



Income Inequality And Economic Growth in Kenya

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Abstract

Kenya aimed to achieve an economic growth of 10% annually by the year 2012. However, the 10% economic growth rate has not been achieved as at the end of the year 2022. This is an indication that the economic growth rate has been lagging the target for the vision 2030. The gap between the richest and poorest has reached extreme levels in Kenya. Less than 0.1% of the population owns more wealth than the bottom 99.9%. The findings of this research indicate high levels of income disparity are affecting the economy's growth process as well as contributing to the rise in poverty. The increase in economic growth has the tendency to lessen income inequality after a certain point. The process of changing a country's economy from an agrarian society to an industrial society was responsible for the significant income inequality during the early stages of economic expansion. Kuznets also highlighted the fundamental adjustments made in economic growth. A negative relationship was observed which meant that a rise in income inequality would have a deteriorating effect on economic growth. This study therefore recommends that Kenya should devise appropriate measures such as deregulating the economy, setting up strong and accountable institutions to ensure the principle of equity is observed in the allocation and distribution of resources. This can be made possible through development of inclusive political and economic institutions that would promote the principle of equity as enshrined in the constitution of Kenya.

Keywords: Income inequality, Economic growth, Kenya

Suggested Citation:

Chemwok, C. K., Siele, R. & Saina, E. K. (2023). Income Inequality And Economic Growth in Kenya. *Journal of Business Management and Economic Research (JOBMER)*, Vol: 7, Issue: 3, 80-92.