THE EFFECT OF PERSONAL BORROWINGS AND SAVINGS ON THE ECONOMIC EMPOWERMENT OF HOUSEHOLDS IN NAIROBI COUNTY

BY

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DECLARATION

This research project is my original work and has not been presented for any academic award in any other University

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This research project has been presented for examination with my approval as the University supervisor

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I am truly grateful to the Almighty God for His supernatural favor upon me this far. I am also thankful to the people who have been with me throughout my academic journey, like my family for their continuous support, my supervisor Mr.Herrick Ondigo for the advice and guidance and to my colleagues for encouragement.

DEDICATION

I dedicate this paper to my Lord Jesus and my family. I am forever grateful to have them as pillars in my life.

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LIST OF ABBREVIATIONS

ANOVA	Analysis of Variance
APC	Average Propensity to Consume
GDP	Gross Domestic Product
GNP	Gross National Product
ING	International Netherlands Group
ISA	Individual Saving Account
KES	Kenya Shillings
MPC	Marginal Propensity to Consume
NGO	Non-Governmental Organization
PI	Permanent Income
PIH	Permanent Income Hypothesis
SME	Small Medium Enterprise
UK	United Kingdom
USA	United States of America
VIG	Village Income Generating Programs

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ABSTRACT

The government is not able to provide efficiently for its citizens, therefore there is need to empower households economically as this will create economic growth and stability within the county. This study aimed at finding the effects of personal borrowings and savings on economic empowerment of households in Nairobi County. The survey covered Nairobi county residents working or doing business within the Nairobi City County. According to KNBS 2013, there were 985,016 households in Nairobi County. This was the group from which the sample was drawn. The study used simple sampling technique in coming up with the study's sample. Random sampling was used in choosing the sample within the strata. To get a representative sample of Nairobi residents a stratified random sample of some 200 households was selected, considering households which were headed by men as well as those headed by women. The primary data was through administering questionnaires. The data collected was analyzed using descriptive statistics. Data obtained was analyzed using multiple linear regression techniques. The study found that respondents were economically empowered by financial seminars attended occasionally for updates and necessary advice due to frequent change in technology and competition purposes to a great extent. According to the findings various financial institutions were available to provide and promote borrowings, which influenced respondents' decision to borrow in order to improve their household's economic status to a great extent. The study concludes that holding all factors (personal borrowings and personal savings) constant, factors affecting economic empowerment of households will be 0.116. The findings presented also shows that taking all other independent variables at zero, a unit increase in personal borrowings will lead to an increase in the scores of the economic empowerment of households. On the other hand a unit increase in personal savings will lead to an increase in economic empowerment of households. This infers that personal borrowings influence the economic empowerment of households most followed by personal savings. The study also established a significant relationship between economic empowerment of households and the independent variables; personal borrowings and personal savings as shown by the p values. Policy recommendations are that households should consult financial experts to help make better investment decisions. The government should partner with micro financial institutions to foster financial training for households even as they as they are encouraged to take loans for economic growth.

CHAPTER ONE

INTRODUCTION

1.1. Background of the study

With the withdrawal of the state as the predominant provider of benefits, personal finance is positioned as the most important foundation stones for modern society and social welfare as a whole (Harrison, 2005). In recent years, the need for financial education has gained attention of a wide range of entities like banking companies, government agencies, grass-roots consumer and community interest groups, university, schools and other organizations. The forces of technology and market innovation, driven by increased competition, have resulted into sophisticated industry which consumers are offered a broad spectrum of services by wide away of providers.

The troubling irony of a difficult economy is that while more people need help and more political pressure builds up to address their needs, fewer resources are available yet scarcity often breeds innovation and encourages collaboration. An example of this is a new model of free financial counseling- professional, one on one and delivered at scale which is being integrated into service delivery steams in cities across the country. Financial counseling has traditionally been offered by an array of nonprofit organizations that provide much needed services but generally lack the resources to provide a growing number of clients with that they need most: personalized and professional financial counseling. And even organizations able to offer such services rarely have mechanisms for ensuring delivery of quality and consistency among counselors or for measuring and tracking program impact for clients.

Prominent researchers believe that the operation of the financial sector merely responds to economic development, adjusting to changing demands from the real sector and is therefore overemphasized (Robinson, 1952, Lucas, 1988). Others believe that financial systems play a crucial role in elevating market frictions and hence influencing saving rates, investment decisions, technological innovation and therefore long-run growth rate. (Schumpeter, 1912, Gurley and Shaw, 1955, Goldsmith, 1969, Mckinnon, 1973, Miller 1998).

Becker (1965) postulated a basic theoretical analysis of choice that considers the cost of time on the same footing as the cost of market goods. He recognized that using the time of a member of the family was using resource of production. He envisioned the family as a small factory that combines ``capital goods, raw materials and labor to clean, feed, procreate and otherwise produce useful commodities''. Household concept may mean a group of related individuals who live together and pool their productive resources to generate income that is then consumed by the various members. According to Casley and Lury, (1987:183) a household comprises a person, a group of persons, generally bound by ties of kinship, who live together under a single roof or within a single compound and who share a community of life in that they are answerable to the same head and share a common source of food.

1.1.1. Personal Borrowings and Savings

Personal debt can be defined as the amount of money that all adults in the household owe financial institutions. It includes consumer debt and mortgage loans. Personal loans refers to a loan involving a formal contract detailing exactly how much you are borrowing and when and how you are going to pay it back (Keown,2010).

Personal saving is the portion of personal income that is left over after current and outlays for personal consumption expenditures, non mortgage interest payments, and net current transfers to government and the rest of the world. It also represents the contribution from persons to national saving, which is the total amount that is available to fund investment in fixed asset, inventories, or foreign assets (Reinsdorf, 2004). Personal savings refer to the money that a person, rather than a business or organization keeps in an account in a bank or similar financial organization. It can also be referred to as money that an individual has put away for non-immediate use. Personal saving equals disposable personal income minus spending for consumption and interest payments.

1.1.2. Economic Empowerment

Economic empowerment is thought to allow people to think beyond immediate daily survival and exercise greater control over both their resources and life choices. For example, it enables households to make their own decisions around making investments in health, education and taking risks in order to increase their income. Economic empowerment can strengthen vulnerable groups' participation in decision making; for example, microfinance programs have been shown to bolster women's influence within household and market place (Eyben, Kabeer and Cornwall, 2008). As a consequence of economic empowerment, income, savings, employment and self-employment increases and thus reducing unemployment and indebtness. As a result of distress, sale of commodities and land also decreases, resulting in the increase of assets and productive investment, (Asad, 2007).

Kabeer (2001) defines empowerment as the expansion in people's ability to make strategic life choices in a context where this ability was previously denied to them. Batliwala (1997) defines empowerment as a process which changes existing power relations by addressing itself to the three dimensions material, human and intellectual resources. Lazo (1995) also defines empowerment as a process of acquiring, providing, bestowing the resources and the means or enabling the access to and control over such means and resources''. Empowerment occurs through improvement of conditions, standards, events, and global perspective of life.

1.1.3. The Effect of Personal Borrowings and Savings on Economic Empowerment

The perceived relationship between personal borrowings/savings and the economic empowerment of households is that personal borrowings and personal savings play a vital role in providing the ability to acquire commodities to households in order to meet their daily and future needs without depending on the government's support. According to Modiiliani and Brumberg (1955), consumer spending does not depend on this year's disposable income, but rather on disposable income expected over a long time period (savings). Dueseenberry (1948), states that the strength of any individual's desire to increase his consumption expenditure is a function of the ratio of his expenditure to some weighted average expenditure of others with whom he comes into contact.

In a study of individual regions of Italy, Guiso, Sapieza and Zingales (2002) a household data set and examined the effect of differences in local financial development enhances the probability that an individual starts a business, increases industrial competition and promotes growth of firms. And these results are stronger for smaller firms which cannot easily raise funds outside of the local area.

The true measure of success is whether households are making good financial decisions and behaving in a responsible manner. In order to achieve the Kenya's vision 2030 economic pillar, the national and county governments do commit a considerable amount of resources to empower youths and women economically as they are the majority in the country. Though at a slow speed, projects like Uwezo fund have enabled the said group to borrow funds for business activities in order to improve their standard of living and embrace the saving culture, hence stability and economic independence amongst households.

1.1.4. Nairobi County

Nairobi County is one of the 47 counties in Kenya. It has a total population of 3,138,369; 985,016 households and covers an area of 695.1 SQ. KM. The population density is 4,515 per SQ. KM and 22% of the population live below the poverty line. Main economic activities include industrial production of various goods in small, medium and large-scale, trading, tourism, professional business services, and commercial enterprise. Nairobi has a well-developed infrastructure, including modern financial and communications system. It hosts the country's largest industrial Centre which accounts for some 20% of the GDP.

Nairobi is a cosmopolitan and multicultural city with several financial institutions and related organizations both local and internationally based. Households are likely to get financial services and assistance from these institutions depending on their needs. Each household should be financially stable as this will help limit cases of insecurity within the county, therefore there is need to empower them economically.

1.2 Research Problem

Financial decisions made by consumers affect an individual's or family's financial wellbeing and ability to save for long- term goals such as buying a home, seeking higher education or financing retirement (Hira, 2009). Empowerment is fundamentally about the enhancement of individuals' capabilities to make a difference in their surroundings, which affects their life (Lazo, 1995). Personal borrowings and savings act as a form of financial discipline to the households hence if properly managed leads to financial stability and economic growth to the country.

Nairobi County is a cosmopolitan and multicultural city consisting of households from different cultures, races and classes. Households in this country are hard working to ensure that they meet their daily needs as the cost of living within the county is perceived to be high due to the larger population competing for the scarce resources within the county. Therefore there is need for the study to determine whether personal loans and savings can empower households economically without dependence on the government's aid but rather lend to the government institutions.

There are various studies that have been done related to topic under study, some of which are; Sajid (2004) did a study on relationship between domestic saving and economic growth in Pakistan revealing that savings contributed to higher investment and higher economic growth. Wiklander (2010) investigated the determinants of women empowerment in rural India and found out that there are differences in determinants of women empowerment and that there is no one-model- fits-all, so policies need to be directed towards institutional change and be particularly focused on shaping social norms. Locally some of the research done include, Kefela (2010) revealed that financial knowledge is directly correlated with self-beneficial financial behavior. Nyakundi (2009) researched on whether private foundations are supporting initiatives to improve financial literacy and established that most of these initiatives to improve financial literacy and established that most of these initiatives are being implemented through client-led finance institutions. Wafula (2012) did a study to assess the influence of village income generating programs on the social-economic empowerment of rural women in Bungoma South District to determine the effects of heifer international program one acre fund and village development committees of rural women on the empowerment of rural women in Bungoma South District. The findings showed a greater effect of VIG on income and lesser on health empowerment.

The studies done focused majorly on financial literacy, economic growth and women empowerment. In Nairobi county there are various microfinance strands strategically placed in town centre, colleges and office entrances; sales persons visiting offices to capture employees in order to promote and sale their companies' products; corporate exhibitions held to create financial literacy among the residents and NGOs starting income generating projects in specific vulnerable estates to help improve the residents standards of living. Therefore there is need to analyze how personal borrowings and savings relates to the economic empowerment of households in a county. The research question is "what are the effects of personal borrowings and savings on the economic empowerment of households in Nairobi County?"

1.3 Research Objective

The general objective of the study is establishing the effect of personal borrowings and savings on the economic empowerment of households in Nairobi County.

1.3.1 Specific objectives

i) To analyze the effect of personal borrowings on economic empowerment

ii) To analyze the effect of personal savings on economic empowerment

1.4 Value of the Study

Various parties may benefit from this study including the government and policy makers who will be able to formulate financial policies encouraging personal borrowing and savings in the county and how that can go towards fostering economic empowerment of households and consequently country’s economic growth. Individual and institutional investors who will benefit with financial knowledge on how to manage their personal finances, while academicians and future researchers who will have reference point from the information gathered that will contribute to understanding the effects of personal finance on household economic empowerment.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

The chapter is concerned with the review of literature related to the study. Both theoretical literature and empirical literature will be discussed at the end of the chapter an overview of literature will be given.

2.2 Theoretical Review

There is no one exclusive theory that looks on personal finance and economic empowerment, several theories have been advanced by several scholars to explain why it is important to manage our personal finances some of which are explained below:

2.2.1 Portfolio Theory

Markowitz (1952) developed a normative approach to investment choice under uncertainty and has two important assumptions. Firstly, the returns from investments are normally distributed and therefore two parameters, the expected return and the standard deviation, are sufficient to describe the distribution of returns. Secondly investors are risk averse and therefore prefer the highest expected return for a given standard deviation and the lowest standard deviation for a given expected return. Risk and return are the two most important attributes of an investment and go hand in hand. An investor should always demand a considerable reward or return for any given risk they are willing to assume. The return should be higher than the perceived risk of any investment you get into otherwise you stand losing money, for example assume you are considering investing in a given security and the prevailing inflation is 6%, your expected return should be more than 6% so as to cushion your return from the likely decline in purchasing power of money. Combining different securities into portfolio is done to achieve diversification. Diversification results in an overall reduction in portfolio risk (return volatility over time) with little sacrifice in returns, and helps to immunize the portfolio from potentially catastrophic events such as the outright failure of one of the constituent investment, Wiley (2007).

2.2.2 Relative Permanent Income and Consumption Theory

The relative permanent income and consumption theory developed by Keynes (1936), Friedman (1956), and Duseenberry (1948) states that the share of permanent income devoted to consumption is a negative function of household relative permanent income. This theory begins with Keynes (1936) analysis of the psychological foundation of consumption behavior in his General Theory where he notes that the marginal propensity to consume (MPC) falls with income, as does the average propensity to consume (APC). This implies that redistributing income from high to low income households raises aggregate consumption since low-income households have a higher MPC. The General Keynes' theory of aggregate consumption spending was quickly adopted, but it was soon confronted by an empirical puzzle.

In response to this empirical puzzle, Milton Friedman (1956) proposed his income hypothesis (HIP) which maintains that households spend a fixed fraction of their permanent income on consumption. Permanent income is defined as the annuity value of lifetime income and wealth. His theory argues that disposable income needs to be defined better and needs to be broken into two parts. The first part being the permanent income which determines how much we will spend, where we will shop, what kinds of clothes we will wear, what kinds of food we will eat. The second part is "transitory income". Something that is transitory is something that "comes and goes". The key aspect is that transitory changes in income are one-time only events. They will not be repeated. According to Friedman, these transitory changes in income will mainly affect savings. They will have little effect on consumer spending. Transitory changes income can be negative or positive.

The PIH gives rise to a consumption function of the form:

(1) $Ct = {}_{c}Y^{*}t$

Where:

C = consumption spending,

C = MPC, and

Y* = permanent income.

According to PI theory, the MPC is constant and equal to the APC. The MPC is also the same for all households. Friedman's PIH offered a simple explanation of the empirical consumption puzzle. At the theoretical level, its construct of permanent income introduced expectations, thereby adding a sensible forward- looking dimension to consumption theory. The theory had important implications for fiscal policy. Firstly, since all households have the same MPC it undermined the Keynesian demand stimulus argument for progressive taxation. Second, it introduces a distinction between permanent and temporary tax cuts; with only the former having a significant impact on consumption since only permanent tax cuts significantly change permanent income (Friedman, 1956).

Another theory was initially viewed with promise but the lost traction was Duesenberry's (1948) relative income theory of consumption. Duesenberry's theory maintains that consumption decisions are motivated by "relative" consumption concerns –"keeping up with the Joneses". "The strength of any individual's desire to increase his consumption expenditure is a function of the ratio of his expenditure to some weighted average of the expenditure of others with whom he comes into contact." A second claim is that consumption patterns are subject to habit and are slow to fall in face of income reductions (Duesenberry, 1948).

2.2.3 Life Cycle Theory of Consumer Spending

Modigliani and Brumberg (1955) developed life cycle model which basically says that consumer spending does not depend on this year's disposable income. Rather , consumer spending spends on disposable income expected over a long time period (one's lifetime). According to life cycle theory individuals choose a lifetime pattern of consumption that maximizes their lifetime utility subject to their lifetime budget constraint. The lifecycle approach makes a number of important contributions. First, it introduces utility maximization, thereby introducing agency into consumption theory. This treatment reconciled macroeconomic consumption theory with microeconomic choice theory. Second, lifecycle consumption theory is also forward looking since it includes lifetime income expectations in the lifetime budget constraint. Third, the constrained utility maximization framework introduces credit markets and borrowing and lending. Fourth, lifestyle theory incorporates a sociological dimension, explicitly recognizing that consumption expenditures may vary by stage of life.

2.3 Determinants of Economic Empowerment

The following have been identified by various studies as important variables determining the level of economic empowerment;

Financial literature which has been defined as the ability to process financial information and make informed decisions about personal finance. Financial literacy can be an important determinant of access to finance. Low levels of literacy may prevent the take up of more complicated financial products such as insurance, since clients may hesitate to buy a product whose utility they do not fully comprehend.

Region is another important determinant of economic empowerment as various regions undergo different challenges therefore one has to understand his locality in order to tackle the economic issues well as you empower the residents. Multicultural practices have to be dealt with carefully to avoid resistance from the residence. Ease of movement within a region facilitates economic empowerment therefore good infrastructure is vital.

Source of income of the households in a given residential area is another factor to be considered; whether there are natural resources or services that can be offered in order to earn a living, availability of SMEs or local financial institutions to issue loans /borrowings as well as facilitating savings and investments. Availability and utilization of various sources of personal income is a sign of economic empowerment.

Government policies cannot be avoided in all operations hence is a key determinant of economic empowerment. The economic policies in the country show what should be achieved, how and when. Households, organizations and financial institutions are therefore suppose to operate in line with the laid down government policies and guidelines in order to be relevant and legal in their operations.

2.4 Empirical Review

There are several studies that have been done globally related to the topic under study, some of which are discussed below:

2.4.1 International Evidence

Mason et al. (2003) looked at women's empowerment and social context in five Asia countries. In regard to empowerment they looked at women's say in household economic decisions, their say in family size decisions, women's freedom of movement, and their exposure to coercive controls by the husband. Their findings show that community can explain more variation in women empowerment than their personal and household characteristics. Within countries they found that two thirds or more of variations in women empowerment between communities can be explained by gender norms. They also establish that female empowerment is multidimensional, where women can be empowered in some aspect and not in others, and this tends to vary between communities. Thus, they found that the proxy measure of women's empowerment is problematic.

Odundo (2003) carried out the study on rate of savings on 212 households in Uganda. Simple sampling was used to select 212 households who were involved in the study out of the 567 households in a certain estate. Data was later analyzed through means and percentages and presented in tables and graphs. A saving for retirement culture is largely absent in African countries due to the traditional systems of old age support by children and lack of knowledge on savings options, which is evident in the fact that only 15% of Ugandans were in any form of pension arrangement.

Sajid (2004) examined the relationship between domestic savings and output in Pakistan using time series data for the period 1973 to 2003. The study used co- integration and vector error correction techniques to explore the relationship between savings and economic growth. The result suggested a bid-directional long run relationship between savings and output level. However, the results showed existence of unidirectional long run causality from public savings to output and private savings to Gross National Product (GNP). There was also evidence that the speed of adjustment in savings is stronger than that of level of output. The overall results revealed that savings contributed to higher investment and hence higher economic growth.

Wiklander (2010) investigated the determinants of women's empowerment and the presence of gender-related constraints within the household in rural India from two estates of different demographic development, Uttar Pradesh in the North and Tamil Nadu in the South are included in the data of 200 households. Using households level data from the survey on the status of women and fertility provided by the Rockefeler Foundation and the population studies centre of University of Pennsylvania through explanatory variables. It was found that differences in determines of women empowerment shows that there is not one model fits all; instead, policies need to be directed towards institutional change and be particularly focused on shaping social norms.

According to a survey by ING (2012), trust in professional advisers and banks varies considerably between countries, but in every county surveyed friends and family were the most widely trusted source of help in financial decision making. Trust in the advice provided by banks was particularly low in Poland (16%), in the UK and US (17%). Even in the country with the highest level of trust in banks' advice (Luxembourg) less than half of those surveyed (45%) said they would trust this source for advice. People in the Czech Republic (41%) were the most likely to trust qualified financial advisers, while people in France (7%), Thailand (8%), Turkey (10%), Poland (11%) the least. Similar findings from the USA in a 2009 survey, only 49% of respondents had set aside emergency funds to cover expenses for three months in the event of job loss or illness. Only 42% who had not retired said they had worked out how much they needed to save for retirement. People also did not appear to use the information they were given to support financial decisions. Two thirds of respondents reported getting annual Social Security statements, but a large majority of these did not use them when making decisions about when to retire or claim benefits.

2.4.2 Local Evidence

Mwau (1984) examined the relationship between growth and inflow of foreign capital in Kenya. His analysis focused on the effects that foreign capital has on investment, foreign trade and balance of payment, money supply and economic growth. The finding showed that the proportion of gross capital formation that come from FDI was very low in Kenya and that could possibly explain the reason as to why the extent of influence on economic growth is not very strong. However, the results indicated that formation was the major driver of economic growth while private capital inflows had a positive effect on the balance of payment.

Kamau (2001) analyzed debt servicing and economic growth in Kenya using a time series data for the period 1979 to 2000. The study employed a single equation model with real GDP groeth rate as a function of debt servicing among other factors and simultaneous equation model consisting of several structural equations. The results from both models indicated that there is indeed a negative relationship between debt servicing and economic growth rate.

Nyakundi (2009) carried out the study on whether private foundations are supporting initiative to improve financial literacy, using simple random sampling to select 45 firms which were involved I the study out of the 154 in Nairobi, Kenya. Data was later analyzed through means and percentages and presented in tables and graphs. The results showed that while private foundations are also supporting a number of initiatives to look in to improving financial literacy in Kenya, these initiatives are mostly being implemented through client-led financial institutions such as Equity Bank and microfinance institutions.

Kefela (2010) studied the impact of financial knowledge and financial behavior in Kenya. Descriptive research design was used where data was collected using structured questionnaires. 74 respondents were selected through stratified sampling from a population of 300 clients in a certain bank. The data was analyzed using descriptive statistics and regression analysis through SPSS. The study revealed that financial knowledge is directly correlated with self-beneficial financial behavior and so financial education should take a wholesome perspective to include the fundamentals of financial since without understanding the basic finance principles, pension education would be ineffective. In the words of Kefela (2010), "participants who are less financial literate are more likely to have problems with debt, are less likely to save, are more likely to engage in high cost mortgages and are less likely to plan for retirement" and by extension are less likely to make better choices for their pension schemes. Hence education is essential in personal financial planning.

Wafula (2012) did a study to assess the influence of village income generating programs on the socio-economic empowerment of rural women in Bungoma South District to determine the effects of heifer international program one acre fund and village development committees of rural women on the empowerment of rural women in Bungoma South District. The study employed the ex-post factor research design, systematic random sampling was used to select household in the rural areas with the help of area administration officer. The study used both structured and non structured questionnaires and documentary review to collect data from the respondents. The findings showed a greater effect of VIG on income and lesser on health empowerment.

Mugune (2013) did a study on the effectiveness of socio-economic projects on youth empowerment in Nakuru Municipality by identifying three independent variables which are small and medium enterprises, sports and resolving fund scheme. The study adopted descriptive survey research design which entails both quantitative and qualitative data collection procedures. A random sample of 132 youth groups were obtained and a questionnaire was used to collect data. The study recommends that the government and other stakeholders should provide structured support to the youths in training, mentorship and guidance.

2.5 Summary of Literature Review

As a summary of the literature review, the theories recognize savings as key in personal finance management. The role of personal borrowings and saving in the household economic empowerment is not explicitly given. Moving on to empirical work we see that financial literacy is an essential tool of economic empowerment to households, determinants of empowerment is multidimensional and savings contributes to higher investment which foster economic growth and stability in a region.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This chapter presents the research methodology that was applied in carrying out the study. This chapter described the proposed research design, sample size, data collection and the techniques for data analysis that was used.

3.2 Research Design

A research design is the arrangement of conditions for collection and analysis of data in a manner that aims to combine relevance to the research purpose with economy in procedure (Claire el al., 1962). The study took a descriptive research design; this was because the study aimed to establish the relationship between variables; that is how personal borrowings and savings can affect the economic empowerment of households in Nairobi County.

3.3 Target Population

The survey covered Nairobi county residents working or doing business within the Nairobi city county, focusing on households headed by men as well as those headed by women. There were 985,016 household in Nairobi County according to KNBS (2013) survey. This was the group from which the sample was drawn.

3.4 Sample

Deming (1990) argues that the quality of a study is often better with sampling than with a census. The study used simple sampling technique in coming up with the study's sample. Random sampling was used in choosing the sample within the strata. The goal of stratified random sampling was to achieve the desired representation from various groups in the population. To get a representative sample of Nairobi residents a stratified random sample of some 200 households was selected, considering households which were headed by men as well as those headed by women.

3.5 Data Collection

The study used primary data. The primary data was through administering questionnaires (Appendix 1). A questionnaire was useful tool for collecting data from respondents because of the need to provide a means of expressing their views more openly and clearly. The structured questionnaire consisted of open and closed ended questions designed to elicit specific responses for qualitative analysis. The questionnaire was administered through drop and pick later method to the sample population. The questionnaire was divided into three sections; section one dealt with demographic section that contained the general information of the respondent, section two contained economic empowerment while section three cover personal borrowings and savings as means and sources to household economic empowerment. In this way it hoped to combine the low cost advantage of none personal interview with the convenience and privacy afforded by written answers.

3.5.1 Data Validity and Reliability

This sub-section describes how the study met the threshold of a quality study by observing validity and reliability as is the norm in any research. Validity refers to how well test measures what it was purported to measure while reliability is the degree to which an assessment tool produces stable and consistent results. It was therefore assumed that sampling errors involved were sufficiently negligible to the extent that they cannot invalidate the results for the process for which they were required. More detailed information was obtained in through the questionnaires which were easily handled.

3.6 Data Analysis

The data collected was analyzed using descriptive statistics. A description of the respondents who took part in the study was given. The researcher presented data from the households' questionnaires. Data analysis was discussed. According to De Vos (1998:334) "Data analysis in qualitative research is a challenging and highly creative process. It starts with data collection from the selected sample.

3.6.1 Analytical Model

Data obtained was analyzed using multiple linear regression techniques. From the questionnaire results a multiple linear regression model of the following form was generated:

Economic Empowerment = *f* (Personal Borrowings +Personal Savings)

Ec. Emp. $= \beta_0 + \beta_1 PB + \beta_2 PS + \alpha$

Where; The initials represent the independent variables in the above formula order

α - represents regression error term

ANOVA model was used to compare the multiple means for statistical significance to examine whether there was a difference in economic empowerment among different households conducted on the questionnaire responses.

Table 3.1 Operationalization of variables

Research objectives	Independent variables	Indicators	Measures	Data analysis techniques
To analyze the effects of personal borrowings on economic empowerment	Personal borrowings	-Increased number of borrowers. -Acquisition of property -Improved livelihood	-Interest paid -household property owned. -Better livelihood.	Descriptive thematic analysis
To analyze the effects of personal savings on economic empowerment	Personal savings	-Increased personal savings. -Financial independence. -Lending to the government.	-Increased level of investment. -Average net returns on investment. -Self confidence	Descriptive thematic analysis

Source: Researcher

CHAPTER FOUR

DATA ANALYSIS, RESULTS AND DISCUSSION

4.1. Introduction

This chapter presents analysis and findings of the study as set out in the research methodology. The results are presented on the effects of personal borrowings and savings on the economic empowerment of households in Nairobi. The data was gathered exclusively from questionnaire as the research instrument. The questionnaire was designed in line with the objectives of the study. To enhance quality of data obtained, likert type questions were included whereby respondents indicated the extent to which the variables were practiced in a five point likerts scale.

4.1.1 Response Rate

The study targeted to sample 200 households as respondents in collecting data. From the study, 154 out of 200 sampled respondents filled in and returned the questionnaire contributing to 77%. This commendable response rate was made a reality after the researcher made personal visits to remind the respondent to fill-in and return the questionnaires.

Table 4.1 Response Rate

Response	Frequency	Percentage
Responded	154	77
Not responded	46	23
Total	**200**	**100**

Source: Researcher Findings

4.2 Demographic Data

4.2.1 Respondents Gender

The study aimed at evaluating the respondent’s gender 56% who were the majority was female while 44% were male. The findings show that both genders were represented in the study however gender parity was noted. The reason behind this is because the females could be easily reached and were willing to sacrifice their time to respond to the questionnaire compared to the male counterparts.

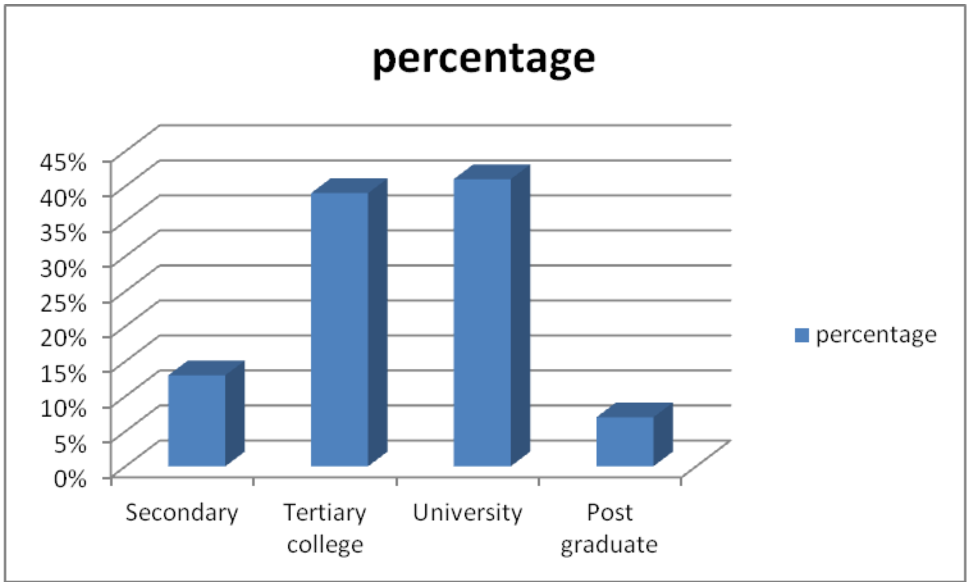
Table 4.2: Respondents gender

Gender	Frequency	Percentage
Male	67	44
Female	87	56
Total	**154**	**100**

Source: Researcher Findings

4.2.2 Respondent's Level of Education

Figure 4.1: Respondent's level of education

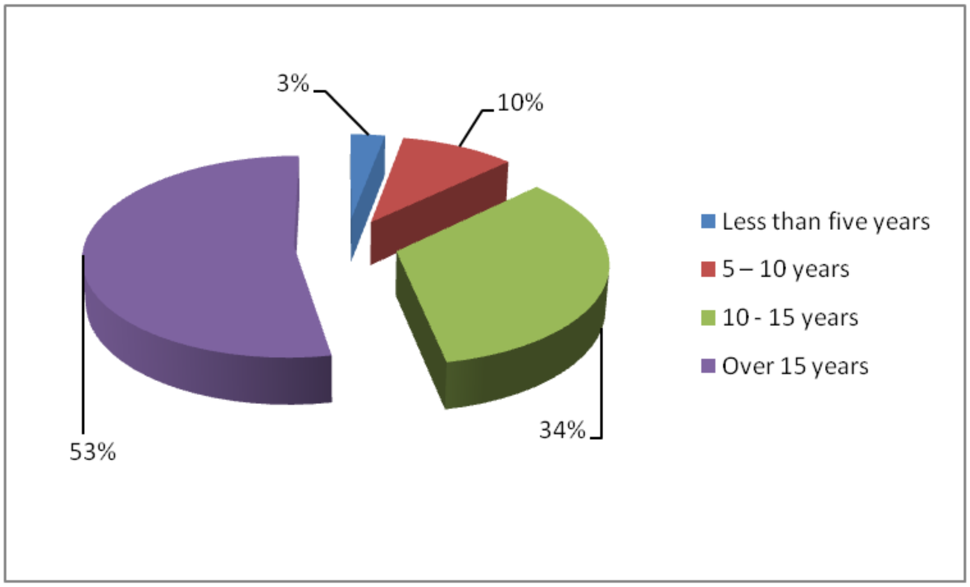


Source: Researcher Findings

On evaluating the respondents level of education the study found that; 41% who were the majority were university graduates, 39% had tertiary college certificates, 13% had secondary certificates while 7% were post graduates.

4.2.3 Length of Stay in Nairobi

Figure 4.2: Length of stay in Nairobi



Source: Researcher Findings

The study aimed at ascertaining the length of respondents stay in Nairobi; 53% who were the majority had stated in Nairobi for over 15 years, 34% had stated in Nairobi for 10 to 15 years, 10% had stated in Nairobi for 5 to 10 years while 3% had stated in Nairobi for less than five years.

4.3 Economic Empowerment on Economic Empowerment

On evaluating households' economic empowerment the study found that; respondents where economic empowered by financial seminars attended occasionally for updates and necessary advice due to frequent change in technology and competition purposes to a great extent as shown by a mean score of 4.32, affording better access to healthcare services, sanitation, food, education and technology to a great extent as shown by a mean score of 4.31, financial knowledge acquired enhanced respondents ability to invest in viable projects which were economically profitable to the household to a great extent as shown by a mean score of 4.13, household situation was likely to stay fairly stable over the next one year to a great extent as shown by a mean score of 4.10, more employment opportunities had been created to the needy to a great extent as shown by a mean score of 4.07, financial training acquired helped household track their financial operations through record keeping to a great extent as shown by a mean score of 3.86, household members participate in financial decision making awareness of strategic investment plans and welfare of all to a great extent as shown by a mean score of 3.37, the government had created conducive environment for production and economic empowerment to a great extent as shown by a mean score of 2.24 while property owned beneficial reduced cost of business operations and facilitate faster transactions for household to a great extent as shown by a mean score of 2.13.

Table 4.3: Economic empowerment on economic empowerment

Statement	**Mean**	**Standard deviation**
Financial knowledge acquired has enhanced your ability to invest in viable projects which are economically profitable to the household.	4.13	.090
Your household members participate in financial decision making therefore aware of your strategic investment plans and welfare of all.	3.37	.926
Financial training acquired has helped your household track your financial operations through record keeping	3.86	.939
The government has created conducive environment for production and economic empowerment	2.24	.898
More employment opportunities have been created to the needy	4.07	.792
Financial seminars attended occasionally for updates and necessary advice due to frequent change in technology and competition purposes.	4.32	.402
Household situation is likely to stay fairly stable over the next one year.	4.10	1.109
Property owned beneficial in reducing cost of business operations and facilitate faster transactions for your household.	2.13	.090
Can afford better access to healthcare services, sanitation, food, education and technology.	4.31	.856

Source: Researcher Findings

4.3.1 Personal Borrowings on Economic Empowerment

The study aimed at evaluating the respondent's level of agreement regarding personal borrowings as means to gain household economic empowerment. According to the findings various financial institutions were available to provide and promote borrowings, which influenced respondents decision to borrow in order to improve their household's economic status to a great extent as shown by a mean score of 4.10, respondents were aware of the interest charged on personal loans acquired plus their impact on respondents future economic status to a great extent as shown by a mean score of 4.09, government finance policy in place were considerate to individual borrowers' economic growth status to a great extent as shown by a mean score of 4.01, a personal borrowing was considered for acquiring household assets, business operations and furthering education status to a great extent as shown by a mean score of 3.94, due to personal borrowings respondents ability to provide for the household needs had been enhanced to a moderate extent as shown by a mean score of 3.25, so far respondents had embraced personal borrowing because it was a means to improving their household's livelihood to a moderate extent as shown by a mean score of 2.97 while the project respondents ventured into had been successful therefore acted as a security for further personal borrowings to a low extent as shown by a mean score of 1.84.

Table 4.4: Personal borrowings on economic empowerment

Statement	Mean	Standard deviation
So far you have embraced personal borrowing because it is a means to improving your household's livelihood.	2.97	1.114
Various financial institutions available to provide and promote borrowings, this has influenced your decision to borrow in order to improve your household's economic status.	4.10	.097
The project you ventured into has been successful therefore can act as a security for further personal borrowings	1.84	.192
You are aware of the interest charged on personal loans acquired plus their impact on your future economic status.	4.09	.932

Government finance policy in place is considerate to individual borrowers' economic growth.	4.01	.9167
Personal borrowings considered for acquiring household assets, business operations and furthering education.	3.94	.171
Due to personal borrowings your ability to provide for your household needs has been enhanced.	3.25	.973

Source: Researcher Findings

4.3.2 Personal Savings on Economic Empowerment

On evaluating statements regarding personal savings as a means to gain household economic empowerment the study found that Investment in various portfolio helped in risk diversification/ reduction to a great extent as shown by a mean score of 4.21, future household financial planning motivated saving e.g. contributing to employment pension scheme, insurance policies e.t.c. to a great extent as shown by a mean score of 4.10, respondents household's lifestyle factors in cost of living helped to ensure economic stability to a great extent as shown by a mean score of 4.08, availability of saving facilities affected positively households' saving behavior to a great extent as shown by a mean score of 4.01, personal savings was used as a source of financing/ expanding household business to a great extent as shown by a mean score of 3.97, returns on investments were rewarding and key in facilitating the achievement of household's financial plans resulting in economic success to a great extent as shown by a mean score of 3.74, respondents had substantial savings in government securities to a moderate extent as shown by a mean score of 3.37 while personal savings capacity of households, despite their level of income accumulated an enormous amount of capital for funding development projects to a moderate extent as shown by a mean score of 3.28.

Table 4.5: Personal savings on economic empowerment

Statement	**Mean**	**Standard deviation**
Personal savings capacity of households, despite their level of income can accumulate an enormous amount of capital for funding development projects.	3.28	.223
Availability of saving facilities affects positively households' saving	4.01	.042

behavior.		
Your household's lifestyle factors in cost of living to ensure economic stability.	4.08	.659
Future household financial planning motivates saving e.g. contributing to employment pension scheme, insurance policies e.t.c.	4.10	1.127
Returns on your investments are rewarding and key in facilitating the achievement of household's financial plans resulting in economic success.	3.74	.846
Investment in various portfolio helps in risk diversification/ reduction	4.21	.827
Personal savings have been used as a source of financing/ expanding household business.	3.97	.430
Have substantial savings in government securities	3.37	1.026

Source: Researcher Findings

4.4 Regression Analysis of the Findings

The researcher conducted a multiple linear regression analysis so as to determine the relationship between the factors affecting economic empowerment and the two independent factors namely: Personal borrowings and personal savings.

The regression equation was

Ec. Emp. $= \beta_0 + \beta_1 PB + \beta_2 PS + \alpha$

Whereby **Y =** Economic empowerment

PB = Personal Borrowings

PS = Personal Savings

Table 4.6 Model Summary

Model	R	R Square	Adjusted R Square	Standard Error of the Estimate
1	**0.843**	**0. 742**	**0.724**	**0.4216**

Source: Researcher Findings

a) Predictors: (Constant), Personal borrowings and personal savings.
b) Dependent variable: economic empowerment

The study used the R square. The R Square is called the coefficient of determination and tells us how the economic empowerment varied with personal borrowings and personal savings. The two independent variables that were studied explain 74.2% of the factors affecting economic empowerment as represented by R Squared (Coefficient of determinant). This therefore means that other factors not studied in this research contribute 25.8% of the factors affecting economic empowerment of households.

Table 4.7: ANOVA

Model		**Sum of Squares**	**df**	**Mean Square**	**F**	**Sig.**
1	Regression	11.72	9	1.302	44.231	.000(a)
	Residual	3.432	145	0.066		
	Total	**15.152**	**154**			

Source: Researcher findings

a) Predictors: (Constant), Personal borrowings and personal savings
b) Dependent Variable: Economic empowerment of households

The study used ANOVA to establish the significance of the regression model from which an f-significance value of p less than 0.05 was established. The model is statistically significant in predicting how personal borrowings and personal savings affect economic empowerment of households. This shows that the regression model has a less than 0.05 likelihood (probability) of giving a wrong prediction. This therefore means that the regression model has a confidence level of above 95% hence high reliability of the results.

Table 4.8 Coefficients Results

	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	0.116	.186		0.623	.535
Personal borrowings	0.577	.068	.559	8.478	.000
Personal savings	0.157	.043	.257	3.676	.036

Source: Researcher Findings

a) Predictors: (Constant), personal borrowings and personal savings
b) Dependent Variable: Economic empowerment of households

The established regression equation was

$Y = 0.116 + 0.577\ \beta_1 + 0.157\ \beta_2 + \varepsilon$

The regression equation above has established that holding all factors (personal borrowings and personal savings) constant, factors affecting economic empowerment of households will be 0.116. The findings presented also shows that taking all other independent variables at zero, a unit increase in personal borrowings will lead to a 0.577 increase in the scores of the economic empowerment of households. On the other hand a unit increase in personal savings will lead to a 0.157 increase in economic empowerment of households. This infers that personal borrowings influence the economic empowerment of households most followed by personal savings. The overall results revealed that personal borrowing contributed to higher investment and hence higher economic growth. The study also established a significant relationship between economic empowerment of households and the independent variables; personal borrowings ($p=0.00<0.05$), personal savings ($p=0.036<0.05$ as shown by the p values.

4.4.1 Non-parametric correlation

A Spearman correlation is used when one or both of the variables are not assumed to be normally distributed. The values of the variables were converted in ranks and then correlated. The study correlated Personal borrowings and personal savings under the assumption that both of these variables are normal and interval.

Table 4.9 Correlations

			Personal borrowings	Personal savings
Spearman's rho	Personal borrowings	Correlation Coefficient Sig. (2-tailed) N	1.000 . 61	.617 .000 61
	Personal savings	Correlation Coefficient Sig. (2-tailed) N	.617 .000 61	1.000 . 61

Source: Researcher Findings

The results suggest that the relationship between personal borrowings and personal savings (rho = 0.617, p = 0.000) is statistically significant. Personal borrowings and personal savings had a rho of .0617 and a p value of 0.000 therefore denoting statistical significance.

4.5 Interpretation of the Findings

The study found that respondents were economically empowered by financial seminars attended occasionally for updates and necessary advice due to frequent change in technology and competition purposes to a great extent. According to the findings personal borrowings ensured affording better access to healthcare services, sanitation, food, education and technology to a great extent. The findings were similar with Nyakundi (2009) who carried out the study on whether private foundations are supporting initiative to improve financial literacy. The results showed that while private foundations are also supporting a number of initiatives to look in to improving financial literacy in Kenya, these initiatives are mostly being implemented through client-led finance institutions such as Equity Bank and microfinance institutions. Also similar was Kefela (2010), participants who are less financially literate are more likely to have problems with debt, are less likely to save, are more likely to engage in high cost mortgages and are less likely to plan for retirement" and by extension are less likely to make better choices for their pension schemes. Hence education is essential in personal financial planning.

According to the findings various financial institutions were available to provide and promote borrowings, which influenced respondent's decision to borrow in order to improve their household's economic status to a great extent. Respondents were aware of the interest charged on personal loans acquired plus their impact on respondent's future economic status to a great extent. Personal borrowing was considered for acquiring household assets, business operations and furthering education status to a great extent. This findings correlate with Mwau (1984) examined the relationship between growth and inflow of foreign capital in Kenya. His analysis focused on the effects that foreign capital has on investment, foreign trade and balance of payment, money supply and economic growth. The finding showed that the proportion of gross capita formation that comes from FDI was very low in Kenya and that could possibly explain the reason as to why the extent of influence on economic growth is not very strong. However, the result indicated that formation was the major driver of economic growth while private capital inflows had a positive effect on the balance of payment.

The regression equation above has established that holding all factors (personal borrowings and personal savings) constant, factors affecting economic empowerment of households will be 0.116. The findings presented also shows that taking all other independent variables at zero, a unit increase in personal borrowings will lead to a 0.577 increase in the scores of the economic empowerment of households. On the other hand a unit increase in personal savings will lead to a 0.157 increase in economic empowerment of households. This infers that personal borrowings influence the economic empowerment of households most followed by personal savings. The study also established a significant relationship between economic empowerment of households and the independent variables; personal borrowings ($p=0.00<0.05$), personal savings ($p=0.036<0.05$) as shown by the p values.

The results suggest that the relationship between personal borrowings and personal savings (rho = 0.617, p = 0.000) is statistically significant. Personal borrowings and personal savings had a rho of .0617 and a p value of 0.000 therefore denoting statistical significance. These findings correlated with Sajid (2004) who examined the relationship between domestic savings and output in Pakistan using time series data for the period 1973 to 2003. The study used co-integration and vector error correction techniques to explore the relationship between savings and economic growth. The result suggested a bi-directional long run relationship between savings and output level. However, the results showed existence of unidirectional long run causality from public savings to output and private savings to Gross National Product (GNP). In this findings there was contradiction for Sajid (2004) who found that there was also evidence that the speed of adjustment in savings is stronger than that of level of output.

CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

This study was conducted to establish the effects of personal borrowings and savings on the economic empowerment of households in Nairobi County. This chapter provides a summary of findings presented in Chapter Four. Further, it provides a conclusion and recommendations of the main findings based on the study's objectives. Therefore, this chapter is structured into summary, conclusions, limitations, recommendations and areas for further research.

5.2 Summary

The study found that respondents were economically empowered by financial seminars attended occasionally for updates and necessary advice due to frequent change in technology and competition purposes to a great extent (mean= 4.32). according to the findings personal borrowings ensured affording better access to healthcare services, sanitation, food, education and technology to a great extent as shown by a mean score of (mean= 4.31). Financial knowledge acquired enhanced respondents ability to invest in viable projects which were economically profitable to the household to a great extent (mean= 4.13). Household situation was likely to stay fairly stable over the next one year to a great extent (mean= 4.10). More employment opportunities had been created to the needy to a great extent (mean= 4.07). Financial training acquired helped household track their financial operations through record keeping to a great extent (mean= 3.86).

According to the findings various financial institutions were available to provide and promote borrowings, which influenced respondents decision to borrow in order to improve their household's economic status to a great extent (mean= 4.10). Respondents were aware of the interest charged on personal loans acquired plus their impact on respondents future economic status to a great extent (mean= 4.09). Government finance policy in place were considerate to individual borrowers' economic growth status to a great extent (mean= 4.01). Personal borrowing was considered for acquiring household assets, business operations and furthering education status to a great extent (mean= 3.94).

The study found that Investment in various portfolio helped in risk diversification/ reduction to a great extent (mean= 4.21). Future household financial planning motivated saving e.g. contributing to employment pension scheme, insurance policies e.t.c. to a great extent (mean= 4.10). Household's lifestyle factors in cost of living helped to ensure economic stability to a great extent (mean= 4.08). Availability of saving facilities affected positively households' saving behavior to a great extent (mean= 4.01). Personal savings was used as a source of financing/ expanding household business to a great extent (mean= 3.97). Returns on investments were rewarding and key in facilitating the achievement of household's financial plans resulting in economic success to a great extent (mean= 3.74).

The results suggest that the relationship between personal borrowings and personal savings (rho = 0.617, p = 0.000) is statistically significant. Personal borrowings and personal savings had a rho of .0617 and a p value of 0.000 therefore denoting statistical significance.

5.3 Conclusion

The study concludes that holding all factors (personal borrowings and personal savings) constant, factors affecting economic empowerment of households will be 0.116. The findings presented also shows that taking all other independent variables at zero, a unit increase in personal borrowings will lead to an increase in the scores of the economic empowerment of households.

On the other hand a unit increase in personal savings will lead to an increase in economic empowerment of households. This infers that personal borrowings influence the economic empowerment of households most followed by personal savings. The study also established a significant relationship between economic empowerment of households and the independent variables; personal borrowings and personal savings as shown by the p values.

5.4 Limitations of the Study

The study was limited to households in Nairobi County; therefore, the findings may not be representative of other households outside this definition. Also, since the study used combined data of the households, it may not necessarily reflect true position of each individual personal borrowings and savings rather that of the whole households which includes both spouses financial status in Nairobi.

Another limitation is developing a model which would enable the researcher to study the relationship between dependent and independent variables. When developing this model, there was a great need to define the dependent variables and independent variables. If the model is incorrect, the process of analysis may not give the right results.

5.5 Recommendations for Policy and Practice

The study finds strong support for the argument the amount of personal savings may also lead to borrowing but to a low extent, therefore households should consult investment analysts for advice on investment decisions and how to efficient maximize on their capital in investment and not losing it as a result of choosing poor investment portfolios.

The study also reveals that personal borrowings have a significant effect on borrowing utilization. Therefore, households should be encouraged by the financial institutions to consult financial experts before making investment decisions in order to enhance borrowing. Also seminars/workshops on how to efficiently use borrowings should be conducted by the financial institutions so that households have sufficient knowledge on borrowing utilization.

The government agents should be more active on training the households on need to take loans for economic development. The other recommendation is that households should be encouraged to join groups geared towards investment. This would enable them get economically empowered by participating more on loan borrowing. The government and micro-financial institutions ought to come up with policies that empower households economically by emphasizing on loan borrowed.

5.6 Suggestions for Further Research

The study was conducted in Nairobi County thus another study should be conducted in Kenya in order to ensure generalisation of findings of all households countrywide. Other instrument like interview guides and focus groups should be used in order to validate the findings.

Another study should be conducted to test other variables like income level and management skills that will be compared to see how they influence economic empowerment.

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APPENDICES

Appendix 1: Questionnaire

Please give answers in the spaces provided and tick ( ) in the box that matches your response to the questions where applicable.

Part A: Respondents Demographic Profile

1. Gender: Male ( ) Female ( )

2. What is your highest level of education qualification?
   a) Secondary ( )
   b) Tertiary college ( )
   c) University ( )
   d) Post graduate ( )
3. Length of your stay in Nairobi?
   a) Less than five years ( )
   b) 5 – 10 years ( )
   c) 10 - 15 years ( )
   d) Over 15 years ( )

Part B: Economic Empowerment

4. To what extents do you agree with the following statements towards the achievement of households' economic empowerment? Tick 1- Not at all, 2-Small extent, 3- Moderate extent, 4-Great extent and 5- Very great extent.

Statement	1	2	3	4	5
Financial knowledge acquired has enhanced your ability to invest in viable projects which are economically profitable to the household.					
Your household members participate in financial decision making therefore aware of your strategic investment plans and welfare of all.					

Financial training acquired has helped your household track your financial operations through record keeping					
The government has created conducive environment for production and economic empowerment					
More employment opportunities have been created to the needy					
Financial seminars attended occasionally for updates and necessary advice due to frequent change in technology and competition purposes.					
Household situation is likely to stay fairly stable over the next one year.					
Property owned beneficial in reducing cost of business operations and facilitate faster transactions for your household.					
Can afford better access to healthcare services, sanitation, food, education and technology.					

Part C

a) Personal Borrowings

5. To what extents do you agree with the following statements regarding personal borrowings as means to gain household economic empowerment? Tick 1- Not at all, 2- Small extent, 3- Moderate extent, 4-Great extent and 5- Very great extent.

Statement	**1**	**2**	**3**	**4**	**5**
So far you have embraced personal borrowing because it is a means to improving your household's livelihood.					
Various financial institutions available to provide and promote borrowings, this has influenced your decision to borrow in order to improve your household's economic status.					
The project you ventured into has been successful therefore can act as a security for further personal borrowings					
You are aware of the interest charged on personal loans acquired plus					

their impact on your future economic status.					
Government finance policy in place is considerate to individual borrowers' economic growth.					
Personal borrowings considered for acquiring household assets, business operations and furthering education.					
Due to personal borrowings your ability to provide for your household needs has been enhanced.					

b) Personal Savings

6. To what extents do you agree with the following statements regarding personal savings as a means to gain household economic empowerment? Tick 1- Not at all, 2-Small extent, 3-Moderate extent, 4-Great extent and 5- Very great extent.

Statement	**1**	**2**	**3**	**4**	**5**
Personal savings capacity of households, despite their level of income can accumulate an enormous amount of capital for funding development projects.					
Availability of saving facilities affects positively households' saving behavior.					
Your household's lifestyle factors in cost of living to ensure economic stability.					
Future household financial planning motivates saving e.g. contributing to employment pension scheme, insurance policies e.t.c.					
Returns on your investments are rewarding and key in facilitating the achievement of household's financial plans resulting in economic success.					
Investment in various portfolio helps in risk diversification/ reduction					
Personal savings have been used as a source of financing/ expanding household business.					
Have substantial savings in government securities					