is reported by 90 percent and 44 percent of the middle and high income Asians respectively.<sup>10</sup>

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<sup>9</sup> Hubner who had the cooperation of government, labor unions, industries and professional bodies had better results in his mail questionnaire savings survey in Uganda. The response rate was 28.9 percent. This rate was, however, obtained at some expense to representativeness of the sample. Persons working in industries which refused to cooperate were left out in addition to persons in certain occupations.

<sup>10</sup> Middle income Africans are those with annual income of less than £1000. High income Africans are those with income of £1000 and over. Middle income Asians are those whose incomes is less than £2000. High income Asians have incomes of £2000 and over.



REPORTED METHODS OF SAVING BY COMMUNITY AND INCOME GROUP\*

Method of Savings	Middle Income Africans		High Income Africans		Middle & High Income Africans		Middle Income Asians		High Income Asians		Middle & High Income Asians		Europeans (All High Incomes)	
	No.	%	No.	%	No.	%	No.	%	No.	%	No.	%	No.	%
Savings Account	39	49.3	29	64.4	68	54.8	18	90.0	7	43.8	25	69.4	4	20.0
Time Deposit Account	7	8.9	5	11.1	12	9.7	1	5.0	1	6.2	2	5.6	-	-
Current Account	16	20.2	24	53.3	40	32.3	11	55.0	9	56.2	20	55.6	17	85.0
Other Account	5	6.3	6	13.3	11	8.9	1	5.0	2	12.5	3	8.3	3	15.0
Stocks & Shares	1	1.3	4	8.9	5	4.0	5	25.0	5	31.2	10	27.8	4	20.0
Life Insurance	23	29.1	25	55.6	48	38.7	12	60.0	9	56.2	21	58.8	10	50.0
Property Deals	7	8.9	9	20.0	16	12.9	3	15.0	4	25.0	7	19.4	4	20.0
Mortgages	1	1.3	4	8.9	5	3.2	1	5.0	4	25.0	5	13.8	3	15.0
Loans Given	11	24.4	3	11.1	14	11.3	1	5.0	2	12.5	3	8.3	3	15.0
Pension Scheme	4	5.0	6	13.3	10	8.1	3	15.0	4	25.0	7	19.4	2	10.0
Provident Fund	3	3.8	1	2.2	4	3.2	-	-	-	-	-	-	1	5.0
Durable Goods	15	19.0	7	15.6	22	17.7	3	15.0	3	18.8	6	16.6	7	35.0
Trust Fund	1	1.3	1	2.2	2	1.6	-	-	-	-	-	-	-	-
Total Reporting Units	79	100.0	45	100.0	124	100.0	20	100.0	16	100.0	36	100.0	20	100.0

\* Note that the figures here are based on income group and not income areas.

Current accounts are held by those with high incomes. There was no reported ownership by saving units with incomes below £500. Kenya banks discourage current accounts holding by low income persons.

Reported holding of stock and shares are about as one would expect. Only about 4 percent of the Africans reported ownership. Some 28 of the Asians and 20 percent of the Europeans reported ownership. The relatively low proportion of Europeans reporting ownership may be due to under reporting, a common phenomenon among high income people in all financial holdings surveys, or is due to expected short stay in Kenya.

Life insurance ownership show an interesting pattern. Reported owners increase up to the income level of middle income Asians and then declines but not as much as in the case of saving accounts.

The expected higher proportion of dealings in rural property by Africans is confirmed. Out of seven reported rural property deals six were by Africans. The old observation that lending institutions lend proportionally less to Africans receives further support here. Only 3 percent of the Africans reported taking out mortgages in 1971. On the other hand 11 percent of the Asians reported taking out mortgages.<sup>11</sup> Some of the difference in taking out mortgages can be explained by differences in incomes. The proportion of high income Africans taking out mortgages was 9 percent.

The proportion of Africans and Asians saving by paying for durable goods is about the same - 17.7 percent and 18.8 percent respectively. Relatively more Europeans, than Africans and Asians reported to be saving by paying for durable goods (35 percent). Asians and Europeans, therefore, have a higher proportion than Africans of savers through the purchase of durable goods.

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<sup>11</sup> The percentages on Table 5 include old mortgages.

When it comes to motives for saving, some motives are of importance to Kenyanization policy (Table 4). Purchase and improvement of farm land is mentioned more frequently by Africans (5 percent of all reasons given) than by the other groups. No Asian gave farm purchase or improvement as a reason for saving. One European said he was saving to purchase land with an African family. Support of relatives (that is, those who are neither wife/husband nor daughter/son) was mentioned only by Africans. It may be significant that only middle income Africans mention support of relatives as a reason for saving. It may be that the often mentioned Africans' custom of supporting distant relatives will be disappearing as the general level of income rises.

There was greater concern about saving for old age among Asians and Europeans than among Africans. The difference appears to be caused mainly by income difference. In general saving for old age increases in importance with income.

The education of children is important among the Africans and Asians. It was the most frequently mentioned motive among the two groups with the Asians mentioning it more frequently than the Africans.

Kenyanization seems to have already discouraged Asians from saving to invest in business. Investment was mentioned only once (2 percent) while in the Uganda study 6 percent of the Asians said they saved to invest in business.

Purchase of high value consumer goods appears to be more important as a motive for saving among middle income Africans than among the other groups. Better future for self and family is also more important among the middle income Africans, and all Africans as a group, than among the other groups. Campaigns to increase personal saving after Kenyanization should stress the need for saving for children's education and better standard of living in the future.

In general saving, as expected, increases with income. Starting with the low saving-income ratio of 12.3 percent for middle income Africans it rises to 16.6 percent for middle income Asians, then to 21.2 percent for high income Africans and finally to 36.7 for high income Asians. A surprising result is

TABLE 6  
FREQUENCY OF REPORTED MOTIVES FOR SAVING BY COMMUNITY AND INCOME GROUP

Reported Motives	Middle Income Africans		High Income Africans		Middle & High Income Africans		Middle Income Asians		High Income Asians		Middle & High Income Asians		Europe ans (All High Income)	
	No	₤	No	₤	No	₤	No	₤	No	₤	No	₤	No	₤
Education of children	22	26.5	17	29.8	39	27.9	6	35.3	10	38.5	16	37.2	4	2.2
Provision for old age	2	2.4	9	15.8	11	7.9	6	35.3	7	23.9	13	30.2	7	38.9
Construct/Buy House	3	3.6	6	10.5	9	6.4	-	-	1	3.8	1	2.3	2	11.9
Emergencies	13	15.7	6	10.5	19	13.6	2	11.8	1	3.8	3	7.0	-	-
Better Future for Self & Family	16	19.3	6	10.5	22	15.7	2	11.8	3	11.5	5	11.6	1	5.6
Investment in Business <sup>a</sup>	7	8.4	9	15.8	16	11.4	-	-	1	3.8	1	2.3	-	-
Purchase of Durable Goods	7	8.4	1	1.7	8	5.8	1	5.8	-	-	1	2.3	1	5.6
Purchase/Develop Farm Land	6	7.2	2	3.5	8	5.8	-	-	-	-	-	-	1	5.6
Support of Relatives <sup>b</sup>	6	7.2	-	-	6	4.3	-	-	-	-	-	-	-	5.6
Settling Abroad	-	-	-	-	-	-	-	-	1	3.8	1	2.3	-	-
Marriage	1	1.2	1	1.7	2	1.4	-	-	-	-	-	-	1	5.6
Holidays	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Help Needy	-	-	-	-	-	-	1	5.8	1	3.8	1	2.3	-	-
Pay Tax	-	-	-	-	-	-	1	5.8	-	-	1	2.3	-	-
	83	100.0	57	100.0	140	100.0	17	100.0	26	100.0	43	100.0	18	100.0

<sup>a</sup> Includes purchase of property which may be farm property.

<sup>b</sup> Includes cases where the stated motive is support of relatives or the support of brothers and sisters, and/or parents.

relatively low saving-income ratio of 17.6 percent for European savers who have the highest average income (Table 7). The withholding of information and under reporting in the case of this group seems so important that this saving-income ratio can be said to be even less reliable than the others. As a quick rough test of what saving ratio one would expect, Salisbury, Rhodesia, average European family expenditure is subtracted from average income. The expenditure used is net of expenditure on mortgages, life insurance, and durable goods. The saving-income ratio for an average Salisbury European is about 30 percent at an average income much below that of the Nairobi European saving units [£1956 for Salisbury (1963) as compared with £3517 for Nairobi (1971)]. A similar check of the saving-income ratio of middle income Africans yields more encouraging result. Using the 1963 Expenditure Survey of Nairobi middle Income Households (income shs 335-1339 per month) one gets a saving-income ratio close to that of African units earning less than £840. The expenditure survey gives 10.0 percent saving-income ratio and the present survey 12.9 percent although the only payment for durable good treated as a saving using the expenditure survey data is transport equipment.

When durable goods are excluded from saving, the saving income-ratio ranking of all groups remains the same. There is, however, a more marked decline in the saving-income ratio of Europeans which declines by more than a half. This is due to the observed tendency of respondents, especially high income ones, to understate saving but not expenditure. Payment for durable goods was generally not regarded as a form of saving. The difference between the saving-income ratio of Africans and the saving-income ratio of Africans and the saving-income ratio of Asians and Europeans is reduced a little (1.5 percent) indicating a possible reduction in the demand for durable goods. Since almost all durable consumer goods are imported such a decline would not hamper the growth of the economy.

TABLE 7

Saving-Income Ratio by Community and Income Group<sup>a</sup>

	<u>Average Income</u> <u>(£)</u>	<u>Saving-Income Ratio</u>	<u>Saving-Income Ratio</u> <u>When Durables are</u> <u>Excluded from Saving</u>
Africans			
Middle Income	562.0	12.3	7.5
High Income	2004.4	21.2	18.8
Total	<u>1068.1</u>	<u>18.1</u>	<u>14.9</u>
Asians			
Middle Income	1412.3	16.6	12.9
High Income	3630.0	36.7	34.2
Total	<u>2388.2</u>	<u>30.0</u>	<u>27.1</u>
Europeans			
High Income	<u>3517.4</u>	<u>17.6</u>	<u>9.5</u>
Europeans and Asians			
	<u>2687.1</u>	<u>25.7</u>	<u>21.0</u>

<sup>a</sup> The Saving-Income Ratio is calculated on gross basis. Depreciation, interest on mortgages, and taxes are not deducted.

CONCLUSIONS

From the data on hand and the foregoing observations some tentative conclusions can be made about the effects of Kenyanization on saving. It is now evident that Kenyanization involves the transfer of income from high income groups (Asians and Europeans) to a low income group (Africans). Consequently in the absence of economic growth there would be less holding of most financial assets, especially the sophisticated type of assets such as stocks and shares.<sup>12</sup> Even with economic growth the growth of these assets would be slower with Kenyanization.<sup>13</sup> There would be an increase of saving accounts when Europeans are replaced by Africans. Similarly Kenyanization increases the holdings of rural property by residents of urban areas. At the same time there is an increase in the flow of incomes into rural areas for the purposes of helping relatives and purchasing land. Kenyanization is, therefore, beneficial to the rural areas, but it is likely to increase the number of landless people as Urban Africans continue to increase their land holdings.

The personal saving-income ratio would be expected to decline since the saving-income ratio of foreigners (Europeans and Asians) is greater than that of Kenyans (Africans). Whether in fact Kenyanization has or has not caused a decline in personal saving-income ratio cannot be ascertained from published since there is no data on personal saving in Kenya. It may, however, become possible to test whether personal saving-income ratio has decline declined if and when Snowden final study of Company Savings in Kenya's Manufacturing Sector becomes available.<sup>14</sup>

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<sup>12</sup> There is apparent stagnation in dividend and interest income of residents employees and individuals as reported in income tax returns. See East African Income Tax Department Reports (1965-1969).

<sup>13</sup> Demand deposits of depositors other than banks, government, and public bodies was exceeded by time, savings and other deposits for the first time in December 1970. Savings grew more rapidly than demand deposits. See Republic of Kenya, Statistical Abstract 1971 and 1972 Tables 128(b) & 137(b).

<sup>14</sup> See P.N. Snowden, "Preliminary Report on a Study of Company Savings in Kenya's Manufacturing Sector," Institute for Development Studies, University of Nairobi, Discussion Paper No. 113.