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Analysing Determinants of Household Savings: A Case Study of Lusaka, Chilenje Sub-District

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Abstract

Savings at the household level are one of the most vital needs for financial security and economic development. This paper identifies the determinants of household savings, focusing on sociodemographic and socioeconomic factors, income, consumption patterns, and savings practices that provide insight into challenges and opportunities related to fostering a culture of saving sustainably. A descriptive research design was adopted, in which primary data from household heads was collected through structured interviews and questionnaires. Stratified and simple random sampling methods ensured representativeness, while quantitative analysis techniques identified key determinants of savings behaviour. The results indicate that saving practices are influenced by factors such as education, family size, and housing status. High income and diversification of income boost savings, while high dependence due to a large family and high consumption restrain it. The study also revealed that 66% of the households have planned savings, although the majority depend on informal forms of savings because formal financial facilities are lacking in most rural areas. It also estimated the marginal propensity to consume (MPC) to be approximately 87.8% of the income. The findings call for selective interventions in income diversification policy, financial literacy programs with a strong emphasis on budgeting and prudent spending, and access to formal financial services. It is also recommended that community-based saving initiatives be promoted and longitudinal research on savings behaviour be conducted. These measures have the potential to empower households in Chilenje sub-district toward better absorption of financial shocks and, subsequently, broader economic stability.

Keywords: Zambia, Chilenje Sub-District, Household Savings, Marginal Propensity to Consume, Household Income, Investment and Consumption

1. Introduction

1.1 Background of the Study

Savings are a fundamental component of economic stability and development globally because they provide investment capital, enhance financial security, and stimulate growth (Bresser-Pereira and Kano, 2020) [6]. Understanding savings dynamics is vital in an interconnected world where demographic transitions influence national saving patterns. Although ageing populations reduce aggregate savings, this decline is partly balanced by reduced investment needs (Cruz and Ahmed, 2016) [8]. Developed economies such as Japan and Germany maintain high personal savings rates due to cultural, demographic, and institutional factors (Kuroda, 2018). In Japan, an ageing population increasingly prioritises retirement savings (Horioka, 2024), a trend mirrored globally as elderly groups save collectively later in life (Mitsuru *et al*., 2024) [12]. Emerging economies including India and China experience fluctuating savings linked to urbanisation and demographic change (Bhalla and Bhasin, 2023) [5]. Germany's high savings rate reflects cultural prudence and strong social welfare structures that reinforce long-term financial planning (Paule-Paludkiewicz *et al*., 2016).

The COVID-19 pandemic reshaped global saving behaviours unevenly. In high-income countries such as the United States, heightened uncertainty encouraged increased emergency savings (FRBSF, 2024) [10], while in economically vulnerable regions, including parts of Africa, financial distress limited saving capacity (Gopal and Malliasamy, 2022). This reveals wide disparities in economic resilience and household financial adaptability (ECB, 2021) [9].

In Africa, saving is deeply rooted in communal culture rather than individual financial accumulation. Traditional schemes such as "susu" or "esusu," known as "Chilimba" in Zambia, have long supported collective financial security (Amoah-Mensah, 2021) [2]. These systems operate by pooling resources that members access in turns to finance businesses or social obligations. Despite their value, saving practices face obstacles caused by economic instability, limited financial education, and restricted access to formal banking. High poverty levels in many African regions, including Chilenje, constrain saving and investment (Zambia Statistics Agency, 2023) [19]. Savings performance varies considerably across the continent with no fixed determinants (Tchamyou, 2020). In Zambia, low household incomes make saving difficult.

Most households in Chilenje work in public or private employment, small businesses, or trading activities (Zambia Statistics Agency, 2024) [20]. Their incomes largely cover essential needs, leaving minimal transitory income for saving or investment (Aidoo-Mensah, 2018) [1]. Nonetheless, saving remains crucial for economic stability and development, attracting sustained scholarly and policy attention (Nafziger, 2021). This study therefore examines determinants of household saving in Chilenje Sub-District.

The "Chilimba" system continues to support communal financial resilience, though rising living costs and economic uncertainty weaken saving capacity (Mukulu and Qutieshat, 2021) [13]. Financial institutions further influence saving by providing accounts, deposits, retirement products, and financial education (Smith, 2021; Johnson, 2019). In Zambia, banks, microfinance institutions, credit unions, and mobile platforms enhance financial inclusion and provide diverse saving options tailored to household needs (Banda, 2022) [3].

1.2 Statement of the Problem

In Zambia, saving behaviour is mostly dependent on the income level of the citizenry and their rate of consumption. Also, the geographical location of individuals with the same level of income may have different saving patterns due to their cost of living. Moreover, interest paid on saving is not that significant, while annual interest rates on loans range from 27.5 per cent to about 38 per cent (TransUnion, 2024) [18]. The high lending rates by banks are a very critical issue affecting the banking industry in Zambia which discourages potential savers and affects the saving behaviour of people (Chipili, 2022) [7]. Generally, saving behaviour in developing countries including Zambia is very low. This creates a problem of financing growth and creates an investment gap especially domestically. Low savings lead countries to finance growth through borrowing internationally thus contributing to huge debt and impeding long-term growth. Chilenje is a small Sub-District with a populace who are mainly public and private sector employees. Globally the cost of living is going up and it is affecting developing economies and the sustainability of their growth due to low domestic financing. With low domestic savings impeding economic growth and contributing to international borrowing, debt accumulation, and a rise in the cost of living, it is imperative to understand how this has impacted savings behaviour, thus this study seeks to analyze the determinants of household saving in Chilenje Sub-District in Lusaka.

1.3. General Objective

The general objective of this study is to analyze the determinants of household savings in Chilenje urban Sub-District.

1.3.1 Specific Objectives

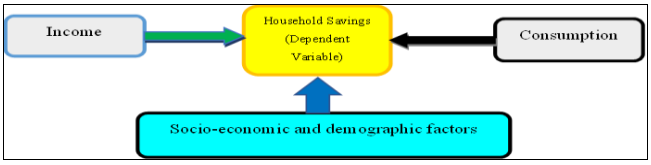
1. To determine the influence of household income on savings.
2. To establish the influence of household consumption on household savings.
3. To estimate the marginal propensity to consume and save.

1.4 Research Questions

1. To what extent does household income influence household savings?
2. To what extent does household consumption influence household savings?
3. What is the estimated marginal propensity to consume and save?

1.5 Conceptual Framework

The study is guided by two key independent variables: income and consumption. The relationship of these factors with the dependent variable is presented as follows:



Household savings represent the portion of disposable income that is not consumed but reserved for future use, reflecting a deliberate balance between income generation and expenditure management. According to Miller and VanHoose (2018) and Ahmed (2017), saving occurs when individuals forgo current consumption to secure future financial stability. Within a household setting, as defined by Ellis (2022), members pool their income and make collective decisions on resource allocation, influencing how much is saved or consumed. In this context, household income derived from wages, business activities, or transfers forms the foundation upon which saving decisions are made. The higher or more stable the income, the greater the capacity for households to set aside resources for savings and investment purposes.

Conversely, household consumption directly competes with saving, as expenditures on necessities such as food, housing, education, and healthcare reduce the portion of income available for future use. The interaction between income and consumption thus determines the saving potential of households in Chilenje Sub-District. A rise in income, when accompanied by prudent consumption management, leads to increased savings, which in turn supports investment and long-term financial security. This interplay underscores the study's central argument that understanding the relationship between income and consumption is crucial to explaining household saving behaviour and promoting sustainable economic development in urban Zambia.

2. Literature Review

2.1 Influence of Income on Household Savings

Modigliani and Brumberg (1954), through their study in the United States, developed the Life-Cycle Hypothesis which demonstrated that individuals save more during their productive years and disserve during retirement. This finding emphasized that income levels at different life stages directly influence saving capacity. Supporting evidence from Friedman (1957) [11] in his Permanent Income Hypothesis also showed that long-term income expectations rather than temporary income determine saving behaviour. Similar results were reported by Dynan, Skinner, and Zeldes (2004) in the United States and Loayza, Schmidt-Hebbel, and Servén (2000) in Latin America, who found that higher income levels promote higher saving rates, while low and irregular incomes reduce saving ability. Conversely, Morduch and Schneider (2017) found that income volatility in informal economies limits saving consistency despite income gains.

In a comparative study across sub-Saharan Africa, Beck *et al*. (2011) established that unstable and low incomes are the major constraints to household savings due to the dominance of informal employment. Their findings in Kenya, Nigeria, and Zambia revealed that households with stable income streams had greater saving potential. These results align with those of Collins *et al*. (2009) in South Africa and Demirgüç-Kunt *et al*. (2018), who reported that income stability and access to financial services improve saving outcomes. However, Deaton (1991) and Carroll (2000) observed that in low-income settings, higher income does not necessarily lead to higher savings, as most households first meet essential consumption needs before considering saving.

In Zambia, Sitko and Jayne (2014) [17] demonstrated that low household income, especially among informal workers, constrains saving and investment potential. Similar studies by Nyirenda *et al*. (2024) [16] and Mwansakilwa *et al*. (2017) [14] revealed that improved income diversification, financial literacy, and formal financial inclusion are critical in boosting household saving rates. These findings are consistent with Frimpong (2024) in Ghana and Suri and Jack (2016) in Kenya, who reported that when income levels improve through business or mobile money participation, saving capacity also rises. In contrast, Loayza and Shankar (2000) found that in high-inflation environments, even rising nominal incomes fail to translate into savings due to eroded real purchasing power.

Kızılarslan and Göcen (2023), in a study on Ethiopian households, concluded that poor families with low and unstable incomes tend to have a high consumption-to-income ratio, leaving little disposable income for savings. This finding supports the work of Farhan and Ali (2019) in Pakistan and Nwosu *et al*. (2020) in Nigeria, who found that low-income earners spend most of their income on essential consumption, reducing saving propensity. Similarly, Marheni *et al*. (2024) reported that households with multiple income earners or diversified income sources exhibited better saving performance. In contrast, Bowman *et al*. (1999) and Barrafrem *et al*. (2024) noted that even with increased income, some households maintain low savings due to behavioral biases such as loss aversion and short-term consumption preferences.

2.2 Influence of Consumption on Household Savings

Friedman (1957) [11], in his study conducted in the United States, introduced the Permanent Income Hypothesis, which revealed that individuals plan consumption based on expected lifetime income rather than current earnings. His findings indicated that when future income expectations rise, current savings decline as household's increase consumption. These results are supported by Modigliani and Brumberg (1954), who found in Italy that individuals tend to save more during peak earning years and consume more during retirement. Similarly, Dynan, Skinner, and Zeldes (2004) in the U.S. and OECD (2020) in Europe confirmed that stable incomes and access to credit encourage higher consumption, thereby reducing the saving rate. However, Carroll (1997) argued that under economic uncertainty, households tend to reduce consumption and increase precautionary savings.

In a cross-country analysis, Chamon and Prasad (2010) found that in China, limited social security coverage leads households to spend conservatively and save more, illustrating an inverse relationship between consumption and savings. Similar findings were reported by Banerjee and Duflo (2011) in India and Ayenew (2021) in Ethiopia, where high consumption needs among low-income earners constrained their saving capacity. Supporting evidence from Mbiti and Weil (2011) in Kenya and Dupas and Robinson (2013) in Uganda showed that even modest reductions in daily consumption can enhance saving rates through informal or mobile saving mechanisms. In contrast, Mian and Sufi (2011) observed in the United States that credit-fueled consumption reduced household savings dramatically prior to the 2008 financial crisis.

Beck *et al*. (2015) in Sub-Saharan Africa demonstrated that inflation and rising living costs increase household consumption expenditure, diminishing disposable income available for savings. These findings are consistent with Loayza, Schmidt-Hebbel, and Servén (2000), who found that high consumption-to-income ratios suppress saving rates in developing economies. Likewise, Karlan *et al*. (2016) in South Africa and Okeke *et al*. (2024) in Nigeria confirmed that financial literacy and budgeting practices can moderate consumption patterns and enhance household saving behaviour. However, Ndhlovu (2010) and Collins *et al*. (2009) noted that in African urban settings, cultural obligations such as extended family support and social ceremonies often elevate consumption and impede savings despite improved income levels.

In Zambia, Situmbeko and Zulu (2004) observed that most urban households prioritize consumption due to unstable income and high living expenses, leaving minimal room for saving. This aligns with findings by Finscope Zambia (2020), which reported that 29% of adults save informally through Chilimba groups due to consumption pressures. Similar evidence from the Bank of Zambia (2021) and BOZ (2022) highlighted that food inflation and rising urban costs continue to suppress savings. These results correspond with studies by UNCDF (2019) and Mwansakilwa *et al*. (2017) [14], which showed that targeted financial literacy and digital finance initiatives can help households control consumption and improve savings. Conversely, Loayza and Shankar (2000) noted that in high-inflation contexts, rising consumption costs erode the real value of income, thereby worsening the saving gap among urban families.

2.3 Estimate the Marginal Propensity to Consume

The concept of the marginal propensity to consume (MPC) originates from Keynes (1936), who argued that households spend a fraction of any additional income, with poorer households typically exhibiting higher MPCs. This foundational theory has been refined by subsequent studies. Loayza, Schmidt-Hebbel, and Servén (2000) highlight that macroeconomic stability, financial sector development, and demographic transitions significantly influence consumption behavior across countries. Carroll, Slacalek, and Tokuoka (2014) further demonstrate that MPC varies across wealth groups, with low-wealth households showing higher MPC due to limited ability to smooth consumption.

Empirical evidence from OECD countries suggests that fiscal stimulus is more effective when directed toward lower-income households, who tend to spend a larger share of marginal income (OECD, 2021). Fisher *et al*. (2019) also emphasize that inequality reduces aggregate consumption, as wealthier households have lower MPCs, thereby slowing economic growth.

In Sub-Saharan Africa, household consumption patterns are shaped by poverty, income volatility, and limited access to financial services. Mbaye and Gueye (2015) note that households often face liquidity constraints, pushing MPC closer to 1, especially among rural and low-income groups. The African Development Bank (2019) highlights that financial inclusion initiatives, such as mobile money and microfinance, have altered consumption patterns but have not significantly reduced the high MPC observed in the region.

These findings suggest that African households allocate most of their marginal income to consumption, leaving little for savings or investment. This dynamic underscores the vulnerability of households to economic shocks and the importance of policies that enhance income stability and savings mechanisms.

In Zambia, household consumption behavior reflects both structural and behavioral constraints. Ludi (2006) examined consumption patterns in Zambia, linking high MPC to poverty alleviation needs, as households spend most of their marginal income on basic necessities. Chizoma (2011) and Lusaya & Mulunda (2022) provide empirical evidence that high MPC in Zambia is driven by low incomes, inflationary pressures, and limited access to financial services. These studies highlight that households' high MPC reduces savings and undermines capital formation, which is critical for long-term economic growth.

Recent analyses also show that employment status, education, and financial literacy significantly influence consumption and savings behavior. Households with higher education levels and stable employment tend to have lower MPC, as they are more likely to allocate marginal income toward savings. However, in urban communities such as Chilenje sub-district, high living costs and income instability continue to reinforce high MPC, leaving households financially vulnerable.

2.4 Establishment of Research Gap

Despite extensive research on household saving behaviour, several critical gaps remain within the Zambian context. There is limited comprehensive work that integrates sociodemographic and socioeconomic factors within Zambia's cultural and economic realities. Most studies examine these variables separately, restricting a full understanding of how they interact in a setting characterised by informal employment, low financial inclusion, and economic vulnerability. This highlights the need for holistic research that reflects Zambia's unique structural conditions. Informal saving mechanisms such as "chilimba" are widely recognised, yet their sustainability, efficiency, and potential alignment with formal financial systems remain underexplored. Given the dependence of low-income households on these systems, this gap is significant. Similarly, the role of emerging technologies, including mobile money, in expanding financial inclusion has received limited attention. While tools like M-Pesa in Kenya are well documented, little evidence exists concerning how such technologies are adopted in Zambia or how they influence household saving patterns. Another notable gap concerns the dominance of quantitative approaches that overlook qualitative dimensions of saving behaviour. Cultural norms, social expectations, and psychological influences on saving decisions in Zambia are insufficiently examined. The impact of financial literacy programs and their effectiveness among different demographic groups also remains unclear, despite their importance in shaping saving practices. The influence of family size and dependency ratios on savings is another under-researched area. Although studies such as Ayenew (2021) offer insights from other African settings, Zambia-specific evidence is scarce. Household obligations, extended family support, and income volatility especially in the informal economy likely shape saving behaviour but remain insufficiently documented. Existing policy recommendations are often broad and fail to address the differing needs of Zambia's rural and urban populations. There is also a lack of longitudinal studies tracking saving patterns over time and under shifting economic conditions. Such studies are crucial for evaluating theories like the Life Cycle Hypothesis and understanding long-term consumption and saving trends. Overall, while existing research provides a useful foundation, significant gaps remain in contextual specificity, methodological diversity, and cultural analysis. Addressing these gaps is essential for developing effective policies that enhance household savings in Zambia.

3. Research Methodology

3.1 Research Design

This study adopts a descriptive research design to examine factors influencing household savings without manipulating variables. Creswell (2014) states that research design provides the overall plan linking theoretical questions to empirical investigation. Dulock (1993) notes that descriptive designs allow observation of population characteristics in a natural and non-intrusive manner. This approach enables a systematic portrayal of saving behaviours while generating precise insights into household dynamics. A quantitative approach is employed, using structured interviews with household heads to draw objective conclusions and provide measurable evidence aligned with the study's objectives.

3.2 Target Population

The target population for this study consists of household heads residing in Chilenje Sub-District, an urban area with 21,898 households. These households represent diverse occupations and socio-economic backgrounds, enhancing the representativeness of the study. Identifying this population ensures that findings accurately reflect the community's varied financial realities, providing a strong

foundation for analysing savings behaviour within the broader socio-economic context of Chilenje Sub-District. According to Shaughnessy *et al*. (2015), a target population comprises individuals to whom research findings apply. Clearly defining it strengthens sampling and analysis decisions.

3.3 Sampling Design and Sample Size

This study used probability sampling, specifically simple random sampling, alongside purposive and stratified non-probability techniques. Household participation depended on willingness and availability. The sample size was determined using Yamane's (1967) formula with a precision level of fourteen percent. With a population of 21,898 households, a sample of fifty respondents was selected.

Yamane Formula:

$$n = N / (1 + N * e^2)$$

Where:

n = Sample size
N = Population (21,898)
e = 0.14

3.4 Data Collection Methods

Both primary and secondary data were utilised. Primary data were obtained through structured questionnaires administered to household heads. Secondary data were sourced from books, journals, newspapers, government publications, and credible online materials. Questionnaires were distributed physically and electronically, allowing respondents to choose convenient completion times. Follow-ups through WhatsApp and phone calls enhanced response rates. These methods enabled efficient gathering of information aligned with the descriptive design, ensuring comprehensive coverage of variables influencing savings behaviour within Chilenje Sub-District and improving the reliability of the collected data.

3.5 Data Analysis

Data analysis included descriptive, exploratory, diagnostic, and predictive techniques, though exploratory analysis was prioritised to understand respondents' lived realities. Data collected physically and electronically were transferred into Excel and later analysed using STATA version 20.0. The software generated descriptive and inferential statistics, including correlations relevant to household savings. Results were presented using tables, pie charts, and histograms to enhance clarity and interpretability. This analytical approach ensured systematic examination of patterns and relationships, allowing the study to draw evidence-based conclusions about saving behaviours in Chilenje Sub-District.

4. Findings and Results

4.1 Background Characteristics of Respondents

4.1.1 Gender of Respondents

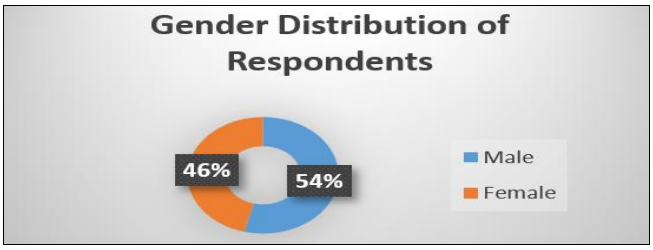


Fig 1: Gender

The sample of 50 respondents included 27 males (54%) and 23 females (46%), indicating a relatively balanced gender distribution. This slight male predominance may influence household decision-making on savings, as noted by Horne *et al*., (2018). This balance suggests that both genders may play significant roles in household financial decision-making, including saving behaviour, although males may have a marginal influence.

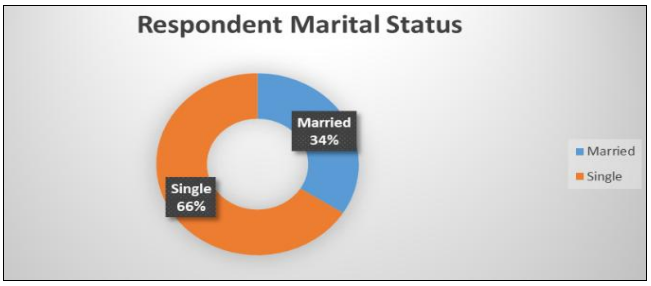


Fig 2: Marital Status

66% single, 34% married (n=50). Source: Field survey data (2025). A majority of respondents (33, 66%) were single, while 17 respondents (34%) were married. This distribution suggests that long-term planning for savings may be more pronounced among married individuals, consistent with Kumar *et al*., (2019). This suggests that the majority may have less emphasis on long-term financial planning, as married households typically engage more in saving for future responsibilities.

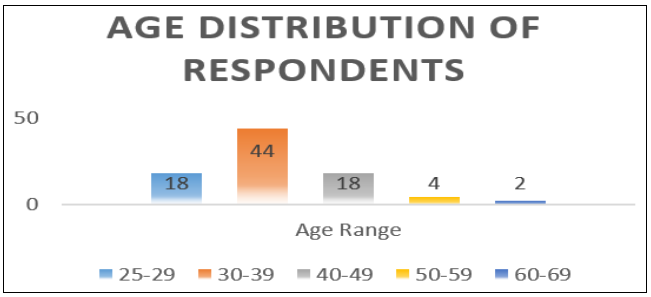


Fig 3: Age

Note: 62% of respondents are aged between 25 and 39 years, indicating that the study sample was predominantly composed of economically active young adults. Source: Field survey data (2025).

The mean age of respondents was 34.12 years (SD = 8.09), with a range from 25 to 67 years. Most respondents fell within the young to middle-aged demographic (62% between 25–39 years), implying active economic participation and potential for saving (Heimer, 2019).

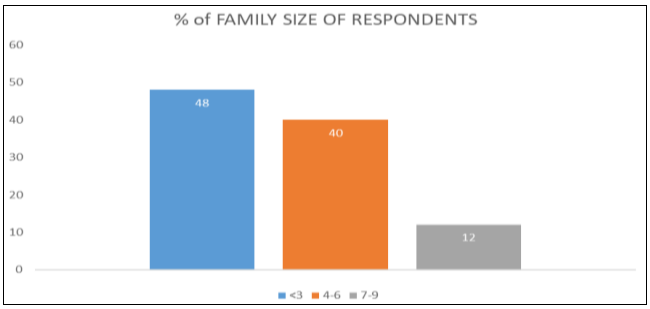


Fig 4: Family Size

48% of households are small (1–3 members), 40% are medium (4–6 members), and 12% are large (7–9 members). Small households of 1–3 members comprised 48% of respondents, medium households of 4–6 members accounted for 40%, and larger households of 7–9 members were 12%. Smaller families tend to have lower consumption demands, enhancing the ability to save (Le Blanc *et al*., 2018).

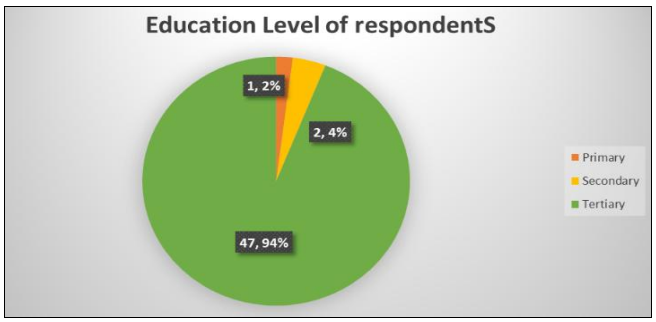


Fig 5: Education Level

A striking 94% of respondents had tertiary education, indicating high financial literacy and earning capacity, which may positively influence their savings behaviour, supporting Yong *et al*., (2018). While only a small proportion reached secondary or primary levels.

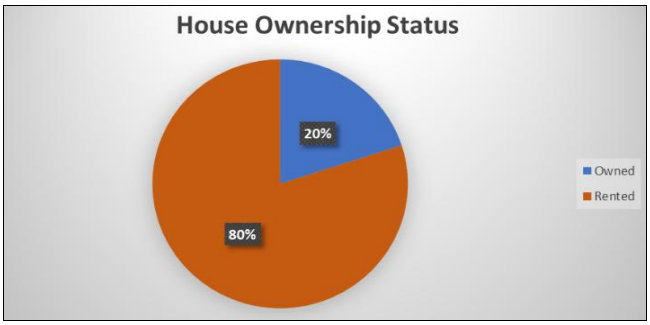


Fig 6: Housing Status

The majority of respondents (80%) live in rented accommodation, while 20% own their homes. This suggests that most households have recurrent rental expenses that may reduce their monthly saving potential. Most respondents (40, 80%) rented their homes, while 10 respondents (20%) owned them. Renting may constrain disposable income and reduce savings capacity, only a small proportion (20%) own their homes, potentially allowing greater saving capacity.

4.2 Influence of Income On Household Savings

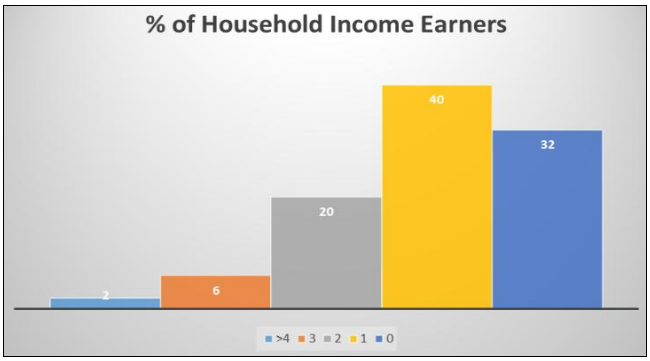


Fig 7: Household Income Earners

Most households (40%) have one additional income earner besides the head, while 32% depend solely on the household head. Only 2% of households have five or more income earners, showing a wide variation in income diversification.

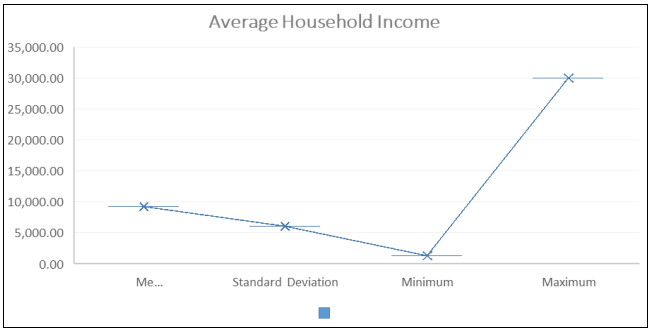


Fig 8: Boxplot of Average Household Income

Mean income = K9,238.84; SD = K6,046.91; Minimum = K1,300; Maximum = K30,000. The distribution indicates a wide variation in household earnings, with a small proportion of high-income households pulling the average upward. While the average household income is K9,238.84, the high standard deviation (K6,046.91) indicates significant income inequality. Households at the lower end (K1,300) likely face constraints on saving, whereas those at the upper end (K30,000) have higher saving potential.

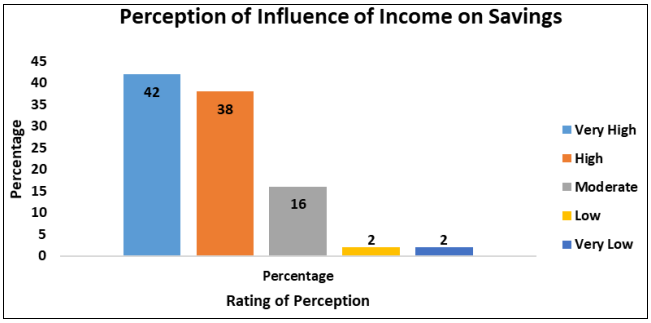


Fig 9: Household Income Perception

Households' perceptions of the impact of income on savings show that a majority of the respondents consider income to have a high impact on their saving capability. Of the total number of 50 respondents, 21 (42%) perceive the impact of income on savings as "Very High," while 19 (38%) perceive it as "High." The summation of these categories leads to 80% of the total sample and highlights a strong recognition of income as a critical determinant of household savings. A smaller share, 8 respondents (16%), perceived the impact of income on savings as "Moderate." Only 2 respondents (4%) believed the influence was "Low" or "Very Low," suggesting that the perception of income as a key factor in saving is almost universal among the participants.

Table 1: Regression of Total Income and Consumption on Savings Amount

Source	SS	df	M	Number of obs	=	50
				F(1, 48)	=	34.34
Model	37963402	2	18981701	Prob > F	=	0.0000
Residual	25981440	47	552796.595	R-Squared	=	0.5937
				Adj R-squared	=	0.5764
Total	63944842	49	1304996.78	Root MSE	=	743.5
Savingsamount	coefficient	std.err	t	P>|t|	[95% conf.	interval]
totalincome	0.1885405	0.0242896	7.76	0.000	.1396763	.2374048
householdconsum	-0.1775931	0.0544359	-3.26	0.002	-.287104	-.0680822
constant	174.8589	212.2733	0.82	0.414	-252.1799	601.8977

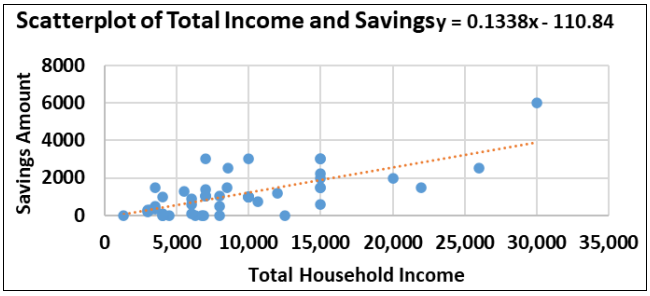


Fig 10: Scatterplot of Total Income and savings Amount

The scatterplot shows a positive correlation between Income and savings, as income increases, it has a positive effect on savings.

The regression results indicate that total income significantly and positively influences the amount of savings. The coefficient for total income is 0.1885405 ($p < 0.001$), implying that with every one-unit increase in total income, household savings increase by about 0.19 units, ceteris paribus. This relationship is statistically significant, as indicated by the p-value of 0.000, hence reinforcing the strength of the relationship. The 95% confidence interval of the coefficient is from 0.1396763 to 0.2374048, further giving weight to this estimate.

Incidentally, the model explains a high degree of variation in household savings, as indicated by the adjusted R-squared value of 0.5764, which means that about 58% of the variation in savings is explained by the regressors. This means that the model can capture most of the important factors affecting savings behaviour. These results highlight the importance of income as a determinant of household savings, not only in terms of its statistical significance but also in its quantifiable magnitude. A clearer understanding of how a one-unit increase in income leads to a 0.19-unit increase in savings underscores the importance of income in driving changes in savings behaviour at the household level.

4.3 Influence of Consumption On Household Savings

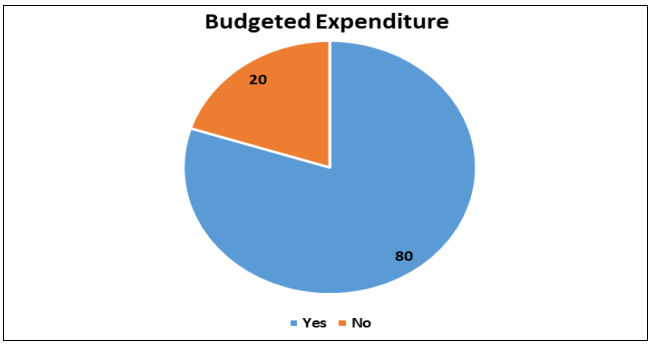


Fig 11: Expenditure Budgeting Practices

The findings above show that the majority of households (80%) actively maintain a costed budget each month, suggesting structured financial planning and potential for higher savings. The remaining 20% without a budget may adopt more spontaneous financial behaviour, potentially limiting their savings capability.

Table 2: Average Household Consumption

Statistic	Amount (K)
Mean	4,456
Standard Deviation	2,698.16
Minimum Consumption	500
Maximum Consumption	10,000

The analysis of average household consumption shows marked variation among households in Chilenje Sub-District. The mean is K4,456 every month, with a standard deviation of K2,698.16, a wide variation in spending habits across the sample, with minimum recorded consumption at K500 and maximum at K10,000.

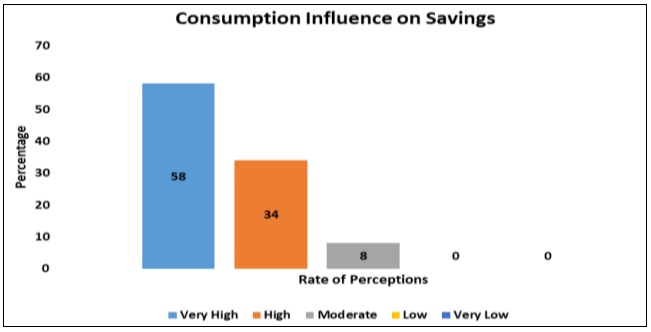


Fig 12: House Hold Consumption Perception on Influence on Savings

The majority of households (92%) perceive consumption as having a high or very high influence on their ability to save, indicating strong awareness of how spending behaviour directly affects savings capacity. Only a small proportion (8%) rate the influence as moderate, and no respondents consider it low.

4.4 Estimate of Marginal Propensity to consume simultaneously assess Household Savings current Situation

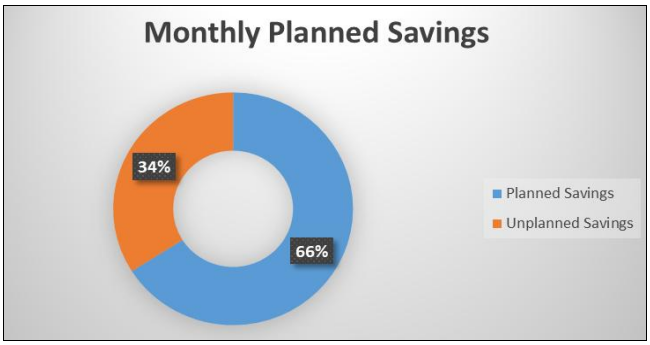


Fig 13: Monthly Planned Savings

The analysis of monthly planned savings practices among households reveals that the majority of respondents actively engage in saving as part of their financial planning. Out of the 50 respondents, 33 households reported having planned savings each month, which means 66% of the respondents are proactively setting aside money for future use. This indicates that a large portion of the population recognizes the importance of saving and incorporates it into their financial routines. On the other hand, 17 respondents (34%) showed that they do not save every month. For this group, insufficient income levels or competing financial priorities could be a problem, as saving regularly may not be possible.

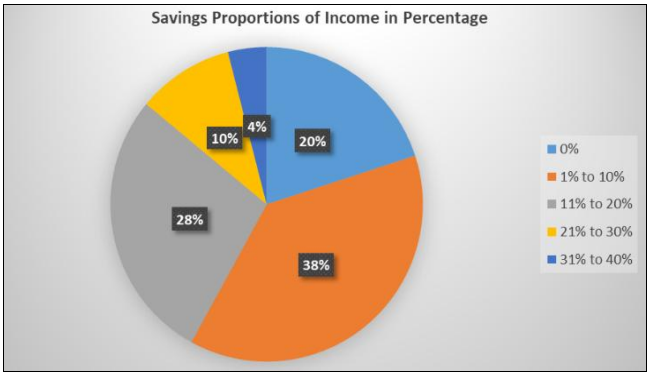


Fig 14: Proportions of the percentage of savings from the income of respondents

The highest proportion of respondents, 19 representing 38% of the 50 respondents, save between 1-10% of their income. This is followed by 14 respondents, 28% of the sample, saving between 11-20% of their income. These two categories add up to 66% of the total sample and, therefore, indicate that the majority of the households save a small to moderate proportion of their income. While 5 (10%) of the respondents save between 21-30% of their income, only 2 respondents (4%) save between 31 and 40%. Remarkably, 10 respondents reported that they do not save any portion of their income (20%), indicating financial constraints or priorities that do not go toward savings.

Table 3: Average Savings Amount

Variable	Obs	Mean	Std. Dev.	Min	Max
savingsamo~t	50	1125.4	1142.37	0	6000

The analysis of the savings average amount among households shows a considerable variation in savings behaviour. The mean savings amount is K1, 125.40 and the standard deviation equals 1,142.37, indicating a very extensive range of savings amongst the respondents. The minimum saving reported is K 0, while the maximum savings amount stands at K 6,000.

Table 4: Summary savings amount and Total Income

Variable	Min Amount	Maximum Amount	Total
Income	1,300	30,000	461,942
Savings Amount	0	6,000	56,270

Computing the Marginal Propensity to Consume (MPC)

MPC≈C/Y= (Total Income-Total Savings)/Total Income
Total Income (All respondents) = 461,942
Total Savings (All respondents) = 56,270
Average Savings rate = 56,270/461,942 = 0.122
MPC≈(461,942-56,270)/461,942 = 0.8782
Therefore, households on average save 12.2% of their income.
MPC= 1-MPS = 1-0.122= Households consume 87.8% of their Income.
High MPC (87.8%): Most additional income is spent, consistent with literature on low-income communities.
Low MPS (12.2%): Limited savings capacity, reinforcing vulnerability to shocks.
Variation across households: Some save aggressively (30–40%), while others save nothing. This heterogeneity suggests differences in income stability, financial literacy, and household priorities.

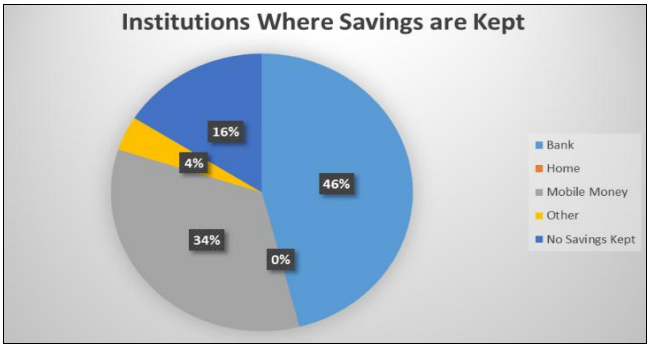


Fig 15: Institutions where Savings Are Kept by respondents

Out of 50 respondents, 23 (46%) reported saving their money in banks. The second in order of preference was the use of mobile money platforms, through which 17 respondents, or 34% of the respondents, save their funds. A smaller proportion, 2 respondents (4%), save through other unspecified means. However, 8 respondents (16%) do not save their money in any institution, which is a gap in financial inclusion or a preference for informal savings methods, such as keeping cash at home.

4.5 Discussion of Results

4.5.1 Influence of Income on Household Savings

The findings show that income strongly shapes household saving behaviour in Chilenje Sub-District. Households relying on a single income source exhibited limited saving capacity, while those with diversified earnings demonstrated

greater ability to set aside funds. Income levels varied widely, reflecting substantial inequality, and this disparity directly influenced the range of savings recorded. Higher-income households saved significantly more than those at the lower end of the income spectrum. Statistical analysis indicated a clear and positive relationship between income and savings, demonstrating that increases in earnings consistently translated into higher saving potential. These results support major economic theories. The life-cycle perspective suggests that constrained income limits saving opportunities, while the marginal propensity to save framework explains why low-income households prioritise consumption. Higher-income earners, having more discretionary resources, align with the permanent income view that stable or rising income promotes saving. Perceptions among respondents reinforced this pattern, as most acknowledged income as a major factor affecting their ability to save.

4.5.2 Influence of Consumption on Household Savings

Household consumption patterns exert a strong influence on savings behaviour in Chilenje Sub-District. Many households practise structured budgeting, which strengthens financial discipline and creates opportunities to allocate part of their income toward savings. However, others struggle to save due to unplanned spending and inconsistent financial management. The wide variation in consumption levels reflects differences in income and household size, shaping how much each household can set aside. Higher consumption, particularly in lower-income households, limits disposable income and reduces saving capacity, consistent with the view that consumption pressures outweigh saving intentions when resources are constrained.

The observed patterns strongly align with established economic theories. The absolute income perspective explains why lower-income households devote most of their resources to meeting essential needs, leaving little room for savings, while the permanent income view indicates that consumption behaviour directly affects long-term saving potential. Respondents' perceptions reinforce this relationship, as most acknowledged consumption as a major factor reducing their ability to save. Collectively, these findings highlight the importance of financial literacy, budgeting skills, and consumption management for improving household savings.

4.5.3 Estimate of Marginal Propensity to consume simultaneously Assess Household Savings current Situation

The estimated marginal propensity to consume of 87.8 percent and marginal propensity to save of 12.2 percent show that most additional income in Chilenje Sub-District is directed toward immediate consumption, leaving only a small portion available for savings. Lower-income households display the highest consumption pressure because essential needs absorb nearly all disposable income. This pattern reflects Keynes' argument that households with limited incomes allocate a greater share of extra income to consumption, and it is further supported by evidence showing that rising income improves saving capacity. The contrast between income groups illustrates how financial flexibility shapes saving behaviour, with higher-income households able to retain a slightly larger fraction of additional income. These results demonstrate that income levels and consumption needs jointly determine saving outcomes. The findings also highlight structural constraints facing many households, emphasising the importance of financial literacy, income-enhancing opportunities, and accessible saving mechanisms to strengthen long-term financial resilience.

5. Conclusion

Sociodemographic characteristics, income dynamics, consumption patterns, and the estimated marginal propensity to consume collectively demonstrate the key factors shaping saving behaviour in Chilenje Sub-District. Education was strongly associated with better saving habits, while smaller households and home ownership enhanced saving capacity compared to renting and larger family sizes, which constrained the ability to save. Income played a central role, with households that had diverse and stable income sources showing stronger saving potential, whereas reliance on a single income stream and existing income inequalities limited savings, reflecting the logic of long-term income expectations in shaping financial decisions. Consumption patterns further influenced saving outcomes, as high expenditure levels reduced the amount available for savings, particularly among low- and middle-income groups, thereby underscoring the need for budgeting and prudent spending skills. The estimated marginal propensity to consume of 87.8 percent highlighted the dominance of consumption pressures in lower-income households, where saving was constrained despite two-thirds of respondents reporting planned saving practices. Challenges such as limited access to formal financial institutions and dependence on informal mechanisms further reduced saving efficiency. Strengthening financial literacy, promoting income diversification, improving access to formal saving platforms, and addressing structural barriers can collectively enhance household saving behaviour and long-term financial resilience.

5.1 Recommendations

The study recommends policies that promote income diversification, reduce income inequality, and expand financial literacy to strengthen saving behaviour in Chilenje Sub-District. Government and non-governmental organisations should implement programmes that focus on budgeting skills, consumption management, and the long-term value of saving. Community-based initiatives also need support to encourage planned savings and enhance access to formal financial services, with strengthened savings groups and cooperatives playing a key role in fostering shared financial responsibility. Continuous monitoring of household saving patterns through longitudinal research is further recommended to evaluate the effectiveness of interventions, while future studies should explore innovative saving approaches suited to low-income households, including digital platforms and micro-savings tools, to improve financial inclusion and long-term resilience.

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